INFORMATION

European shipbuilders stabilize their position while shipyards in Asia expand capacities

Production and incoming orders in global shipbuilding rose yet again in 2004. Contributory factors were the high growth of the world economy and world trade, the upturn in shipping markets and favourable financing possibilities thanks to low interest rates. The expansion was stimulated mainly by the ongoing growth in transport requirements in China.

Incoming orders were received for 2,410 ships totalling 72.7m gt/45.1 cgt, again exceeding the record result in 2003. This growth benefited above all the shipbuilding countries in Far East, which accounted for 80% of all orders in 2004. The lead of South Korean shipyards over their Japanese competitors was even more significant than for deliveries, despite fewer orders than in 2003. South Korean shipbuilding companies accounted for 15.8m cgt and a market share of 35.0% (2003: 44.8%), thus again outpacing Japan with 30.3% (13.7m cgt). China's shipyards boosted their order volume to 5.7m cgt, cornering 12.6% of the market, as in the previous year.

Thanks to the increasing demand for small and medium-sized containerships as well as ferry and passenger ships, German shipbuilding companies could win numerous orders in 2004, booking vessels totalling 1.3m cgt and gaining a market share of 3.0% and thus fourth position in the world rankings of shipbuilding countries (no. 1 in Europe) – ahead of Italy (2.5%), Croatia (2.2%) and Poland (1.9%). European shipbuilding was generally more successful after its very poor results in the two previous years. The EU 15 countries accounted for 4.4m cgt, increasing their market share from 6.5% in 2003 to 9.7%. The EU's market share including the new EU member countries was as much as 11.7%.

As order placement continued at a high level and many shipyards registered good capacity utilization, prices could be raised across the board in 2004. However, there were also huge rises in costs, particularly for steel, and significant increases in the exchange rates of the currencies of leading shipbuilding countries against the US dollar. The latest annual reports of some South Korean and Japanese shipyards show that the newbuilding price increases achieved have not sufficed to improve companies' earnings.

Global production in 2004 totalled 1,729 ships accounting for 40.2m gt/25.5m cgt. South Korean shipyards led the market with deliveries of 8.3m cgt and a market share of 32.8%. Their Japanese competitors produced 8.0m cgt and gained a share of 31.4%.

In 2004, the expanding shipbuilding companies in China accounted for 2.9m cgt and a market share of 11.5%, exceeding the production of the EU 15 countries for the first time. The expansion of Chinese shipyards is bound to lead to an increase in production volume in the next few years, particularly in view of China's declared aim of achieving market leadership in world shipbuilding by 2015.

The share of the previous 15 EU countries declined from 14.9% in 2003 to 11.3% (EU 25 states: 13.5%). Germany continued to lead the European shipbuilding countries and came fourth globally with a 3.4% share of the market.

VERBAND FÜR SCHIFFBAU UND MEERESTECHNIK E.V.
An der Alster 1 ◆ D-20099 Hamburg
Telefon (++49) 40/28 01 52-0 ◆ Telefax (++49) 40/ 28 01 52-30 ◆ Internet http://www.vsm.de ◆ eMail info@vsm.de

Many shipyards, particularly in China, are currently working to capacity and attempting to increase their output by boosting their efficiency or expanding. According to OECD forecasts from the beginning of 2004, average demand for new ships in the next few years will be lower than the emerging capacities. A definitely realistic decline in newbuilding demand would mean that the continued excessive growth in capacities in Far East would again cause cut-throat competition. On the other hand, concerns about insufficient capacities occasionally expressed in shipping circles are rather speculative in nature and reflect hopes of gaining advantages deriving from an imbalance in the market.

In view of these risks, it is especially important for shipbuilding companies to have a level playing-field. The WTO action instigated by the EU against the South Korean shipbuilding subsidies in particular has shown that the trading rules of the WTO are inadequate for combating the distortions of free competition in the world shipbuilding market. The EU and the European shipbuilding industry made it clear in the previous negotiating rounds in the OECD for achieving an international shipbuilding agreement that this must include an effective mechanism against dumping practices in shipbuilding. As the negotiations stand at present, however, no solution is in sight because of opposition from South Korea and China. Japan would probably also prefer a weak treaty. A breakdown in the negotiations would be disappointing in view of the need to reduce state subsidies in world shipbuilding and achieve a healthy price level. Nevertheless, concluding an agreement at any price should not be the alternative.

Further details on the world shipbuilding market are given in our annual report for 2004. You can request this from us or find it at our website: http://www.vsm.de

If you have any queries, please contact:

Verband für Schiffbau und Meerestechnik e. V.
(German Shipbuilding and Ocean Industries Association)
An der Alster 1
20099 Hamburg
Tel: (040) 280152-0
Fax: (040) 280152-30
E-mail: info@vsm.de

May 4th 2005