

Report of Chinese Shipbuilding Industry under the International Financial Crisis, 2009

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In 2008, Chinese accomplished shipbuilding output was 28.81 million deadweight tonnages, rising by 52.2% of last year. The newly undertook ship orders were 58.18 million deadweight tonnages, a reduction of 40.9% of last year. Ship orders in hand were 204.6 million deadweight tonnages, increased by 28.7% compared with 2007. According to the global shipbuilding statistics of Clarksons Group, the market shares of Chinese accomplished shipbuilding output, newly undertook ship orders and ship orders in hand accounted for 29.5%, 37.07% and 35.5% respectively in the world, in which Chinese accomplished shipbuilding output and ship orders in hand kept a fast growth for six consecutive years and led to the three indicators standing the second place in the world.

2009

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Description

Overview on the Adjustment and Revitalization Plans of Chinese Shipping Industry issued by Chinese government in February, 2009 to supporting Chinese shipping industry: Government encourages the financial organizations to increase credit funds for ship export buyers; the current financial support policies of deep sea ships for home market will be prolonged to 2010; the government should work on the policies of encouraging the update of old ships and replacing single-shell tankers; the present shipbuilding enterprises should suspend the extension projects of shipyards and shipways; the new added central investment should be used to the industry revitalization and technical reform; the government should support the high-tech ships, oceanographic engineering equipments and the research on key corollary equipments.

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With the transfer of international financial crisis to the real economy, Chinese shipbuilding industry has felt the coming of strikes.

Because the strikes of international financial crisis on Chinese shipbuilding industry began to reflect in September of 2008, the whole performance of Chinese shipbuilding industry in 2008 was sound. In 2008, the newly undertook ship orders were 58.18 million deadweight tonnages and only 2.61 million deadweight tonnages in the fourth quarter, less than 5% of the whole year's. Chinese accomplished shipbuilding output exceeded the new undertook orders from October of 2008, first consecutive reduction of monthly orders in hand over the past five years. It is predicted that Chinese accomplished shipbuilding output in 2009 will be over 40 million deadweight tonnages and 56 million deadweight tonnages of orders in hand of last year's was scheduled to accomplish in 2009. The intervals are about 16 million deadweight tonnages. It is predicted that the newly undertook orders are only about 20 to 30 million deadweight tonnages, half or more reduction year on year. At present, Chinese ship orders in hand declined from 205 million to 160 million deadweight tonnages in 2007 to 160 million deadweight tonnages.

With the influences of the international economic depressions, the depression of shipping market and the degeneration of financial environment led to three difficulties for Chinese shipbuilding industry, including difficulty in takeover, difficulty in delivery and difficulty in the capital turnover.

During the prosperous period of shipping market, the delivery can be finished even though the existence of imperfection. At present, the buyers of ships usually put forward a variety of stringent

requirements, postponing the delivery or canceling the orders. The phenomenon of postponing the delivery or canceling the orders has appeared recently. From the end of 2008 and the beginning of 2009, Cosco Corp. (Singapore) Ltd announced their buyers canceling four- ship orders and postponing payment for several ships.

The reason for postponing the payment or canceling the orders is that the declining of financial credit and the difficulty in funds for buyers. In addition, China accounted for a large part of orders in hand.

With the more and more intensive of financial crisis, the buyers are hard to fund and some even deserted the ship orders.

Compared with the difficulty in delivery and takeover, Chinese shipbuilding enterprises concerned more about the capitals. The most difficulty for shipbuilding enterprises is the capital turnover. The enterprises depended on the buyers` advance charge to maintain their capital turnover. If they did not receive new orders and breakthrough their capital chains, they would be hurt deadly. Once the capital turnover problems occurred, they had to loan from the banks, thus the operation costs added.

In February 2009, Chinese government issued the Adjustment and Revitalization Plans of Chinese Shipping Industry, showing the Chinese government`s determination to support shipbuilding industry.

Chinese shipbuilding industry, obsessed by the difficulty in takeover, delivery and capital turnover, had very great hopes of the Adjustment and Revitalization Plans of Chinese Shipping Industry. Chinese shipbuilding industry benefited most from the preferential policies on credit loan and tax.

Description

From 2004, Chinese shipbuilding industry saw sustainable and rapid development, which attracted massive capitals to shipbuilding industry, leading to the surplus of shipbuilding capacity and the tardy of creativity. According to the statistics, the yield capacity of Chinese shipbuilding industry was more than 60 million tons by the end of 2008, over the actual demands and belonging to serious surplus of yield capacity.

Opportunities still exists in Chinese market. On the one hand, Chinese domestic demands are huge. Massive domestic old ships need reform. Some ships in inland rivers and lakes can not meet the demands and need upgrade because of low technology and discharge capacity. Chinese shipbuilding industry can also better cooperate with pelagic fishing and the exploitation and construction industry of deep sea oil and gas. Meanwhile, the shipbuilding costs in China are lower than the major competitors of Japan and South Korea.

Under the present economic situation, the competitions among Chinese, Japan and South Korea are fiercer because of supply exceeding demands in the international market. If you want to receive more orders, you should provide high cost performance of the products. The most

advantage for Chinese shipbuilding enterprises lies at their prices.

International financial crisis brings difficulties for Chinese shipbuilding industry, but it also brings the replacement of lagging yield capacity, concentration of shipbuilding capacity and the improvement of research and marketing abilities.

With more and more obvious of the advantages in Chinese shipbuilding industry, the international orders are transferring fast to China. At present, China has acquired the objective conditions as the shipbuilding center in the world: huge ship markets, low costs, governments` policy supports and abundant raw materials, especially the huge ship markets and low costs will become the advantages ahead of Japan and South Korea

The author wrote this report by investigating into Chinese Shipbuilding Industry and citing abundant valuable second-hand information.

Readers can obtain more following information:

- Present Development of Chinese Shipbuilding Industry
- Factors Affecting the Development of Chinese Shipbuilding Industry
- Merits and Demerits of Chinese Shipbuilding Industry
- Exports of Chinese Shipbuilding Industry
- Competitive Ability of Chinese Shipbuilding Industry in the International Market
- Influences of International Financial Crisis on Chinese Shipbuilding Industry
- Influences of Adjustment and Revitalization Plans of Chinese Shipping Industry on Chinese Shipbuilding Industry

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