

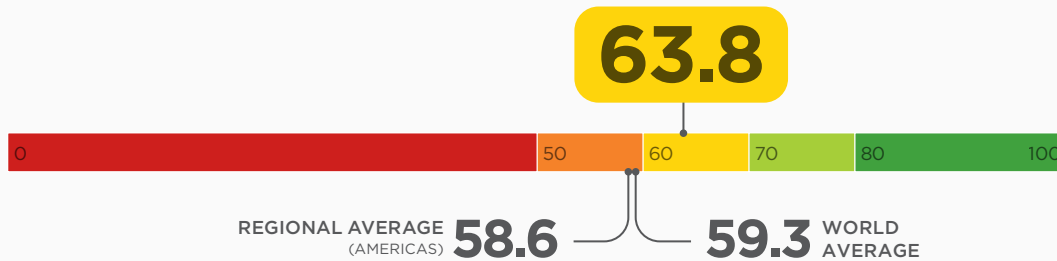
PANAMA



Panama's economic freedom score is 63.8, making its economy the 55th freest in the 2023 *Index*. Its score is 1.6 points lower than last year. Panama is ranked 9th out of 29 countries in the South and Central America/Caribbean region, and its overall score is above the world and regional averages.

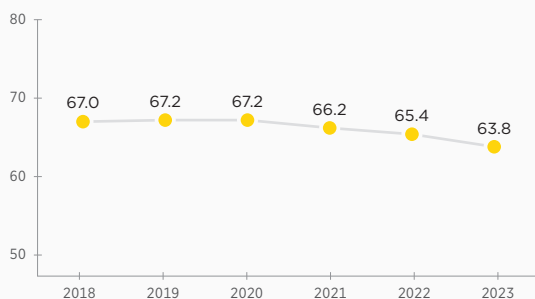
With liberal trade and investment frameworks, Panama's service-oriented economy continues to be an international business hub for such activities as maritime transport, distribution services, and banking. Despite progress, overall economic freedom remains restrained by institutional shortcomings that undermine long-term economic expansion. The judicial system remains vulnerable to political interference.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -7.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
4.4 million

GDP (PPP):
\$138.8 billion
15.3% growth in 2021
5-year compound annual growth 1.9%
\$32,003 per capita

UNEMPLOYMENT:
10.3%

INFLATION (CPI):
1.6%

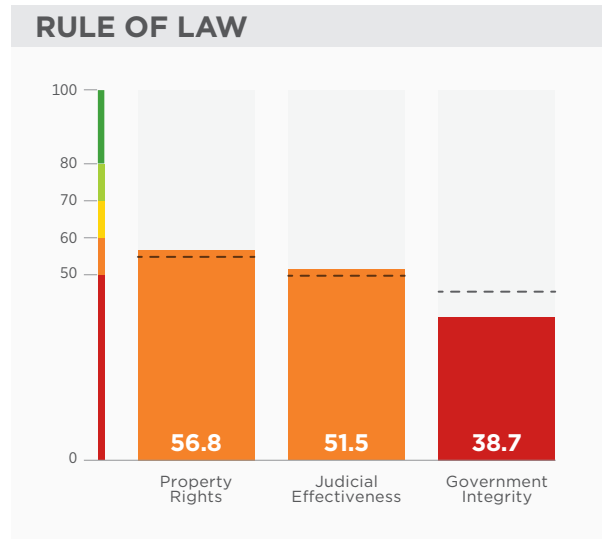
FDI INFLOW:
\$1.8 billion

PUBLIC DEBT:
58.4% of GDP

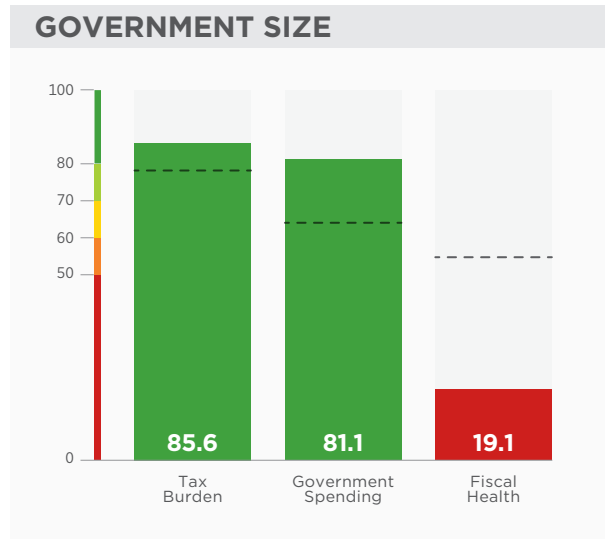
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: The Panama Canal has been vital to global commerce ever since it opened in 1914. In 2022, President Laurentino “Nito” Cortizo of the Revolutionary Democratic Party faced record-size protests against rising food prices and corruption. Cortizo has signaled that he might restart negotiations for a free-trade agreement with China, and Beijing’s influence is increasing. Although growth has slowed, the canal’s 2016 expansion, additional public infrastructure projects, and rising copper exports have stimulated Panama’s dollar-based economy. Services account for more than 75 percent of GDP. Panama is an illicit financing and narco-trafficking hub, and international regulators have increased their oversight.

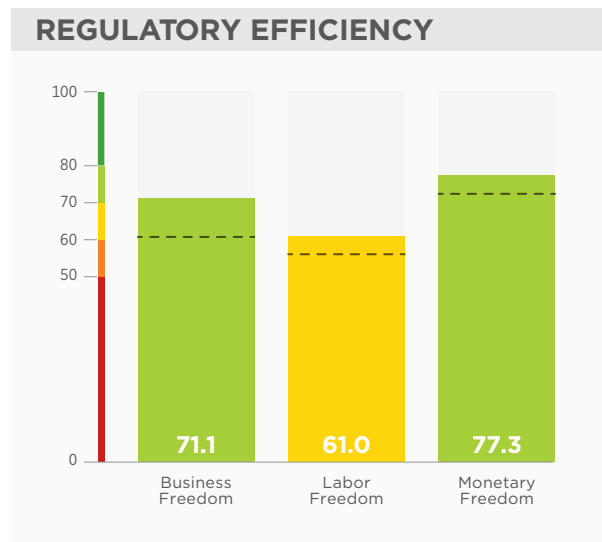
12 ECONOMIC FREEDOMS | PANAMA



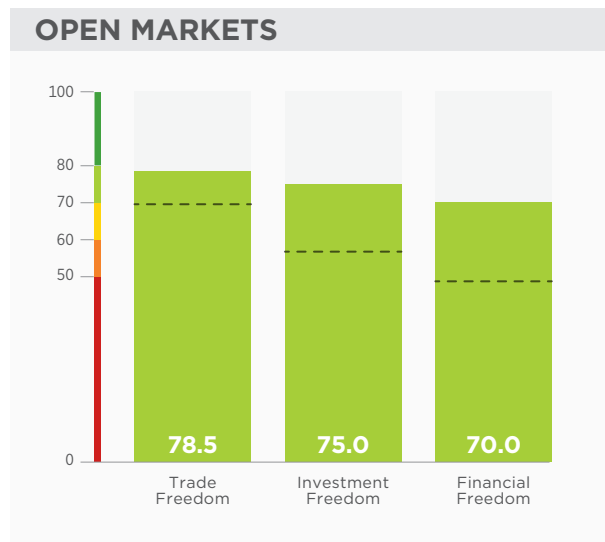
The overall rule of law is weak in Panama. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is below the world average.



The top individual and corporate tax rates are 25 percent. The tax burden equals 13.7 percent of GDP. Three-year government spending and budget balance averages are, respectively, 25.1 percent and -6.8 percent of GDP. Public debt equals 58.4 percent of GDP.



The overall regulatory environment is efficient, but the pace of reform has slowed. The labor market lacks flexibility. Restrictions on work hours are rigid, and the non-salary cost of hiring a worker is relatively high. Monetary stability has been fairly well maintained.



The trade-weighted average tariff rate is 5.8 percent, and layers of nontariff measures are in force. In general, the government does not screen or discriminate against foreign investment. The financial sector provides a wide range of services. Efforts to strengthen laws against money laundering continue.