

2022 Country Market Profile: Panama

Euromonitor reports that in 2021, Panama's economy expanded in real terms, driven by increasing domestic consumption, public investment and external demand. However, the persisting pandemic-related risks, supply constraints and global inflationary pressures raise uncertainty and weigh on the country's economic outlook.

- Following real GDP (gross domestic product) growth of 13% in 2021, Panama's economy is expected to expand at an average annual real rate of 5.1% over the medium term.
- The unemployment rate is expected to fall by 1% reaching 9.1% in 2022 - above the pre-pandemic level, yet lower than the average of 11.5% in Latin America in 2022.
- Inflation in Panama is forecast to increase to 2% in 2022 from 1.4% in 2021
- While Panama's merchandise exports increased by 89.6% and imports rose by 40.9% during 2021, the country remained a net importer of goods.
- Gross Fixed Capital Formation (GFCF) in Panama rose in real terms over 2021, as a result of strong economic recovery, fiscal stimulus measures and favorable financing conditions.
- The public debt-to-GDP ratio in Panama fell to 58.5% in 2021, compared to the regional average of 69.8%

Panama's dollar-based economy rests primarily on a well-developed services sector that accounts for more than three-quarters of GDP. Services include operating the Panama Canal, logistics, banking, the Colon Free Trade Zone, insurance, container ports, flagship registry, and tourism and Panama is a center for offshore banking. Panama's transportation and logistics services sectors, along with infrastructure development projects, have boosted economic growth, and The US-Panama Trade Promotion Agreement (USPTPA) was approved by Congress and signed into law in October 2011, and entered into force in October 2012.

Panama recognizes the clear link between free trade and competitiveness and seeks to join an elite group of countries that have achieved growth and development through trade. Panama has Free Trade Agreements in force with: Canada, European Union, (EU), Mexico, Colombia, Peru, and Chile, Central America (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua). In 2020 Panama ratified a Free Trade Agreement with South Korea.

USDA's Office of Agricultural Affairs, OAA, in Panama City, reports Panama is an attractive market for exporting U.S. agricultural food products. With a population of 4.3 million (2022 CIA World Factbook Estimate) its culturally diverse population, geographical location, and love for American food and culture provide for increasing export opportunities for U.S. high value food and beverage products. In 2021, U.S. agricultural and related products exports to Panama reached an estimated \$946.3 million, growth of 37% and an all-time record high. Panama has an ambitious public infrastructure plan and an expanding services sector that benefits from the country's emerging role as a regional hub for trade.

Consumer oriented food products exports to Panama totaled US\$548.9 million in 2021, which is 58% of the agricultural total and growth of 28% from 2020. Panama is the largest export market in Central America for processed food products from the U.S., importing US\$480.3 million in 2021, growth of 28% and nearly 49% of the agricultural total. Top processed food exports to Panama in 2021 included:

- Alcoholic Beverages
- Processed/Prepared Dairy Products
- Food Preparations & Ingredients
- Prepared/Preserved Meats
- Non-Alcoholic Beverages
- Snack Foods
- Dog & Cat Food.

Advantages and Challenges of U.S. Products in Panama:

Advantages

- Strategic geographical location and its service oriented economy. Panama will continue to strengthen its seaports and logistics assets (Panama Canal, seaports, airports, special economic zones, logistics parks, and railroad) over the coming years
- Local importers frequently search for new-to-market products to compete. Big and small chains attend U.S. food trade shows to keep up with market trends and update their portfolios of food products
- Diverse ethnic backgrounds of thousands of tourist and U.S. expatriates coming to Panama each year. Increased immigration with permanent residents from Venezuela, Colombia, Nicaragua, The Antilles, Asia, Europe, and others
- Static production of agricultural products leading to strong demand for food and feed imports

Challenges

- U.S. exporters prefer to work with larger markets that generate higher volumes
- Cost competitiveness of some U.S.-origin products
- Strong competition in the region with ports in Colombia, Costa Rica, the Caribbean, and Mexico
- Recent governmental protectionist policies making importing food, beverages, and agricultural products more burdensome
- Strong competition in the following sectors: snacks and processed food (China and Central America), fruits (Chile, Mexico and Peru), grains and oils (Argentina, Canada and Brazil), meat (Canada), dairy products (Costa Rica, Argentina, New Zealand and Australia)

Retail Sector Highlights:

Euromonitor has estimated that the retail sales of packaged food products in Panama will reach just over US\$2.9 billion in 2022. This also represents an increase of US\$448.4 million or 18% from 2018. They also forecast the packaged food market to grow to nearly US\$3.6 billion by 2026, an increase of US\$663.5 million and 22.6% from 2022. High growth categories in the forecast include:

- Ice Cream & Frozen Desserts
- Confectionery
- Ready meals
- Sauces, Dressings & Condiments
- Sweet Spreads
- Processed Meat, Seafood & Alternatives to Meat
- Processed Fruit & Vegetables

FAS Panama City reports that preference continues to grow towards supermarkets and away from traditional markets. Today's supermarkets can offer reduced consumer prices relative to traditional, family-owned retail. Supermarkets exhibit increasing product safety and diversity, and robust e-commerce platforms with delivery services exist within the supermarket chains and specialty stores: Super 99, Supermercado Rey, Super Xtra, Riba Smith, Machetazo, El Fuerte, Jumbo market, Super Kosher, Felipe Motta, Organica Store, Foodie Market, Pretelt Gourmet Meats, among others.

Supermarkets, hypermarkets, and independent food stores dominate the grocery sector in Panama. Supermarket chains are opening new stores in populated areas across the country and offering online grocery shopping and delivery services. There are more store brands in these chains and the brands allow retailers to offer customers more choice. High-end and specialty retail outlets continue to grow. Independent grocery and convenience stores are also opening stores in local neighborhoods.

There are approximately 11,000 independent grocery and convenience stores in Panama. There are also mini-convenience stores that are conventionally sized stores with expanded foodservice as well as hyper-convenience stores with an extensive variety of product offerings and in store seating for foodservice. Pharmacies have leveraged their small size, convenient locations, and proximity to consumers to offer more consumer-oriented products such as canned and dry food, snacks, dairy, ethnic specialties, wine, beer, and pet food.

Sabor USA plays an important role in the promotion of U.S. consumer-oriented products in Panama. With a complete digital platform, Sabor USA works with over 40 U.S. trade associations targeting the end consumer and a growing list of U.S. brands and Panamanian importers, distributors, and retailers. The platform develops creative content under #UnidosPorLosSabores (United by flavor), typically utilizing local talent from the culinary and food influencers fields to connect and promote U.S. brands.

Best Product Prospects:

FAS Panama City reports that in recent years, the consumption of more convenience and healthy foods has been a trend that resulted in good prospects for U.S. food exports. These include categories like low fat, low sodium, gluten free, and sugar free, Keto, fresh fruits (such as apples, grapes, peaches, and pears), organic foods, processed fruits (especially canned fruits). Processed canned vegetables (especially canned mixed vegetables, yellow sweet corn, peas, mushrooms, and garbanzo beans), snack foods (including corn chips, popcorn, cookies, and candy and frozen processed products (pizzas and ready-to-eat food) also have high import demand.

Food Service Sector Highlights:

FAS Panama City reports that the Hotel, Restaurant, and Institutional (HRI) sector in Panama contributes significantly to Panama's economy and is driven by international tourism. The slow re-opening of the industry and general economic recovery post COVID -19 pandemic depends on pandemic control in main markets such as the United States, and key Latin American European countries

International food service operators and local companies such as Sysco, H.T. Tzanetatos, Proserv, Procesadora Monte Azul, Dicarina, and others have been serving the Panamanian food service sector for more than 50 years, providing imports of U.S. food and beverages, logistics in warehousing/transportation, and product sales and marketing. With these institutions and facilities, fueling both local and international cuisines, Panama's food service industry is among the strongest in the country. In fact, fast food franchises, cafes, bars, bakeries, ice-cream shops, family-owned restaurants, food trucks, street side vendors, convenience stores, and catering services all benefit from this strong trade framework.

Restaurants in Panama City are well developed and feature highly ranked world-class chefs in international cuisine. Due to expanding tourism, growing immigration, and higher consumer purchasing power, the selection of restaurants and international cuisine is expected to continue to grow. Currently, the Panamanian Restaurant Association and related business (ARAP) have more than 400 active members.

The travel and tourism sector are an engine of economic development and a vehicle for sharing cultures. Many factors influence the flow of travelers visiting the country. Panama is an attractive destination, and its dollarized currency is a strength. U.S. and international hotel chains' presence in Panama include the Waldorf, Hilton, Marriott and J.W. Marriott, Bristol, Country Inn, Sheraton, Radisson, Holiday Inn, Intercontinental, Riu, Westin and Wyndham Garden. Panamanian hotels and resorts primarily procure food and beverages from food service companies and/or directly from distributors, supermarkets, and restaurants.

Panama's cruise ship market is expanding from both the United States and Europe as Panama continues to grow as a premier travel destination. Cruise ships to Panama City anchor either at Fuerte Amador and Balboa located at Panama Canal's Pacific Ocean entrance, or Port Colon 2000 in the Caribbean.

The institutional sector includes private and public hospitals, the national police, and penitentiary systems. Private hospitals have their own logistical operations for patient meals and to supply their cafeterias, while public hospitals and the police usually bid their requirements on yearly or 5-year term contracts with local food service providers, restaurants, or food processors.

Best Product Prospects:

FAS Panama City reports that high value products offer good market opportunities in Panama, especially ready-made or convenience food, wholesome and healthy products. A list of favorite imports from the HRI sector includes beer, wine and spirits, condiments and food ingredients, deli meats, beef, pork and poultry, dairy products, frozen or ready-made food, seafood, vegetable oil, ready to eat single meals and jams, jellies and preserves.

Food Processing Sector Highlights:

FAS in Panama City report that Panama is primarily a service-based economy, but food processing is one of its top industries. Panama's past and present make it a very culturally diverse nation, famous for its fusion cuisine. The dynamic culinary culture combines with strong tourism and processing industries mean significant business opportunities for U.S. – origin ingredient suppliers. Its geographical proximity and cultural ties to the United States continue to drive a strong preference for U.S.-origin products.

Panama has long imported a large percentage of its food and beverage supply, given the relative weakness of its agricultural production and manufacturing sector. The major driver of this weakness is the fact that it is primarily a service-oriented economy with a relatively high cost of labor. Panama's 150 food-processing companies, include dairy processors, meat and poultry products processors, fishery products processors, fruits processors, beverages and spirits, bakery, snacks, pet food among others. When the U.S. – Panama Trade Promotion Agreement (TPA) entered into force on October 31, 2012, nearly 56% of U.S. agricultural exports became duty-free upon entry-into-force, with most of the remaining tariffs phased out over 15 years.

Due to its open economy, Panama has few market access problems. There are no import barriers for food processing ingredients. The TPA has reduced import duties to zero for 87% of the products in the tariff schedule, except for some food and agricultural products, on which duties will reduce gradually over the course of the next ten years.

Panamanian consumers are demanding more convenience and healthy food products. This trend has resulted in good prospects for U.S. exports of fresh fruit (mainly apples, grapes, peaches and pears), organic foods, healthy food products such as gluten free, low carb, low sodium, low sugar, low fat, processed fruits and vegetables (especially canned fruits), and snack foods (including corn chips, popcorn, cookies and candies).

Processed canned fruits and vegetables, especially mixed fruits, mixed vegetables, yellow sweet corn, peas, mushrooms, and garbanzo beans generate strong import demand, because most of these food products are not processed locally. Poultry is the top source of protein in the Panamanian diet. Pork is Panama's second favorite meat. Beef is typically found in supermarkets fresh and chilled. Consumers prefer fresh meat over frozen beef, which tends to be imported as specialty cuts that are more expensive and used for BBQ and parties. Imported processed meats, mainly from the United States, and cured hams from Spain and Italy, supply the Food Service sector. There is a sizable seafood processing industry in Panama.

Panama's food processing ingredients market accounts for US\$135 million in U.S. exports, which represent about a 60% market share. These local companies include dairy processors, meat and poultry products processors, fishery products processors, fruits processors, beverages and spirits, bakery, snacks, pet food among others.

Large multinational companies have a competitive advantage over smaller domestic producers in certain product categories such as frozen foods, soups; specialty canned and preserved products, and well-known condiments and flavors that cater to the international pallet. Because of this, companies able to meet the demands of this competitive processed food sector must have the means to invest in technology and innovation to not only meet consumer demands but also maintain low, competitive prices.

Best Prospect Products

FAS Panama City reports Panama is the third largest market in Central America for U.S. agricultural products exports. U.S. total exports of agricultural and related products to Panama totaled US\$879.7 million in 2021. Exports include corn (US\$130.1 million), soybean meal (US\$18.1 million), food preparations (US\$43.3 million), dairy products (US\$74.7 million), and pork & pork products (US\$50 million).