

HSBC Global Connections

Trade Forecast Update: Panama

February 2012

Forecast exploring the future of world trade and the opportunities for international businesses

- World trade to grow by 86% in the next 15 years (2012-2026)
- International trade growth will accelerate from 2014
- Companies to increase trade activity by 4.70% annually to achieve projected growth
- Fastest growing emerging sectors support trade infrastructure and the transportation of goods around the world
- Panama's trade forecast to grow 229.17% to 2026
- Panama's companies to increase trade activity annually over the next 15 years by 7.70%
- Panama's fastest growing export sector will be antibiotics, which will grow at an annualised rate of 18.70% over the next five years

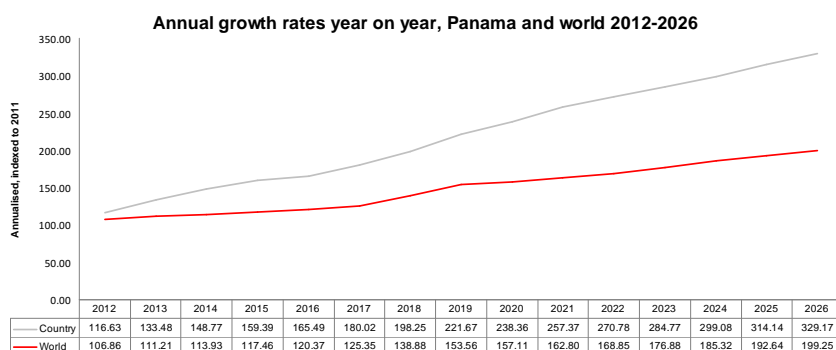
Trade overview

As the world continues to face well-documented economic challenges, the Trade Forecast suggests grounds for optimism for international businesses. Despite the current climate the overall trend for international trade is positive with growth acceleration sooner than expected from 2014, rather than 2015. After 2014 the global economy ends a period of slow growth and contraction and sees an upturn in trade in line with GDP forecasts. Over the next five years it is forecast that world trade will grow at an annualised rate of 3.78% (see below graph for year-on-year predictions), due primarily to the expectation of an earlier recovery of the overall global economy. In the period 2017-2021, the Forecast predicts even more rapid annualised growth at 6.23%, as world demand for traded goods recovers its dynamism. As a result world trade is predicted to grow by 86.00% in the next 15 years, taking total trade activity in that year to \$53.8 trillion.

The Trade Forecast predicts that trade in Panama will grow at an annualised rate of 9.11% over the next five years to 2016 but that it will slow its rate of growth subsequently with annualised growth between 2017-2021 at 8.68%. This equates to growth indexed to a base in 2011 of 229.17% and is the result of expected accelerated trade resulting from the widening of the Panama Canal, which is due for completion in 2014. It also reflects the role that Panama will play in facilitating trade between Asia, Latin America and North America as their trade accelerates after 2015. Annualised total trade growth in Panama over the next fifteen years will be 7.70% which is the rate at which companies will need to increase their international activities if they are to keep pace with this change.

Panama's trade outlook

Over the next 15 years the Trade Forecast predicts that Panama's trade index, based to 2011, will perform increasingly better than the world's average. This acceleration in trade growth within Panama is due to two reasons: firstly because of the widening of the Panama Canal and secondly because of the close trade links Panama has with Asia-Pacific and Latin America. This will fuel growth of the industrial and trading sectors which currently account for a relatively small proportion of GDP in the county. Within Panama's key trade sectors are those which also are significant to trade globally. For example exports of printing equipment and ancillary machinery, which is one of the largest global sectors, is expected to grow by 16.09% in the next five years, with imports of these goods from the USA expected to increase by 16.40%. Sectors such as footwear, both leather and non-leather, are also set to provide exciting new trade corridors as exports are forecast to increase to Columbia by 11.85%, with Venezuela by 9.50% in the next five years whilst imports from Vietnam are expected to increase by 10.66% and from China 10.58%.



Alan Keir, Group Managing Director and Global Head, HSBC Commercial Banking:

"Where once businesses followed economic investment, now, forward-thinking companies lead, taking matters into their own hands and making business happen. Whether that's taking advantage of shorter-term growth in international trade, which despite economic uncertainty sits at \$1trillion a year, or by creating new supply chains that open up trade corridors, businesses are connecting themselves to future opportunities. The reality is that growth opportunities lie internationally. The companies that succeed will be planning for that today."

Trade corridors and trends

Venezuela is Panama's top export partner and the Trade Forecast predicts that trade with Venezuela will increase by 9.06% annually over the next five years. Trade with Colombia and the USA its second and third largest export partners is forecast to grow annually by 9.76% and 14.34% respectively over the next five years. The majority of fast growing and larger partners are in Latin America but emerging export partners include Canada, Switzerland and Portugal, which the Trade Forecast predicts will grow by 19.18%, 15.92% and 14.70% annually over the next five years.

China is one of Panama's largest import partners with many of its imports in the clothing sector. Singapore, Mexico, Spain, Germany and Thailand are all larger and fast growing import partners with imports set to increase at annual rates of above 11.00% in these countries. The most rapidly emerging import partner is Singapore with expected growth over the next five years of 18.39%, accounted for by an 18.85% annual increase in imports of antibiotics from Singapore over the same time period.

Panama's Emerging Growth Importers and Exporters (2012-2016)							
Panama's Largest (2012) Export Partners Ordered by Value	CAGR (2012)	Emerging Growth Export Partners	%	Panama's Largest (2012) Import Partners Ordered by Value	CAGR (2012)	Emerging Growth Import Partners	%
Venezuela	9.06%	Canada	19.18%	Singapore	18.39%	Singapore	18.39%
Colombia	9.76%	Japan	17.58%	Mexico	11.83%	Latvia	17.44%
USA	14.34%	Switzerland	15.92%	Spain	11.71%	Cambodia	15.48%
Ecuador	9.75%	Portugal	15.64%	Germany	11.14%	Bangladesh	14.27%
Brazil	11.01%	Vietnam	14.70%	Thailand	11.01%	Turkey	14.18%
Chile	10.38%	USA	14.34%	China	10.99%	Paraguay	14.12%
Peru	8.94%	Argentina	14.20%	Brazil	10.59%	Ecuador	13.83%
Mexico	7.93%	Paraguay	13.86%	Colombia	10.20%	Guay	12.58%
Japan	17.58%	Ghana	13.37%	USA	9.98%	Denmark	12.25%
Netherlands	3.31%	Uruguay	13.30%	Switzerland	9.49%	Uruguay	12.21%

N.B. Emerging Growth Import and Export Partners are trade partners that are growing most quickly over the period, albeit potentially from a small base.

Sector watch

The table below shows Panama's fastest growing export and import sectors by partner:

Panama's Fastest Growing Export and Import Sectors by Partner (2012-2016)					
Export Sector	Export Partner	CAGR (2012-16)	Import Sector	Import Partners	CAGR (2012-16)
Antibiotics	USA	18.94%	Antibiotics	Singapore	18.85%
Medicaments, therapeutic, prophylactic use, in dosage	Japan	16.94%	Printing and ancillary machinery	USA	16.40%
Footwear with uppers of leather	Colombia	11.85%	Radio and TV transmitters, television cameras	USA	13.48%
Perfumes and toilet waters	Colombia	10.89%	Television receivers, video monitors, projectors	Mexico	12.40%
Television receivers, video monitors, projectors	Venezuela	10.15%	Women's or girls blouses, shirts and shirt-blouses	China	12.30%
Jerseys, pullovers, cardigans etc, knit or crochet	Venezuela	9.95%	Articles for funfairs, table and parlour games	USA	11.78%
Footwear, with outer sole, upper rubber or plastic	Colombia	9.94%	Medicaments, therapeutic, prophylactic use, in dosage	Mexico	11.59%
Medicaments, therapeutic, prophylactic use, in dosage	Venezuela	9.72%	Mens or boys suits, jackets, trousers etc not knit	China	10.71%
Liqueur, spirits and undenatured ethyl alcohol <80%	Colombia	9.69%	Footwear with uppers of leather	Vietnam	10.66%
Mens or boys suits, trousers etc not knit	Venezuela	9.63%	Jerseys, pullovers, cardigans, etc, knit or crochet	China	10.60%

N.B. Fastest growing import and export sectors by partner are developed from the top 50 export and import partners and are selected alongside the trade sectors that constituted values of above \$100 million at the end of 2010. The top ten fastest growing partners by sector were selected for this table.

Sector opportunities

Clothing and footwear: Panama represents a strong trading route for clothing and footwear between China, Latin America and the USA. Imports of men's and boy's clothing, women's clothing and jerseys and knitted items from China are forecast to grow over the next five years at annual rates of 10.71%, 12.30% and 10.60% respectively. Alongside this, exports of women's clothing, for example to Venezuela, will increase by 9.36% and of men's clothing by 9.63%, annualised over the same period. All of this suggests that Panama is an attractive route for exporters of clothing to access both the Latin American and North American markets and the challenge for business will be to grow their international activities an annualised rate of around 11.00% for the next five years in order to keep pace with this. As the clothing sector becomes more focused on speed and supply, businesses in Panama will need to become more efficient.

Medicines: Panama has a strong science base in the chemicals sector as well as a clear trade route to Latin America and the USA in particular. This is reflected in the emerging trade patterns in the medical sector with imports of antibiotics from Switzerland forecast to grow annually by 18.85% to 2016, while imports of medicines from Mexico will grow by 11.59% and medicines from Switzerland by 10.19% annually over the next five years. Exports in antibiotics to the USA are forecast to increase annually by 18.94% while exports of medicines to Venezuela are forecast to increase by 9.72% annually, also to 2016. The pharmaceutical and biopharmaceutical sectors are increasingly international and trade in these sectors is evident across the world. Panama is ideally placed to provide both an access to major markets in two continents but also to be a route for exports, especially from America's burgeoning biopharmaceutical sector to Asia. Medical products and equipment, especially blood products and antisera which is a substantial growing sector across the world, require specialist transportation and businesses in Panama need to grow these specialist international activities by over 18% in order to take advantage of the opportunities in this market.

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Trade Forecast

The Trade Forecast predicts how trade is going to develop over the next five, 10 and 15 years. It forecasts overall trade growth (exports, imports and total trade) globally, in global regions, and individual countries. Spanning 37 countries, it covers the top 10 sectors for exports and imports for each of these. The forecast has a unique approach to understanding the drivers of trade from a business perspective, informed by: trade trends, macroeconomic and market influences trade (for example GDP, oil prices, inflation, foreign direct investment), and business environment influences on trade (including regulation, demographics, access to capital and finance). The research has been commissioned by HSBC and undertaken by Delta Economics. The economic and business narratives stem from a broader documentary search that includes material from National Statistical Offices, the World Bank and International Monetary Fund, economic blogs, the Economist Intelligence Unit, Bloomberg, the Financial Times and other professional and financial services news websites.

About HSBC Commercial Banking

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