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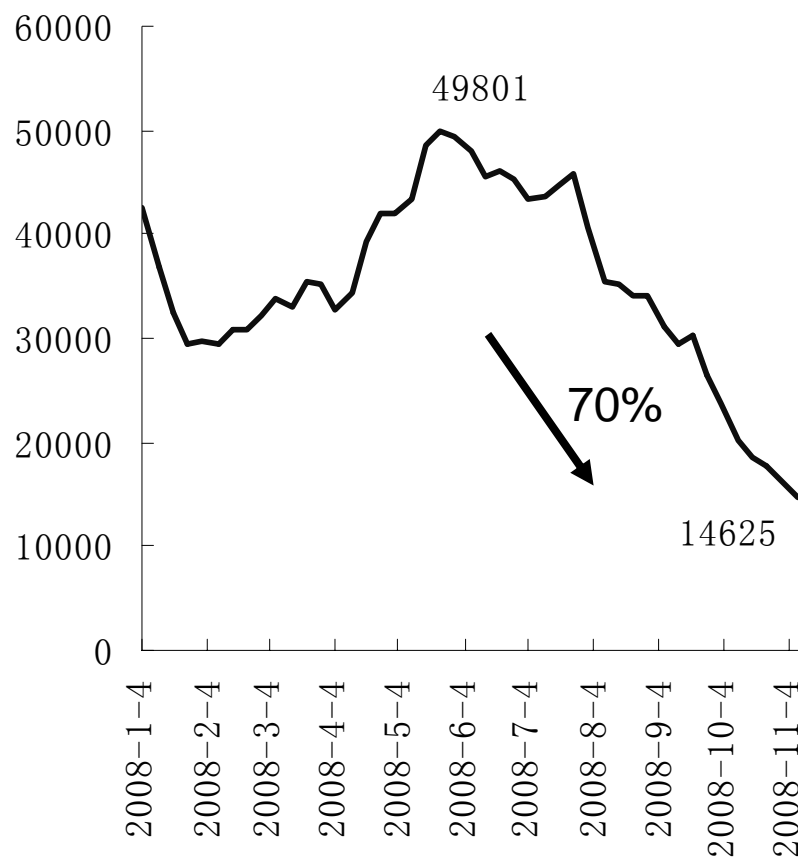
# **I. Financial Crisis has brought huge strikes to the shipbuilding market**

# 航运费率出现大跳水

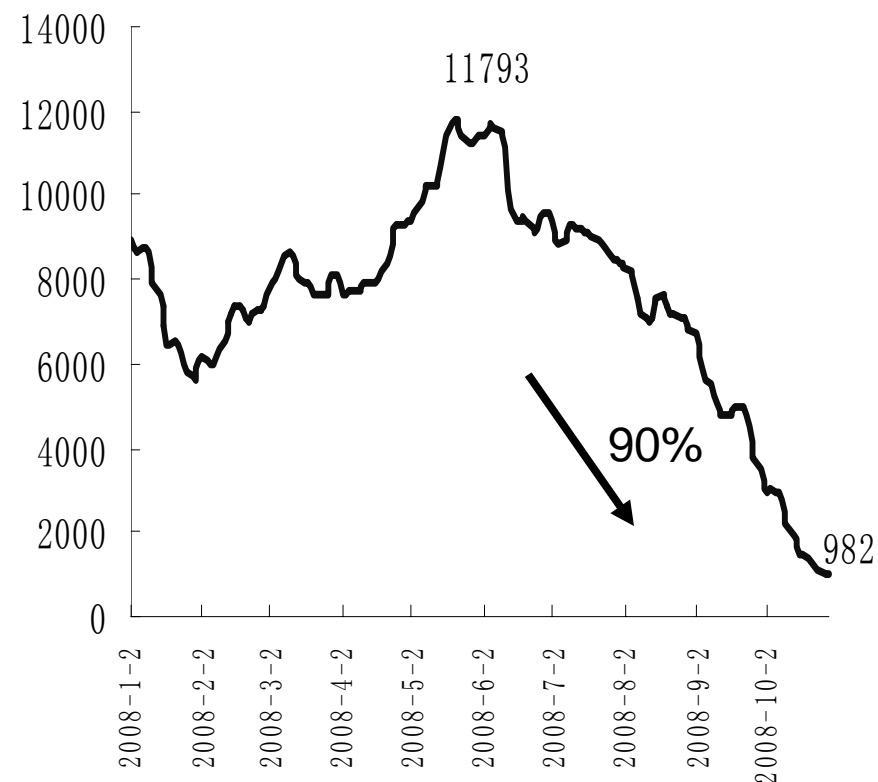
## Freight market dropped sharply



### Trends of Clarksea Index in 2008



### Trends of BDI in 2008

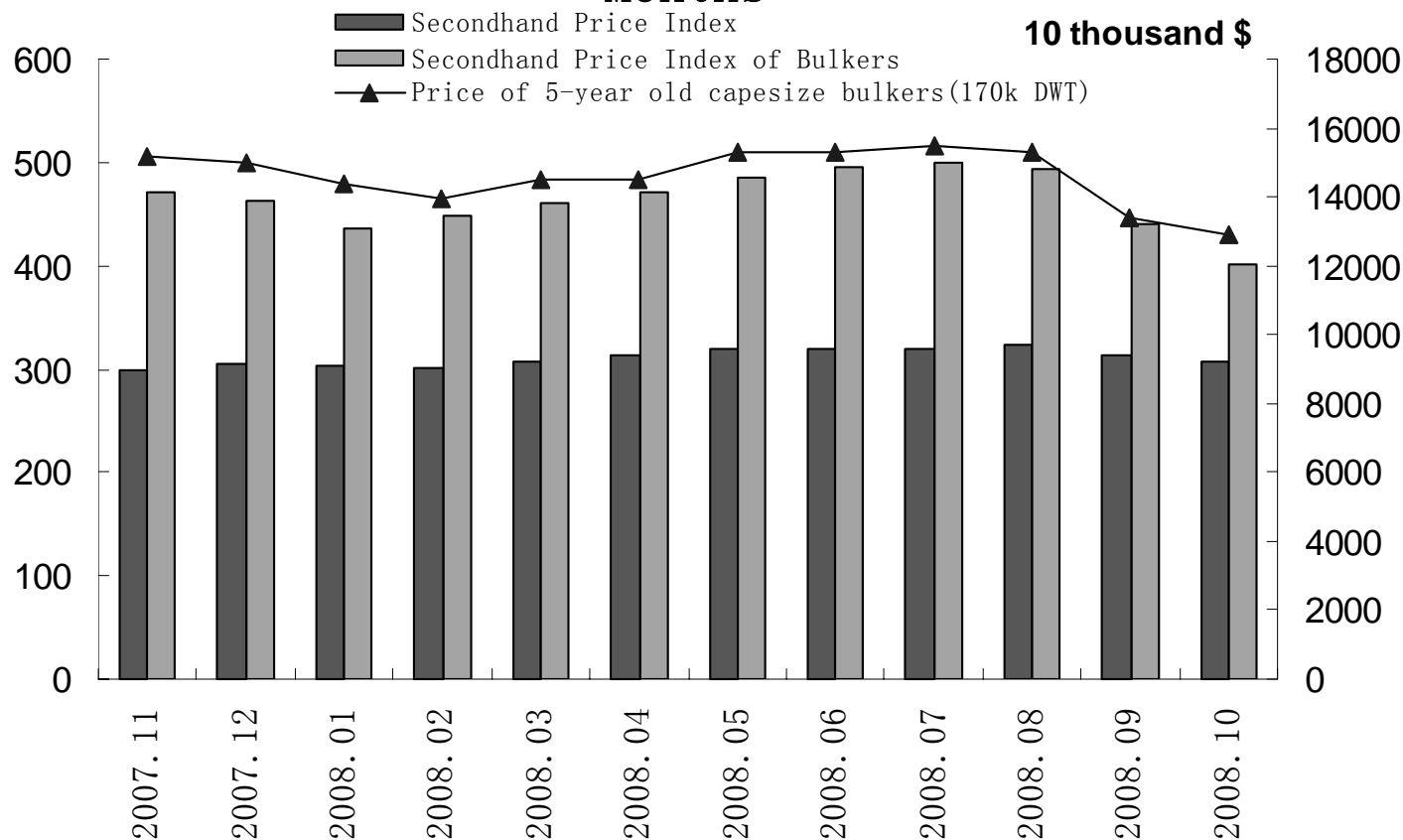


# 二手船价格开始出现较大幅度下调

## Secondhand prices began to fall obviously



### Trends of Secondhand Prices in Recent 12 Months

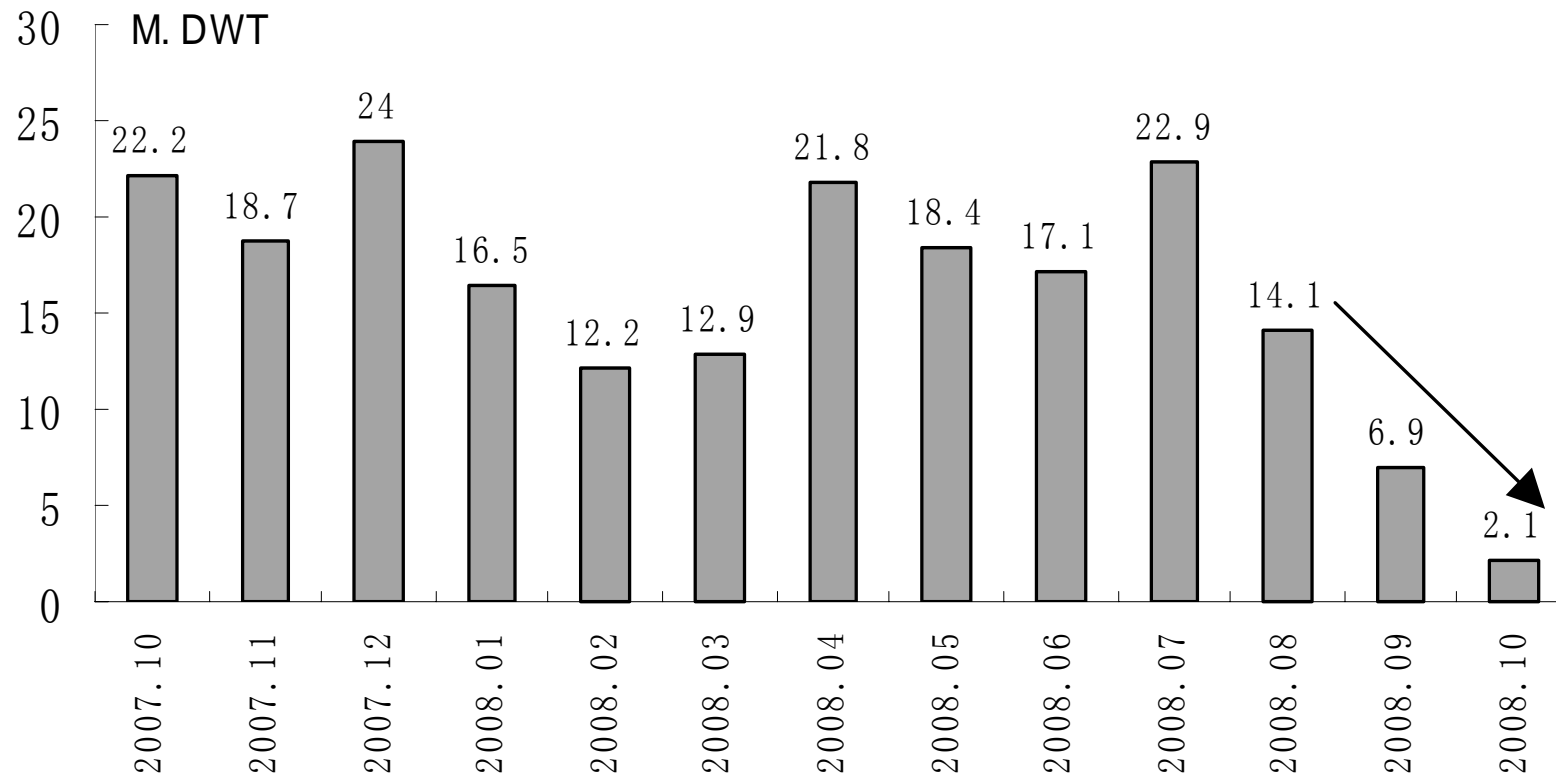


# 新船成交量急速萎缩

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 <sup>3</sup> ]	93.5	93.5	96.5	96.5	95	-1.6%
LNG Carrier[160k M <sup>3</sup> ]	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%



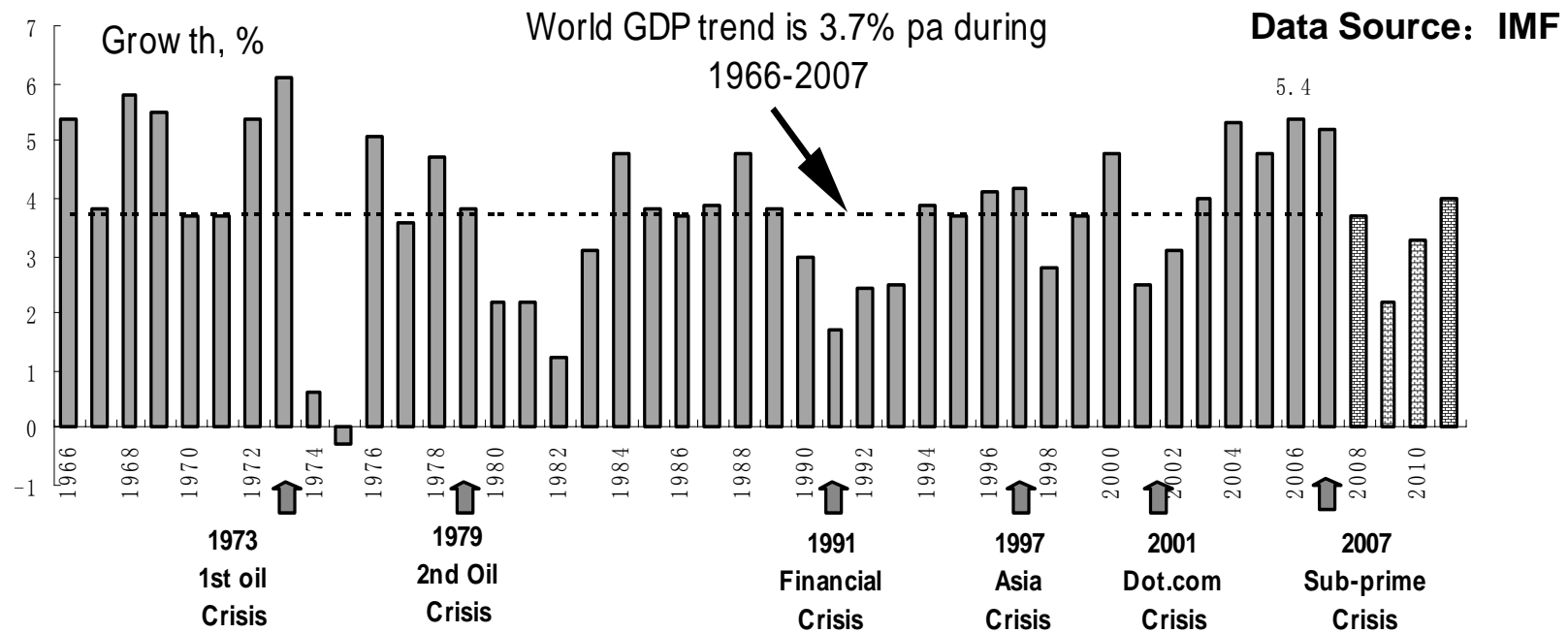
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## **II. The environments of shipbuilding market are deteriorating rapidly**

# 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 .

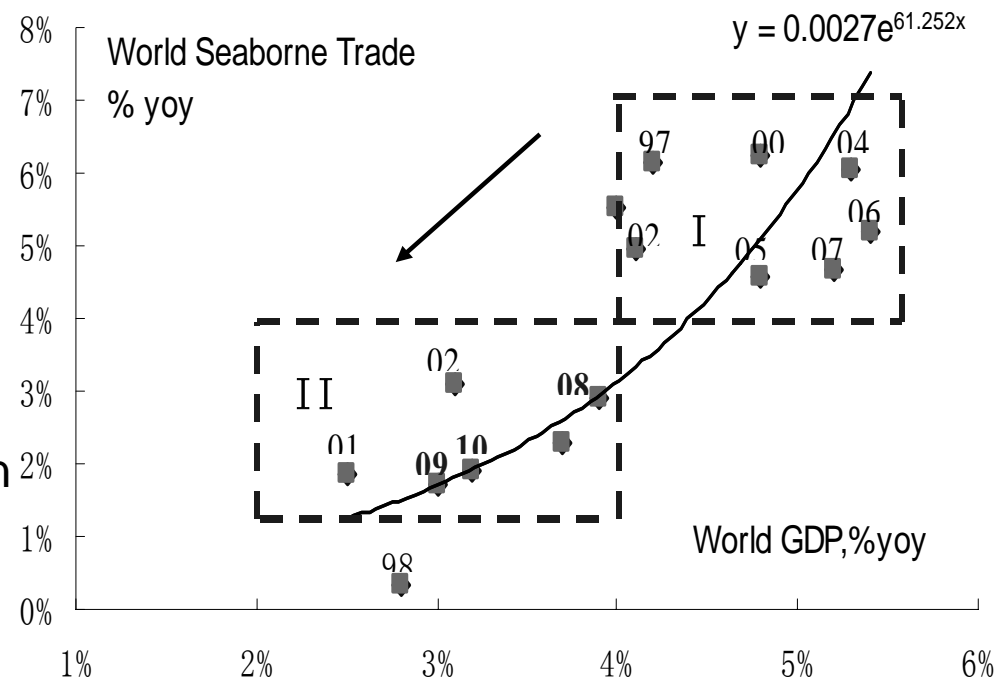
# 世界经济减缓将显著拉低海运量增长

## 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



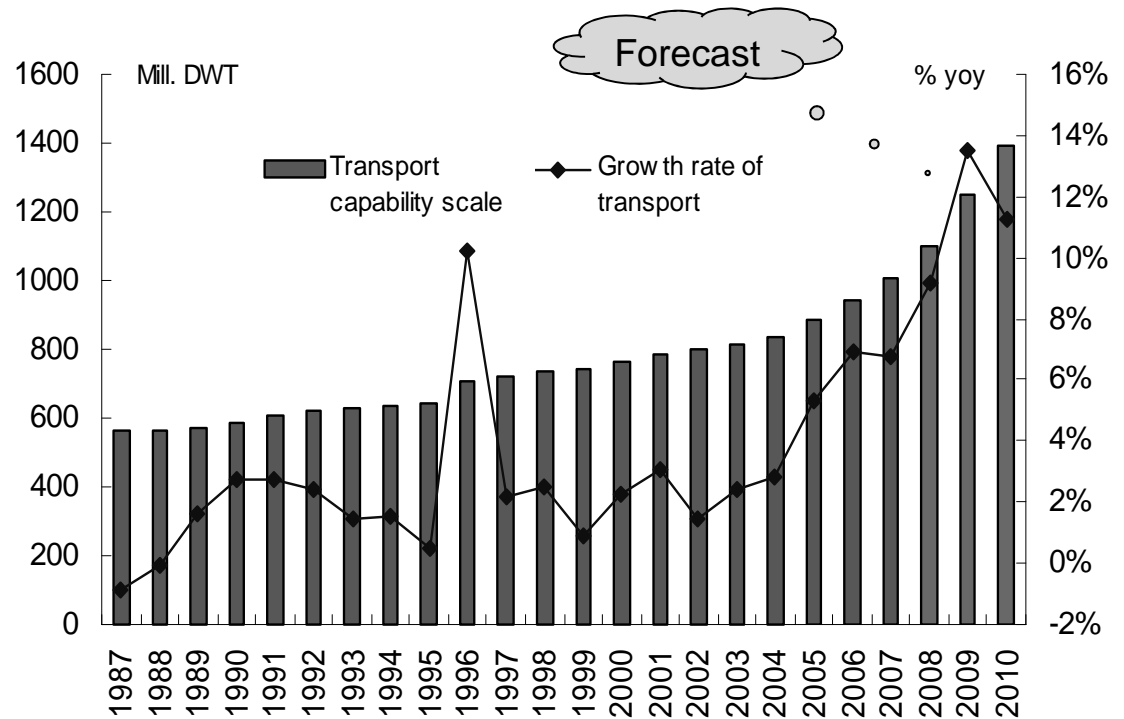
Data source: CSERC.

# 世界船队运力进入快速增长阶段



## World fleet growth will speed up in following years

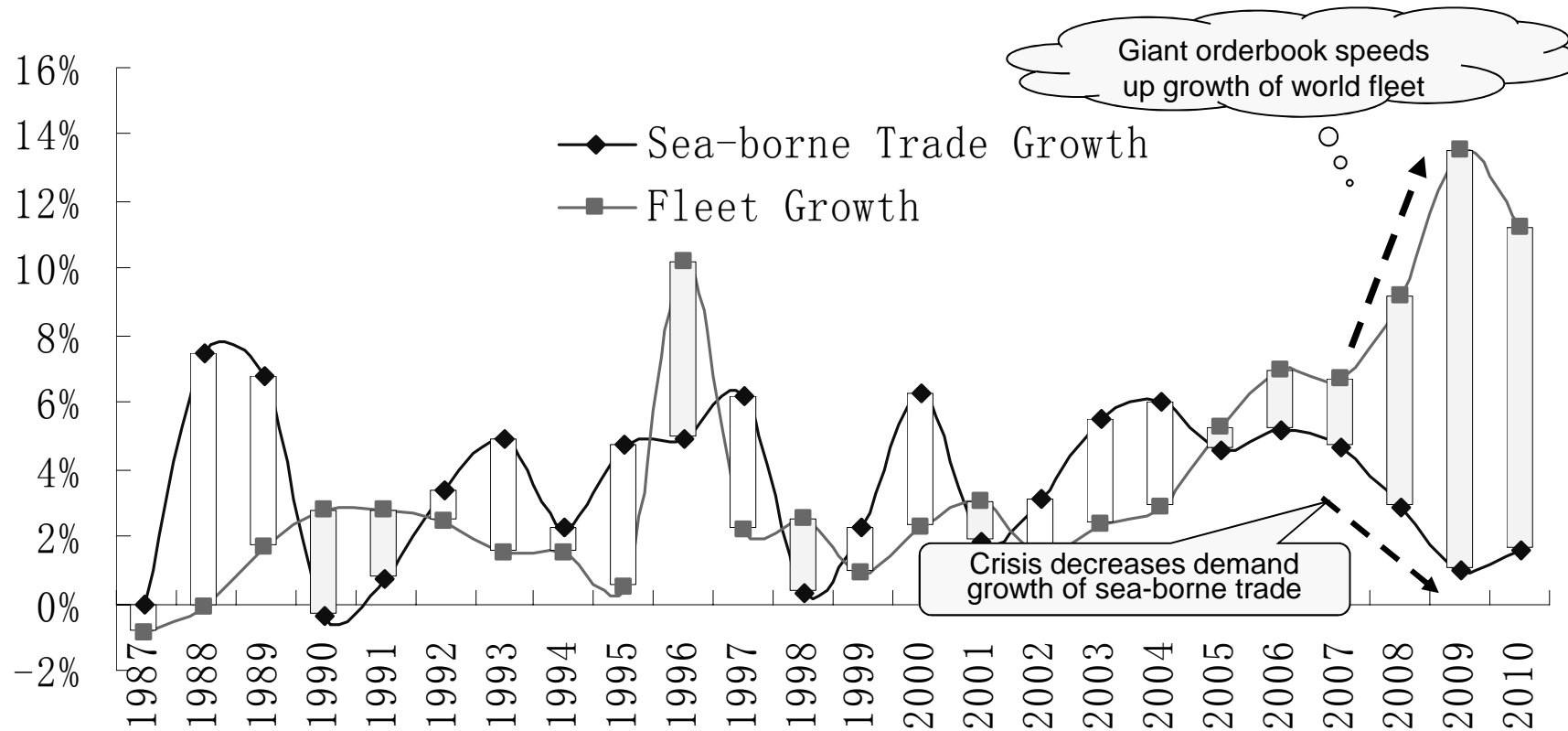
- More than 600 M.DWT newbuildings would be delivered in next 2-3 years,
- The fleet growth would exceed 10% per annum in next 2-3 years, and the fleet would reach about 1400 M.DWT in 2010.
- All of these would bring great pressure on the shipping market.



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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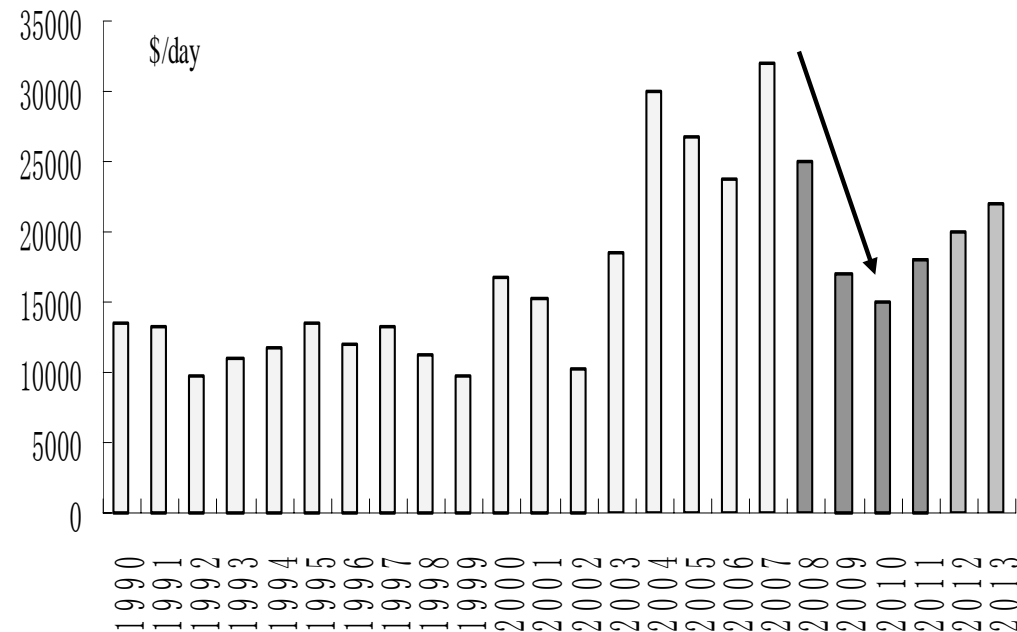
# 海运费率将进入下行通道

## 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.



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

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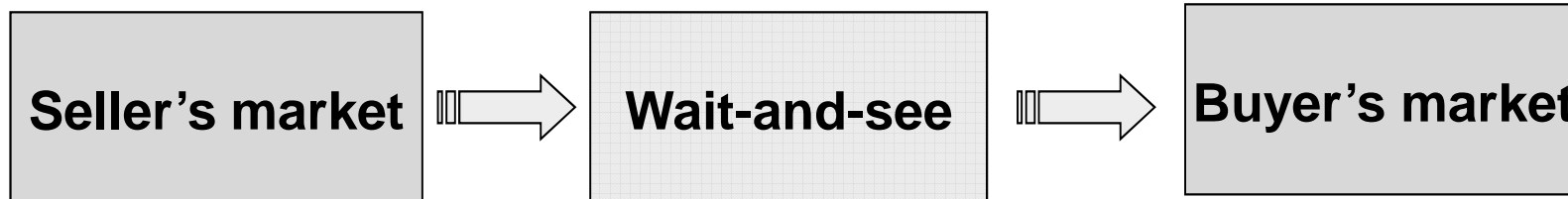
短期内船市将处于“无价无市”买卖双方对峙阶段  
Wait-and-see would hang over the market in short term

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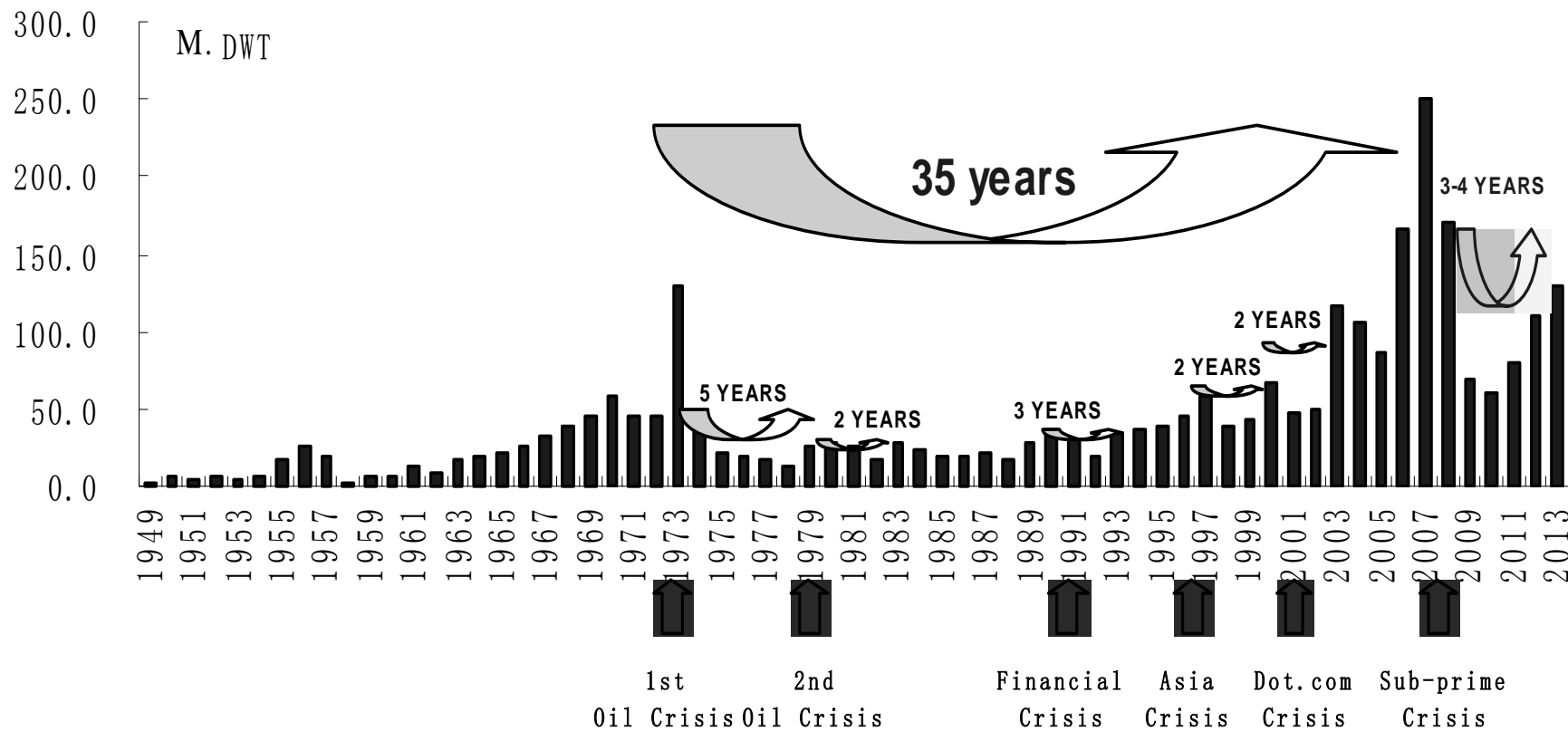
- **Our opinions on the development of shipbuilding market**

- 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.

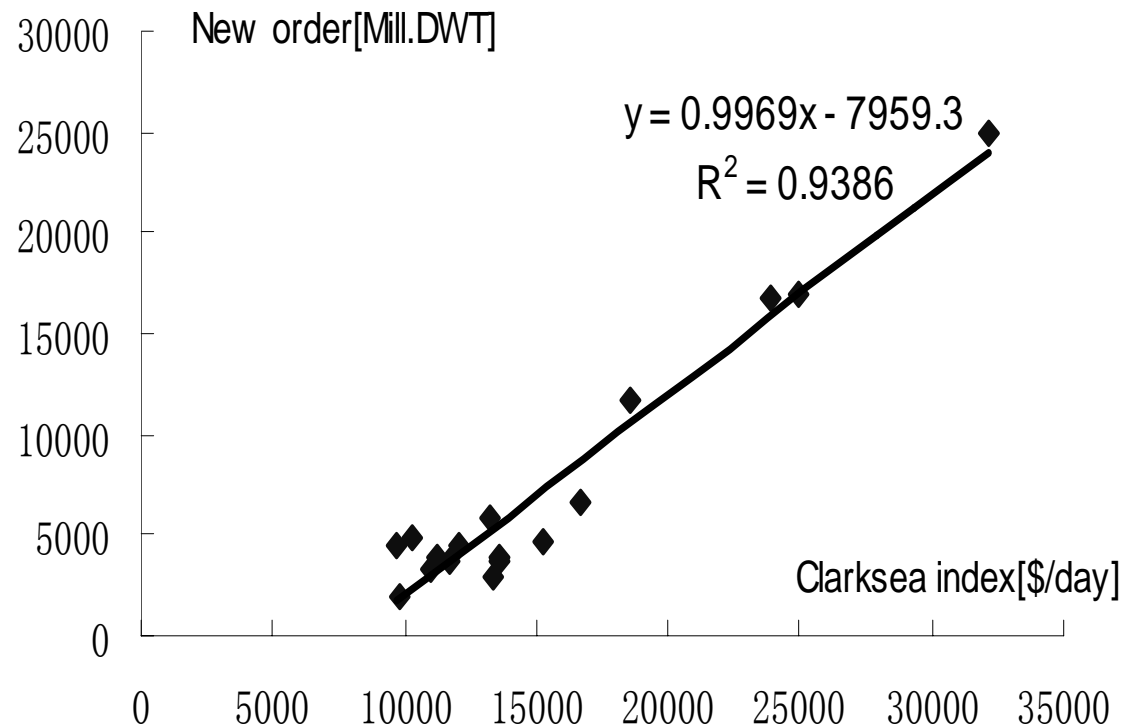
# 新船订单量与同期平均航运费率高度线性相关

**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**

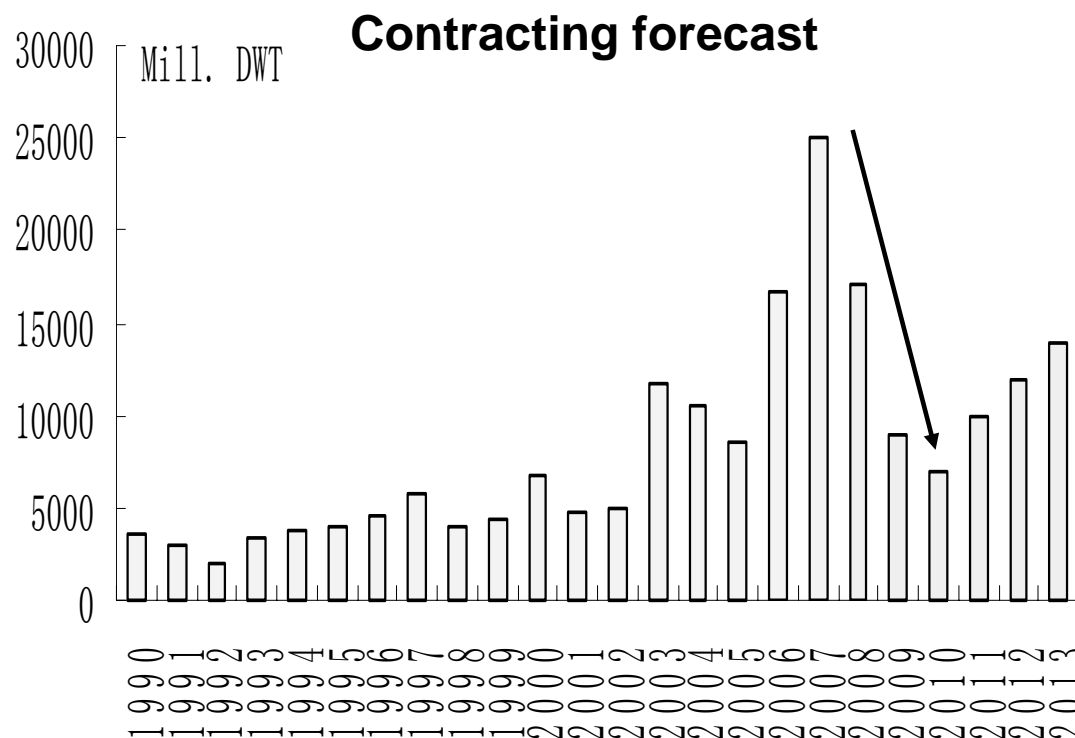


Data source: CSERC.

# 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.



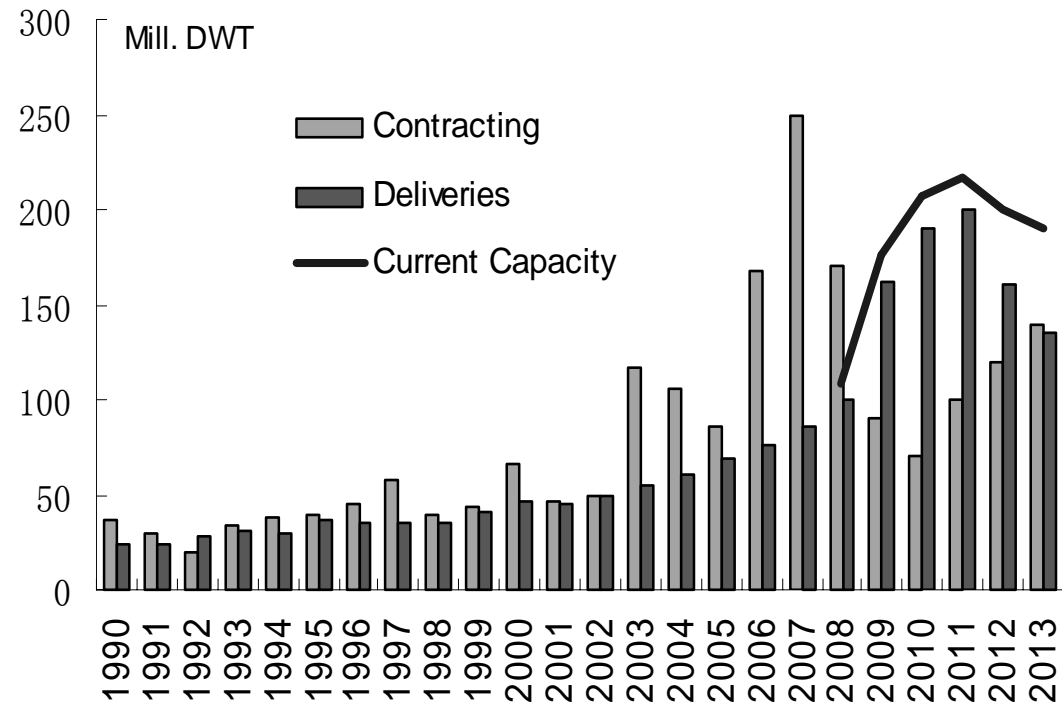
Data source: CSERC.

# 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.

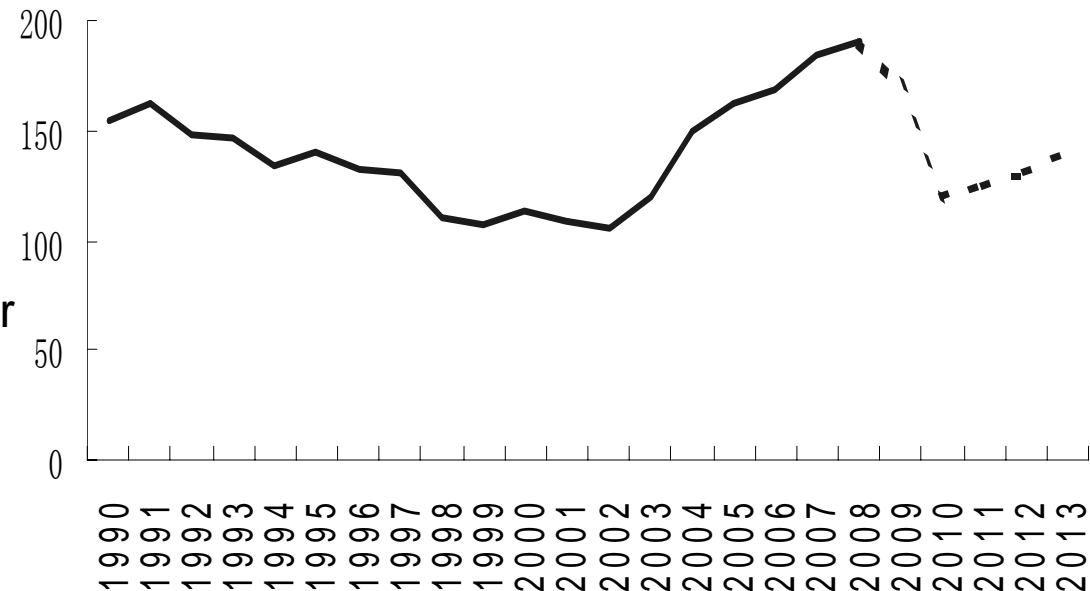
# 新船价格将回调增大



## 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.



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

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

**Thanks for your attention**

**2008.11**

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