

# PANAMA

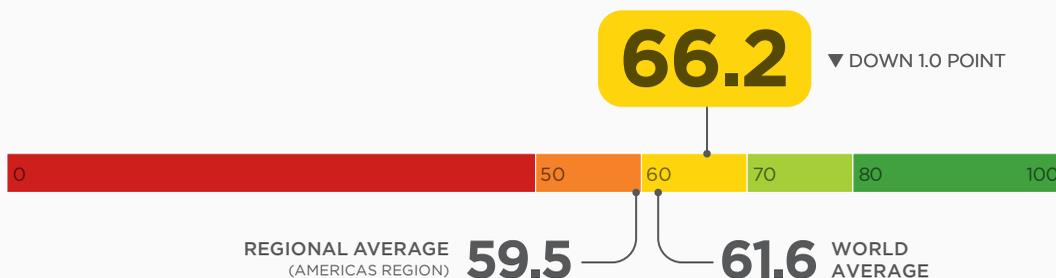
Panama's economic freedom score is 66.2, making its economy the 62nd freest in the 2021 *Index*. Its overall score has decreased by 1.0 point, primarily because of a decline in **fiscal health**. Panama is ranked 10th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

The Panamanian economy is again in the moderately free category where it has been for two decades. The biggest barriers to expanded economic freedom are the continuing lack of labor freedom and ongoing weaknesses in the rule of law as seen in the country's *Index* scores for the property rights, judicial effectiveness, and government integrity indicators.

**IMPACT OF COVID-19:** As of December 1, 2020, 3,098 deaths had been attributed to the pandemic in Panama, and the economy was forecast to contract by 9.0 percent for the year.



## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -5.4

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
4.2 million

**GDP (PPP):**  
\$112.0 billion  
3.0% growth in 2019  
5-year compound annual growth 4.6%  
\$32,762 per capita

**UNEMPLOYMENT:**  
3.9%

**INFLATION (CPI):**  
-0.4%

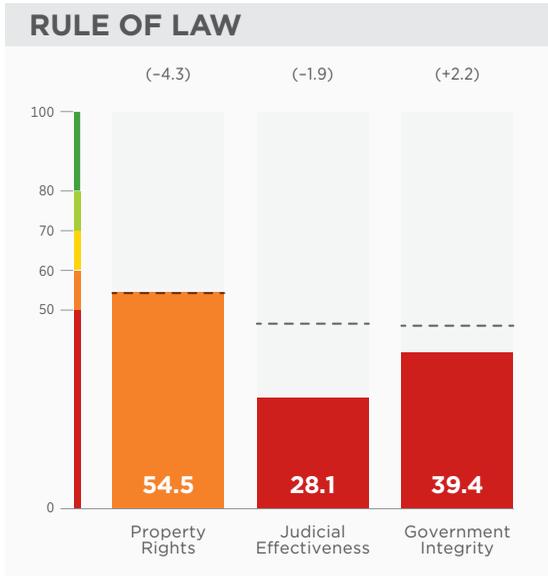
**FDI INFLOW:**  
\$4.8 billion

**PUBLIC DEBT:**  
46.8% of GDP

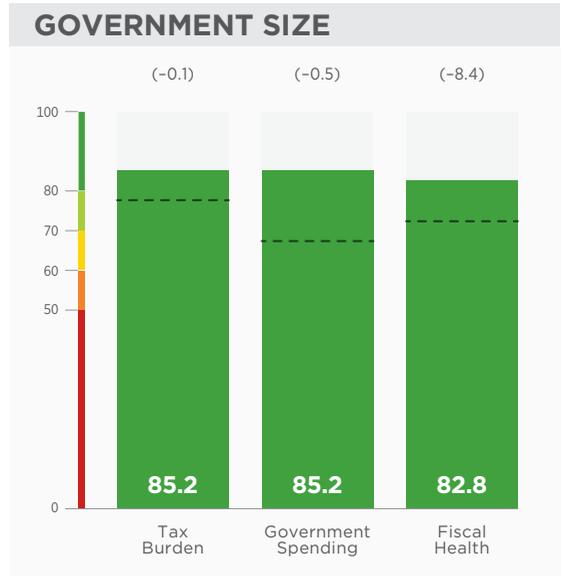
2019 data unless otherwise noted. Data compiled as of September 2020

**BACKGROUND:** Panama's isthmian canal connecting the Caribbean Sea and Pacific Ocean has been a vital conduit for global commerce ever since it opened in 1914. President Laurentino "Nito" Cortizo of the Revolutionary Democratic Party (PRD) began a five-year term in 2019. Cortizo is negotiating a free-trade agreement with China. Although its growth has slowed somewhat in recent years, Panama's U.S. dollar-based economy has been fueled by the canal's ambitious 2016 expansion and other public infrastructure improvement projects. The well-developed services sector accounts for more than 75 percent of GDP. Panama is a longtime money-laundering and illicit drug trafficking hub, and international financial regulators have increased their oversight because of the country's inability to address its financial system's vulnerabilities.

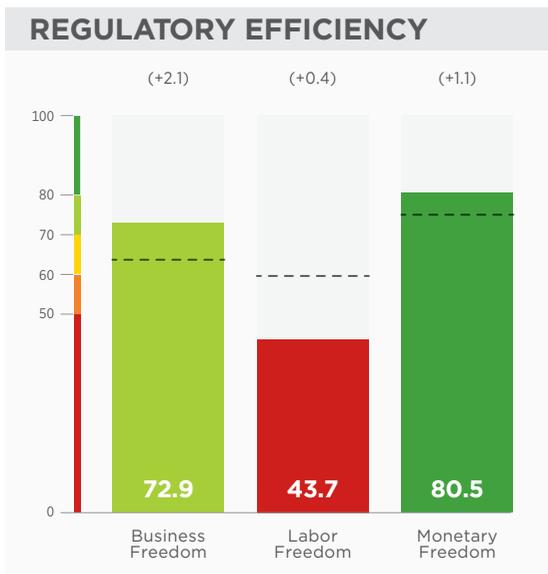
# 12 ECONOMIC FREEDOMS | PANAMA



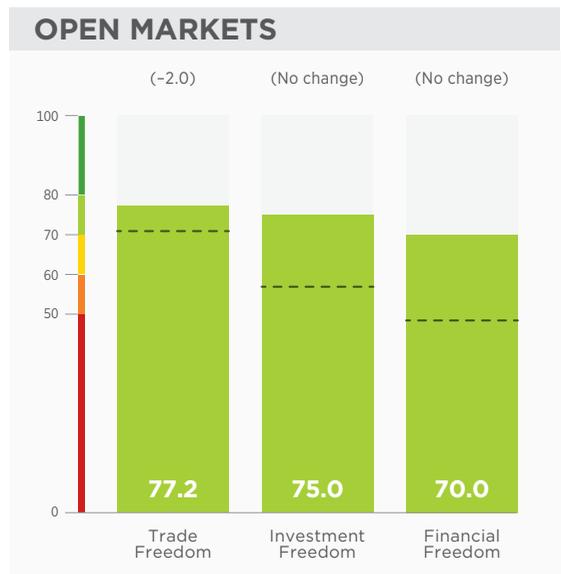
The judicial system's capacity to resolve contractual and property disputes is weak and susceptible to corruption. The majority of land in Panama is not titled. The judiciary lacks independence and is highly politicized. Courts are backlogged, underfunded, inadequately staffed by personnel with limited training, and lacking in technology. Corruption is rampant in the private sector and at all levels of government.



The top individual income and corporate tax rates are 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 15.1 percent of total domestic income. Government spending has amounted to 22.2 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.8 percent of GDP. Public debt is equivalent to 46.8 percent of GDP.



Starting a business and obtaining electricity have become less costly. Panama's business freedom has moved higher this year after falling during the past two years. The very restrictive Panamanian labor code impedes labor mobility. According to the IMF, government subsidies for electricity in 2019 equated to 0.3 percent of GDP.



Panama has 16 preferential trade agreements in force. The trade-weighted average tariff rate is 6.4 percent, and 20 nontariff measures are in effect. In general, the government does not screen or discriminate against foreign investment. The financial sector provides a wide range of services. Efforts to strengthen anti-money laundering laws continue. About 50 percent of adult Panamanians have access to an account with a formal banking institution.