



Impact of World Financial Crisis on China Shipbuilding Industry

China Association of National Shipbuilding Industry
CANSI

China Shipbuilding Industry Gained a Rapid Growth in Recent Years

- Rapid growth in market share
- Technique level and construction efficiency improved
- More value-added ships built in China
- The whole industry chain is optimized



World financial crisis had a deep Impact in the industry

- Sharp decrease in new orders
 - The existing orders continue shrinking mainly because of halted new orders, quick completion of ships and order cancellations.
- Cancellations and slippage becomes more
 - The postponement of delivery and the order cancellations gradually spread over in China, for both shipbuilders and ship equipment manufacturers.



World financial crisis had a deep Impact in the industry

- More pressure on shipbuilding prices
——Ship owners still try to negotiate on lowering new ship prices, putting off delivery or payment and altering payment modes or ship types with shipbuilders.
- Shipyards are facing liquidity problems



In the first 5 months of 2009

- The value of total industrial output by domestic shipyards reached 203.3 billion yuan (US\$30.0 billion) in the first five months, up 38.8 percent year-on-year.
- New ship orders in the first five months were 1.18 million deadweight tons down - 96 percent - from the same period last year.



In the first 5 months of 2009

- New orders in May stood at 190,000 DWT and total orders held by Chinese shipbuilders were 192.2 million DWT by the end of May, down 6 percent from the beginning of the year.
- The export value of domestic shipyards rose 25.8 percent to 96.8 billion yuan from January to May in 2009.



Shipyards are trying their best to cope with crisis

- Negotiation with shipowners
- More flexible attitude to prices and delivery
- Ensure financing
- Diversification especially for offshore business
- Cut expenses and save cost



Risks in the short term

- More cancellations if shipbuilding finance don't get better.
- More risks for the newly-built shipyards and greenfield shipyard.
- New order remains low level unless world economy begins to recover.
- Oversupply both in shipping market and shipbuilding market.



Challenge for the long run

- Shipping and shipbuilding is always a cyclical market.
- There is still big gap in technique level and shipbuilding efficiency compared with our Korean and Japanese companions.
- We still lack experience to cope with crisis.



Crisis also brings opportunity

- “A pessimist sees the difficulty in every opportunity; An optimist sees the opportunity in every difficulty”——Winston Churchill.
- Improving the core competence is always the solution.
- To depend more on technology, not on simply capacity expansion.



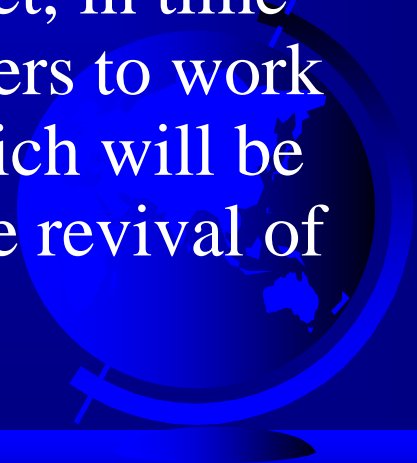
We obey the market law

- Shipyards with poor technique level and management should be eliminated.
- Speculations in shipping and shipbuilding should pay the bill.
- The more competitive shipyards should survive.
- The industry structure should be optimized



We need more cooperation

- When the bubble breaks, there will be many possible vicious cycles.
- To avoid the vicious cycles, we should know that market mechanism is not panacea.
- We need more communication and understandings, not only among shipbuilders, but between shipbuilders and shipowners.
- Shipbuilding market is a international market, in time of crisis, it is necessary for all the shipbuilders to work collectively on our common challenges, which will be aimed to shorten the crisis, and stimulate the revival of the industry.



Thank you

