Unveiling the Panama Canal's Economic Influence: An Input-Output measuring

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This paper offers a comprehensive analysis of the economic impact of the Panama Canal on the Panamanian economy in 2022. Utilizing an Input-Output model calibrated with a detailed Social Accounting Matrix and Employment Satellite Account, the study examines the direct contributions of the Canal, exploring its interindustry connections, labor dynamics, and effects on government finances. The Hypothetical Extraction exercise within the Input-Output framework quantifies the broader economic ramifications. Results highlight the Canal's pivotal role, extending beyond direct contributions, and emphasize its significance in shaping the national economy. The Canal's total contribution to GDP is estimated at 7.7%, exceeding 23% in government revenues (mainly dividends). Regarding exports, 15.9% can be attributed to the Canal. Additionally, the Canal significantly contributes to job creation, accounting for 2.9% of total employment. This study provides valuable insights for policymakers and stakeholders, aiding informed decision-making and sustainable development strategies in Panama's ongoing economic journey.