



Report from Panama 25 March 2023

In the first decade of this century, Panama's economic growth took off. By 2007, laws and regulations were adjusted to meet the needs of foreign businesses and they responded by moving regional offices here as well as providing their services and products locally.

Separately, thousands of retirees came down from the north with stars in their eyes, especially Americans who were in the midst of one of the greatest real estate bubbles ever created that would eventually not pop but explode! Having received more money from the sale of their homes than they had expected, they bought freely here where prices were cheaper and the weather better.

They were among the most positive people I have ever met, but some of them had a serious problem. Because they had made money in the US bubble, they felt they "knew" real estate and were ready to "flip" homes here. I cannot tell you how sick I got of hearing the verb "to flip" in relation to real estate. They were convinced that they were experienced real estate experts. They were, but not in Panama. It was, and is, a very different real estate market.

When the US market collapsed, foreigners expected Panama's to fall too. It did not fall. Venezuelans fleeing political upheaval took their place in the city and metro area. In the provinces, it was tougher as only retirees were interested in living there. For businesspeople, the provinces were somewhere to visit on a holiday. They could not live far from their offices, schools for their kids, shopping malls, a major international airport for business travel, the best communications, and the list goes on.

So Panama City real estate did well, but the further you got away from the city, the more you felt the absence of new retirees. Americans still came, but they were now much less likely to buy. Canadians had to deal with currency exchange and the “loonie”, their affectionate name for their dollar, had its bad days too. Things quieted down. Then Covid came.

This is all interesting in retrospect, but that is now history.

And today?

Today, it is a different world and it is not going to stop changing any time soon. There is a lot of fear being expressed by many foreigners, fear of climate change, artificial intelligence, genetics, automation, loss of privacy, fear of masks, fear of viruses and above all, fear of each other. Perhaps the fear that will be realized sooner than the others is the fear of a greater war in Europe. Should it spread to other nations, Europe will be a tougher place to live. Meanwhile, Latin America suffered greatly from the pandemic and general economic failure too but not all equally.

I hear Panamanians debate the future here, not the past. They have their issues, but “fear” is not a primary word in their vocabulary.

Panama is one of the very few Latin American nations categorized as “investment grade” which means that people can expect Panama to pay what it owes as promised and, in turn, it receives lower interest rates when it borrows money. The bonds of a majority of Latin American nations are “speculative grade” (also referred to as “junk bonds”) and have to pay much higher interest rates for loans or have to depend on a bailout from the International Monetary Fund.

One thing people usually do not know is that a *private company* in any nation that is judged to be “speculative” will expect to pay higher interest rates for its loans as well. Working in a “junk bond” nation is considered to increase the risk for the private sector as well. This makes Panama all that much more attractive to business.

Some nations struggle to survive, we struggle to keep up with our own potential.

So what has been happening in Panama?

People who have listened to my YouTube videos in recent weeks are very aware of how frustrated I have been for lack of statistics. They have been delayed, some for weeks, but not for a bad reason. The stats I use here are primarily prepared by the National

Institute for Statistics and the Census (INEC is its Spanish acronym). Note the last three words, “and the Census”.

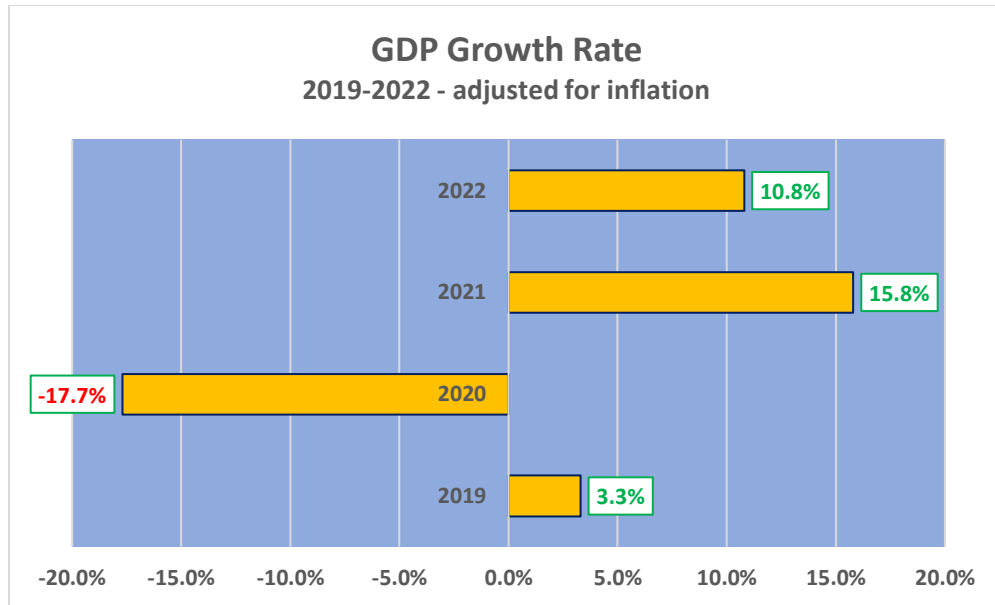
Due to Covid, INEC did not hold its normally scheduled population census in 2020. It took time to get through that and the period following when the census-takers and the public alike were still unsure of their safety from infection. With the extra time available, INEC prepared a different approach and it seems to be going well.

I call it a “rolling census”. Instead of trying to count everyone on the same day, sending thousands of census-takers on the road all over the nation, regardless of weather or any other factor as in 2010, they took their time to create new and more focused questionnaires and better train a smaller census staff. This gave their staff the time to find people who were not available when they called and take more time with each household to help them understand the questions and their purpose.

My census-taker was very friendly and professional. We were done in a few minutes. As a resident, I had fewer questions to answer than a citizen. Over 4 million people have been counted and an additional 400,000 people are expected to be added.

From what we have heard so far, this nation really has changed a lot since 2010. Some of the results are quite surprising but none are painful so far. I look forward to reading the final results and sharing them with you.

Tied up with implementation of the census, INEC has apologized for getting behind in normal reporting, but soon will focus on that. Apology accepted. They did me a favor a few days ago by providing a provisional number for the 2022 GDP (Gross Domestic Product – think of it as “total national income”), so I can use that in today’s report.



[Source: National Institute for Statistics and the Census]

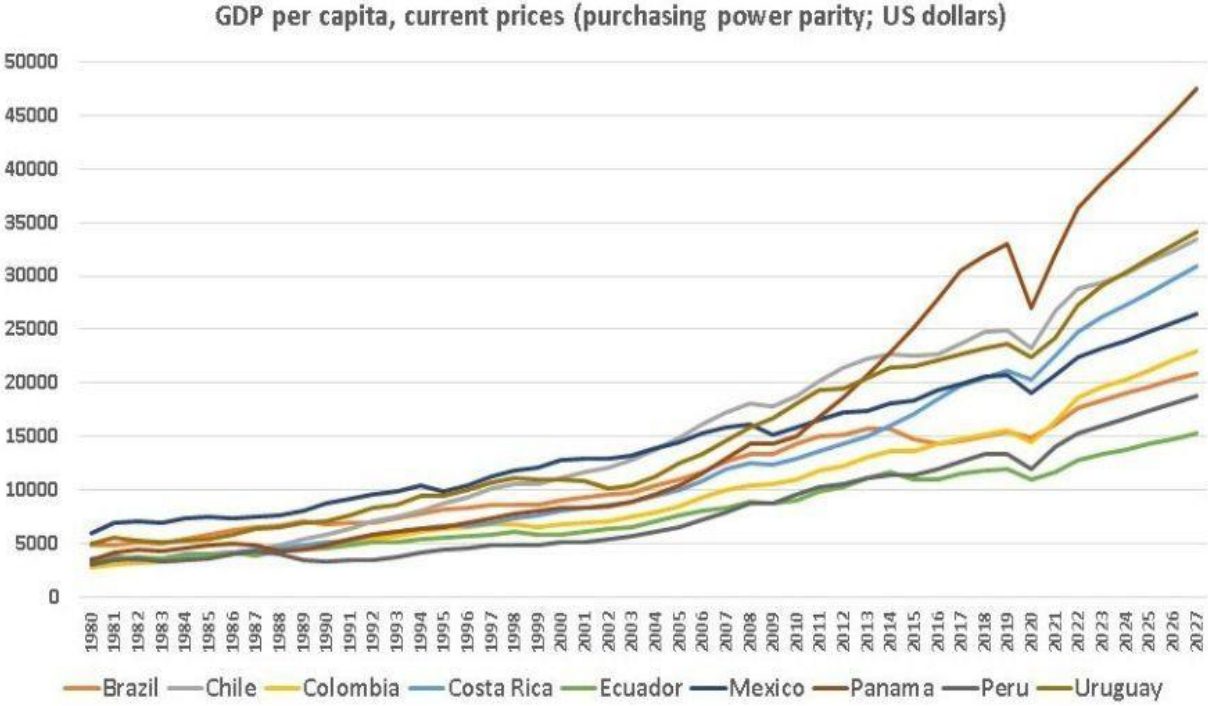
As you can see, 2019 was a slow year, positive but nothing special. 2020 was terrible, the worst in Latin America. That was the result of closing the nation down until we had what we needed to stop the virus. When the vaccine finally arrived, we did a very impressive job of its distribution.

At first, some people were happy. You might be surprised how many other Latin Americans have gotten sick and tired of hearing how well Panama is doing! As you will see shortly, this is nothing new. The thought that we had such a bad year seemed to justify the sarcastic comments that could be heard.

In 2021, everyone assumed we would grow 4-5% at the beginning. Slowly, estimates rose and I spoke of the differences between the estimates of 9-10% that came near the end of the year because the monthly stats showed much better growth. I told people on the YouTube channel that 14-16% was more likely based on the monthly data. So when we hit 15.8%, we were suddenly the leader in Latin America again.

In 2022, estimates again were lower. We went through the same process all over again. The monthly data did not support the estimates but exceeded them. I could not get any monthly data for the last three months due to the census and could not make a good estimate but it seemed that GDP growth could be double-digit again based on the first nine months. Other estimates grew to 9% or 9.5% but, once again, they missed the real results, 10.8%.

So where does that leave Panama compared to other Latin American nations? Here are the results from 1980 through 2027. *2022 through 2027 are estimates.* Yes, we are the line at the top. Uruguay's color is similar, but it is the second line, the one that ends directly below us and just above Chile. The only thing to add is that this chart shows a lower rate for Panama in 2022. If the real rate had been available at the time, it would look even better.



Source – International Monetary Fund

I will finish this section with an image and links to a report that I also offered in the last Report from Panama. The links below are updated as they have changed, but the report is one of the most astonishing I have read. It was and remains the lead article at the Panama “portal” of the International Monetary Fund website. One of the informal rules at international financial sites is that you rarely single a nation out for special praise and press other nations to follow the same path.

Well, the IMF broke the rule and with good reason. For a long time they had no Latin American “model” to demonstrate how things are done right. Do not bother telling them that Panama’s success is because the US built a canal for them. Try to keep in mind that Panama expanded the Canal in a \$5.4 billion (in Spanish, it would be \$5,400 million) project inaugurated in 2016. That expansion has provided more than half of the Canal’s income. Without it, we would be in major trouble now. No, it is not only what someone else did in the 20th century, but also what Panama has been doing and continues to do in the 21st century.

So below is the story summed up in a graphic. The links will take you to the analysis behind it. It is not complicated jargon. You do not need specialized training. I normally do not repeat something I have already shared in a past report, but this can really help you understand why Panama sometimes stands alone for the right reasons.

Struggling to catch up

It could take centuries for countries to reach U.S. living standards at the speed they're converging. Panama is a notable exception.

(average change in convergence ratios per decade, 1989-2019, percentage points)



Source: World Economic Outlook.

Note: Convergence ratio is in percent of US real per capita GDP, PPP. Convergence velocity is the average change in convergence ratios per decade in percentage points.

English - <https://www.imf.org/en/News/Articles/2021/11/17/na111821-panamas-story-of-convergence>

Spanish - <https://www.imf.org/es/Blogs/Articles/2021/10/01/blog-the-different-shades-of-latin-america-economic-convergence>

Portuguese (Brazil) - <https://www.imf.org/pt/Blogs/Articles/2021/10/01/blog-the-different-shades-of-latin-america-economic-convergence>

Bits and Pieces

Given INEC's challenges, I have fewer completed 2022 statistics for this report, but there is much more going on and here are just a few examples.

We had a major controversy with the Canadian company with a contract to build and operate our copper mine. Their contract agreement was poorly designed, was struck down by Panama's Supreme Court, and had to be renegotiated. It was a struggle, but the government was well-prepared and got what it wanted. Annual income was around \$30-40 million a year under the old contract. Now it will be a minimum of \$375 million a year. The mine is back in operation. Further official hurdles must be cleared but all indications are positive. What will be done with the money?

Panama faced a serious shortfall in funds available to its Social Security system (other nations are familiar with that funding crisis too). With the new mining contract now underway, 50% of the annual payment will go directly to the Disability, Old Age, and Death (IVM) program of the Social Security Fund to get it back on stable ground. 20% will be used to pay the lowest-paid retirees a pension worth getting, 25% will be used to enhance the area on the Caribbean coast where the mine is located for the benefit of the people resident in that area. Five percent will cover administration of the funds. For example, our well-respected Technical University of Panama will work with residents to prepare practical projects that meet local wants and needs.

The new Metro station at Tocumen International Airport is open and travelers can now travel quickly and cheaply into the city. Construction of Line 3 is moving along and the planning for Line 5 continues (Line 4 will come later, along with 6, 7, etc.).

The new convention center is already a success and nearly 100,000 people used its facilities last year when it opened. This full year of operation will bring more. A beautiful building, it can serve 24,000 delegates at once. **Take note:** Last year, the center's impact on hotel occupancy rates was positive and very welcome to a sector that has been depressed. As visitor traffic grows, hotel rates will increase. We have had and still have some bargains, but you can no longer count on them.

After a stumble, the construction of the new cruise ship homeport on the Pacific side on the edge of the city is 90% complete and will bring more people to the capital area.

We are waiting for the release of a report from the Panama Canal Authority outlining a \$2 billion (in Spanish, \$2,000 million) plan to assure sufficient water both for the operation of the Canal and the needs of people and the total economy.

And let me remind you that the Canal Authority is also preparing plans for a second expansion and fourth set of locks for the Canal, if their studies convince them it will be profitable. When the first expansion was done, the ground was prepared for a possible second expansion to take advantage of the heavy equipment we were already paying for. This will save Panama a lot time and money, should a second expansion begin.

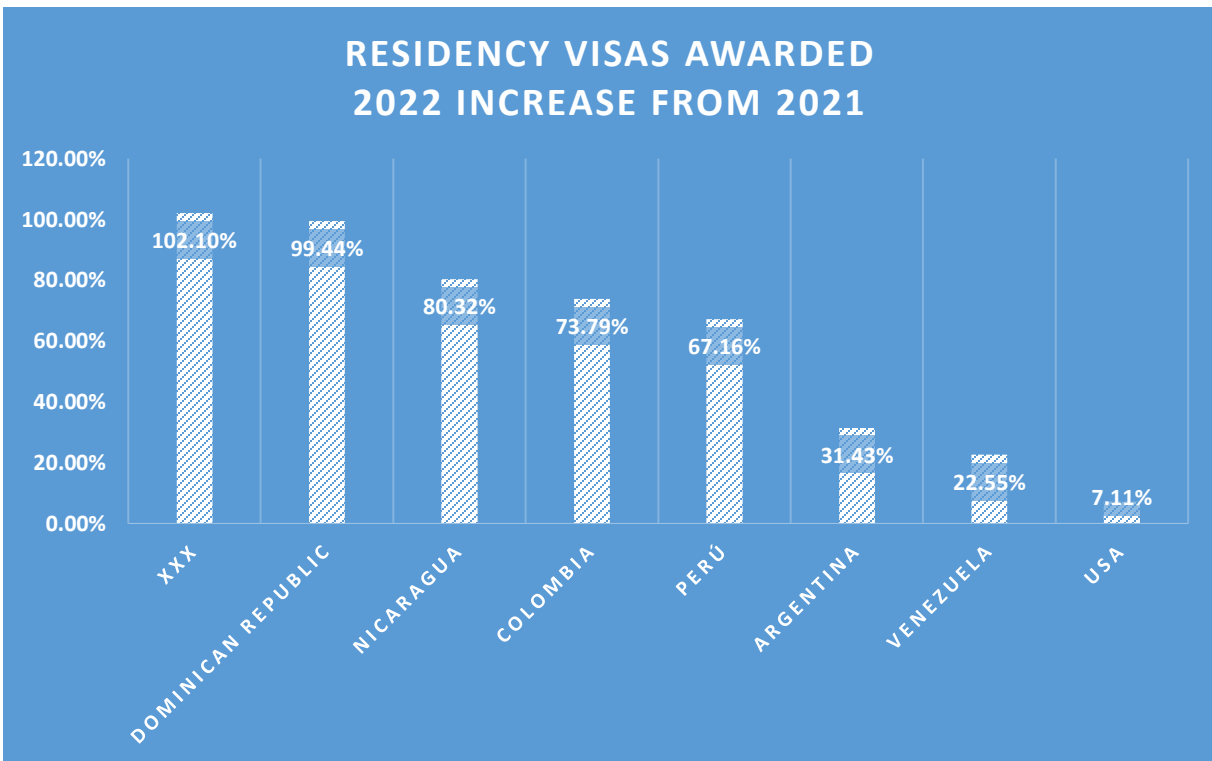
There is a lot more, but here is one small detail most people will miss, but it is also part of the story. Surfing is an increasingly popular sport here with three national competitions, each followed by a "clinic" to help young surfers improve, and finally the Pan American Surfing games to be held here in Panama later this year. We hope to send some of our best (and they are very good) surfers to the 2024 Olympics. A small detail perhaps, but one we take pride in and which draws thousands of visitors to competitions held at the center of surfing activity near Pedasi on the tip of the Azuero peninsula, that big "hump" reaching out into the Pacific. It is "small details" like this that make Panama a more attractive location than simply doing business.

Finally, I could make this last entry a whole section of its own, but it would be too long and detailed for this report. I refer to the arrival of foreigners receiving residency permits. First, Americans should not panic. Your numbers are growing slowly, but they are high and stable, third-highest after Colombia and Venezuela. The others are growing faster, typically due to the "safe haven" effect. They are looking for a new home for their families and businesses. Their current home nations are in serious trouble. It has to be serious to move your family and business to another nation under difficult circumstances.

Some who arrive are poor but some are not. Peruvians are arriving in increasing numbers due to the political, social, and economic crisis they are facing. They are also bringing substantial amounts of money. I do not follow the Dominican Republic closely, so I will not comment on that, but the other nations have reason to be concerned.

Panamanians were Colombians before Panama "separated" in 1903, so we are used to our neighbors living and working here in search of a US dollar income. But last year they broke all records in seeking permanent residency, about 50% more than the old record since 2010. Over 6,000 received their residency visas in 2022 and joined the thousands of others who have already arrived. As always, they are welcome.

But here is the fun part! What nation is XXX, the first one on the chart on the next page with the highest percentage gain? Can you guess what nation might have made such a dramatic increase? It obviously is not one of those shown. So stop and think about it. Make your guess and I'll give you the answer shortly.



Okay, I am a nice guy! I will not leave you hanging. The answer is simple and only five letters long – Italy. I leave it to you to wonder why.

I follow these statistics every month. The nation I am especially interested in is Argentina. That really surprises people. Argentina does not pay to use the Panama Canal; they just go around the tip of South America (also part of Argentina) when they need to get goods to Asia. They have my attention for several reasons. If what I suspect is happening is indeed happening, I will share it, but I am not there yet. Analysis is more than a statistic.

We will see what the future holds for all of us, but our safe haven status has brought us all types of good people over the decades and it still does. We, too, are a “nation of immigrants”, even though most of ours are residents, not citizens, and Panama has surely benefited from them.

From what I write, you may think that arrivals are mostly retirees or seeking “haven” from a troubled homeland. Now is a good time for me to share the title of the visa most commonly provided in 2022, as has been the case in earlier years as well – “Employees of Multi-National Corporations”.

Retirees, haven seekers, and other groups are welcome, but in the final analysis, the business of Panama is doing business.

What about Real Estate, Bob?

No doubt, this is always the most challenging section. In the past, I have made some general comments, but since there are no dependable national real estate statistics available, I give only general comments. In the decades that I did economic analysis in nations all over the world, I prepared reports far longer and more detailed than anything you have ever seen from me.

I was well-paid for what I did, as was the firm I worked for at the time. However, although my reports were no longer than 20 pages in the main report, they included as many as 200 pages in appended documentation and detailed analysis. I knew that my clients would scan the report and go directly to the summary for recommendations. That would not provide specific predictions, but it would include what I would call “forecasts” that were more general.

Nobody has a crystal ball and I never got around to picking up my degree at Hogwarts but, in simple terms, here is my best guess as to what the future will hold for Panama and, in the process, its real estate market. Take them in that spirit and they may be useful to you.

I speak here of the Panama City metropolitan area, primarily Panama Province on the city side of the Canal and Panama West Province on the opposite side. The provinces are a mixed story and do not follow the same pattern as they are more dependent on retirees and do not have a large inventory of unsold properties.

- ✚ Unlike any other nation in the region and most nations in the world, Panama has successfully passed through every stock market, banking, business, financial, medical crisis of one sort or another since the turn of the century with little damage and, in fact, stronger after each “crisis”. Take another look at the “GDP per capita” chart that compares Panama to others in Latin America. A picture is worth a thousand words.

- ✚ Panama is not “just the Canal”. Panama is an ocean transport hub, an air transport hub, and a cyberspace hub. When Google built their very expensive 10,500 kilometer (6,500+ mile) undersea cable connecting California and Chile, they included an expensive “spur” of several hundred kilometers for one purpose, to include Panama. They did not do it to impress us. It is all about business.
- ✚ Panama has the world’s second-largest “free trade zone” (or “specialized economic zone”) in the world, second only to Hong Kong. We never ran out of toilet paper or anything else because of supply chain problems. Panama is an important link in that supply chain.
- ✚ Panama is an active democracy and the opposition never lets the government forget that. That is its responsibility.
- ✚ When facing an external threat, like a virus, Panamanian society meets it as a united people. We have plenty of disagreements, but we stand together when under pressure from outside - medical, political, or economic.
- ✚ The result is that Panama is the most secure and stable (some call us “boring”) society in Latin America, as well as a society that welcomes those searching for the same security and stability. We share.
- ✚ Due to a large inventory of unsold or rented properties, *we are a buyer’s market*. No, we are not “dirt cheap” as North Americans say, but prices are lower than they have been for years, especially in the city and the metropolitan area.
- ✚ At the moment, we at the PanamaWave.com project find that the \$400K and above homes are moving the fastest, a reminder that retirees are not the primary group moving to Panama. This year, I expect sales prices at other levels will begin to recover as well as rentals. We have so much growth ahead of us this year as we make up for lost time during Covid, only a serious problem that we cannot anticipate will change this trend.
- ✚ Every year for 19 years, foreigners and many Panamanians as well have been sure that Panama’s “success story” was at an end. This reached fever pitch in 2020 during the lock-down. The critics told us it would take years to get back to where we were in 2019. It took about a year and a half and yes, we correct for inflation.

If I had to choose one word to describe Panama, it would be “momentum”. Yes, success does breed success and for good reason, but it requires continuous attention to be maintained. In Panama, it gets it. The charts are the proof.

In two decades I have never said in a Report from Panama what I would say without hesitation today If I were sitting across from you, face-to-face.

As I begin my 20th year since first visiting Panama and deciding to relocate, I have never seen a better time to buy or rent, especially in the metro area, than I do today. Anything can happen, but Panama has proven time after time that it can survive anything thrown at it and come back stronger. If you are thinking of Panama as a new home, act on it, earlier rather than later. Take advantage of the market. It will not last forever. Do not wait for it to take advantage of you.

The other provinces are great too but will take you extra effort as no one really can generalize about them as a whole. This is **no** indication that they are not worthy in my eyes, but I do not have enough direct information to make a good judgement.

Here we sit in a confused and unhappy world, but let me share two little secrets I have discovered during my work globally. The first secret is that it has always been this way and it will always be this way because we are human and we make mistakes. The second is when it all becomes more than we can handle, there really are “safe havens”.

Now, anyone who has read any of my “Reports” since the very first one so many years ago knows what comes next. I read it every time I send out a report and I encourage you to do the same. Friends tell me I’m crazy. I am just attacking my own credibility. I tell them, no, I am emphasizing it. The one change made at the request of those who speak English as a foreign language, the word “extension” has replaced “extrapolation”. Thank you for bringing that to my attention.

“No one knows the future. Free markets go up and free markets go down. The future is not a simple extension of the present. Anything can happen. Everyone has an opinion and those words above are just opinions.”

Thank you once again for your friendship and all your messages!

Bob

[The Panama Wave real estate services](#)

[The YouTube channel](#)