

How have freight rates moved?

In the event of ongoing war between US and Iran, oil prices and other global commodity prices have come under significant pressures in the last few months. As a result of volatile oil prices, and tensions in key shipping routes, freight rates have also been impacted. In this report, we have analysed data on how shipping freight rates, truck freight rates and air cargo volumes have performed since the outbreak of US-Iran war (Feb-Jul'26). We note that the freight rates for bulk dry carriers have increased more significantly than those for oil transporting carriers. Largest oil carrier (VLCC) has even seen decline in rates. This is driven mainly by tensions in the Middle East and attack on infrastructure of major oil producing countries, which has led to dip in demand for these carriers. Other smaller carriers (Suezmax and Aframax) have registered increase in freight rates. Domestically, truck freight rates have also increased since Feb'26. In case of air cargo volumes, domestic cargo is once again taking lead in driving the cargo volumes since Mar'26, as international airline routes have been curtailed. Due to higher ATF prices, domestic ATF consumption has also taken a hit. In the near-term, given continued tensions between US and Iran, volatility in oil prices is expected to remain, which in turn will impact freight prices and prices of other commodities as well.

Why are freight rates in spotlight:

Ever since the outbreak of war between US and Iran on 28 Feb 2026, oil prices and other global market indicators have remained volatile. During phase 1 of the war between 1 Mar 2026 to 17 Jun 2026 (when a MoU was signed between the two), oil prices had increased significantly, which then further led to increase in domestic and international fuel prices. As a result, freight rates also changed. In phase 2 of the war (since early Jul'26 till now), freight rates have again been impacted due to escalated military tensions in key shipping routes. In this report, we have tracked how global shipping freight rates, domestic truck freight rate and air cargo volumes have performed between Feb'26 and Jul'26.

Shipping:

There are 2 kinds of shipping freight that we have tracked. One, tankers which transport oil and related products, and second, tankers which transport dry products. For transportation of crude oil, Very Large Crude Carriers (VLCC) are used, which typically carry a load of roughly two million barrels. Apart from this, Suezmax (800k-1mn barrels capacity), and Aframax (600k-800k barrels capacity) ships are also used to transport crude oil and byproducts of crude oil (fuel oil, bunker oil, gasoline, diesel) to ports which do not have infrastructure to handle VLCC. Clean containers in contrast are used for transporting finished petroleum products (jet fuel, kerosene, Naphtha, diesel/gas oil, light chemicals/solvents).

Data for shipping freight rates show that most notable jump was recorded in Mar'26 (MoM) basis, when freight rate for VLCC jumped by ~51% to US\$ 239k/day from US\$ 158k/day in Feb'26. Rates had crossed US\$ 100k/day mark in Feb'26 itself, for the first time since Nov'25. Following this spike, rates cooled down as tensions between US and Iran eased for a brief period and ships were able to transit through the Strait of Hormuz. Currently, with tensions back in focus and demand for these containers dipping again, currently (as of Jul'26) freight rates are 7.4% lower than pre-war levels. Key shipping

routes to India for this carrier are majorly from Middle East (short haul), South America/Venezuela and West Africa.

In case of Suezmax and Aframax, these carriers are used for short-haul routes (Persian Gulf to India). Suezmax carrier, which is the next best option for transporting crude oil after VLCC, has registered 40% increase in freight rates as of Jul'26 since the beginning of the war. The shipping route passes through the Strait of Hormuz or Bab-al Mandeb Strait, both of which have come under threat following revival in US-Iran tensions. This is also leading to ships now taking a longer route (via cape of good hope) to reach Indian ports (Fig 2), thus further adding to pressure on freight rates. Rates for Aframax carrier are also up by 4.3% between Feb'26 and Jul'26, while that of clean carrier has declined by 12.4% during the same period.

Figure 1: Movement of shipping freight rates since the outbreak of Iran war

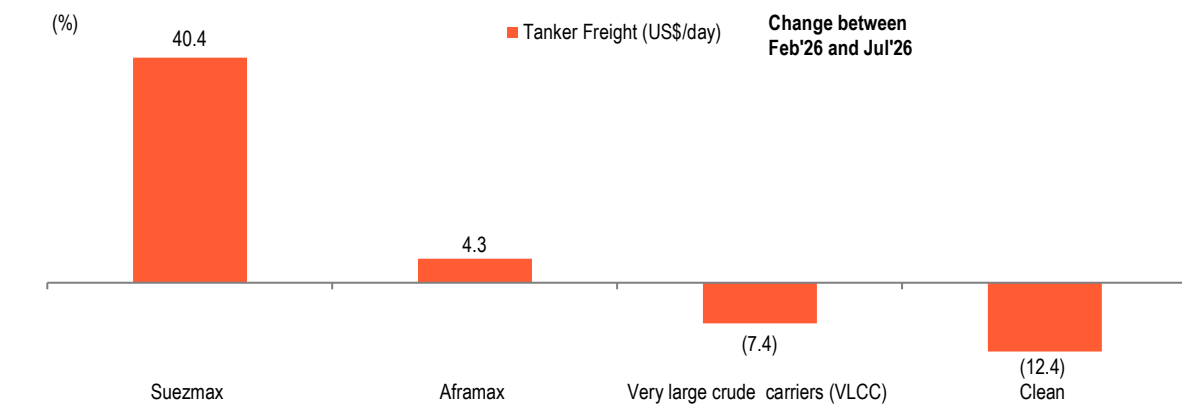


Figure 2: Key shipping routes to India



For measuring the freight rates of ships moving other commodities, Baltic Dry Index is considered to be the benchmark. It is a composite of the dry bulk time charter (includes daily hire rate + fuel cost + port cost) averages of the Capesize (40% weight in total index), Panamax (30%) and Supramax (30%) indices.

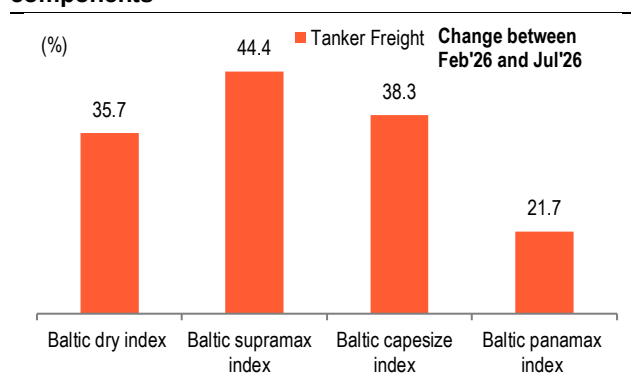
Capesize carriers are the largest carriers for transporting non-oil commodities. Panamax carriers have smaller capacity than Capesize and can move via the Suez Canal and are usually used for transporting coal and grains. Apart from these, smaller carrier, Supramax is primarily used for ports which are either remote or have less facilities for ships.

Freight rates for all these container ships shows significant upside pressures during the period of war between US and Iran (Feb-Jul'26). There are 2 key drivers of this trend. One, rise in international oil prices, and geopolitical tensions, which increase operating costs, and second, robust demand for agricultural goods, infrastructure goods and electricity. Baltic dry index has risen by ~36% to reach levels highest in past 3 years.

Most significant increase has been registered in Supramax index (~44%). These carriers are normally grab-fitted ships (equipped with cranes and elector-hydraulic bucket grabs for loading and unloading), used for transporting minor and major bulk commodities such as grains, coal, fertilizers, cement, clinker, steel products, and alumina. Second biggest increase is visible in capsize index (~38%), which tracks freights of largest dry bulk ships, typically transporting coal and iron ores, via Horn Cape or Cape of Good Hope. The Panamax index has risen by ~22% (tracks mid-sized carrier, able to pass through the Panama Canal and Suez Canal), used for shipping of coal and grains (wheat, corn, soybean).

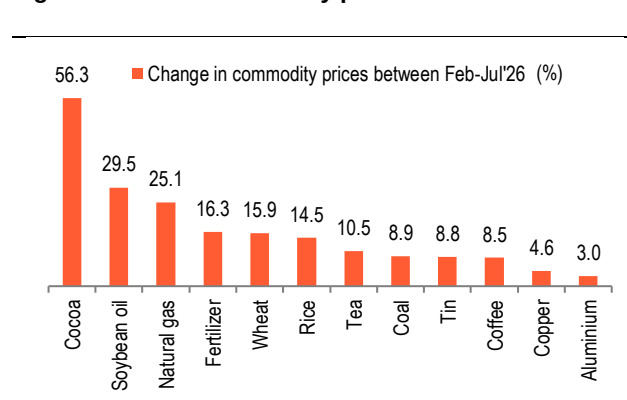
As a result, global commodity prices are also inching up, partly due to freight cost and partly due to higher input costs.

Figure 3: Movement of Baltic Dry Index and its components



Source: CMIE, Bank of Baroda Research

Figure 4: Rise in commodity prices



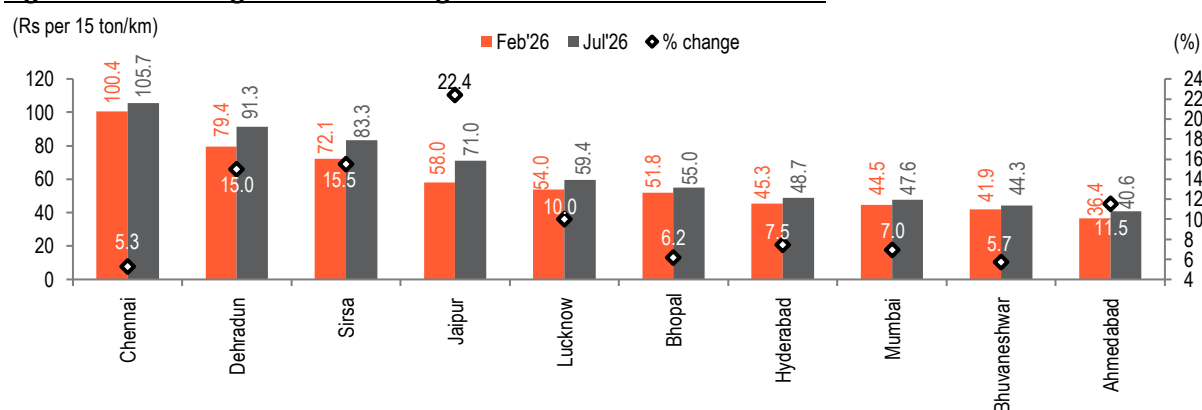
Source: World Bank Pink Sheet, Bank of Baroda Research

Road transport:

To track changes in domestic freight rates after rise in international oil prices, we have analysed changes in domestic truck freight rates. We have looked at truck freight rate from Delhi to various cities, with price quoted as Rs per 15 tonnes per km. Delhi is generally taken as starting point, as the Sanjay Gandhi Transport Nagar (SGTN) is located at its outskirts, which is also considered to be one of Asia's largest truck and transport terminals.

Data from CMIE indicates that freight rate for truck going from Delhi to Chennai and Delhi to Dehradun are amongst the highest, and have recorded 5.3% and 15% increase, respectively, between Feb-Jul'26 period. Amongst the top 10 cities (Chennai, Dehradun, Sirsa, Jaipur, Lucknow, Bhopal, Hyderabad, Mumbai, Bhuvaneshwar, and Ahmedabad) showing the maximum growth, current freight rates (as of Jul'26) are the highest in 5 years for all the cities except Jaipur. For Jaipur, rates had hit the highest at Rs 71.7 per 15 tonne/km between Oct'21-Mar'23. Only for Hyderabad, Mumbai Bhuvaneshwar, and Ahmedabad the rates are below Rs 50 per 15 tonne/km. Improved highway infrastructure, higher probability of return load, and stable fleet availability has kept prices on these routes more competitive.

Figure 5: Truck freight rates have registered a broad-based increase



Source: CMIE, Bank of Baroda Research

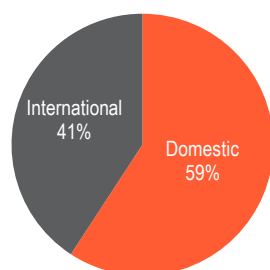
Air cargo:

Air cargo is another segment which has been impacted by sharp rise in fuel prices. Air cargo is typically used for transporting time-sensitive items, perishable products and valuables. These include life-saving drugs, fresh fruits, vegetables & flowers, gems & jewellery, and consumer electronics.

WPI data shows that between Feb'26 and Jun'26, ATF price index had jumped by 84.1%. Growth eased a tad in Jul'26, but the index remains at elevated levels (up 51.3% from Feb'26). In absolute terms, price of ATF rose from Rs 90.2/lit in Feb'26 to Rs 110/lit in Jul'26. In Aug'26 the prices have come down, but oil companies have brought in a new scheme where airlines can lock the fuel price at Rs 115/lit for next 3 years. The current market rate for the same is Rs 105/lit. For airlines, fuel cost accounts for 40% of their operational cost and during times of extreme volatility in prices, this can even go up to 60%.

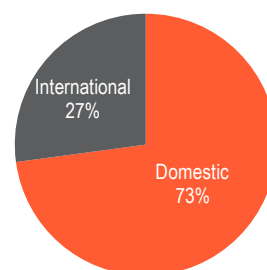
In case of India, air cargo volumes have historically been driven by domestic cargo, and its share has averaged 72% over the past 5 years versus 28% for international cargo volume. At the beginning of CY26, share of international air cargo had begun increasing, with it peaking at 40-41% in Feb-Mar'26. However, after the war started and international airline routes were curtailed, the share fell to 27% by Jun'26.

Figure 6: % share of India's total air cargo (Feb'26)



Source: CMIE, Bank of Baroda Research

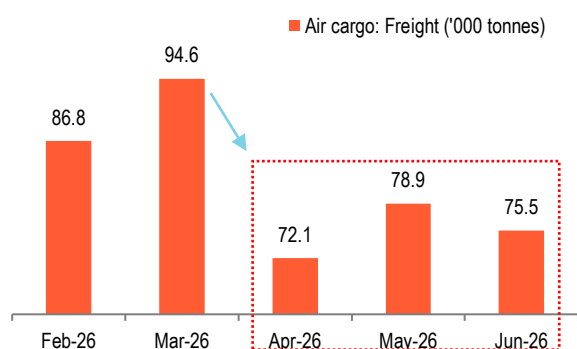
Figure 7: % share of India's total air cargo (Jun'26)



Source: CMIE, Bank of Baroda Research

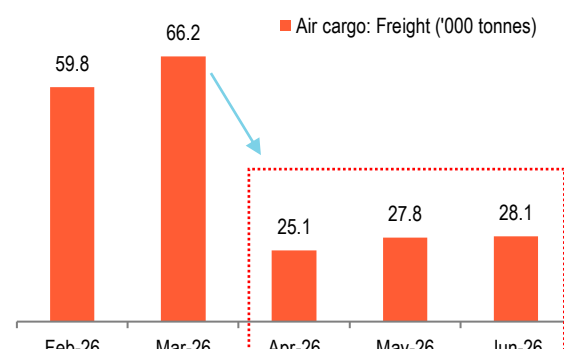
DCGA data shows that freight volume carried by airlines on both domestic and international routes came down substantially between Feb'26-Jun'26. During this period, domestic freight cargo volume fell by (-) 13% and for international freight the decline was much higher by (-) 53%. This can also be corroborated with declining domestic ATF consumption, after the US-Iran war broke out (fig 10).

Figure 8: Domestic freight volume carried



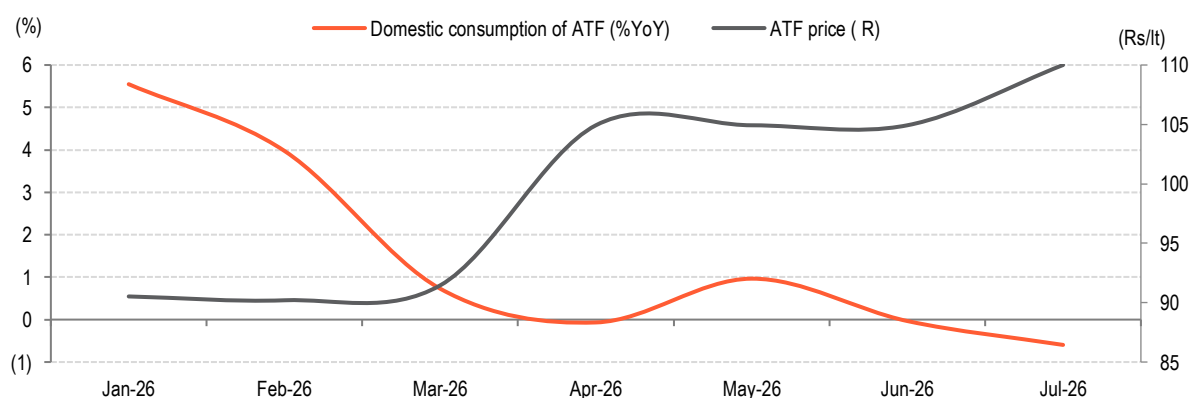
Source: CMIE, Bank of Baroda Research

Figure 9: International freight volume carried



Source: CMIE, Bank of Baroda Research

Figure 10: ATF consumption suffered during the period of Iran war due to higher prices



Source: PPAC, IOCL, Bank of Baroda Research

Conclusion: Volatility in international oil prices has led to significant impact on freight rates, across modes of transportation.

- Our analysis shows that between Feb-Jul'26, freight rates for Suezmax and Aframax carriers have increased notably, as they are next best options to carry crude oil and its byproducts, after VLCC carriers.
 - o Demand for VLCC carriers has come down and so has its freight rates, as major oil producing countries and their infrastructure have been impacted by the US-Iran war.
- Bulk carriers transporting other commodities have also witnessed steep rise in rates (Supramax and Capezie carriers), due to higher oil prices and demand for commodities infrastructure, agriculture and AI. This has also led to rise in global commodity prices.
- Domestically, in India, data shows that freight rates for trucks have also inched up, with those being highest for Delhi-Chennai and Delhi-Dehradun. On key routes such as Delhi to Hyderabad, Mumbai Bhuvaneshwar, and Ahmedabad, the rates are below Rs 50 per 15 tonne/km, even after registering 5.5-11.5% rise since Feb'26. Steady demand is one of the factors behind this.
- In case of air cargo also, volumes are being driven by domestic cargo (73% share as of Jun'26) versus international cargo (27%), as key international routes have been impacted by the Iran war. Data also shows that ATF consumptions has come down notably in last few months as ATF prices have remained elevated.

Going forward, we believe that oil prices will continue to remain volatile until there is a concrete resolution reached between US and Iran. As a result, freight rates and commodity prices will also remain elevated in the near-term.

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