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# Record dry weather forces further dramatic cuts at the Panama Canal



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The dry weather in Panama shows no sign of letting up with the El Niño weather phenomenon wreaking havoc to schedulers working for the country's canal administration.

The Panama Canal Administration warned yesterday that following the driest October on record, the volume of daily transits will be cut further.

At its maximum, the canal can handle 40 ship transits a day, a figure that has been eroded this year as months of record drought take their toll. In tandem, canal administrators have been forced to cut maximum draft limits for ships transiting the waterway's larger neopanamax locks by close to 2 m.

In 2023, there has been 41% less rainfall than usual, lowering Gatun Lake to unprecedented levels for this time of year. The lake is the vital slice of freshwater necessary for ships to transit as well as supplying water to more than 50% of the country's population.

Later this week, the number of booking slots will be reduced from 32 to 25, and from next week and through the rest of November administrators have decided to cut reserved slots to 24. In December, with El Niño expected to keep the weather unseasonably dry, slots will further be reduced to 22, with 20 planned for January and then from February until further notice the number of booking slots will be reduced to 18 per day, less than 50% of the normal amount.

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"Booking slots are now crucial, and non-booked vessels may face indefinite delays. Reserve your transit slot as soon as possible before your vessel's arrival to avoid substantial delays," an advisory from port agents at Wilhelmsen stated.

On top of the weather chaos, Panama has been hit by a series of protests against mining rights in recent weeks, which are set to continue. The protests have seen road closures in key areas of Panama and Colon and while there have been no major disruptions in canal and port operations, Wilhelmsen warned this week the situation could change if road blockades intensify.

"Please be prepared for potential delays and mis-deliveries of spare parts, as well as disruptions to crew movement if the protests continue in the coming days or week," Wilhelmsen warned in a note to clients.

The delays that have been created by the transit and draft limitations at the interoceanic waterway have seen rates for some ship types, notably VLGCs, spiral.

Nevertheless, the canal administrators have done a brilliant job keeping queues down. As of today, there are 97 vessels in queue for transit, seven more than the average of the past seven years, and a far cry from the 160+ experienced in August.

For dry bulk there is growing consensus that more large ships will look to head to the bottom of the Americas rather than waiting around at the canal. Corn, wheat and soybean US exports are expected to be boosted in the coming months following a good farming year.

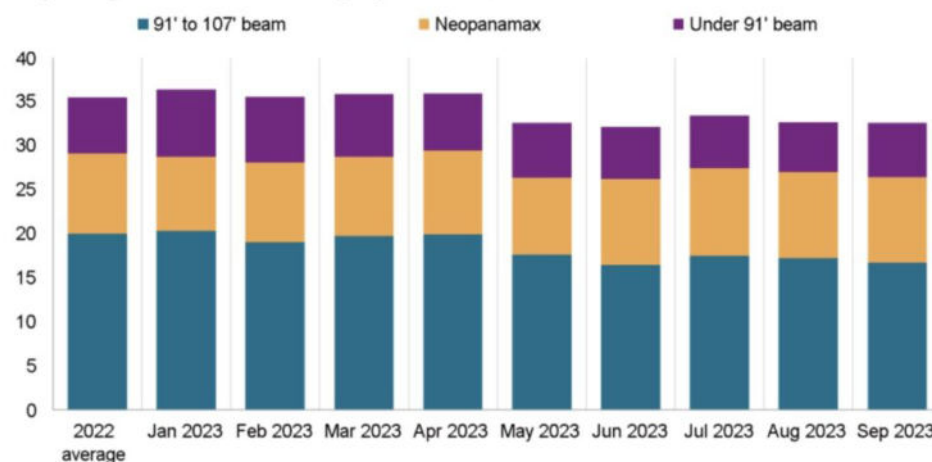
“Despite the restrictions at the Panama Canal, the market may find an alternative and use larger ships going round the Cape Horn into the Pacific adding tonne-miles and supporting bigger vessels’ demand,” a recent report from Greece’s Xclusiv Shipbrokers suggested.

Turning to containers, Judah Levine, head of research at online box booking platform Freightos, said that low-water restrictions in the Panama Canal have not impacted container flows significantly yet, but the newly announced reductions could send more volumes to the US west coast or via the Suez Canal in the coming months.

Analysis of canal authority data carried out by S&P Global shows the decline in transits has mostly been borne by middle-sized vessels.

#### Mid-sized vessels bear brunt of lower Panama Canal transits

Daily average Panama Canal crossings by vessel size, number of vessels



Data compiled Oct. 26, 2023.

Sources: S&P Global Market Intelligence; Panama Canal Authority.

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#Panama