Fitch reaffirms Panama's Investment Grade at ‘BBB’; stable Outlook

The agency stressed that the evaluation is based on a stable macroeconomic performance that has led to a sustained increase in per capita income based on economic and fiscal policies and the strategic position of assets of the Republic such as the Panama Canal, which support a high degree of investment.

In addition, Fitch Ratings indicates that the infrastructure projects under execution and, to be executed, will continue to boost economic growth between 5% and 6%, above the projections made.

The rating agency highlights the measures adopted by the Government to strengthen the fiscal framework, such as for example, the presentation of bills aimed at penalizing tax evasion and creating a Fiscal Council.

Source: Panama's Ministry of Economy and Finance (February 16, 2018).

Panama joins international tax co-operation efforts to end bank secrecy

At the OECD headquarters in Paris, Panama’s General Director of Revenue, Publico Cortés, signed the CRS Multilateral Competent Authorities Agreement (CRS MCAA), in presence of OECD Deputy Secretary-General Masamichi Kono. Panama is the 98th jurisdiction to join the CRS MCAA, which is the prime international agreement for implementing the automatic exchange of financial account information under the Multilateral Convention on Mutual Administrative Assistance.

By signing the CRS MCAA, Panama is re-affirming its commitment to the automatic exchange of financial account
information pursuant to the OECD/G20 Common Reporting Standard (CRS), with exchanges set to commence in September 2018. The signing of the CRS MCAA will allow Panama to activate bilateral exchange relationships with the other 97 jurisdictions that have so far joined the CRS MCAA.

At the signing ceremony, Deputy Secretary-General Masamichi Kono said: "I congratulate Panama on taking this very substantial step towards putting in place a truly global exchange network for the automatic exchange of financial account information. Your signing today (day of the signing) puts Panama in an excellent position to fully deliver on its commitment to start CRS exchanges with all interested appropriate partners in September of this year."

"The decision we are celebrating today, reaffirms the recognition by the European Union that Panama complies fully with international standards of fiscal and financial transparency," said Vice-President Isabel de Saint Malo de Alvarado.

For his part, the Minister of Economy and Finance, Dulcidio de la Guardia, who chairs CANSIF, assured his satisfaction for the "effectiveness of Panamanian technical, diplomatic and political efforts that achieved the rapid exclusion of Panama from the list and prevented European countries from imposing discriminatory measures against Panama, because of it.”

Source: Panama's Foreign Relations Ministry (January 23, 2018).

In 2018, Panama will be the Latin American country with the highest growth

According to World Bank's projections, out of all the Latin American countries, Panama will grow the most.

Infrastructure projects investment and services exports are the reasons a BBC World's publication on the World Bank states that the country’s Gross Domestic Product (GDP) growth will be 5.6%.

World Bank's lead economist Carlos Arteta stated that “the region's economy is in the midst of a clear recovery, after two years of negative growth, but still faces risks and challenges in the short and long term.”

Source: Daniel M. Alarco - La Estrella de Panamá (January 13, 2018).
Sovereign Wealth Fund Law reforms to increase savings

Panama’s Minister of Economy and Finance Dulcidio de la Guardia (Source: La Prensa).

The government will present a reform to Panama’s Sovereign Wealth Fund (SWF) to increase the country’s only savings instrument’s equity and to change its investment policies.

Currently, investments are only made in international markets, a strategy that seeks to prevent exposure to an eventual shock to the national economy.

Dulcidio de la Guardia, Minister of Economy and Finance, stated that the reforms to be presented to the National Assembly will propose between 30% to 40% of the SWF’s equity to be invested in Panamanian financial assets. “In this way, it will contribute to the economic development of the country and the local capital market,” stated de la Guardia.

Furthermore, other aspects will be included in the reforms to raise the savings. For example, the resources obtained by the Government from the sale of properties in reverted areas will be allocated to the SWF, and the profits generated by the fund’s investments will be saved up to a size equivalent to 5% of the GDP.

Source: Roberto González Jiménez - La Prensa (June 29, 2017).

S&P improves risk outlook for Panama’s banking system

Standard & Poor's Global Ratings (S&P) improved the "stable" risk perspective of Panama's banking industry and highlighted its strength.

S&P's decision is based on the strengthening of the regulatory framework that has been implemented. This view, according to the rating agency, is based on the introduction of Basel III capital adequacy rules, liquidity (to be adopted) and rules for the prevention of money laundering.

According to the rating agency, the prospects for solid growth in the Panamanian economy have had a positive impact on the banking system, as well as on its operating results.

S&P also recognizes the strength of the system even during periods of high reputational risk and notes that funding structures were not affected by the inclusion of the country in the gray list of the FATF and the Waked case.

Source: Panama’s Ministry of Economy and Finance (June 22, 2017).

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