
Detailed analysis of Chinese shipbuilding industry and steel use

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China Association of National Ship Industry lately releases its report on conclusion of the past days and prediction on 2009 steel demands in China's ship industry, in which 13.3 million tonnes of shipbuilding steel are expected to be used up this year.

1 Ship market briefing in Q1

China's ship industry performed well in Q1, when the gross industrial output value posted at CNY 114.1 billion up by 42.9% YoY the exporting value at CNY 54.3 billion up by 29.8% YoY. Among the total value, there are CNY 87.2 billion from shipbuilding sector up by 49.5% YoY; CNY 12.4 billion from ship fittings manufacture sector, up 51.9% YoY CNY 14.4 billion from ship repair and ship-breaking sector, up by 8.8% YoY.

In Q1, key shipbuilders completed vessels of 4.73 million DWT up by 45.5% YoY meanwhile, China's key ship-repairer finished 701 ships of 18.99 DWT up by 21.7% from last period's tonnage, including 342 foreign ships of 14.01 DWT up by 3.4%. And, China accomplished 21 modified ships of 0.77 million DWT.

In Q1, Key ship fitting manufacturers yielded 57 units of marine low speed diesel engines of 0.64 million KW and 3063 units of medium speed diesel engines of 1.54 million KW. However, global shipping market continued downturn at that time, as new ship trades fell into stagnation. Key shipbuilders only got 0.44 million DWT of new ship orders down by 95.6% YoY.

Under the inconsistent situation, the holding ship orders in key ship yards was concluded at 167.93 million DWT by end March up by 17.7% YoY but fewer than that in the start of 2009. Though most data show nice performances in China's ship industry in Q1, risks are floating off along with the continued downturn in global shipping market, price declining in new ships and sharp decreases in new ship orders. Shipbuilders encounter growing risks in delivering ships at present.

Industrial experts anticipated the H1 new ship orders might be fewer than 2 million DWT and it's hard to fulfill the yearly expectation of 20 million DWT 30 million DWT of new ships order. They also thought global completion of ships would come to 150 million DWT to 160 million DWT in 2009, well above the new ship orders, largely cutting the holding order by the end of 2009.

China's ship producers are expected to confront orders cancellation and postpone, as well as ship abandonment in future, due to the overcapacity in the shrunk shipping market. As learned, over 72% of holding ship orders is involved with 2010-or-later productions and up to 65% of orders are bulk carriers with higher prices.

2 Ship plate output flied high in 2008

China's ship plate output ended with a big growth in 2008, boosted by home and abroad demands and the capacity expansion. According to CISA statistics, China accumulatively yielded ship plate of 20.14 million tonnes up by 62% YoY or 7.71 million tonnes from the year earlier.

In 2008, Baosteel Luoqing Project, Anshan Steel's Bayuquan Project, Maanshan Steel and Xiangtan Steel's projects were all put into production, largely pushing up the wide & heavy plate capacity. Most ship plate producers augmented their outputs in 2008, and Anshan Steel was crowned again with its output at 2.06 million tonnes up by 31% YoY. Despites, each of the outputs of Shougang, Baosteel, Xinyu Steel and Jinan Steel exceeded 1.5 million tonnes. There are 11 steelmakers with their outputs over 1 million tonnes.

Major steelmakers' outputs in 2007, 2008

Mills	2007	2008
Anshan Steel	157	206
Shougang	112	190
Baosteel	91	178

Xinyu Steel	132	163
Jinan Steel	131	159
Nanjing Steel	95	148
Maanshan Steel	62	126
Handan Steel	66	120
Xiangtan Steel	45	105
Shaoguan Steel	83	103
Chongqing Steel	79	100

(In 10,000 tonnes)

It's learned that shipbuilding steel demands kept a quick growth too in 2008, when the ship completion broke through 30 million DWT.

2008 shipbuilding steel consumption in different ship-related industries

Industries	consumption	Change
Shipbuilding	930	77.50%
Ship repair & modifying	110	9.10%
Oceaneering manufacture	40	3%
Hull block manufacturing	120	10%
Total	1200	100%

In 10,000 tonnes

3. Steel consumption of 13.3 million tonnes expected in 2009 shipbuilding

Shipbuilding steel consumption continues to rise up in 2009. Based on the contracts, China is to deliver 56.58 DWT of ships this year, though the amount will slide down if order cancellation and postpone happens.

CANSI gives out its conservative estimation of 40 million DWT of ships to be completed this year, up 13% from 2008. However, the steel consumption growth will be less, since bulk ships, which use less steel per DWT, take a big percentage of over 60% in the delivery.

It's estimated, the total consumption will be 13.3 million tonnes including 11.7 million tonnes of ship plate, 1.2 million tonnes of section steel & bulb steel and 0.4 million tonnes of pipes.

Expectation of Shipbuilding steel consumption in 2009

Industries	Consumption	Change
Shipbuilding	1080	81%
Ship repair & modifying	80	6%
Oceaneering manufacture	50	3.70%
Hull block manufacturing	120	9%

Total	1330	100%
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In 10,000 tonnes

According to the above table, steel consumption will fall down in ship repair & modifying sector due to the wounded shipping market, while the consumption will increase in oceaneering manufacture sector, which is encouraged in the revitalization plan.

Compared with traditional vessels, onceaneering unit will use more steel, for example, about 30,000 tonnes of steel will be use in a 150,000 tonnes FPSO; 42,000 tonnes in a 200,000 tonne FPSO; 9,000 tons in an ocean oil platform. In terms of exports, Korea and Vietnam's appetites will shrink mainly owing to the bankruptcy of many small ship yards in Korea and the price cut & output-increase adopted by Nippon Steel Corporation, Dongkuk Steel and POSCO.

Experts said in addition, heavy overcapacity and price drop in ship plate will generate vicious circle in China. It's estimated that the largest theoretical demands touch the roof of 20 million tonnes in 2010, and then the demands will fall, sharpening the risk of overcapacity.

?Year	2001	2002	2003	2004	2005	2006	2007	2008
SC	392	461	641	880	1200	1450	1893	3051
SPO	170	198	210	345	486	666	1237	2014

In 10,000 DWT

(Sourced from.Mysteel.net)

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