

Water levels at the Panama Canal are reach record-low levels due to prolonged drought, resulting in restrictions, surcharges, and delays.

Here's what you need to know today.

The issue: Low water levels at the Panama Canal have led to restrictions in the number of vessel crossings and the volume each ship can carry. Global trade lanes are experiencing surcharges and delays, causing some shippers to reroute their cargo.

What to expect: Reduced volume and capacity, longer lead times, blanked sailings, increased operational expenses, and additional restrictions as drought conditions worsen.

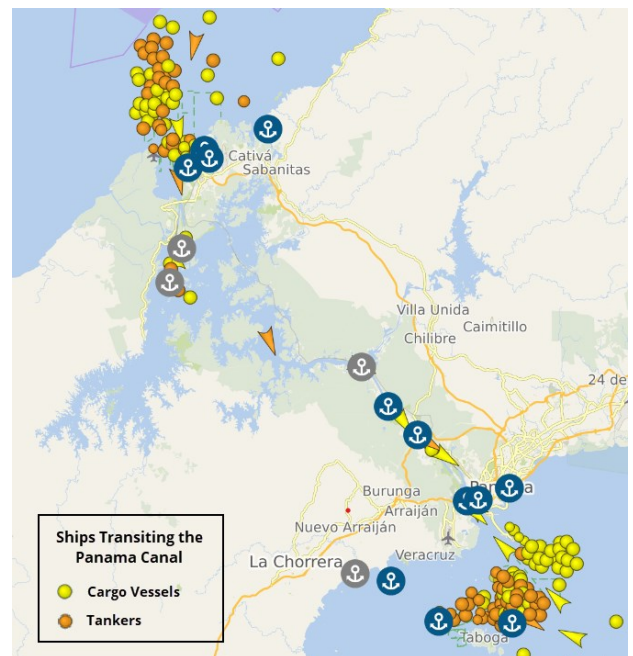
What to do: Get in touch with your UTC representative – we will work with you to find alternate routes to minimize delays and deliver your cargo as quickly as possible.

More info:

- On August 23, the Panama Canal Authority (ACP) issued a statement clarifying that there are currently 131 unbooked vessels waiting to transit the locks, down from a peak of 165; unbooked transit wait times are currently 9-11 days. Previous misleading reports indicated that there were 200 vessels waiting, with an estimated 20-21 day wait-time. ([Splash 24/7](#), [World Cargo News](#), [WSJ](#))
- More than 14,000 ships crossed the canal in 2022. Container ships are most common, transporting over 40% of consumer goods traded between Northeast Asia and the US East Coast. ([Reuters](#))
- The Panama Canal is critical for US shippers en route to Gulf and East Coast ports. The US accounts for 73% of Panama Canal traffic representing about \$270B in cargo. ([World Cargo News](#))
- **Current restrictions**
 - Efforts are in place to maintain a 13.41m draught, at which 32 vessels (down from 36) per day can transit the canal. To reduce the backlog, the number of new reservations to transit the locks has been limited to allow more ships through without bookings. It takes between 8-10 hours for each ship to transit the 50-mile-long passage. ([Seatrade Maritime](#))
- **What it means for global trade:**
 - Neopanamax capacity is minimally affected and expected to remain unchanged at 10 daily transits. The notable exception is the *Ever Max*, the largest capacity containership ever to transit the locks, which had to offload 1,400 TEUs before going through. ([Seatrade Maritime](#))
 - Blanked sailings increased in June and July; approximately 11% of regular sailings connecting Central China and Europe were canceled. ([World Cargo News](#))

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- A similar shift is emerging in transpacific trade lanes, where spot rates have gone up an average of 25-35%. ([Reuters](#), [World Cargo News](#))
- Special auctions are in place for canceled slots, with very high fees demanded. Liners have reacted by implementing canal transit surcharges of up to \$500 per TEU. ([Splash 24/7](#))
- **Alternative routes:**
 - Switching to rail could shave days off transit time: as a result of its recent merger, CPKC (Canadian Pacific Kansas City) can offer an alternate route between the port of Lazaro Cardenas in Mexico into the US Gulf and Midwest – providing a transit time of 5-6 days to Houston compared to current wait times. ([Seatrade Maritime](#))
 - Alternate ocean routes may take a few weeks of lead-time. Backhaul, or return trip, container services could add 2,000 nautical miles to transit the Suez Canal or 5,000 nautical miles around Africa. Headhaul services, generally the most revenue-generating for the shipper, could also be rerouted through the Suez Canal. ([Splash 24/7](#))
- **Looking ahead:**
 - The Panama Canal Authority has warned that restrictions could remain in place through the end of the year. ([WSJ](#))
 - Maritime transportation analysts are concerned restrictions will become the new normal as summers are trending drier. In 2020, less severe droughts caused canal operators to reduce crossings to 27 ships per day. ([Reuters](#))
 - Experts anticipate the Panama Canal's revenue will shrink by about \$200 million due to the current crossing restrictions in place. ([Reuters](#))



As conditions continue to evolve, UTC is closely monitoring the latest developments. We are committed to keeping you informed and your cargo moving, and are ready to advise on alternate routes or modalities to find the best solution for your needs.

Please reach out to your UTC representative, or inquiries@utcoverseas.com, with any questions or concerns. Your partnership is valuable to us, and your best interests are always top of mind at UTC.