

BUFF/18/30

December 10, 2018

**Statement by the Staff Representative on Panama
Executive Board Meeting
December 12, 2018**

This statement updates developments in Panama since the issuance of the Staff Report, which does not alter the thrust of the Staff Appraisal.

- ***High frequency data point to a slow recovery.*** The monthly index on economic activity (IMAE) estimates economic growth at 3.8 percent in September 2018 (y/y), up from 3.4 percent in August 2018 (y/y).
- ***Price pressures remain muted.*** Headline inflation edged up to 1.0 percent in October 2018 (y/y), compared to 0.8 percent in September 2018, while core inflation (excluding food and fuel prices) remained stable at 0.7 percent (y/y).
- ***The fiscal position continues to be supportive.*** The non-financial public sector (NFPS) deficit reached 3.8 percent of GDP through September 2018 compared to 1.5 percent last year. While revenues were broadly stable in nominal terms compared to last year, acceleration in the pace of budget execution, particularly capital spending, is responsible for the more supportive fiscal position in the first nine months of 2018. The government must adjust spending in the last quarter of 2018 to comply with the new deficit limit of 2.0 percent of GDP under the modified fiscal responsibility law. The authorities have reiterated their commitment to the deficit limits under the fiscal responsibility law.
- ***Minor revisions to the national income accounts.*** Recently revised data by the National Statistics Institute (INEC) indicates that real GDP growth for 2017 was 5.3 percent, (or 0.1 percent lower than reported in the Staff Report), whereas nominal GDP growth was 7.5 percent (or 0.6 percent higher than in the Staff Report). However, these marginal changes in GDP estimates do not significantly change the ratios to GDP included in the Staff Report.