
Slowdown signs - Chinese shipbuilding industry only gets 6pct orders in January

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It is reported that Chinese shipbuilding industry faces a new round of price competitions. As ship prices hit the bottom in last Q3, some ship owners snapped up the chance to place some orders.

According to statistics from Clarkson, new ship contracts reached some 1.89 million deadweight tons in January. South Korean shipbuilders took up 64% new contracts of 1.721 million deadweight tons worldwide in January by lowering quotations. In the mean time, Chinese shipbuilders only occupied 6% global market that is only 159,000 dwt.

Insiders introduced that the price competition had brought great impacts on Chinese shipbuilding industry. From last October to January 2010 South Korea shipbuilders signed much more contracts for new ships than Chinese shipbuilders. However, China got 44.4% of total global new contracts in 2009, much higher than South Korea.

Jiangsu Rongsheng Heavy Industries Group, the largest private shipbuilder in China ranked fifth in the world and first in domestic market in terms of new orders in 2009.

Senior official from Rongsheng expressed concern that, quotations for some ships from South Korean shipbuilders were even lower than their costs. Therefore, the huge price cut has not brought great pressure and threaten to Rongsheng only but also to the whole Chinese shipbuilding industry.

He added that South Korean shipbuilders' price cut was also a way to pass on their pressure. Generally speaking, South Korea has a comparative high ratio for container ship contracts. The declines in seaborne freight industry directly lead to one of the by products that most large scale container ship contracts were cancelled. Besides, South Korean shipbuilders are now under press of cash. Thus, the down payments from new contracts will help them to be alleviated from the pressure.

According to statistics from Clarkson, prices for building new ships fall down again. Price for a bulk cargo ship drops by 0.5%MoM and is about 39% lower than the highest one. Price for oil tanker slides by 1.2%MoM and is about 32% lower than the highest one.

An official from HZ was quoted as saying "Though the price for building ships has not touched the bottom, there is slim room for further decline. A new round of price competitions is unavoidable. He also disclosed that they were under negotiation for new contracts with lower prices."

Insiders analyze that as Chinese shipbuilders still have lots of orders, it is impossible to see a brutal price war. However, the future development of shipbuilding industry is still in the air.

According to information released by China Association of the National Shipbuilding Industry about 65% Chinese shipbuilding enterprises, especially some new shipbuilding factories failed to sign any new contracts in 2009.

An official from CANSI told the reporter that fierce competition would be inevitable owing to the limited demands. This is not too bad as some shipbuilders will be washed out. Large-scale shipbuilders will have good development.

(Sourced from MySteel.net)

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