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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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.
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

Vessel Coverage: Over 1000GT
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.