

Panama Canal transits sink to new drought-driven low in December

December might mark bottom, with reservation slots up this month

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Panama Canal transits fell again in December. (Photo: ACP)

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The Panama Canal has faded from the headlines amid all the focus on the Red Sea. But fallout to global supply chains from Panama's drought is far from over. The country has entered its dry season, which extends until May.

Transits declined yet again in December as reservations were further restricted, according to newly released data from the Panama Canal Authority (ACP).

On a positive note, the pace of the decline has slowed and more rain than expected in November allowed the ACP to increase reservation slots this month.

There were 746 ship transits in December, including transits through both the older Panamax locks and the larger Neopanamax locks that debuted in 2016.

December transits fell 4.7% versus November, [a much lower rate of decline than in November](#), when transits plunged 21.9% versus October.

To put the latest numbers in historical perspective, December's transits were 27.5% below transits in December 2015, before the Neopanamax locks went into service. The Neopanamax locks took almost a decade to build and cost over \$5 billion.

Neopanamax locks: Another big fall for LPG

Transits via the Neopanamax locks dropped 5.9% in December versus November, compared to the 27.8% slide in November versus October.

Liquefied petroleum gas (LPG) shipping was the primary culprit. LPG transits via the Neopanamax locks fell 17.9% in December versus November, on top of a 34.1% drop in November versus October.

High-capacity LPG carriers known as very large gas carriers (VLGCs) began using the Panama Canal for voyages between the U.S. Gulf and Asia after the debut of the Neopanamax locks (VLGCs can't fit in the Panamax locks).

Panama's drought restrictions initially forced VLGCs to switch to the Suez Canal. The Houthi attacks have now pushed VLGCs around Africa's Cape of Good Hope.

The highest-volume user of the Neopanamax locks — container shipping — also pulled back in December, but to a lesser extent. Container ship transits through the Neopanamax locks edged down 2.3% month-on-month, following a 19.5% decline in November versus October.

TRANSITS VIA BOTH LOCKS:						TRANSITS VIA PANAMAX LOCKS:					
	OCT	NOV	DEC	NOV VS. OCT	DEC VS. NOV		OCT	NOV	DEC	NOV VS. OCT	DEC VS. NOV
ALL SHIPS	1,002	783	746	-21.9%	-4.7%	Chemical tankers	166	152	150	-8.4%	-1.3%
						Dry bulk	164	87	60	-47.0%	-31.0%
						Container ships	95	91	99	-4.2%	8.8%
						Ro-ros	61	66	54	8.2%	-18.2%
						LPG	62	59	50	-4.8%	-15.3%
						Crude/product tankers	35	30	33	-14.3%	10.0%
						Refrigerated carriers	37	28	24	-24.3%	-14.3%
						General cargo	39	15	18	-61.5%	20.0%
						ALL SHIPS	696	562	538	-19.3%	-4.3%
TRANSITS VIA NEOPANAMAX LOCKS:											
	OCT	NOV	DEC	NOV VS. OCT	DEC VS. NOV		OCT	NOV	DEC	NOV VS. OCT	DEC VS. NOV
Container ships	164	132	129	-19.5%	-2.3%						
LPG	85	56	46	-34.1%	-17.9%						
LNG	24	18	19	-25%	5.6%						
ALL SHIPS	306	221	208	-27.8%	-5.9%						

(Chart: FreightWaves. Data: Numbers derived by FreightWaves from ACP’s monthly release of cumulative fiscal year transits.)

Panamax locks: Dry bulk transits drive drop

Transits via the Panamax locks fell 4.3% in December versus November, compared to a 19.3% sequential fall in November.

Dry bulk shipping was the primary driver of declines yet again last month, with a 31% sequential drop in transits in December following a 47% sequential collapse in November.

The fourth quarter marks the peak of U.S. exports of soybeans to Asia, with those volumes bolstered by continued exports of corn and wheat.

Agribulk cargoes are carried aboard Panamax-size or smaller vessels due to terminal restrictions in both the U.S. Gulf and Asia.

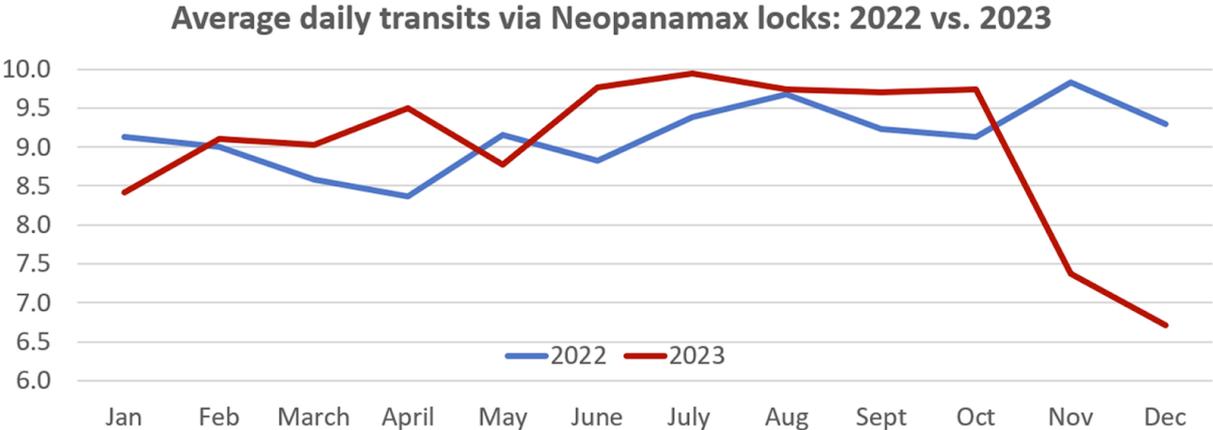
Panamaxes laden with U.S. farm exports [shifted from Panama to the Suez Canal route in the fourth quarter of 2023](#). These ships have continued to ply this route despite attacks in the Red Sea, although diversions to the Cape of Good Hope are now starting to pick up, following attacks on two U.S.-owned bulkers in the past week.

Average daily transits plunge year on year

The ACP also compiles data on average daily transits. These numbers show that drought impacts to the Neopanamax locks only began in November, whereas fallout at the Panamax locks transits began last May.

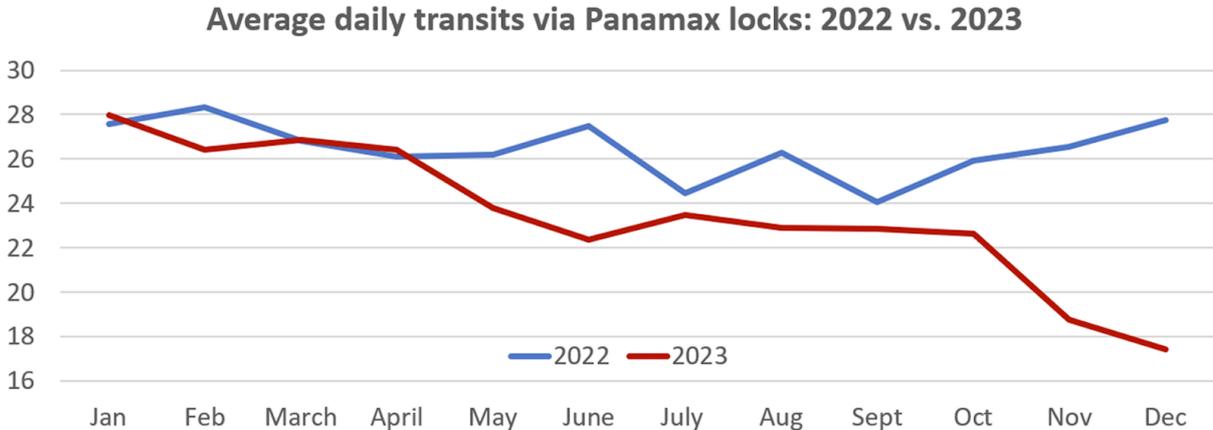
The daily average further deteriorated at both locks in December, with large year-on-year declines.

There were an average of 6.71 transits per day via the Neopanamax locks in December, 28% below the average in December 2022.



(Chart: FreightWaves based on ACP’s monthly canal operations summaries.)

The Panamax locks handled an average of 17.42 transits per day last month, down 37% year on year.



(Chart: FreightWaves based on ACP’s monthly canal operations summaries.)

Reservation slots increased in January

In November, [the ACP announced emergency restrictions on transit reservations](#) to conserve water. It eased those restrictions beginning this month in light of better-than-expected water levels.

Daily reservations were initially scheduled to drop from 22 in December to 20 this month and 18 in February (13 Panamax, five Neopanamax).

Instead, the ACP increased transit slots to 24 starting this month (17 Panamax, seven Neopanamax). This may lead to a sequential improvement in transit numbers in January versus December, arresting the slide.

That said, the improved reservation schedule remains heavily constrained versus the ACP's pre-drought "normal." The current daily reservations are still 33% below the usual 36 daily transits, with available Panamax slots down 35% and Neopanamax reservations down 30%.

Panama Canal's remaining liner services

The current situation at the Panama Canal for container shipping was discussed in a presentation by freight forwarder Flexport on Thursday.

"There are still Panama Canal services," noted Nathan Strang, Flexport's director of ocean freight for the U.S. Southwest. "However, those are going to be subject to canal surcharges and reduced capacity, so access to those services is limited."

According to Kyle Beaulieu, Flexport's head of trans-Pacific, "Panama has opened up a little bit more than expected and has allowed a few more transits in January. So, some carriers have pivoted to route via Panama on a ship-by-ship basis. Most notably, THE Alliance [Hapag-Lloyd, ONE, HMM, Yang Ming] has done this with some vessels on its EC1, EC2 and EC6 services."

Remaining Panama Canal services offer importers a shorter transit time to the U.S. East Coast than Cape of Good Hope services. But there's a

complication: Most container ships are only using the canal on the fronthaul leg.

Connor Helm, Flexport's manager of ocean procurement, explained: "The large majority of the vessels, on their return leg, are actually continuing around the Cape of Good Hope. This makes sense, because there's such a small allotment of vessels that can go through the Panama Canal. Why waste a transit on a vessel that has largely empty equipment or lower-paying export goods?"

"So, you may avoid some disruption on your fronthaul but if you're expecting to load on the same vessel on the next voyage, it is likely to be delayed going around the Cape of Good Hope."