FitchRatings

Panama

Update

Latest Credit Developments

Strong Growth: Panama's economy grew 4.8% year-on-year in 1Q26, following growth of 4.4% in 2025. The transport sector continued to perform strongly, boosted by increased demand to transit the Panama Canal amid the conflict in the Middle East, as have construction and commerce. High unemployment (10.4%) and informality remain challenges. Fitch Ratings forecasts growth of 4.0% in 2026 and over the medium term.

Mine Reopening Prospects: The independent audit released in June 2026 found the Cobre Panama mine largely compliant with legal, environmental, and operational obligations, with some deficiencies. The Jose Mulino administration is evaluating options to reopen it, including through a possible state-led ownership structure (which could avoid the need for congressional approval). The authorities have said that a decision will be made by the end of the year. A reopening could add around 2pp to real GDP growth (the amount lost in 2023-2024 due to the shutdown).

Fiscal Consolidation: Fiscal data through 5M26 suggest consolidation is on track, supported by a one-off land sale to the canal (0.2% of GDP) and further cuts to capex (down 7.5% from last year's 20-year low). We expect the government to meet its non-financial public sector deficit target of 3.5% of GDP this year. It remains to be seen how sustainable the compression of capex is as some projects have had payments postponed but have not been cancelled or delayed.

Other structural fiscal reform measures that have been floated have not had traction. Reforms to a 7% of GDP budget mandate for education and automatic public-sector salary increases have yet to be introduced; in the case of the former, this would likely improve the budget transparency rather than directly support fiscal consolidation given under execution in this area. The government has ruled out broad tax increases to raise the structurally low tax revenue base (7% of GDP in 2025).

Global Energy Price Shock: The government has aimed to preserve its limited fiscal space in response to the global energy price shock, pursuing more targeted subsidies to freight and public transport and with a limited fiscal cost. Inflation has picked up to 2.0% yoy in June as a result of higher fuel prices from near zero at the start of the year.

Financing Strategy: The government continues to rely heavily on external bank loans for financing, signing a Japanese yen-denominated loan with multilateral guarantees in January (USD1.4 billion equivalent) and a CHF2.3 billion loan in April. The government returned to international capital markets in February, the first time since February 2024, but solely for liability management. The financing strategy aims to lower interest costs but also introduces FX and refinancing risks, with large wall of maturities having emerged in the next few years.

Debt to Rise More Gradually: Gross general government debt rose to 65.7% of GDP in 2025, from 62.5% in 2024. Consolidated debt rose by less to an estimated 60.2%, above the 'BB' median of 51.6%, which nets out the growing holdings of the social security fund (CSS), but this is still an estimate in the absence of CSS financials for 2025. Fiscal consolidation should slow the rise in debt, although Fitch expects debt to stabilize in 2027. We project the interest/revenue ratio to stabilize next year at just below 20%, compared to a 'BB' median of 10.9%.

El Niño Risks: Drought risks from El Niño could emerge this year. The 2023-2024 event dropped water levels critical to canal operations to near-record lows, forcing severe transit restrictions. However, proactive water management has maintained normal operations and the Panama Canal Authority has not signalled any transit restrictions.

Ratings

Foreign Currency	
Long-Term IDR	BB+
Short-Term IDR	B
Local Currency	
Long-Term IDR	WD
Short-Term IDR	WD
Country Ceiling	A+
Outlooks	
Long-Term Foreign-Currency IDR	Stable

ESG and Climate

Highest ESG Relevance Scores	
Environmental	3
Social	4
Governance	5

Data

	2026F
GDP (USDbn)	95
Population (m)	4.6

Source: Fitch Ratings

Applicable Criteria

Sovereign Rating Criteria (April 2026)
Country Ceiling Criteria (July 2023)

Related Research

Fitch Affirms Panama at 'BB+'; Outlook Stable (December 2025)
Global Economic Outlook (June 2026)
Interactive Sovereign Rating Model
Fitch Fiscal Index – Analytical Tool
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Forecast Summary

	2023	2024	2025	2026F	2027F	2028F
Macroeconomic indicators and policy						
Real GDP growth (%)	7.2	2.7	4.4	4.0	4.0	4.0
Unemployment (%)	7.4	9.7	10.4	10.0	9.0	8.0
Consumer price inflation (annual average % change)	1.5	0.7	0.0	1.5	1.8	1.3
Policy interest rate (annual average, %)	4.6	5.0	4.1	5.0	5.0	5.0
General government balance (% GDP)	-3.9	-6.3	-3.8	-3.6	-3.3	-3.0
Gross general government debt (% GDP)	52.5	57.2	60.2	60.9	61.1	61.0
PAB per USD (annual average)	1.0	1.0	1.0	1.0	1.0	1.0
Real private credit growth (%)	2.1	3.8	1.5	3.8	3.0	2.5
External finance						
Merchandise trade balance (USDbn)	-9.8	-7.4	-9.6	-11.3	-12.2	-13.2
Current account balance (% GDP)	-3.2	0.7	-0.2	-2.6	-2.7	-2.8
Gross external debt (% GDP)	164.2	169.9	172.1	171.8	169.8	166.7
Net external debt (% GDP)	48.9	49.2	49.5	48.3	47.0	45.7
External debt service (principal + interest, USDbn)	10.4	11.8	14.1	14.3	17.4	17.8
Official international reserves including gold (USDbn)	6.8	6.9	4.1	3.6	3.4	2.9
Gross external financing requirement (% int. reserves)	118.4	82.9	123.3	229.0	349.1	378.6
Real GDP growth (%)						
US	2.9	2.8	2.1	1.9	1.9	2.3
China	5.4	5.0	5.0	4.6	4.3	4.3
Eurozone	0.4	0.9	1.4	0.9	1.1	1.2
World	3.2	2.9	2.7	2.4	2.5	2.6
Oil (USD/barrel)	82.1	79.5	68.3	87.0	65.0	60.0

Source: Fitch Ratings

SOLICITATION & PARTICIPATION STATUS

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