

COUNTRY PROFILE



Panama

GLOBAL RANK: 51st of 104



In 51st place, Panama's Comparative Liveability out-performs its Economic Competitiveness (42nd and 64th respectively) due to a moderate climate and a strong family life. Problem areas are openness and innovation.

BACKGROUND

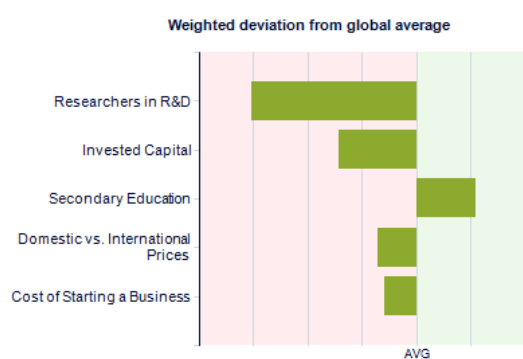
Located on an isthmus between the North and South American landmasses, this democratic republic of 3.5 million is a key transit country for the flow of commercial shipping from the Caribbean Sea to the Pacific Ocean. The operation of the Panama Canal, the Colón free trade zone, and related shipping and insurance services play a major role in Panama's economy. Further industrialisation and reduction of poverty is expected to be achieved by a \$5.3 billion Canal widening project, begun in 2007. Panama's state education system still has significant gaps, with many indigenous children in rural areas not even enrolled in school.

FAST FACTS

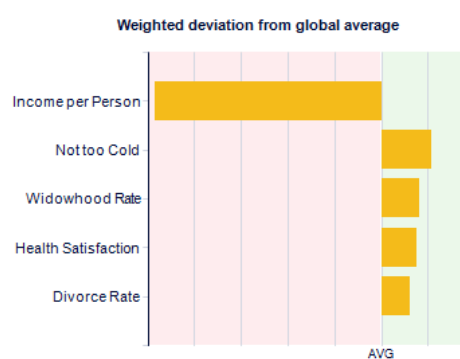
Population:	3.3 million (2008 est.)	FDI (net inflow):	7.48% (2006 est.)
Life Today	6.5 (2007 est.)	Exports	6.08% (2006 est.)
GDP (PPP)	\$34.51 billion (2007 est.)	Imports	28.26% (2006 est.)
GDP (Growth)	11.2% (2007 est.)	Unemployment:	6.4% (2007 est.)
GDP (per Capita)	\$10,300 (2007 est.)	Life Expectancy	75.17 years (2008 est.)
Political System:	Constitutional Democracy		
Foreign Aid:	0.15% (2006 est.)		

KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



COMPARATIVE LIVEABILITY



Unlike other countries in Central America, Panama's economy is mainly service-based. Due to the Panama Canal, the economy is heavily weighted towards tourism and commerce. However, banking and trading have also flourished, which gives Panama a good dependence score, and allows it to avoid reliance on foreign aid. The construction and operation of the Canal has stimulated the construction of related infrastructure, bolstering growth, and the presence of US military bases has also had an impact on the economy.

In practice, Panama's economy is dollarised (the country's official currency is the US dollar), a situation in the region shared only with

In terms of Comparative Liveability, Panama ranks alongside the big economies of Latin America, such as Brazil and Mexico, and is second only to Costa Rica in the Central American region. Indeed the country ranks more than 20 places higher in liveability than in competitiveness.

Panama's indicators are, in many cases, above the global average, although relatively low incomes detract from an otherwise impressive Comparative Liveability score. Because income levels are low, the warm climate is a heavily weighted factor in the Index, as people are relieved of the burden of protecting against the cold. A sense of optimism, a factor common in many Latin American

Ecuador and El Salvador. Partly because of this, the investment climate in Panama is superior to its neighbours, and the country has become a regional financial hub. Panama imposes only minor restrictions on investments, and most sectors are open to foreign investment. Nonetheless, the government imposes limitations on foreign ownership, and the country does not score well on capital investment. The lack of competitiveness also dampens the prospects for material wealth creation.

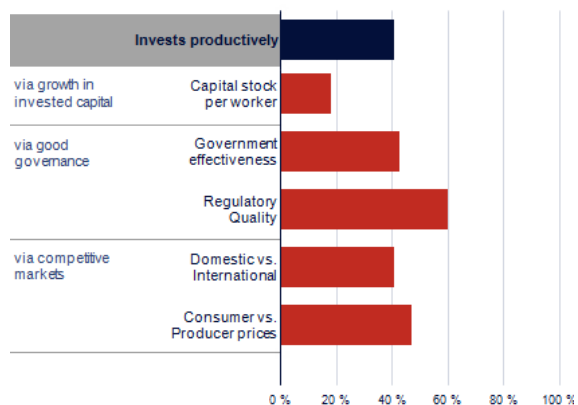
Panama's government-run mass education system is relatively successful in preparing the country's youth for jobs in the service sector, which accounts for 80% of the economy. The average worker has a little over three years of secondary education, but despite this, high-end human capital is lacking, as reflected in the low number of researchers employed in the country. Panama has not been able to develop a capacity for innovation. The country also suffers from weak property rights, low labour freedom, and some corruption.

countries, is reflected in the fact that nearly 95%⁹ of people report that those who work hard can get ahead.

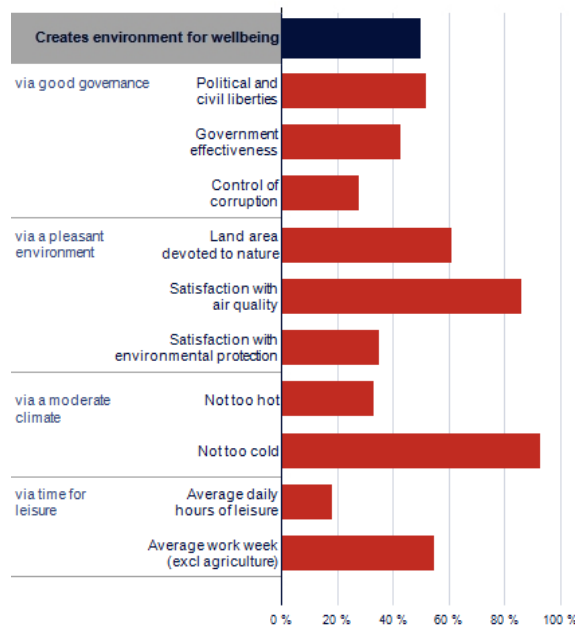
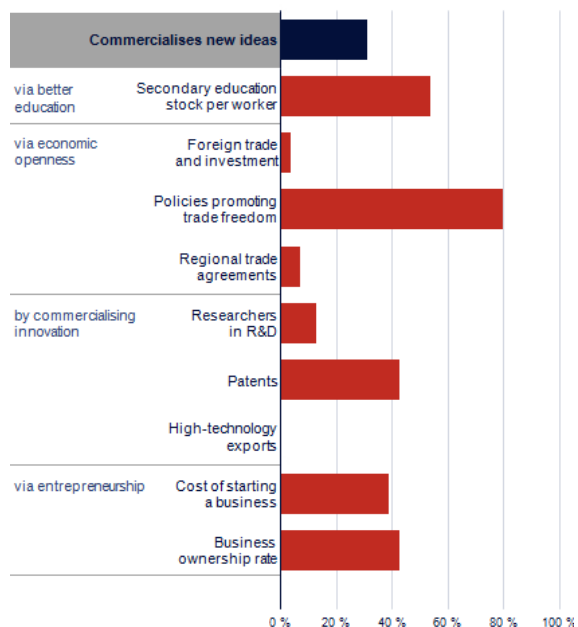
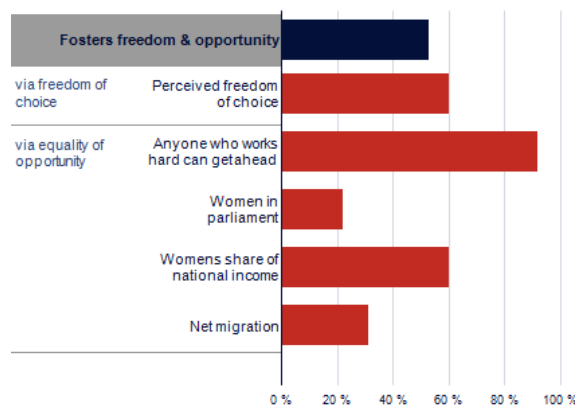
The population of Panama is mainly urban, and more than half lives in the metropolitan corridor, including a substantial middle class. Family life is strong, characterised by low levels of widowhood (2%⁹), and 95%⁹ of people report that they have someone to rely on. Both life expectancy and satisfaction with health are good, the latter a very high 90%⁹.

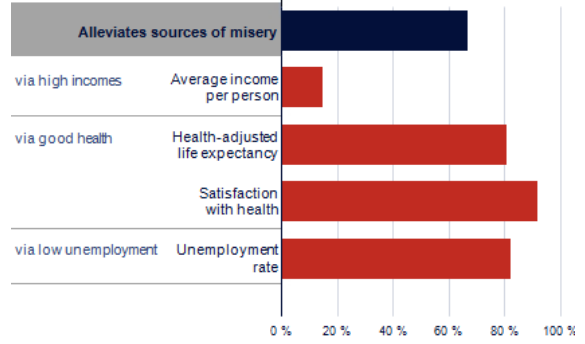
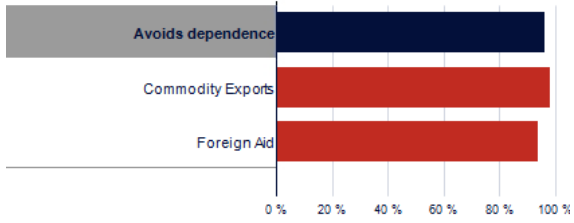
Equality of opportunity is the highest in the region, even higher than in Chile and Costa Rica. It seems that being a focus of trade has been beneficial for the country, as it has embraced better trade practices than others. Nevertheless, there is still a significant level of corruption in the civil service, especially in the judiciary, which limits the quality of the political life of Panamanians.

ECONOMIC COMPETITIVENESS: SCORECARD

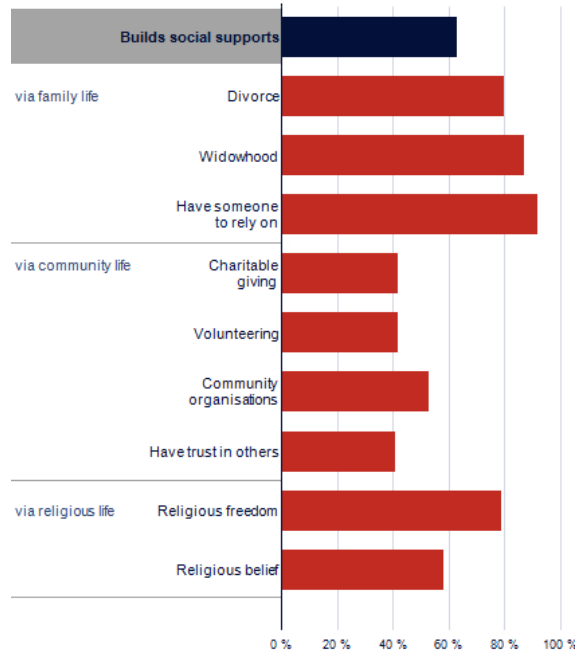


COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



References:

^{9, w} See www.prosperity.com/references.aspx for further details including date of survey, sample size, and margin of error.