

**COUNCIL  
WORKING PARTY ON SHIPBUILDING**

**THE GLOBAL SHIPBUILDING DEMAND AND SUPPLY BALANCE**

**(Presentation by SAJ)**

*This document by the Shipbuilders' Association of Japan, will be presented at the second session of the Workshop with non-member economies on shipbuilding policies to be held on 18-19 December 2006.*

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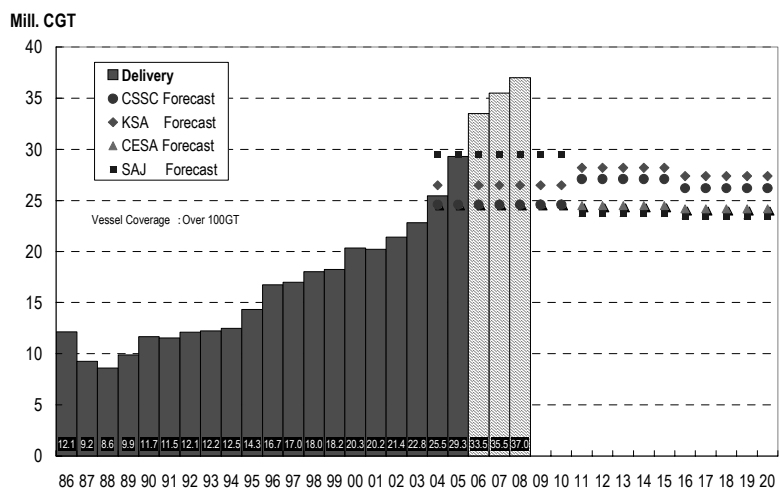
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# The Global Shipbuilding Demand and Supply Balance

OECD Workshop, Paris, 19 Dec. 2006

The Shipbuilders' Association of Japan

Fig.1 Newbuilding Requirement Forecast



## **Recent Newbuilding Completions Exceed Forecasted Level by Every Association**

**Following factors surpass our earlier expectations.**

- **World Economic Growth**
- **Chinese Steel Production**
- **Industry Globalization – Container Trade**
- **LNG Demand**

## **New Environment of Future Demand**

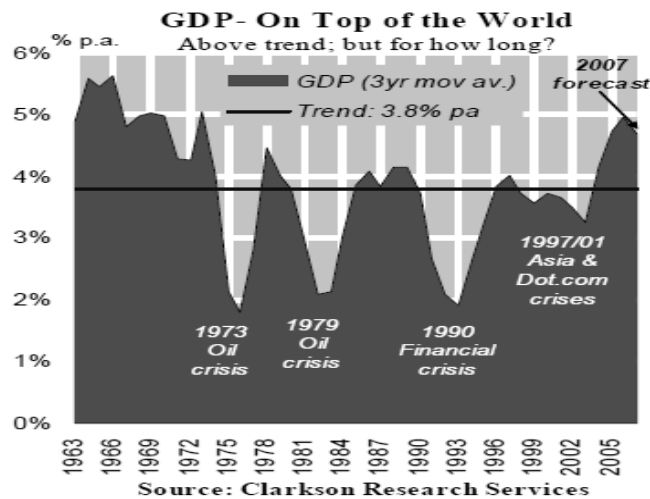
**Positive Factors may continue to push demand in the Near Future. However, we should take note of Negative Factors below in the Medium to Longer term.**

- **World Economic Cycle**
- **High Oil Price**
- **Unstable Political Situation**

**If trade growth slows down, present massive orderbooks may supply greater fleet than market requirement.**

Fig.2

## Historical Trend of World Economy



## Summary of Demand

- Considering positive environmental factors such as economic globalization, demand will remain strong until around 2010.

However,

- It is unlikely that strong growth will continue forever (beyond 2010).

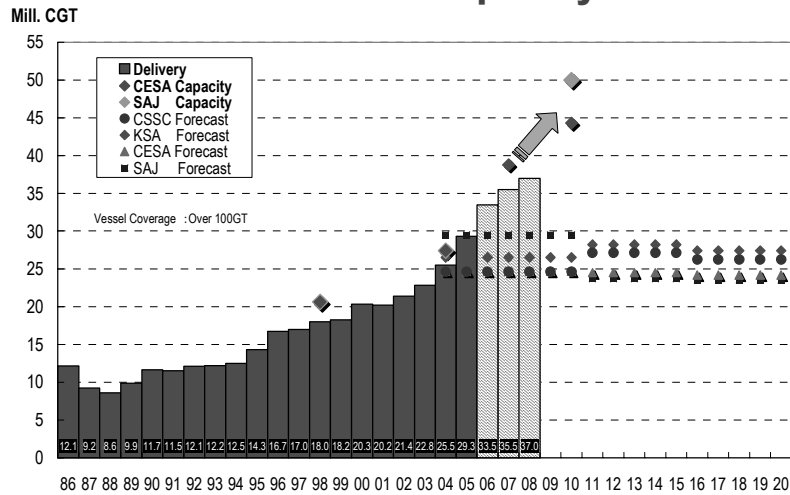
## Demand vs Supply

Nowadays, most shipyards invest to enhance building capacity to meet growing demand.

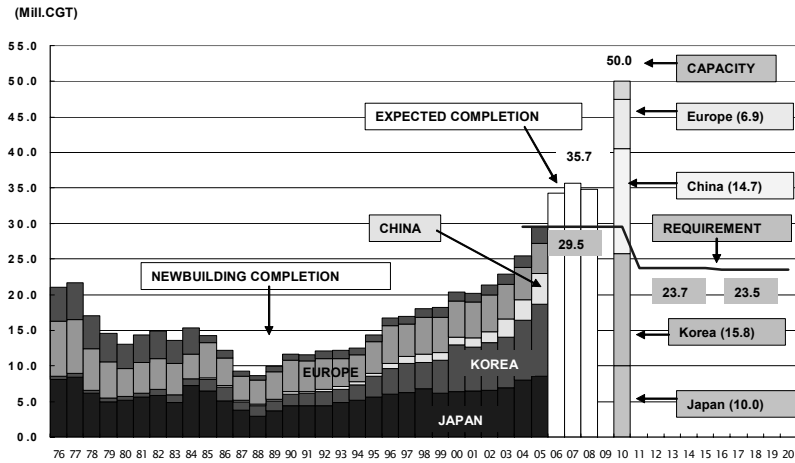
Accordingly, global shipbuilding capacity will expand substantially.

Next Fig. shows future global capacity evaluation.

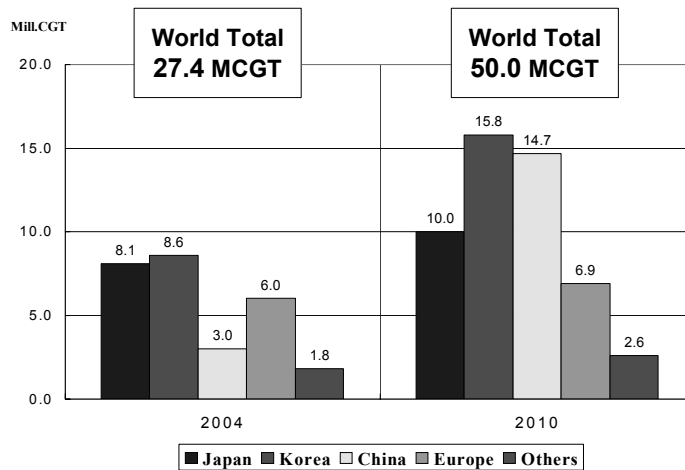
**Fig.3 Newbuilding Requirement Forecast vs Capacity**



**Fig.4 Newbuilding Requirement Forecast vs Capacity Evaluation (SAJ)**



**Fig.5 Shipbuilding Capacity in 2004 & 2010**



### **Capacity Related Investments**

- **New Shipyard Construction**
- **Extension of Docks and Berths**
- **New Crane, New Hull shop**
- **Re-activation of unused facility**
- **Conversion from repair**
- **New production method – On land, Mega block**
- **New yard converted from Hull block fabrication maker**

- *Newbuilding productivity will be enhanced substantially through various investments.*

### **Supply and Demand Balance**

- **Considering favorable present market conditions, gap between supply and demand will not emerge in the Near Future.**

**However,**

- **Historically, demand cycle is unavoidable. When demand pace slows down in Future, taking account of inflexible adjustment of capacity, substantial gap between supply and demand will emerge.**

## **Summary**

- **Present circumstances are favorable for shipbuilders. However,**
- **We should keep in mind the past bitter experience caused by overcapacity.**
- **Crucial to make effort to develop a common perception on future shipbuilding market for stabilization of our industry.**