Panama 'BBB-/A-3' Ratings Affirmed; Outlook Remains Stable

September 22, 2026

Primary Contact

Manuel Orozco
Mexico City
52-55-5081-2872
manuel.orozco
@spglobal.com

Secondary Contact

Alexis Smith-juvelis
Englewood
1-212-438-0639
alexis.smith-juvelis
@spglobal.com

Additional Contact

Joydeep Mukherji
New York
1-212-438-7351
joydeep.mukherji
@spglobal.com

Overview

- Rapid economic growth and proactive fiscal policy have been reducing Panama's fiscal deficit and stabilizing public finances.
- However, general government debt and Panama's external debt remain at record-high levels.
- We affirmed our 'BBB-/A-3' sovereign credit ratings on Panama.
- The outlook remains stable and reflects our expectation for a continuity of policy to lower fiscal imbalances and maintain solid GDP growth, which would help stabilize debt levels.

Rating Action

On Sept. 22, 2026, S&P Global Ratings affirmed its 'BBB-' long-term and 'A-3' short-term foreign and local currency sovereign credit ratings on Panama. The outlook on our long-term credit ratings remains stable. Our transfer and convertibility (T&C) assessment remains 'AAA'.

Outlook

The stable outlook reflects S&P Global Ratings' expectations for continuity in key economic policies and a gradual reduction in the general government fiscal deficit in 2026 and 2027, helping stabilize the sovereign's debt and interest burdens. Moreover, Panama's diversified economy and pro-growth policies should sustain GDP growth above the average of its peers.

Downside scenario

We could lower the ratings in the next 12-24 months if policy setbacks prevent a further reduction in Panama's fiscal deficits, increasing the debt burden. A slowdown in Panama's comparatively high GDP growth would amplify its fiscal pressures and could weaken creditworthiness.

Upside scenario

We could raise the ratings in the next 12-24 months if Panama's fiscal consolidation meaningfully reduces its moderately high public debt, which would help strengthen fiscal policy buffers. Fiscal

3631503

consolidation, which also structurally lowers narrow net external debt, could also lead to an upgrade.

Rationale

The ratings on Panama are based on its stable democracy and predictable economic policies that, combined with its strategic location, will likely support average GDP growth above that of peers at a similar income level. The ratings also reflect our assumption of fiscal deficit reduction helping stabilize the government's debt burden.

On the other hand, the ratings incorporate relatively limited fiscal flexibility due to moderately high fiscal debt. They also capture the weak external profile and Panama's lack of monetary flexibility, given its use of the U.S. dollar as its legal currency.

Institutional and economic profile: Pro-business economic framework delivers above-peer economic growth.

- We expect proactive fiscal policy to stabilize debt dynamics over the forecast period.
- A pro-business policy environment should continue to anchor investor confidence.
- Geopolitical conditions are increasing the importance of Panama as a key global logistical hub.

Panama's stable democracy and political consensus on pro-business policies sustain its long-term policy predictability and investor confidence. Stable and predictable economic policies across changes of political leadership serve as an effective institutional anchor. That stability, along with Panama's strategic location, should maintain healthy economic growth and diversification.

The administration of President Raul Mulino has shown a commitment and capacity to stabilize the sovereign's fiscal position. In 2024, the government recognized the deterioration of fiscal balances by the previous administration and reformed the fiscal responsibility law, establishing a path for gradual fiscal consolidation. Since then, the government has been able to achieve its fiscal targets through tax revenue efficiencies, expenditure rationalization, and reduced capital expenditure.

A reform to Panama's pension system in March 2025 was a major political and fiscal achievement. The reform has gradually increased employer contributions, revised the solidarity pension system, consolidated pension assets, and created central government capitalization commitments to the pension fund, securing cash flow for the pension system over the foreseeable future.

The government is also trying to resolve the issues that had led to the 2023 closure of Minera Panama, one of the largest copper mines in the world. FirstQuantum, the owner of the mine, suspended a US$20 billion international arbitration process against Panama and recognized the government ownership of mineral resources in Panamanian territory. The government is analyzing next steps for the mining project, which remains a very sensitive political issue. Our projections do not incorporate any potential positive impact on GDP growth, exports, and fiscal revenue from a potential reopening of the mine.

The government has limited capacity to implement other reforms that would result in a faster fiscal consolidation, such as tax reform or reducing spending rigidities. Internal disputes within the governing party have reduced the administration's ability to obtain Congressional support for difficult measures.

Economic growth in 2026 will benefit from strong activity on the Panama Canal, which is benefiting from growing traffic because of disruptions in the Middle East. Growth will also reflect a recovery in private construction, air transportation, and tourism. We expect GDP to grow 4.5% in 2026, one of the fastest rates among Latin American peers. A severe El Niño climate event that reduces rainfall in Panama and the Gatun Lake water level (which is essential for passage through the canal) should slow growth in 2027. However, Panama's pro-business framework, stable economic policies, investment projects, and its strategic position should help anchor growth around 4% during 2027-2029.

Public-sector infrastructure plans support growth. The government plans to expand the Panama Canal's water reservoir (to accommodate ship traffic as well as to provide potable water to the country), build a new gas pipeline, develop two new ports, and a new highway. Moreover, the government will soon complete the construction of the fourth bridge over the canal and a new metro line that will improve connectivity between the capital city with large suburbs on the other side of the canal.

We expect real per capita growth to average 3.1% in 2026-2029 and GDP per capita of US$20,700 in 2026, the third-highest level in Latin America. Panama’s GDP per capita was marginally revised downward after official population estimates indicated 400,000 new residents, a sign of Panama's capacity to continue to attract immigrants.

Flexibility and performance profile: Fiscal adjustment underway as fiscal flexibility remains limited.

- We expect fiscal deficits at 3% of GDP in 2027-2029.
- General government debt is likely to stabilize at about 55% of GDP.
- Strong service sector performance should result in current account balances.

Economic growth, tax efficiency measures, expenditure rationalization, lower capex, growing fiscal contributions from the Panama Canal, and the positive effect of a pension reform are helping to reduce general government deficits and a change in net general government debt toward 3% of GDP by 2027, from 6.4% and 8.6%, respectively, in 2024.

Deeper fiscal consolidation would be difficult, absent measures that reverse the deterioration of Panama's tax base. Tax revenue accounts for only 6.9% of GDP, one of the lowest among global peers and about 3 percentage points of GDP lower than in 2013-2014. An improved fiscal trajectory also depends on addressing spending constraints, including changing spending indexation and other budget mandates for expenditures.

We expect net general government debt to stabilize at 55% of GDP in 2026-2029. Active debt policy, relying on shorter term commercial loans, should contain interest spending just below 15% of general government revenue in 2026-2029. A compression on risk premiums allowed Panama to tap markets in February 2026.

We view Panama's contingent liabilities as limited. The main government-related entities, such as the Panama Canal Authority and Tocumen International Airport, do not rely on government funds. Moreover, the government does not guarantee their debt.

We believe the Panamanian banking system poses a limited contingent liability to the sovereign. Overall, banks hold liquidity buffers that cover more than 50% of short-term deposits, well above the regulatory requirement of 30%. According to our Banking Industry Country Risk Assessment, the Panamanian banking system is in group '5' (with '1' being the lowest-risk category and '10' the highest).

A vibrant services sector, including the Panama Canal, air transportation, and tourism should mitigate the negative impact of higher energy prices and El Niño, causing current account surplus (CAS) to average 0.3% of GDP. We expect narrow net external debt to trend toward 100% of current account receipts (CAR) by 2029 due to CAS, the government's stabilizing external debt level, and consistent foreign direct investment. Gross external financing needs are likely to average 200% of CAR plus usable reserves on average in 2026-2029, higher than for regional peers (which mostly reflects the substantial nonresident deposits in Panama's banking system).

Panama does not have a central bank, a formal lender of last resort, or an effective deposit insurance system to support distressed financial institutions, which constrains the rating. However, the government has used Banco Nacional de Panama, a publicly owned entity, as a vehicle in the past to support banks with strained liquidity.

The long-standing adoption of the U.S. dollar as Panama's legal currency is unlikely to change over the foreseeable future. Therefore, our T&C assessment for Panama is 'AAA', the same as for the U.S.

Panama--Selected Indicators

	2020	2021	2022	2023	2024	2025	2026bc	2027bc	2028bc	2029bc
Economic indicators (%)										
Nominal GDP (bil. $)	57.1	67.4	76.5	83.8	86.5	90.5	96.5	101.8	107.8	113.8
Nominal GDP (bil. $)	57.1	67.4	76.5	83.8	86.5	90.5	96.5	101.8	107.8	113.8
GDP per capita (000s $)	13.2	15.4	17.2	18.6	19.0	19.7	20.7	21.5	22.5	23.4
Real GDP growth	(17.8)	16.5	11.0	7.2	2.8	4.4	4.6	3.9	4.3	4.0
Real GDP per capita growth	(19.0)	15.0	9.7	5.9	1.6	3.2	3.2	2.5	2.9	2.6
Real investment growth	(47.8)	31.2	20.6	18.2	2.4	2.8	5.0	5.0	5.0	5.0
Investment/GDP	24.0	31.3	38.3	37.6	34.1	36.0	36.0	36.4	36.6	37.0
Savings/GDP	23.6	30.1	38.3	34.4	34.8	35.9	35.9	36.5	37.2	37.7
Exports/GDP	36.3	41.6	48.0	45.6	44.4	44.4	44.8	44.4	43.8	43.4
Real exports growth	(18.0)	28.0	22.4	3.9	1.7	6.5	3.5	3.5	2.0	2.0
Unemployment rate	18.5	11.3	9.9	7.4	9.5	8.0	7.5	7.5	7.5	7.5
External indicators (%)										
Current account balance/GDP	(0.3)	(1.2)	0.0	(3.2)	0.7	(0.2)	(0.1)	0.2	0.6	0.7
Current account balance/CARs	(0.9)	(2.6)	0.1	(6.3)	1.3	(0.4)	(0.3)	0.3	1.3	1.5
CARs/GDP	38.3	43.9	49.7	50.6	49.3	48.5	48.5	48.0	47.3	46.8
Trade balance/GDP	(4.9)	(5.2)	(12.0)	(11.8)	(8.5)	(10.6)	(10.8)	(10.6)	(10.1)	(10.0)
Net FDI/GDP	0.1	2.0	3.0	1.5	2.3	2.0	2.2	2.2	2.0	2.1
Net portfolio equity inflow/GDP	(0.3)	(1.4)	(0.4)	0.1	(0.3)	(1.5)	0.0	0.0	0.0	0.0
Gross external financing needs/CARs plus usable reserves	239.7	176.8	174.7	196.6	196.8	207.3	213.0	193.2	189.6	187.1
Narrow net external debt/CARs	128.1	130.6	116.6	110.3	117.0	121.5	113.9	109.1	106.8	106.6

Panama--Selected Indicators

Narrow net external debt/CAPs	127.0	127.3	116.7	103.7	118.6	121.0	113.7	109.5	108.2	108.2
Net external liabilities/CARs	293.6	218.9	185.5	176.6	180.7	167.0	156.9	149.9	142.4	135.0
Net external liabilities/CAPs	291.0	213.3	185.6	166.1	183.2	166.3	156.5	150.4	144.4	137.0
Short-term external debt by remaining maturity/CARs	186.8	133.5	115.3	122.2	129.3	139.3	136.3	114.0	110.2	106.7
Usable reserves/CAPs (months)	2.4	3.9	2.8	1.8	1.9	1.9	1.3	1.3	1.2	1.2
Usable reserves (Mil. $)	9,935.7	8,832.2	6,876.1	6,756.7	6,855.5	5,167.0	5,167.0	5,167.0	5,167.0	5,167.0
Fiscal indicators (general government %)										
Balance/GDP	(9.6)	(6.5)	(4.0)	(3.9)	(6.4)	(3.8)	(3.3)	(3.0)	(3.0)	(3.0)
Change in net debt/GDP	10.1	5.0	2.8	3.6	8.2	6.6	3.5	2.9	2.9	2.9
Primary balance/GDP	(2.8)	(4.2)	(1.8)	(1.4)	(3.9)	(1.4)	(0.9)	(0.6)	(0.6)	(0.6)
Revenue/GDP	17.4	17.3	17.4	17.4	16.8	17.2	17.4	17.5	17.6	17.6
Expenditures/GDP	27.0	23.8	21.4	21.4	23.1	20.9	20.7	20.5	20.6	20.6
Interest/revenues	39.2	13.2	12.6	14.7	14.8	13.8	13.8	13.8	13.8	13.9
Debt/GDP	57.8	54.2	52.5	52.4	58.7	60.8	60.8	61.2	61.3	61.6
Debt/revenues	331.7	313.6	301.6	300.2	349.9	354.7	349.5	349.5	348.2	349.7
Net debt/GDP	46.1	44.0	41.6	41.5	48.5	53.0	53.2	53.3	53.3	53.3
Liquid assets/GDP	11.8	10.2	10.9	10.8	10.3	7.9	7.7	7.9	8.0	8.2
Monetary indicators (%)										
CPI growth	(1.6)	1.7	2.9	1.5	0.2	(0.1)	2.0	1.5	1.5	1.5
GDP deflator growth	(0.5)	1.4	2.2	2.3	0.5	0.2	2.0	1.5	1.5	1.5
Exchange rate, year-end ($/$)	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Banks' claims on resident non-gov't sector growth	(1.9)	2.0	4.6	3.3	3.8	3.4	4.5	4.5	4.5	4.5
Banks' claims on resident non-gov't sector/GDP	93.3	80.6	74.3	70.0	70.3	69.5	68.1	67.5	66.6	66.0
Foreign currency share of claims by banks on residents	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0
Foreign currency share of residents' bank deposits	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	0
Real effective exchange rate growth	(4.4)	7.3	(6.3)	1.6	0.0	0.0	0	0	0	0
Sources: N.A.										
Adjustments: None										

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings

Panama--Selected Indicators

from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. $--U.S. dollar. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Country--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	3	Effective policymaking in recent years, promoting sustainable public finances and balanced economic growth. Evolving checks and balances.
Economic assessment	2	Based on GDP per capita (in U.S. dollars) and growth trends as per Selected Indicators in table 1. Weighted average real GDP per capita trend growth over a 10-year period expected to exceed the median.
External assessment	5	Based on narrow net external debt and gross external financing needs/(CAR plus usable reserves) as per Selected Indicators in table 1.
Fiscal assessment: flexibility and performance	3	Based on the change in net general government debt (% of GDP) as per Selected Indicators in table 1.
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in table 1. Over 60% of commercial debt held by nonresidents.
Monetary assessment	5	Panama is a fully dollarized economy, with low and stable inflation.
Indicative rating	bbb	
Notches of supplemental adjustments and flexibility	-1	Weaker than expected economic performance would lead to structurally weaker fiscal results.
Final rating		
Foreign currency	BBB-	Default risks do not apply differently to foreign and local currency debt.
Notches of uplift	0	
Local currency	BBB-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings History, Sept. 15, 2026
- Sovereign Risk Indicators, July 14, 2026
- 2025 Annual Global Sovereign Default And Rating Transition Study, March 4, 2026
- Sovereign Debt 2026: The U.S. Fuels Borrowing In The Americas, March 3, 2026
- Panama, Nov. 19, 2025,
- Panama Ratings Lowered To 'BBB-/A-3' On Higher Interest Burden; Outlook Stable, Nov. 26, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see "Related Criteria"). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Rating Component Scores above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see "Related Criteria").

Ratings List

Ratings List	
Ratings Affirmed	
Panama	
Sovereign Credit Rating	BBB-/Stable/A-3
Transfer & Convertibility Assessment	
Local Currency	AAA
Senior Unsecured	BBB-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.