

**COUNCIL
WORKING PARTY ON SHIPBUILDING**

ANALYSIS OF THE DEVELOPMENT TREND OF THE WORLD SHIPBUILDING MARKET

(Presentation by the China Shipbuilding Economy Research Center)

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Contact : M. Danny Scorpecci, Tel: +33 1 45 24 94 33; Fax: +33 1 44 30 62 58;
e-mail: danny.scorpecci@oecd.org

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Analysis of the Development Trend of World Shipbuilding Market

**China Shipbuilding Economy Research Centre
2008.11**

~Prepared by China Shipbuilding Economy Research Center~

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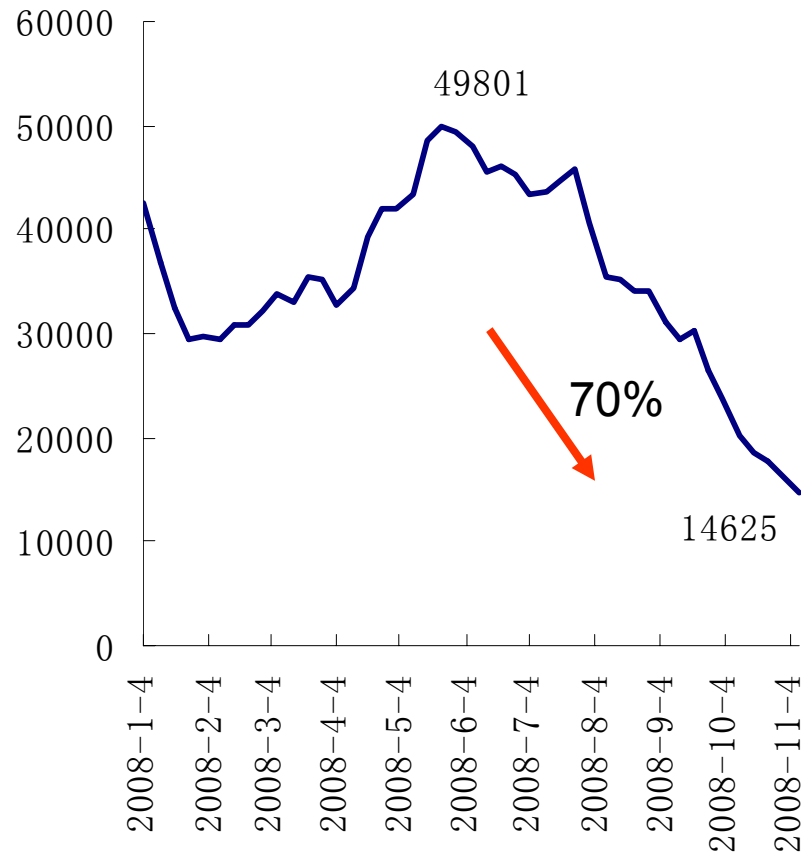
I. Financial Crisis has brought huge strikes to the shipbuilding market

航运费率出现大跳水

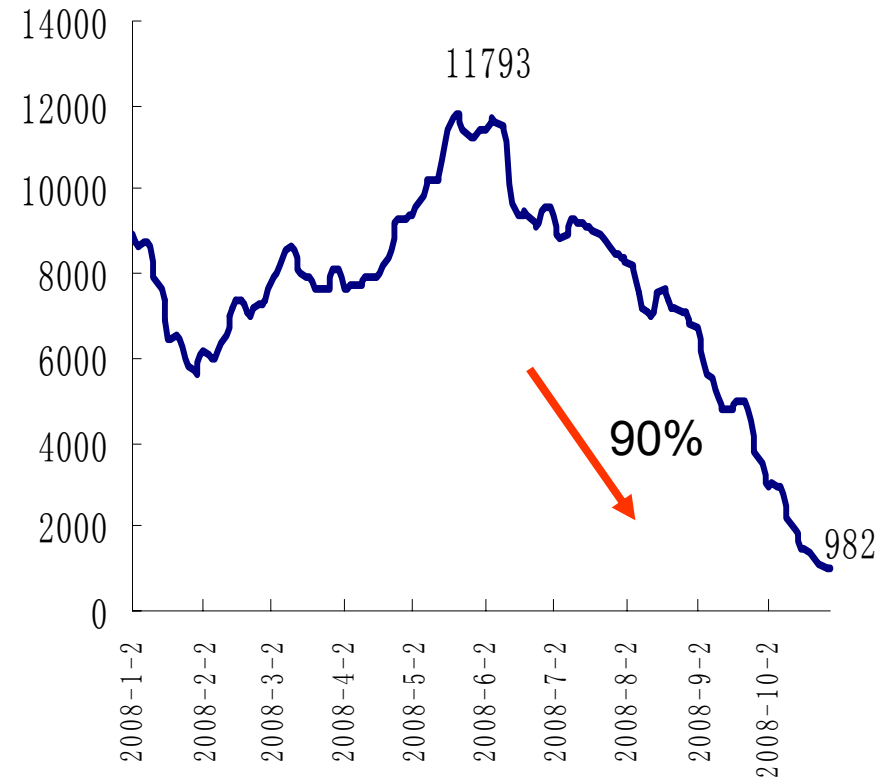
Freight market dropped sharply



Trends of Clarksea Index in 2008



Trends of BDI in 2008

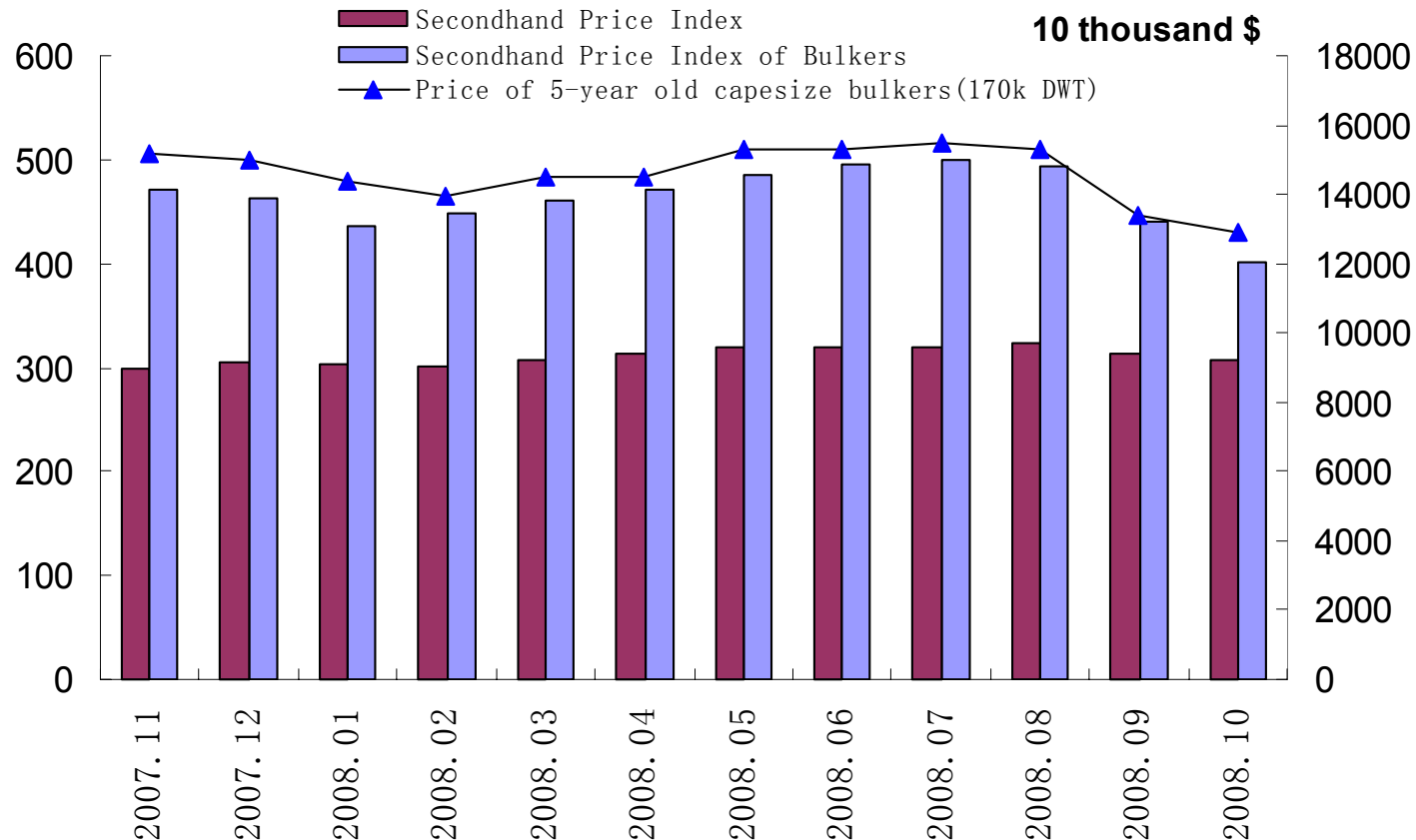


二手船价格开始出现较大幅度下调

Secondhand prices began to fall obviously



Trends of Secondhand Prices in Recent 12 Months



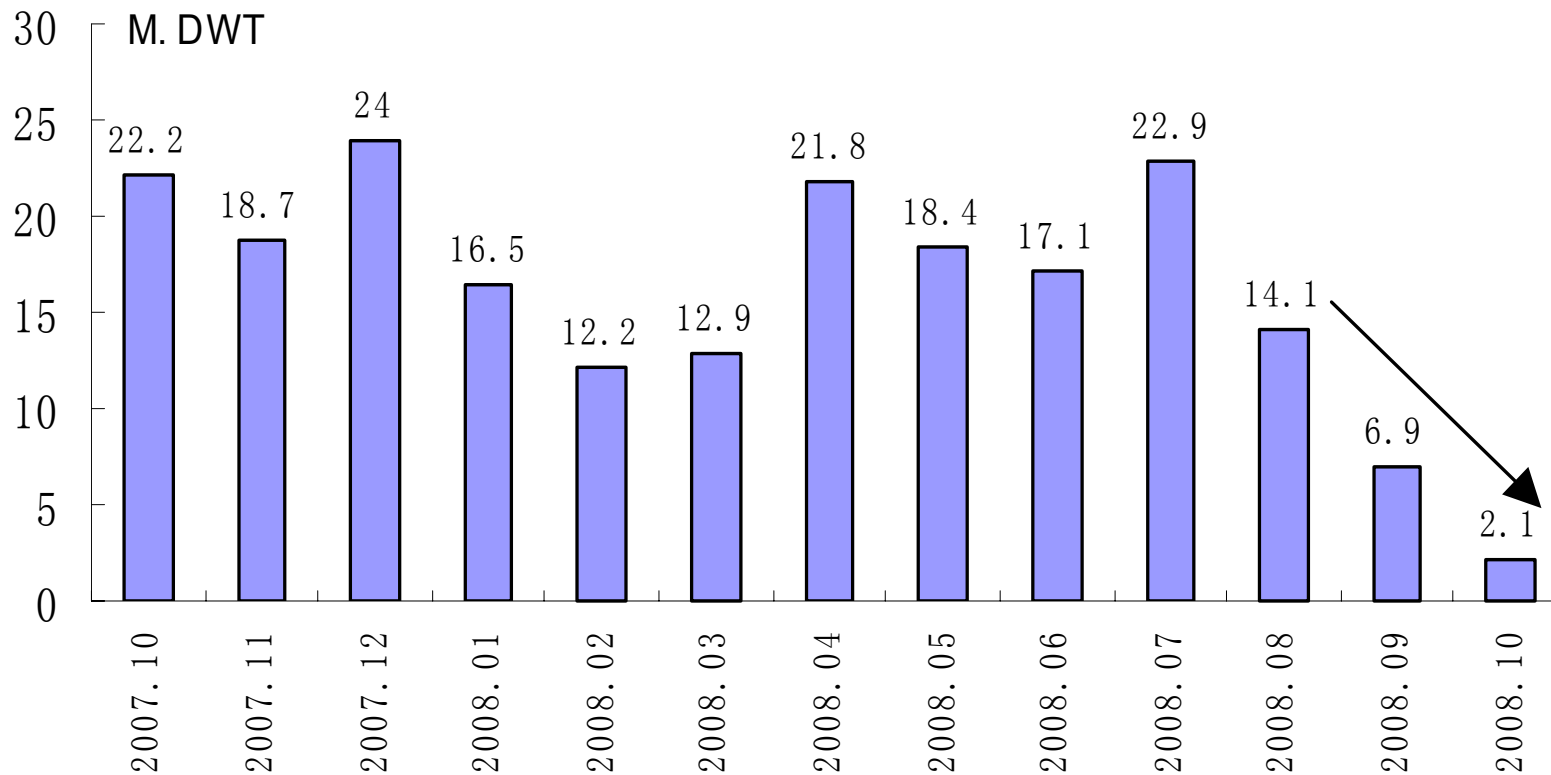
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新船成交量急速萎缩

Contracting are shrinking drastically



Contracting in last 12 months



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新船价格全面松动，散货船率先下跌

New building prices in all sectors weakened



Million \$	Jun.	Jul.	Aug.	Sep.	Oct.	%
VLCC-T[320K DWT]	156.5	158	160	162	161	-0.6%
Suezmax-T[157K DWT]	96	97.5	99.5	100	98	-2.0%
Aframax-T[115K DWT]	77.5	78.5	82	82.5	82	-0.6%
Handysize-T[51K DWT]	52.5	53	53.5	52.5	51.5	-3.7%
Capesize-B[180K DWT]	96	97	99	96	93.5	-5.6%
Pamamax-B[76K DWT]	55	55	55	54	51	-7.3%
Handymax-B[57K DWT]	47.5	47.5	48.5	48	47	-3.1%
Handysize-B[35K DWT]	39	39.5	40	40	38.5	-3.8%
LPG Carrier[82k M ³]	93.5	93.5	96.5	96.5	95	-1.6%
LNG Carrier[160k M ³]	220	250	250	250	250	0.0%
Container Ship[3500TEU]	65.5	66	67	67	66	-1.5%
Container Ship[1100TEU]	27.5	27.5	27.5	27.5	27	-1.8%
New Building Price Index	186	187	190	190	186	-2.1%

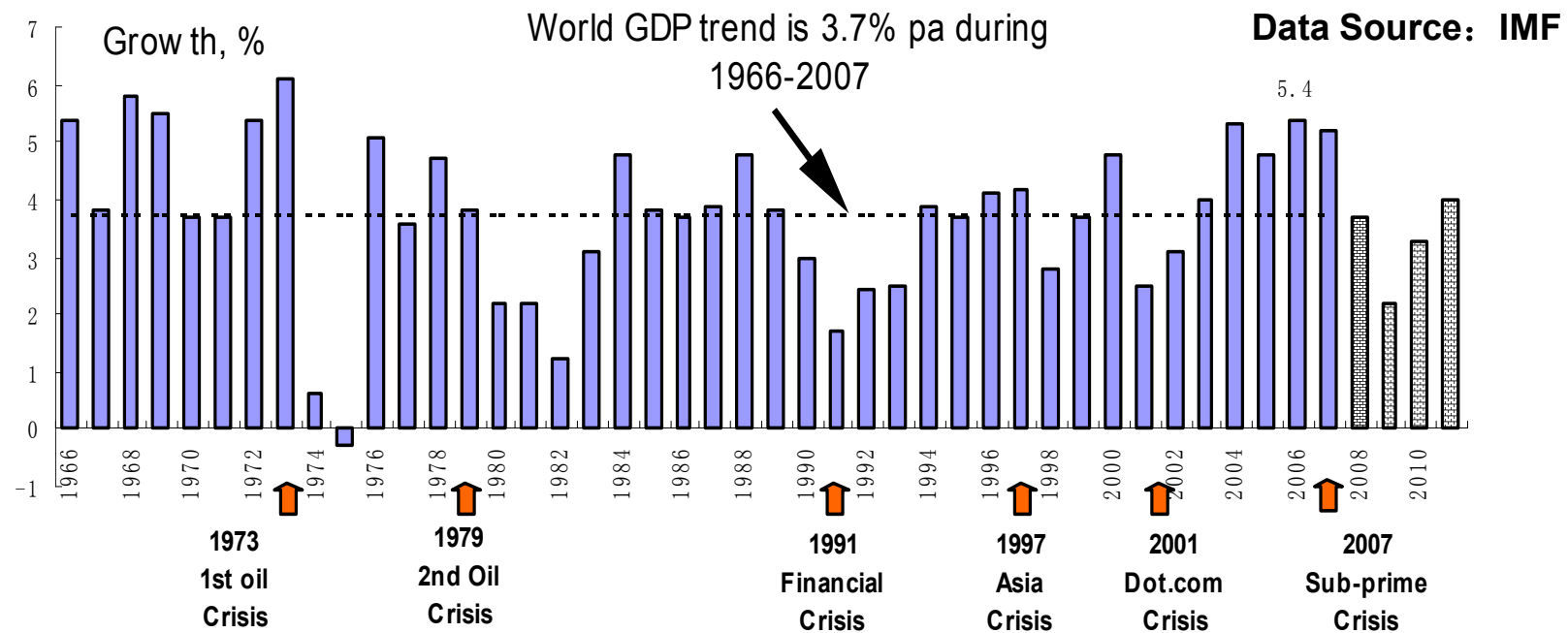


II. The environments of shipbuilding market are deteriorating rapidly

金融危机促使全球经济增速减缓



Financial crisis would weaken world economy obviously



- Sub-prime crisis in USA has turned to be a “once-in-a-century” global financial crisis;
- Advanced economies have already or be about to weaken , Emerging economies would not insulated from global recession although they might maintain some growth ;
- IMF downgraded global economy again , and the actual global economy growth might be lower than expected ;
- The recovery time would be much longer .

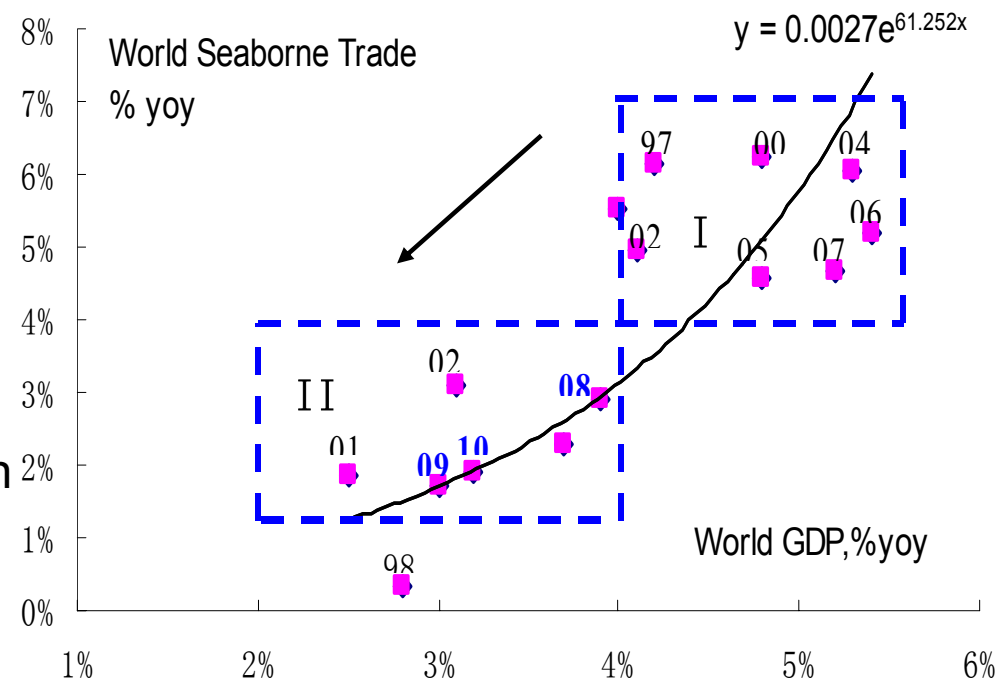
世界经济减缓将显著拉低海运量增长

Deteriorating world economy would weaken the growth of global sea-borne trade remarkably



- There exists strong positive correlation between the sea-borne trade and the world economy;
- weak world economy would result in weak growth of global sea-borne trade directly.
- Based on the correlation and the world GDP forecast of IMF, the growth of global sea-borne trade in 2009 would drop to 1.0%, much lower than 5% in recent years.

The relationship between sea-borne trade and world GDP



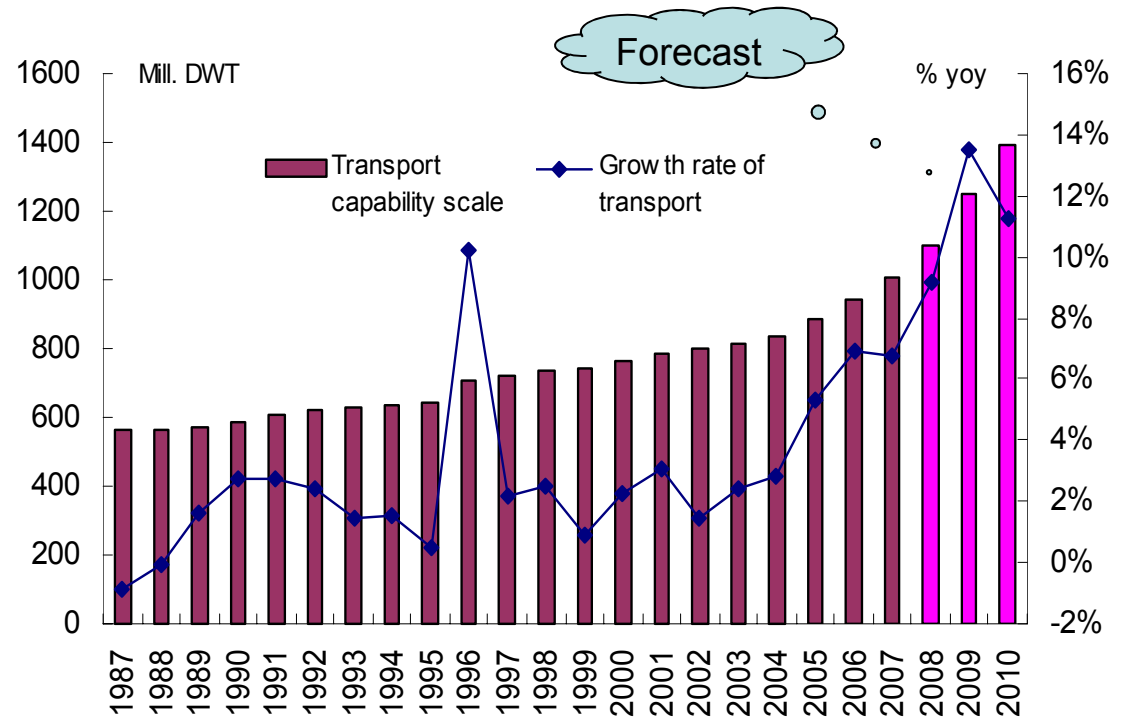
Data source: CSERC.

世界船队运力进入快速增长阶段



World fleet growth will speed up in following years

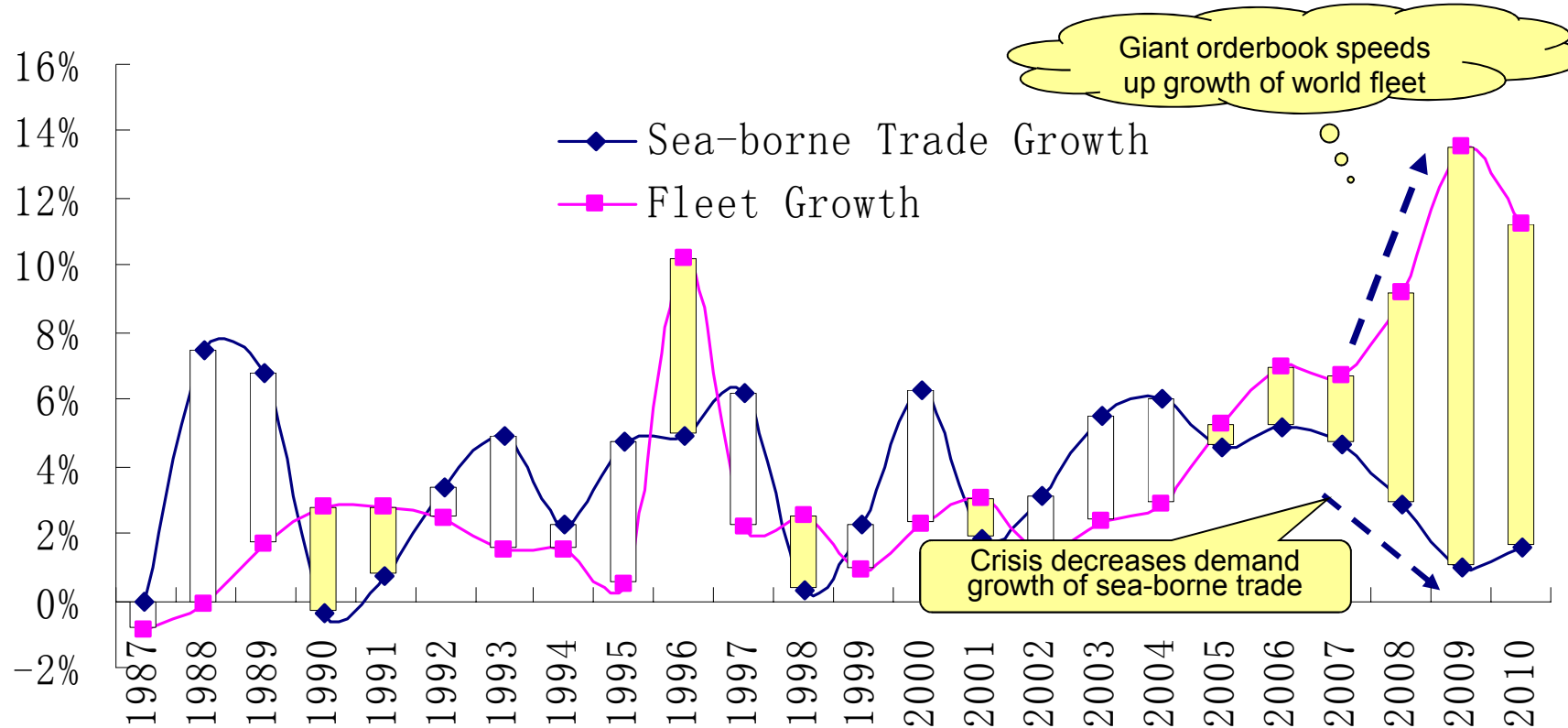
- More than 600 M.DWT newbuildings would be delivered in next 2-3 years,
- The fleet growth would exceed 10% per annum in next 2-3 years, and the fleet would reach about 1400 M.DWT in 2010.
- All of these would bring great pressure on the shipping market.



Data source: Clarkson.

航运市场运力供求关系提前出现恶化

The balance of shipping market would deteriorate earlier than expected



Data source: CSERC.

- As the demand decreasing and supply increasing, the balance of world shipping market would get worse obviously.
- Seriously surplus fleet would appear during 2009 and 2010.

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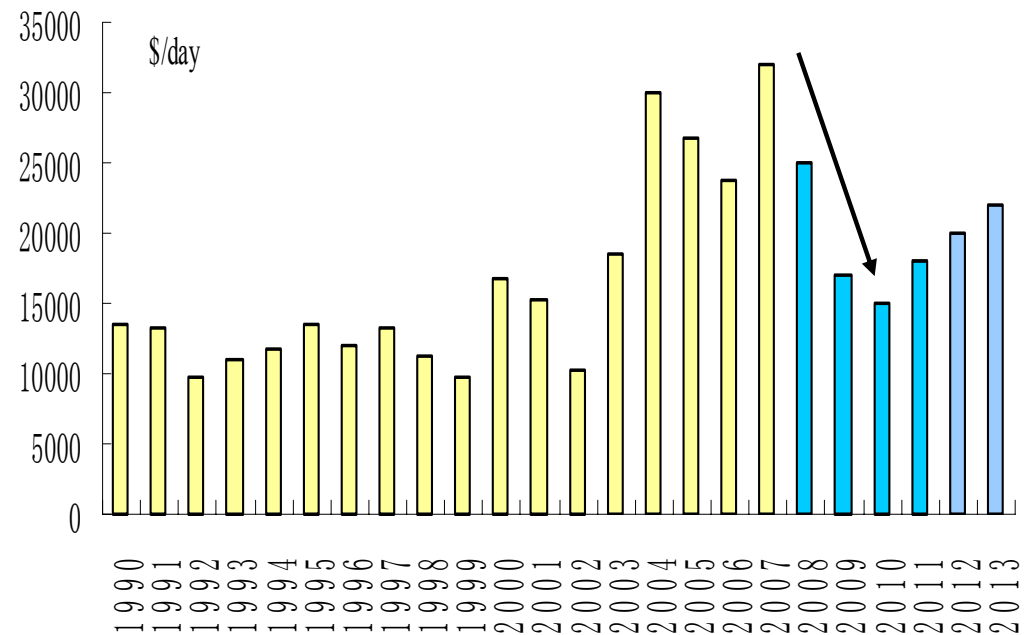
海运费率将进入下行通道

Freight rates would come into downward trends



- The deterioration of shipping market balance would make freight rates drop directly;
- In 2009, The Clarksea Index is forecasted to fall to the level of 2001, that is 15,000 \$/day;
- In 2010, the Clarksea Index would go down further and touch the bottom, to 14,000\$/day, which would be 56% lower than that of 2007.

Trend of Clarksea index



Data source: CSERC.



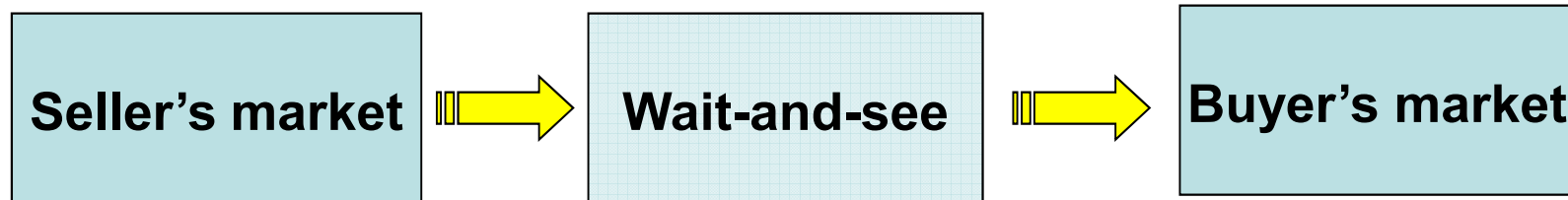
III. Shipbuilding market might step into more than 3 years recession

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短期内船市将处于“无价无市”买卖双方对峙阶段
Wait-and-see would hang over the market in short term

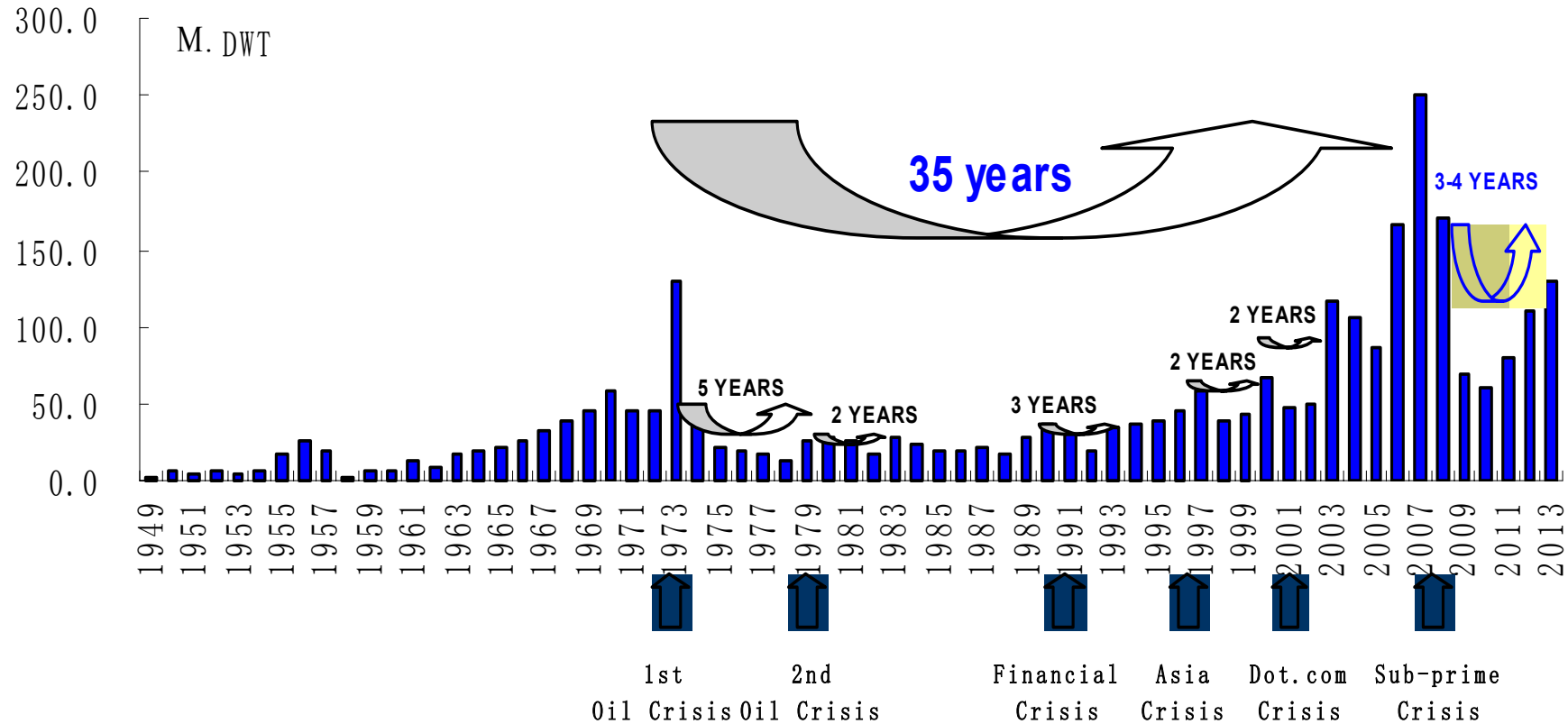


- **Our opinions on the development of shipbuilding market**
 - Wait-and-see is expected to continue before the start of 2009
 - After that, it would turn into “buyer’s market”



危机加速行情提前回调，低迷时间将超3年

The recession, brought forward by the crisis, might go on more than 3 years



- the financial crisis sweeping the world now is much serious than Asia crisis in 1997, and the world economy may need more time to recover.
- we estimate that the recession may last more than 3 years.

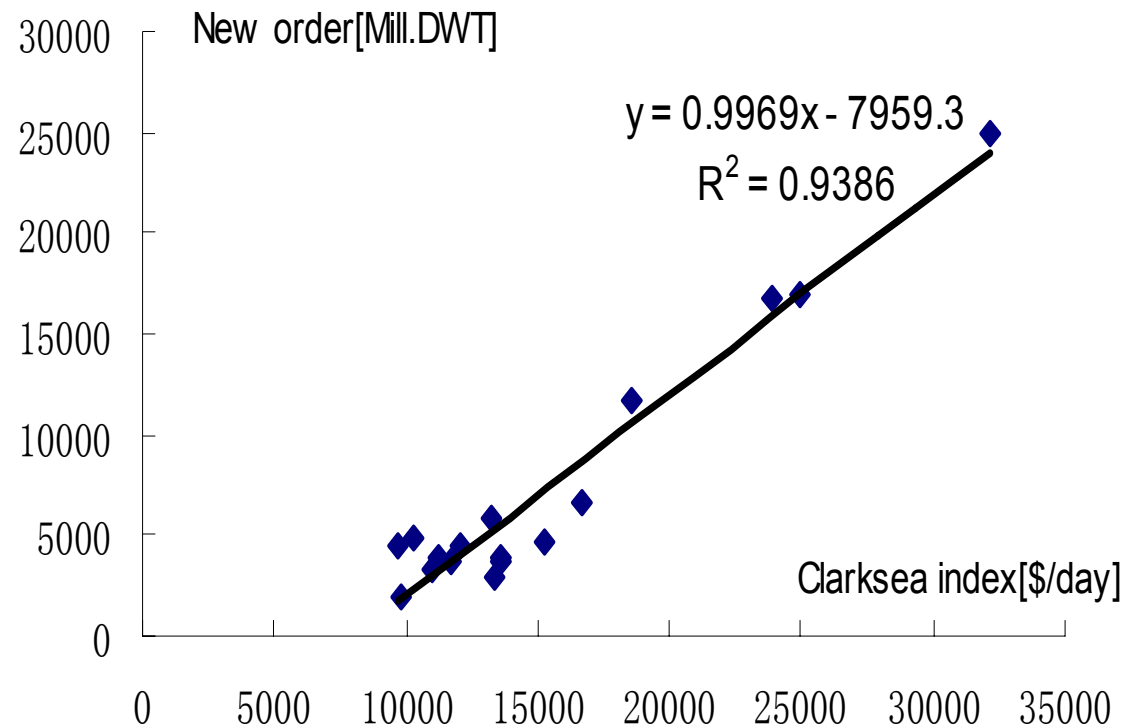
新船订单量与同期平均航运费率高度线性相关

There exists strong positive correlation between new orders and freight rates



- There exists strong positive correlation between new orders and freight rates;
- The downtrend of freight rates would directly make the newbuilding requirements less in the following years.

The relationship between contracting and Freight rate

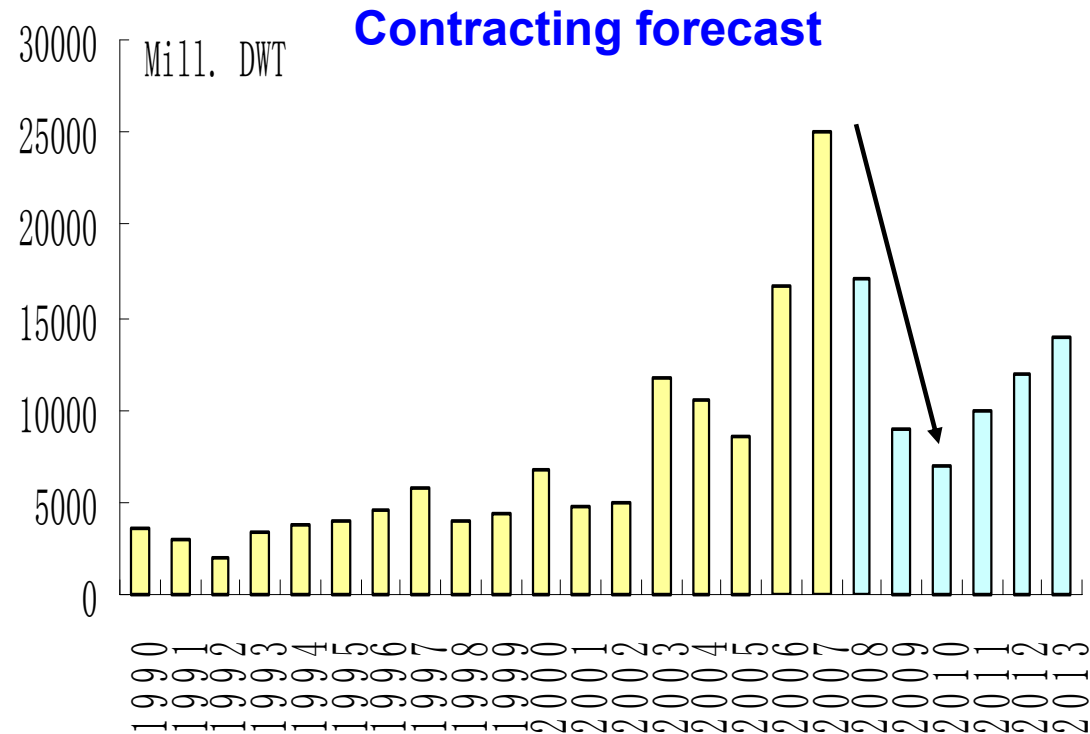


Data source: CSERC.

未来几年新船订单量将可能出现较大幅度下降 contracts are anticipated to be downtrend in next few years



- Newbuilding orders are expected to be about 70 M. DWT in 2009, which is 50% lower than that of 2008;
- By 2010, new orders would have reached the bottom, may be 60 M. DWT;
- And, contracting would not exceed 100 M.DWT until 2012.



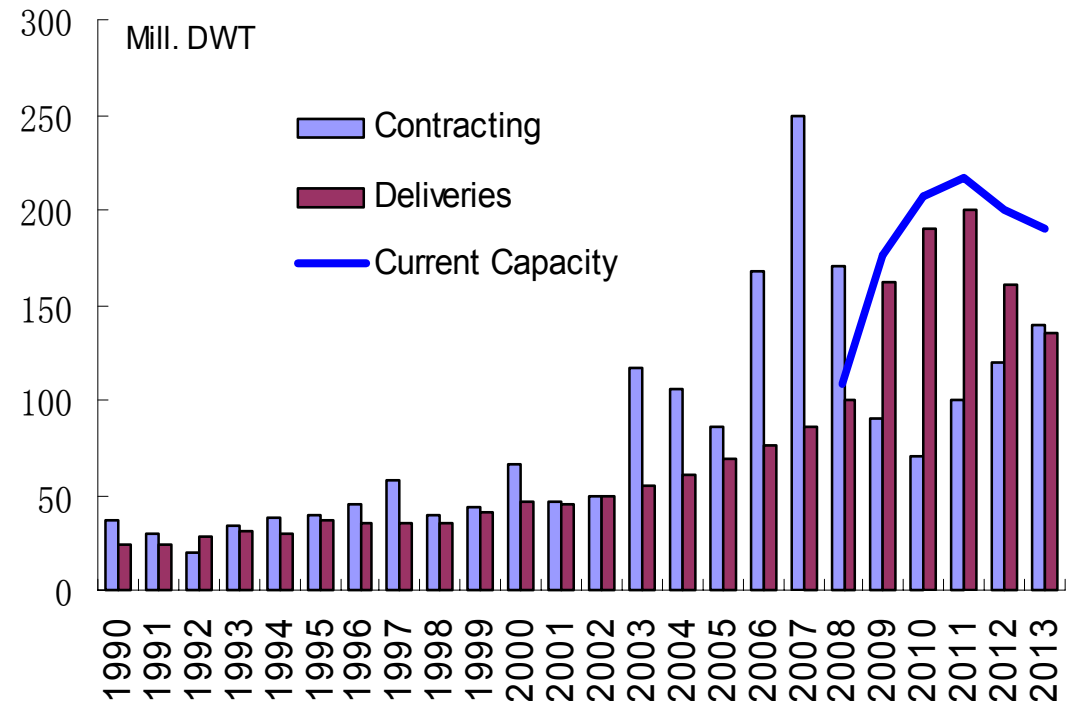
Data source: CSERC.

国际造船市场供求关系将发生重大变化

Great changes of current balance of shipbuilding are expected



- The balance of the shipbuilding market would be changed from capacity insufficient to capacity surplus in next few years.
- But consolidation and reorganization may remove some capacities from the market.



Data source: CSERC.

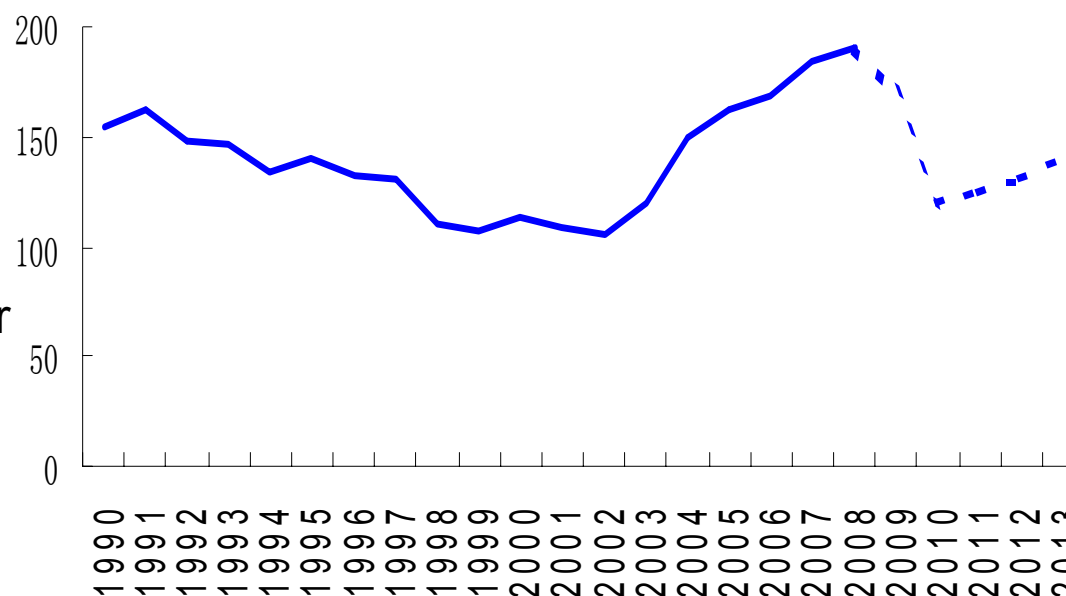
新船价格将回调增大



Newbuilding price faces more pressure from downward tendency

- New building price faces more and more pressure of downwards, **but it would still keep relatively high level in short term;**
- The Clarkson New Building Price Index might drop to 120 points in 2010, which 35% lower than current historical top;
- Afterward, it might increase again as the demand begin to recover .

New building price Index



Data source: CSERC.



**The market is always in boom
and slump.**

**If winter comes, can spring be
far behind?**

Thanks for your attention

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