

Advisory to Shipping No. A-39-2020

November 12, 2020

TO : All Shipping Agents, Owners, and Operators

SUBJECT: Monthly Canal Operations Summary – OCTOBER 2020 (CORRECTION)

1. Panama Canal Statistical Summary:

a. Transit Pilot Force	257
b. Pilots in Training	32
c. Tugs	46
d. Locomotives	100

2. Traffic Statistics:

	<u>Daily Average</u>	<u>High</u>	<u>Low</u>
Arrivals	34.42	47	22
Oceangoing Transits	35.39	38	31
Canal Waters Time (hours)	47.49	63.43	21.80
In-Transit Time (hours)	10.85	13.75	9.10
Oceangoing Transits:	<u>Total</u>	<u>Daily Average</u>	<u>Percentage</u>
Vessels of less than 91' beam	167	5.39	15.22
Vessels 91' beam to under 107' beam	652	21.03	59.43
Neopanamax Vessels (107' beam and over)	278	8.97	25.34
Total:	1,097	35.39	100.00
Booking Slots:	<u>Available</u>	<u>Used</u>	<u>Percentage</u>
Neopanamax Vessels (107' beam and Over)	248*	234* ¹	94.35
Large Vessels (91' beam to under 107' beam)	403*	392* ¹	97.27
Regular Vessels (less than 91' beam)	186*	134* ¹	72.04
Regular Vessels (up to 300' in length)	0	0	0
Auctioned booking slots	45	31	68.89

* Does not include additional auctioned booking slots

¹ Includes booked transits only

3. The following page provides the scheduled locks maintenance work and other items of interest to the shipping community.

4. This advisory will be canceled for record purposes on November 30, 2020.

ORIGINAL SIGNED

Ilya R. Espino de Marotta
Deputy Administrator and Vice President for Operations

OP, November 12, 2020

Subject: Monthly Canal Operations Summary – OCTOBER 2020 (CORRECTION)

SCHEDULE OF PANAMAX LOCKS MAINTENANCE OUTAGES							
Dates	Duration	Miraflores	Pedro Miguel	Gatun	Estimated Capacity [^]	Expected Booking Condition	Status
June 15 and 16, 2021	4 hours per day			East*	30-32	1.a	Tentative
June 25, 2021	10 hours			West*	27-29	1.a	Tentative
July 1, 2021	12 hours			East*	26-28	1.a	Tentative
July 5 to 14, 2021	10 days			East**	22-24	2	Tentative
July 29 and 30, 2021	4 hours per day			West*	30-32	1.a	Tentative
August 5 and 6, 2021	5 hours per day			West*	30-32	1.a	Tentative
August 12 and 13, 2021	5 hours per day			East*	30-32	1.a	Tentative
August 17 and 18, 2021	4 hours per day	East*			30-32	1.a	Tentative
August 20, 2021	8 hours			East*	28-30	1.a	Tentative
September 13 to 20, 2021	8 days	East**			22-24	2	Tentative
September 27 and 28, 2021	5 hours per day	East*			30-32	1.a	Tentative
September 30, 2021	8 hours	East*			28-30	1.a	Tentative

SCHEDULE OF NEOPANAMAX LOCKS MAINTENANCE OUTAGES						
Dates	Duration	Agua Clara	Cocolí	Estimated Capacity ^{^^}	Expected Booking Condition	Status
January 29, 2021	10 hours	*		5-7	^^	Tentative
February 26, 2021	10 hours		*	6-8	^^	Tentative

The normal transit capacity of the Panamax locks is 34-36 vessels per day, and in the neopanamax locks 9-11 vessels per day, depending on vessel mix, transit restrictions, and other factors. This capacity is reduced during locks maintenance work, as indicated in the above table. Consequently, vessels may experience delays in transiting. When the Panama Canal's capacity is expected to be reduced, a corresponding reduction in the number of available reserved transit slots may be ordered by the Canal Authority. Whenever a set of locks requires a major outage of one of its two lanes for dry chamber inspection, miter gate repairs, tow track work or other major maintenance/improvement projects, advantage may be taken to perform simultaneous single lane outages at other locks.

- * In order to perform scheduled maintenance works
- ** In order to perform scheduled dry chamber works
- *** Culvert outage
- ^^ A corresponding reduction in the number of available booking slots should be expected

Reading into the Panama Canal's FY20 Performance and Beyond

On October 1, 2020 the Panama Canal began its new fiscal year, leaving behind 2020, which despite facing low water levels and trade disputes in the midst of a global pandemic, closed with 475 million Panama Canal (PC/UMS) tons, on par with our results from the previous year. This outcome is due to our world-class team. No stranger to market ebbs and flows, our team took a series of swift actions that allowed the Panama Canal to continue operating safely and connecting the world when it was needed the most.

A Tale of Two Years

We began FY20 with six months of steady traffic. Between October 2019 and March 2020, we recorded 4% more transits and 7% more tonnage than projected.

However, in the final months of this first semester, the COVID-19 pandemic began to reshape world trade and travel. Knowing the critical importance of keeping the waterway safe and operating for world supply chains, the Panama Canal implemented a series of escalating safety measures which began in January. A month later, measures to improve the Canal's water levels also went into effect.

It is important to note that the Canal's strong performance in its first semester was critical in laying a foundation for all of FY20, as the year abruptly changed course halfway through. The coronavirus-induced slowdown ultimately caused transits to decrease by up to 20% between May and July. During this time, segments like vehicle and liquefied natural gas (LNG) carriers saw a drop in demand. By the end of FY20, both of these segments saw PC/UMS tonnage 21% and 15% below projections, respectively. The passenger segment closed the year with 10% lower than expected PC/UMS due to cruise lines suspending operations early in the spring.

These results were partially mitigated by segments that continued to generate steady traffic. For example, the bulk segment saw 21% more PC/UMS tonnage than expected due to a heightened need for grains and raw materials, while the liquefied petroleum gas (LPG) segment, registered 27% more PC/UMS tonnage than projected due to increased demand in cooking gas. LPG remained in demand as a feedstock in the chemical industry and as a substitute of naphtha, given its favorable pricing.

To offer customers a relief, our team swiftly assembled a series of temporary measures, including the suspension of advance payments for transit reservation fees and other changes to our reservation system that were highlighted by **UNCTAD**. Meanwhile, US retailers restocking inventories ahead of the holiday season was one of the factors that contributed to the normalization of traffic at the waterway by August, while port calls still remained 3% below their 2019 levels on a global level.

Our Expectations for FY21

There is no doubt FY20 has prepared us for the upcoming fiscal year, while we maintain a positive outlook and stay vigilant amid the COVID-19 pandemic's continued impact.

According to the World Trade Organization (WTO), world trade was expected to fall 9.2% in 2020, with a 7.2% recovery in 2021, but will remain well below pre-pandemic trends. In line with the WTO's economic outlook, the Canal expects a 10% reduction in transit levels to 33 transits per day, slightly more than the 30 transits we experienced FY20, but below the 36 transits registered in FY19. The estimated tonnage for FY21 is also expected to decrease 9%, or 46 million PC/UMS tons, as compared to FY20.

The Canal's expectations and plans for recovery will stay flexible, given the signs of recovery in the maritime industry. Specifically, the Canal is monitoring the container segment and the global trend of cargo unification, meaning that cargo volume per vessel is increasing, resulting in fewer transits, but heavier ships. That is why the operational water level at the waterway will be even more important in the coming years.

OP, November 12, 2020

Subject: Monthly Canal Operations Summary – OCTOBER 2020 (CORRECTION)

The demand for oil and petroleum products through the Canal has improved, given market conditions and the reopening of economies. On the other hand, full normalization of the LNG segment is not expected. Prices in Asia remain low, as the price of LNG purchasing contracts with the Middle East are tied to oil prices, which remain low. If LNG prices in Asia recover, the competitiveness of exports from the United States will improve and we could see a recovery in transits through the Canal. Vehicle carriers are also not expected to fully return to FY19 levels due to a limited recovery of the automotive market.

Looking Beyond COVID-19

While the road ahead still poses numerous challenges, the Panama Canal will continue to serve as a driver for Panama's growth, as it continues to invest in the health of its workforce and the environment.

The search for a long-term water solution will accelerate in FY21, building off the progress made in recent months. Thanks to water measures taken earlier this year, the Canal began its new fiscal year by offering its maximum 50-foot-draft, the highest in 20 months. We will also advance our RFQ process for a new water management system, a project worth almost \$2 billion that will reshape the country's use and understanding of water.

As in 2020, when we allocated \$30 million to address the impact of the pandemic with measures such as an expanded COVID-19 testing and tracing program, the safety of our team remains paramount. Investments in the Canal's infrastructure will also include launching a new photovoltaic plant in Cocolí to revamp the Environmental Economic Incentives Program (PIEA).

FY20 presented challenges that threw off reliable forecasts and shifted predictions across global trade. The Panama Canal proved this year that these challenges, though formidable, could be overcome with a responsive team committed to excellence. We look forward to continuing our reliable service in FY21, and for many years to come.