

PANAMA STRATEGIC MONITOR

Weekly Intelligence Briefing on Panama's Key Strategic Developments

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EXECUTIVE SUMMARY

Panama declared a National State of Emergency on August 25 — approved by Consejo de Gabinete under Government Minister Dinoska Montalvo — in response to El Niño's accelerating impact on the country. The declaration covers the full spectrum of the phenomenon's dual nature: flooding in Bocas del Toro and Colón (15,643 persons affected since January, more than 70 percent in those two provinces) and a severe rainfall deficit in Pacific-slope watersheds that threatens canal operations, hydroelectric generation, potable water supply, and agricultural production. IMHPA projects a rainfall deficit of up to 55 percent in the Pacífico panameño through December, with 11 hydrographic basins already in 'hydric stress' and conditions expected to extend through March 2027. The government framed the emergency as a preventive posture — to “anticipate emergencies rather than wait for conditions to reach critical levels” — but the declaration carries immediate procurement, coordination, and budget-authority implications across all affected institutions.

The 2026 El Niño is now an active national crisis, not a forward risk. There is no change in the previously announced September 4 and September 15 transit reductions — to 34 and 32 daily slots respectively. Gatún Lake levels have been largely stable for the past nine days, but with rainfall running up to 55 percent below normal in the Pacific watershed, stabilization may be temporary. The ACP's revised draft schedule (48.0 ft effective September 2; 47.5 ft effective October 1) was made possible by the water savings from fewer daily transits.

Against this backdrop, Panama's underlying economic performance shows some remarkable resilience. Government data confirmed 4.9 percent growth for January-May 2026, with the May standalone at 5.19 percent year-on-year — driven by logistics, commerce, tourism, and construction. Inflation held at 1.3 percent through May. Labor contracts rose 19.1 percent in the same period. Canal revenue through the first nine months of fiscal year 2026 reflects 10,726 high-draft transits, up 5.2 percent — and that was before the record auction-price surge of July-August. The macroeconomic foundation is solid; the question is whether El Niño and its downstream consequences on canal revenue and energy generation erode what the government has built.

On the diplomatic front, the China Maritime Transport Agreement remains technically agreed but not formally signed. FM Martínez-Acha confirmed this week that new Ambassador Zhang Xiangyan is still waiting to present his credentials to President Mulino. August vessel detentions remain near zero.

Panama also launched its new country brand — 'Panamá, Anfitrión del Mundo' (Panamá, Host of the World) — with Mulino publicly congratulating the initiative.

Environment Minister Navarro confirmed that the Cobre Panamá watershed water quality monitoring program near the mine has been activated, adding a new environmental surveillance layer ahead of the ministerial commission's year-end recommendation.

⚡ LEAD STORY 1: PANAMA DECLARES NATIONAL STATE OF EMERGENCY — EL NIÑO NOW AN ACTIVE CRISIS**Consejo de Gabinete Acts August 25; 11 Basins in Hídric Stress; Canal, Energy, and Water Supply All at Risk**

The Consejo de Gabinete approved a National State of Emergency on August 25, formally recognizing El Niño as an active national crisis with concurrent and contradictory impacts: flooding in Caribbean-coast provinces and severe rainfall deficit in Pacific-slope watersheds. Government Minister Dinoska Montalvo presented the measure, framing it as 'born from the necessity of being prepared for what El Niño can bring.' This creates a posture of anticipatory government planning rather than reactive disaster response, consistent with Panama's experience from the 2023-24 drought. The Consejo de Ministros and SINAPROC (Panamá civil protection system) will now operate under emergency procurement and coordination authorities, enabling faster institutional response without ordinary contracting timelines.

The flooding dimension is already significant: official data cited in the emergency declaration confirm that at least 15,643 persons have been affected by flooding between January and August 2026, with more than 70 percent concentrated in Bocas del Toro and Colón — provinces whose Caribbean exposure makes them vulnerable to the excess-rainfall side of El Niño even as the Pacific side dries. SINAPROC's August 20 projections contemplated a rainfall reduction of up to 55 percent in the Pacífico Panameño through the remaining months of 2026.

The drought dimension, while less immediately visible in human-displacement terms, carries the larger economic stakes. The Institute of Meteorology, Hydrology and Hydrology of Panama (IMHPA) has identified 11 hydrographic basins in 'hydric stress' — a formal classification that triggers priority-monitoring status. The agency projects a rainfall deficit between October 2026 and March 2027, with effects potentially extending through May with elevated temperatures. The sectors explicitly named in the emergency declaration as at risk: canal transit operations (Gatún and Alhajuela lakes both affected), hydroelectric generation (Panama relies on hydro for the majority of its electricity supply), potable water supply for the metropolitan area (Gatún Lake is also the primary drinking-water source for over half the country's population), and agricultural production in the interior provinces and Arco Seco region.

The canal's operational exposure is the most globally consequential dimension. Gatún Lake was described as 'largely stable' in the nine days preceding the August 20 transit-cut announcement, but stable at a depleted level — not recovering toward historical averages. With May-August rainfall already 34 percent below average and SINAPROC projecting a further 55 percent deficit through December, the dry-season trajectory (January-April 2027) represents the acute risk period. The ACP's transit-cut strategy — 34 slots from September 4, 32 from September 15 — is explicitly designed to conserve water by reducing the number of "lockages," each of which empties a lock chamber's worth of freshwater into the sea. Whether 32 slots is sufficient to stabilize lake levels through the dry season, or whether further cuts follow the 2023-24 pattern of progressive reductions, is the single most important forward-looking question for global shipping.

The Emergency Declaration's Canal Implications — and the CIIT Talking Point

The State of Emergency is a clear signal Panama views 2026-27 as potentially worse than 2023-24 when daily transit slots fell to 22 and cost Panama approximately \$700 million in foregone canal revenue. For shippers, insurers, and supply-chain managers, the emergency declaration signals that the downside scenario (sub-30-slot daily transits, extended cargo delays, further auction-price surges beyond \$1.1M average) should now be in baseline planning. For geopolitical audiences, Panama's canal is not just occasionally constrained by drought, it is subject to retaliatory actions from China, and

threats from the United States. The new reservoir's 2028 groundbreaking and 2032 completion dates are the answer; but Panama has six years of structural vulnerability between now and then.

Sources: [Infobae — Panamá declara el estado de emergencia nacional por el fenómeno climático de El Niño \(Aug 25, 2026\)](#) | [Infobae / EFE — Panamá declara el estado de emergencia nacional por el fenómeno El Niño](#) | [Decisiones Panamá — Consejo de Gabinete declara estado de emergencia ante la evolución del fenómeno de El Niño](#) | [France 24 — El Niño obliga a Panamá a declarar el estado de emergencia \(Aug 26, 2026\)](#) | [Maritime Executive — Panama Canal Begins Reducing Daily Transits Due to Declining Water Levels](#)

LEAD STORY 2: ECONOMY GROWING AT 4.9% THROUGH MAY — AND PANAMA LAUNCHES A NEW COUNTRY BRAND

Second-Best January-May Performance Since 2010; 'Panamá, Anfitrión del Mundo' Debuts as the Emergency Looms

Panama's economic performance data for the January-May 2026 period, published by the MEF this week, provides the clearest picture yet of the 'Panamá Pa' Ti' agenda's macroeconomic backdrop. The IMAE (Monthly Economic Activity Index) registered 4.9 percent growth for the five-month cumulative period, with the May standalone reaching 5.19 percent year-on-year — the second-highest January-May performance recorded since 2010 and comfortably above the 4.0-4.1 percent that the IMF, World Bank, and MEF had projected as the full-year target. The expansion is driven by logistics, commerce, tourism, and construction — all sectors that reflect the services and transit hub model at the core of Panama's development strategy.

Supporting indicators strengthen the picture: labor contracts rose 19.1 percent in the January-May period (141,595 registrations, up from approximately 119,000 in the same period of 2025), confirming that growth is translating into formal employment — the metric Mulino has made central to his second-phase 'Panamá Pa' Ti' narrative. Inflation held at 1.3 percent through May, sustained by fuel subsidies on public transport, food transport, and artisanal fishing. Tourist spending reached \$3.226 billion through May, up 15.3 percent over the same period in 2025. The MEF separately placed \$369.2 million in 12-month Treasury Notes at the seventh Letras del Tesoro auction of 2026, maintaining access to short-term domestic financing at manageable rates.

Against this solid macroeconomic backdrop, Panama this week launched “Panamá, Host of the World,” the new national country brand developed by Promtur and the Autoridad de Turismo de Panamá (ATP). Mulino publicly congratulated the initiative, which frames Panama's geographical and logistical positioning — the canal, the Tocumen hub, the regional headquarters concentration, the OAS and multilateral hosting tradition — as a coherent national identity narrative for international audiences. The timing, coming the same week as the National Emergency declaration, is a reminder of the dual nature of Panama's current moment: genuine economic strength and climate vulnerability running in parallel.

Why the 4.9% Figure Matters for the Emergency Calculus

Panama entering an El Niño emergency from a position of 4.9% growth and a 19.1% employment expansion puts Panamá in a positive position ahead of potential fiscal stress. Chapman's Budget 2027 (at \$35.1 billion with a 2.97% deficit target) was built on a 4.0% growth assumption. A 4.9% growth trajectory gives the government fiscal room above baseline even before accounting for record canal auction-premium revenues. This cushion matters for emergency response: it gives the Consejo de Gabinete the fiscal headroom to activate emergency procurement and support affected communities without immediately destabilizing the investment-grade fiscal framework. The risk is the second half of

the year — if El Niño suppresses canal revenue through transit cuts and reduces hydroelectric generation (increasing energy import costs), the 4.9% number may not hold through year-end.

Sources: [MEF — Panamá mantiene un crecimiento económico de 4.9% \(agosto 11, 2026\)](#) | [La Estrella — Economía panameña crece 4.9% entre enero y mayo impulsada por sectores estratégicos](#) | [Destino Panamá — Entérate rápido del 27 de agosto de 2026 \(marca país\)](#) | [Panamá América — Economía panameña crece 4.9% a mayo de 2026 impulsada por logística, comercio y turismo](#)

1. PANAMA CANAL & TRADE

Transit Reductions Confirmed; Draft Schedule Updated; FY2026 Traffic Up 5.2%

The transit-reduction schedule confirmed in last week's ACP advisory (Vol. 27 Lead Story 1) stands unchanged: 34 daily slots from September 4, 32 from September 15. The revised draft schedule — 48.0 feet effective September 2, 47.5 feet effective October 1 — reflects the water-conservation trade-off of fewer lockages per day. The ACP's FY2026 traffic data through the first nine months (ending June) shows 10,726 high-draft transits, up 5.2 percent year-on-year, with tonnage at 389.96 million CP/SUAB — strong demand fundamentals that make the El Niño supply constraint the dominant variable heading into the back half of the fiscal year.

The National Emergency declaration adds a new institutional dimension to canal operations: with Gatún Lake now explicitly named in government emergency communications as a water-supply and canal-operations risk, the ACP's weekly hydrological monitoring is no longer a standalone technical exercise — it is embedded in a national emergency response framework. This means any further ACP advisories on draft or transit will carry the weight of the emergency declaration, and any future reductions below 32 slots will be read as confirming that the emergency scenario is materializing. The Río Indio reservoir — EIA submission targeted December 2026-January 2027, groundbreaking January 2028 — is now the centerpiece of both the ACP's and the government's long-term water-security narrative. In the interim, the ACP's only tool is demand management through slot reductions and draft limits.

Sources: [Maritime Executive — Panama Canal Begins Reducing Daily Transits Due to Declining Water Levels \(Aug 20, 2026\)](#) | [La Prensa — Canal de Panamá reducirá nuevamente el calado para buques neopanamax a partir del 26 de agosto](#) | [La República / GlobalPorts — Canal evalúa posibles ajustes; quinto recorte del año acumulado](#)

2. CHINA, PORTS, AND MARITIME

MTA Still Awaiting Entry Into Force; Zhang Xiangyan Credential Presentation Pending; Detentions Near Zero

The China Maritime Transport Agreement remains agreed but not formally in force. FM Martínez-Acha confirmed this week that the bilateral relationship has improved, and that new Ambassador Zhang Xiangyan has been received by the Cancillería but is still awaiting his formal credential presentation to President Mulino. The credential presentation is the procedural step that typically precedes the formal bilateral diplomatic agenda being activated at ambassadorial level; its completion will signal that the relationship has returned to normal operating procedures. The MTA proclamation is expected to follow, though no specific date has been given.

Vessel detentions remain near zero — consistent with the trajectory confirmed since late July (16 in the first 20 days of July, three in the first 20 days of August). The cumulative total of

approximately 500 detentions and over 200 re-flaggings remain the historical record, but the operational present is calm. Cosco's cargo suspension at Balboa has not been publicly reversed. No formal Balboa or Cristóbal tender documents have been published. The three parallel CK Hutchison/PPC arbitration proceedings continue on their own timelines.

Sources: [La Prensa — Panamá afirma que relaciones con China han mejorado y las retenciones de buques siguen a la baja](#) | [Panamá América — Panamá espera la entrada en vigor del renovado acuerdo marítimo con China](#) | [Crítica — Panamá espera entrada en vigor de renovado acuerdo marítimo con China](#)

3. POLITICS & GOVERNANCE

Emergency Declaration Reshapes the Week's Governance Agenda; Budget Vistas Continue; Navarro on Mine Water

The National Emergency declaration by the Consejo de Gabinete on August 25 is the most consequential executive action of the Mulino government's third year to date, activating institutional response mechanisms across SINAPROC, National Water and Sewerage Authority (IDAAN), the Ministry of Environment, agriculture ministries, and energy authorities. Government Minister Montalvo's framing — preventive rather than reactive — aligns with the ACP's own communication posture on the canal restrictions. The emergency does not require Assembly approval (it is an executive decree under existing emergency-powers legislation), but it gives the budget debate an immediate new dimension: deputies who had already flagged IDAAN's 52 percent budget cut (\$182M versus \$349M requested) now have explicit emergency-declaration language to reference in demanding restoration of water-infrastructure funding.

Budget 2027 vistas presupuestarias continue through approximately September 22. The emergency context amplifies scrutiny of IDAAN, the energy sector, and agricultural support allocations. Mulino's press conference absence has not been publicly confirmed as ended; the Destino Panamá August 27 summary references Mulino congratulating the country-brand launch via public statement rather than a press conference format. Environment Minister Navarro confirmed this week that his ministry has activated a water-quality monitoring program for a watershed adjacent to the Cobre Panamá mine — verifying compliance with the safety management plan established in 2025 after the November 2023 judicial closure. This monitoring activation, combined with the ongoing mineral stockpile export operation, adds an active environmental surveillance layer ahead of the ministerial commission's year-end recommendation.

Sources: [Decisiones Panamá — Consejo de Gabinete declara estado de emergencia ante El Niño \(Aug 25, 2026\)](#) | [Destino Panamá — Entérate rápido del 24 de agosto de 2026 \(Navarro / Cobre Panamá\)](#) | [Destino Panamá — Entérate rápido del 27 de agosto de 2026](#)

4. ECONOMY & INVESTMENT

IMAE at 4.9%; Tourism Up 15.3%; Labor Contracts Up 19.1%; Treasury Notes Auction Closes at \$369.2M

The MEF's August economic data package confirms Panama's positive economic performance significantly exceeded the government's own 4.0 percent full-year projection. The sectoral drivers are logistics (canal-adjacent services), commerce, tourism, and construction, which is consistent with a service-economy profile that is somewhat insulated from the agricultural and hydroelectric impacts of El Niño, although exposed to any canal-revenue shock from transit reductions. Tourism

spending at \$3.226 billion through May (+15.3%) reflects Panama's growing regional hub positioning, consistent with the 'Panamá, Anfitrión del Mundo' brand narrative.

The MEF's seventh bond auction closed at \$369.2 million in 12-month notes, maintaining domestic funding access. The fiscal year's canal-revenue trajectory — 10,726 transits in the first nine months, plus the record August auction premiums — means FY2026 canal transfer to the Treasury will likely exceed the \$2.965 billion record from FY2025. That upside, however, is now being partially absorbed by the emergency response costs that the August 25 declaration will unlock.

Sources: [MEF — Panamá mantiene un crecimiento económico de 4.9%](#) | [MEF — Séptima subasta de Letras del Tesoro 2026: \\$369.20 millones](#) | [Destino Panamá — Panamá lanza marca país 'Panamá, Anfitrión del Mundo' \(Aug 27, 2026\)](#)

5. SECURITY & RULE OF LAW

Odebrecht at 26+ Weeks; Pandora Investigation Active; Interpol Arrest at Tocumen

The Odebrecht verdict remains outstanding at more than 26 weeks since closing arguments concluded February 27 — now the longest deliberation period in modern Panamanian judicial history for a case of this scope. Judge Baloísa Marquínez has not issued any public explanation for the continued delay. The Martinelli amnesty question and the Castañedas Assembly's Comisión de Gobierno under PRD's Benicio Robinson remain the legislative and judicial clocks running in parallel.

Operación Pandora continues its active investigation phase following the August 6 appellate ruling confirming detention for five defendants and converting Lupo González from house arrest. No new defendants or BAC International Bank developments were publicly reported this week. On the security perimeter, SINAPROC confirms an Interpol red-notice subject — a Colombian national wanted for digital and financial crimes — was detained at Tocumen International Airport and remitted to competent authorities, a routine law-enforcement success in Panama's role as a regional transit hub.

Sources: [Destino Panamá — Entérate rápido del 27 de agosto de 2026 \(Interpol / SINAPROC\)](#) | [EcoTV Panamá — Juicio Odebrecht en Panamá: tribunal queda en espera de sentencia](#)

6. ENVIRONMENT & INFRASTRUCTURE

Emergency Declaration Makes Water the National Policy Priority; Río Indio Urgency Sharpens

The National Emergency declaration formally elevates water security to the top of Panama's national policy agenda. IMHPA's identification of 11 hydrographic basins in hídric stress — combined with projections of a 55 percent rainfall deficit through December and drought conditions potentially extending through May 2027 — gives institutional weight to what the ACP has been communicating operationally since July. The Bayano reservoir, which serves both hydroelectric generation and potable water supply for the eastern metropolitan area, is explicitly named alongside Gatún and Alhajuela in the emergency communications.

The Río Indio reservoir now carries a narrative weight beyond canal operations: it is the structural answer to a declared national emergency. The EIA submission timeline (December 2026-January 2027) and groundbreaking (January 2028) are unchanged, but the political urgency of the project has been transformed by the emergency declaration. Community opposition, which previously operated in a context of forward-risk management, now faces a government framing of existential

water-security need. Whether the declaration accelerates the EIA process or the community consultation obligations that accompany it is the environmental governance question to watch. Cobre Panamá's Navarro-led water-quality monitoring of the adjacent watershed, confirmed this week, adds a mine-specific environmental thread to an already complex water-resource picture.

Sources: [Infobae — El Gobierno de Panamá declara el estado de emergencia nacional por los efectos de El Niño](#) | [nexo.la — Río Indio: EIA en diciembre y obras en 2028](#) | [Destino Panamá — Entérate rápido del 24 de agosto de 2026 \(Navarro / cuenca Cobre Panamá\)](#)

TWO-WEEK OUTLOOK: AUGUST 29 – SEPTEMBER 12, 2026

ISSUE / ACTOR	WHAT TO WATCH
September 2	ACP draft restriction to 48.0 ft takes effect for Neopanamax vessels — first of two scheduled cuts now deferred from August-September original dates.
September 4	Canal daily transits reduce to 34 slots — first observable impact on shipping queues. Watch for queue growth and any further ACP advisory.
September 15	Canal daily transits reduce to 32 slots — the deeper cut, equivalent to a 15.8% reduction from the 38-slot baseline. Watch whether the ACP holds here or announces further reductions.
October 1	ACP draft restriction to 47.5 ft takes effect — second scheduled cut. Combined with 32-slot limit, this defines the operational floor heading into the dry season.
September	El Niño Emergency: watch for specific executive decrees activating emergency procurement authorities, and for SINAPROC / IDAAN operational plans for water supply in affected provinces.
September	China MTA formal entry into force: Zhang Xiangyan credential presentation to Mulino is the immediate procedural step; MTA proclamation should follow.
September	Cosco Balboa resumption: still the most direct commercial test of de-escalation durability, and the most important variable for port tender bidder sentiment.
September	Budget 2027 vistas presupuestarias conclude ~September 22; watch for IDAAN water-infrastructure funding resolution given the emergency declaration context.
Year-end	Cobre Panamá commission recommendation; Navarro's water-quality monitoring near the mine adds a new environmental surveillance thread ahead of the decision.
Ongoing	Odebrecht verdict: 26+ weeks since closing arguments February 27. Martinelli amnesty question and Robinson's Comisión de Gobierno remain in the background.

ABOUT THE PANAMA STRATEGIC MONITOR

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