

Container lines had rough Q4 before Red Sea-driven rate rebound

Early results from Cosco, OOCL and other Asian lines show further declines

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Wednesday, January 10, 2024



OOCL Q4 revenue per container was particularly weak in the Asia-Europe lane. (Photo: OOCL)
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Container shipping stocks are back in vogue among retail traders, courtesy of [Houthi rebel attacks in the Red Sea](#) that suddenly changed the balance of transport supply versus cargo demand.

The share price of ocean carrier Zim (NYSE: [ZIM](#)) is bouncing around like a pinball as traders place bets on how the geopolitical chaos will play out.

But Red Sea disruptions won't have a major effect on carrier financials until the first quarter of 2024 — and results for Q4 2023 will hit the market over the coming weeks. If the early disclosures out of Asia are any indication, container shipping stockholders should brace for some ugly headlines.

Shipping stocks are supposed to move on forward projections, not past performance, particularly after markets experience a major change. But in practice, backward-looking shipping results have a habit of denting sentiment.

Cosco Q4 profits down 62% vs. Q3

China's Cosco, the world's fourth-largest liner operator, reported preliminary fourth-quarter results on Tuesday.

It posted net income of 2.399 billion yuan (\$336.3 million) for Q4 2023, down 62% from the third quarter and 79% from the second quarter, periods when container markets were already past the COVID boom.

On a positive note, COSCO's full-year 2023 profits of 28.389 billion yuan (\$3.98 billion) were almost triple profits of 10.194 billion yuan in full-year 2019, pre-COVID.

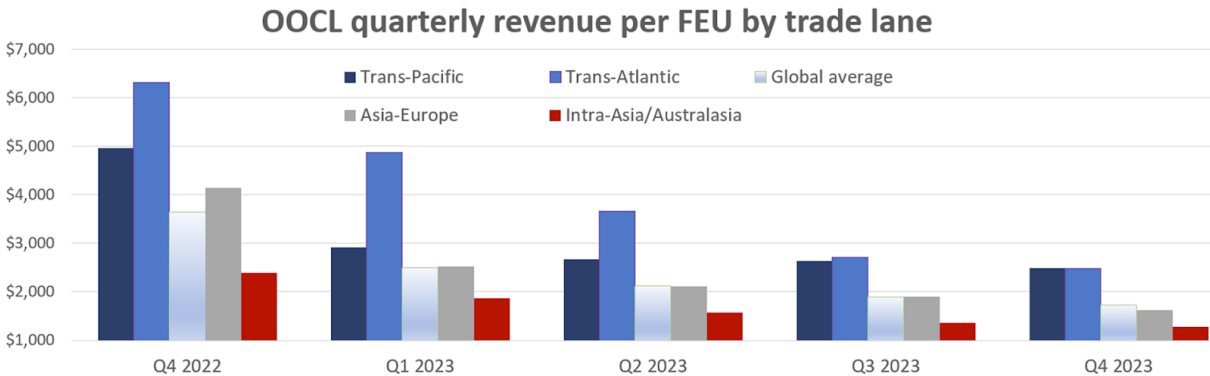
OOCL revenue per FEU down 8% quarter on quarter

Cosco subsidiary OOCL reported information on revenue per container on Tuesday.

The new numbers highlight how weak Q4 2023 was, and how important the Red Sea attacks are to container shipping's profitability in the coming quarters as annual contracts reset.

OOCL's global average revenue per forty-foot equivalent unit fell to just \$1,732 in Q4 2023, down 8.2% from the third quarter and 18.5% from the second quarter.

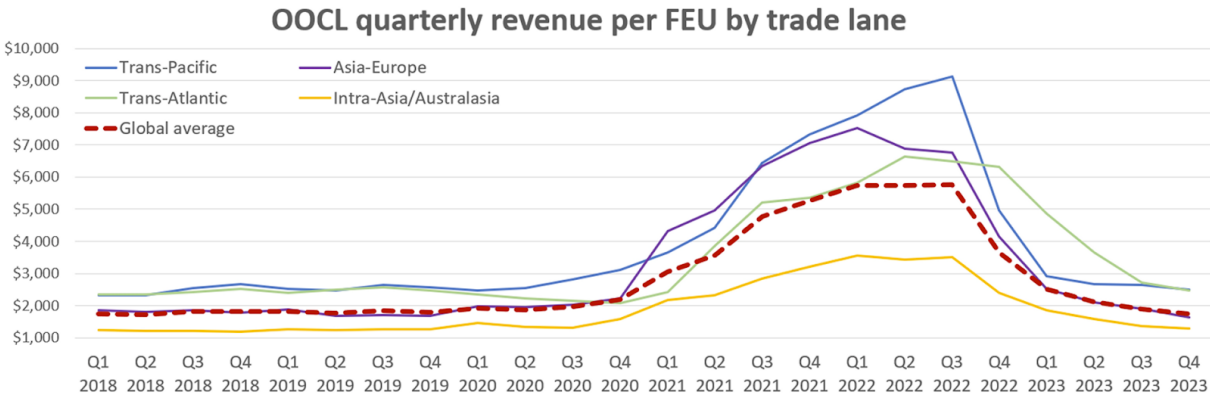
OOCL's average revenue was \$2,484 per FEU in the trans-Pacific, down 5.7% quarter on quarter, \$2,477 per FEU in the trans-Atlantic, down 8.8%; only \$1,625 per FEU in Asia-Europe, plunging 14.9% versus Q3; and \$1,284 per FEU in intra-Asia, down 5.3%.



(Chart: FreightWaves based on OOCL securities filings)

Looking back to the pre-COVID era, OOCL's average revenue per FEU was down 3% from Q4 2019.

The latest quarterly average was the lowest recorded since Q2 2018.



(Chart: FreightWaves based on OOCL securities filings)

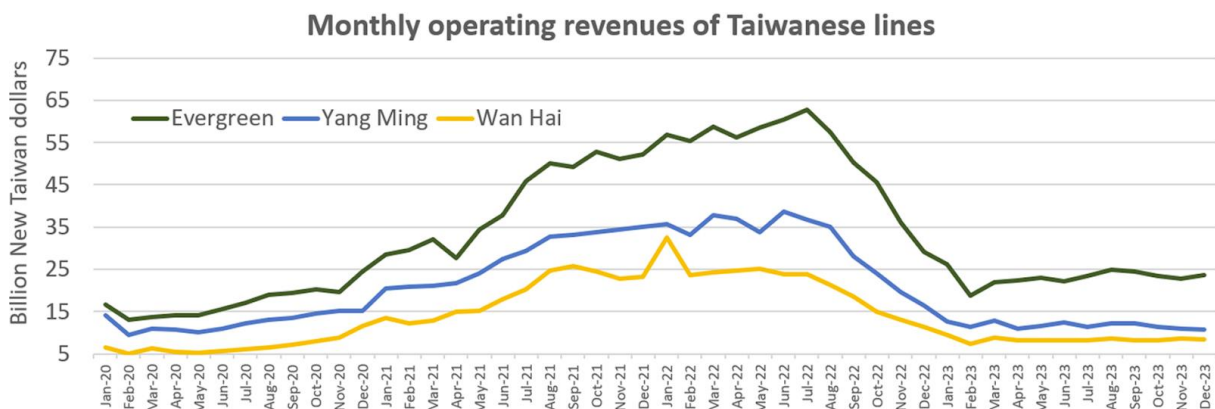
Revenues fall for Evergreen, Yang Ming

Listed Taiwanese carriers disclose their monthly revenues in securities filings. December revenues have just been posted by Evergreen, Yang Ming

and Wan Hai, the world's seventh-, ninth- and 11th-largest ocean carriers, respectively.

Evergreen's Q4 2023 revenues fell 4.3% versus the third quarter. Yang Ming's dropped 8.5%. Wan Hai's was flat quarter on quarter.

December was a particularly weak month for Yang Ming. It posted its lowest monthly revenue since May 2020, during the peak of COVID lockdowns.



(Chart by FreightWaves based on securities filings by Evergreen, Yang Ming, Wan Hai)

Big losses still foreseen for Zim

Trading of Zim's stock has been highly volatile in recent weeks, as the Houthi's Red Sea attacks spur mass ship diversions around the Cape of Good Hope, pushing the supply-demand balance back in favor of liner operators.

Zim has posted the weakest results among container lines in 2023, due to its high spot-rate exposure and high chartering costs. It reported [a net loss of \\$58 million](#) in the first quarter, [\\$213 million](#) in the second quarter [and \\$2.27 billion in the third quarter](#). (Excluding a noncash impairment, Q3 2023's adjusted net loss was \$207 million.)

The current Bloomberg consensus is for Zim to post a net loss of \$203.5 million for Q4 2023, roughly in line with the prior two quarters' adjusted losses.

Jefferies analyst Omar Nokta is on the more optimistic end of the spectrum. He projects Zim will only lose \$126.5 million in Q4 2023.

Nokta raised his outlook on the liner sector on Friday, based on the sudden shift in market dynamics due to Red Sea diversions. Even so, Nokta still expects Zim to post nine-figure losses through 2025.

In mid-November, after Zim's last results release, Nokta estimated that Zim would lose \$527.6 million this year and \$502.1 million in 2025, for a combined two-year loss of \$1.03 billion.

Nokta halved his loss estimate for this year on Friday. He now projects Zim will lose \$260.1 million in 2024 and \$506.3 million in 2025, for a combined two-year loss of \$766.4 million.