

COMMENTARY - July 2017 (2)

Are we up or are we down? Are there two Panamas?

On the one hand, both Gross Domestic Product (GDP) and the Monthly Indicator of Economic Activity (IMAE in Spanish) are rising far higher and faster than had been predicted last year. These measures of economic growth are clearly signaling that all is well and improving.

On the other hand, retail sales, hotel occupancy, real estate sales, collection of our sales tax, and other individual indicators show a fall in economic activity. And there is no doubt among those of us who live here that the economy's growth that affects us directly has slowed down substantially this year. You can hear it in the streets of Panama City and in social media.

So what is happening? You can spend all day looking at each of the various economic sectors in detail, but I think there is a simpler way to express it.

The Panama Canal's expansion has led to a sharp increase in tolls collected, more than had been expected. That makes a big difference. In addition, one of the most ignored but very important sectors of our economy, the Colon Free Trade Zone (FTZ), is finally seeing a rebound after a long struggle resulting from the Venezuela's ongoing financial disaster and Colombia's failure to live up to its trade obligations. People often are unaware that the FTZ employs 25,000 people compared to the Canal which employs roughly 10,000. The combination of both rising sharply has undoubtedly helped the overall economic picture.

But that money has not yet moved down into the pockets of the people on whom the retail trade depends, the "people in the street". We have several factors that are causing problems at that level. For one example, this is the "summer season" in North America and Europe, but they have great weather now, so Panama's warm temperatures are not as attractive as they will be in a few months. This is no surprise.

That is a seasonal issue and not the most significant. I believe one major factor is the long delay in the construction of the new convention center that will be able to handle as many as 30,000 delegates at one time. Yes, the second terminal at Tocumen will help, but it is the convention center that is key. However, it will not be finished until next year. Even the roof will not be attached until next February, if everything proceeds on schedule. So we may have a year before we see it fully functional, but I hope they can cut that back a couple months.

I suspect that if the first convention has only 15,000 delegates, half-capacity, that you will see and feel the difference immediately. If they spend an average of \$1,500 a delegate (and they will on hotels and everything else), that's \$22,500,000 dollars spent in a week. The hotels will feel the impact immediately. So will the restaurants and the casinos and the bars, etc. That is money that will show up in more jobs and in people's wallets and pocketbooks rapidly. The attitude on the street will be very different than it is today.

Even the real estate market will benefit, if not immediately. I have been to conventions. I know people stay to take a tour or otherwise visit other areas. But most importantly, 15,000 people with money will return to their homes, wherever that may be, with a good impression of Panama and talk about it. If we do our job well, they are the best advertisements Panama can have. And instead of our paying for the "advertising", they are paying us. I think we can all live with that.

Now let's assume that we average 30,000 delegates each month. That can be one convention, or three averaging 10,000 delegates or five, each with only 6,000 delegates. In a year, that is 360,000 visitors spending at least \$540 million dollars. And if the center does its marketing well, the total can be much, much more.

So don't despair! I have said here before and elsewhere that I believe 2017 will be a "building year", that 2018 will be a "completion and opening year", and 2019 a "boom year", especially following the Pope's visit in January.

I have additional information to provide in the next couple weeks that will be of interest to the real estate community nationally, not just in the [Lake Bayano](#) area where my company is focused, but nationally. It will be unique and valuable.

If we work together and use the brains God gave us, we have some great times coming. All the more reason to begin the initial work right now when it is comparatively cheap.