

Commercial Shipbuilding: The Big Picture

Dr Paul Stott, Strategic Maritime, UK



Strategic Maritime: Education and analysis for shipbuilding



Materials available free of charge at:
www.strategicmaritime.so.uk



I am going to follow the sections of this book in my presentation:



1. Demand
2. Supply
3. Price
4. Competitiveness



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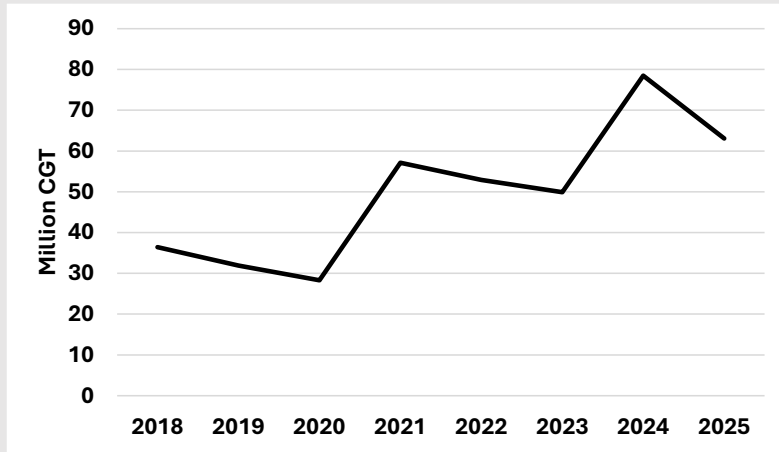
Demand

Ordering in 2026 has reached record levels, exceeding the last peak in 2008.

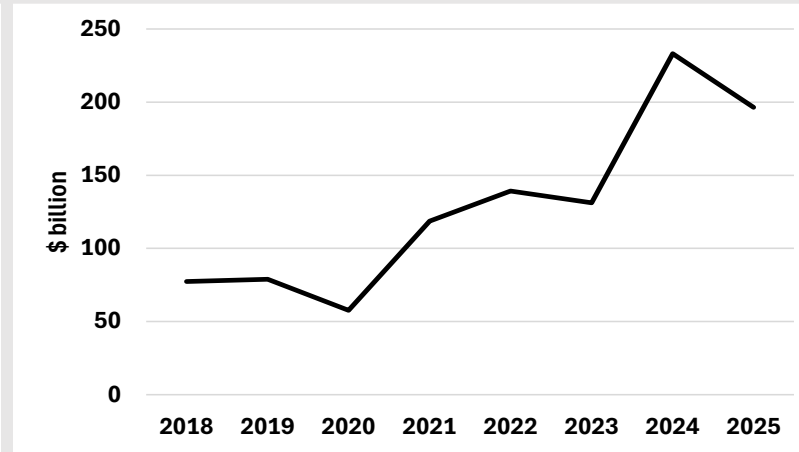
Record output may be expected to follow.



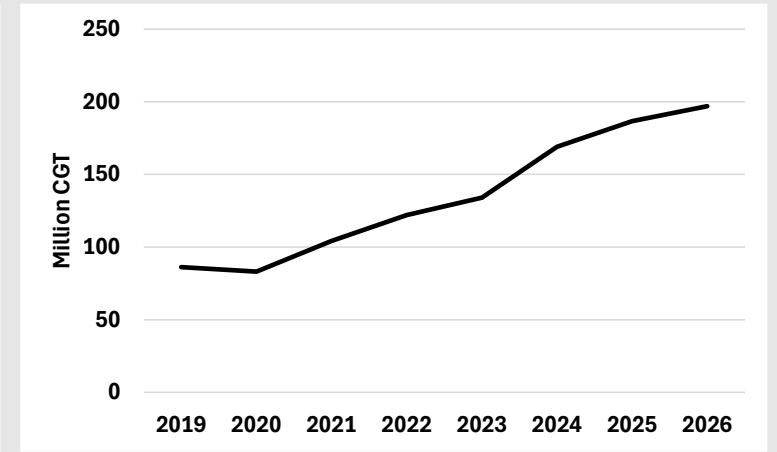
Demand



Contracting



Investment in new orders



Orderbook

2025 c.f. 2020:

- Contracting +123%
- Investment +240%
- Orderbook +137%

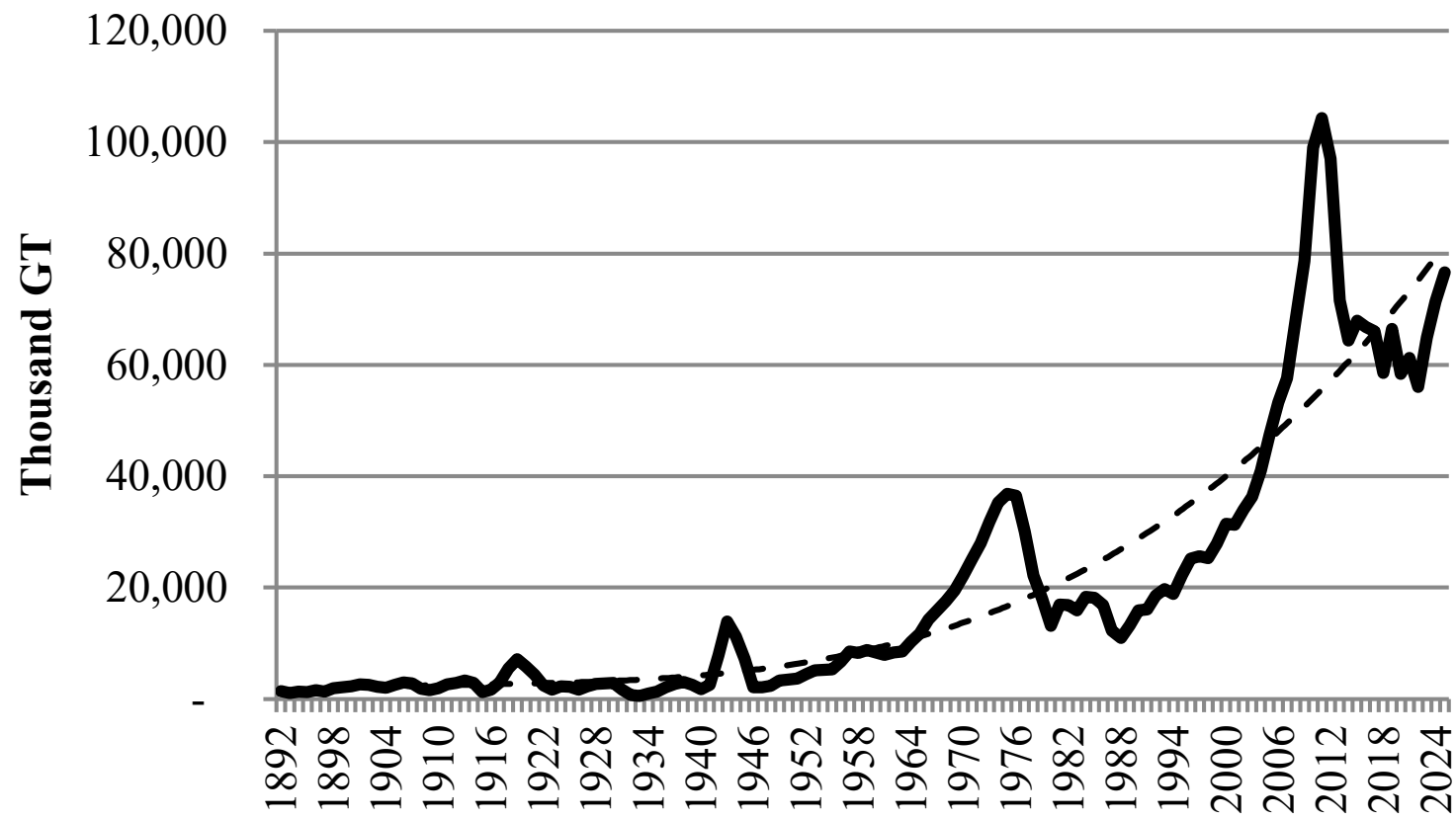


Contracting to end July 2026 is more than double (CGT) compared to the same period last year.

Are we at a cyclical peak?



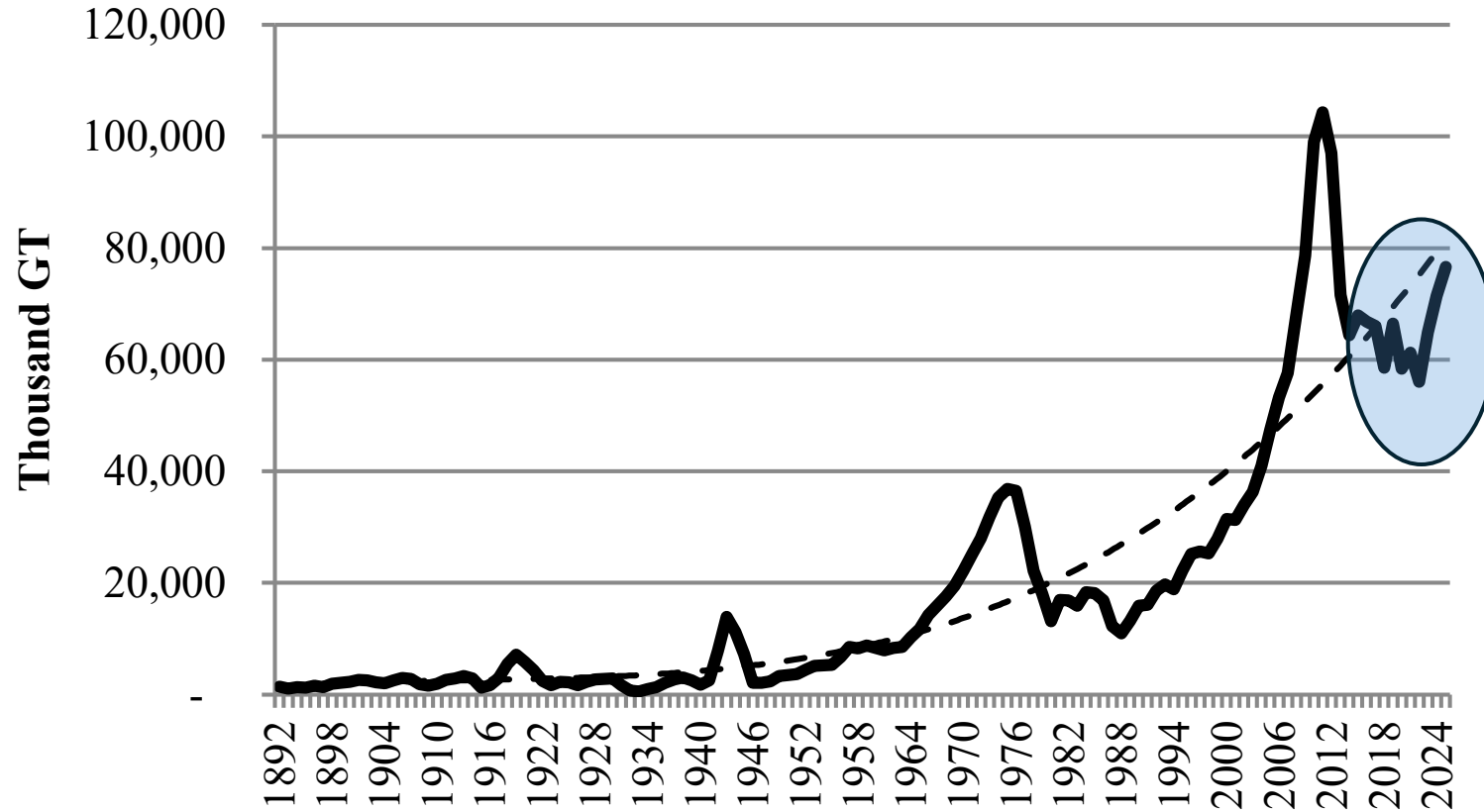
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- 1.4 Peaks with a pitch of approx. 30 years, superimposed on...
2. Underlying growth trend of 3.1% per annum (consistent with underlying seaborne trade growth)

Global shipbuilding output 1892 - 2025





Is commercial shipbuilding embarked on the next cyclical growth-phase?

Global shipbuilding output 1892 - 2025

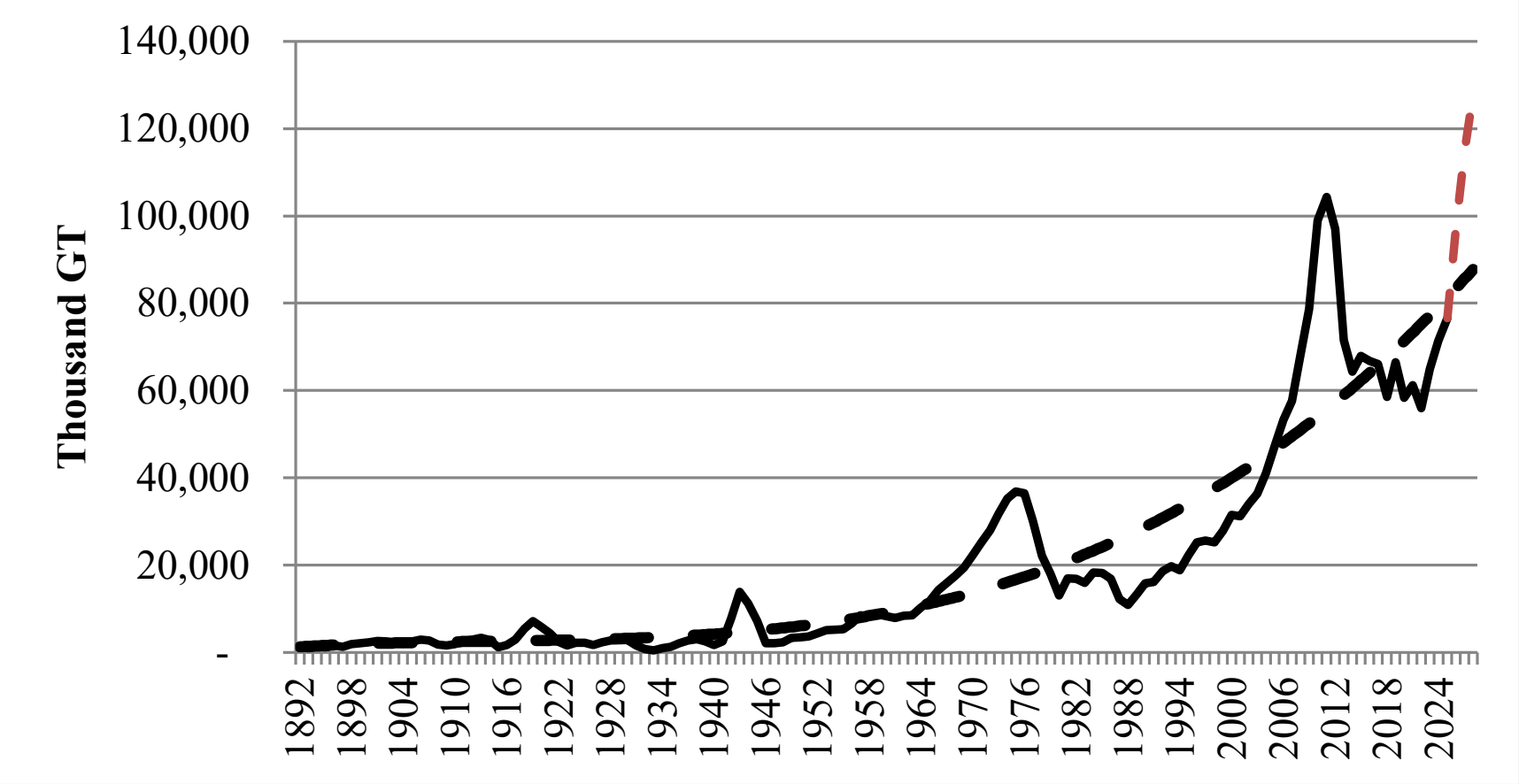


I gave a presentation on the details of this to a meeting of OECD Shipbuilding Working Group in Paris in April 2026, which is available on www.strategicmaritime.co.uk. This was based on year-end 2025 data.

The pace of ordering since then has been astonishing (quite literally for me).

My conclusions then were wrong – shipbuilding appears to be in a peak period - significantly earlier than suggested by past market behaviour.





Committed forward orderbook reported in Clarkson WSM.

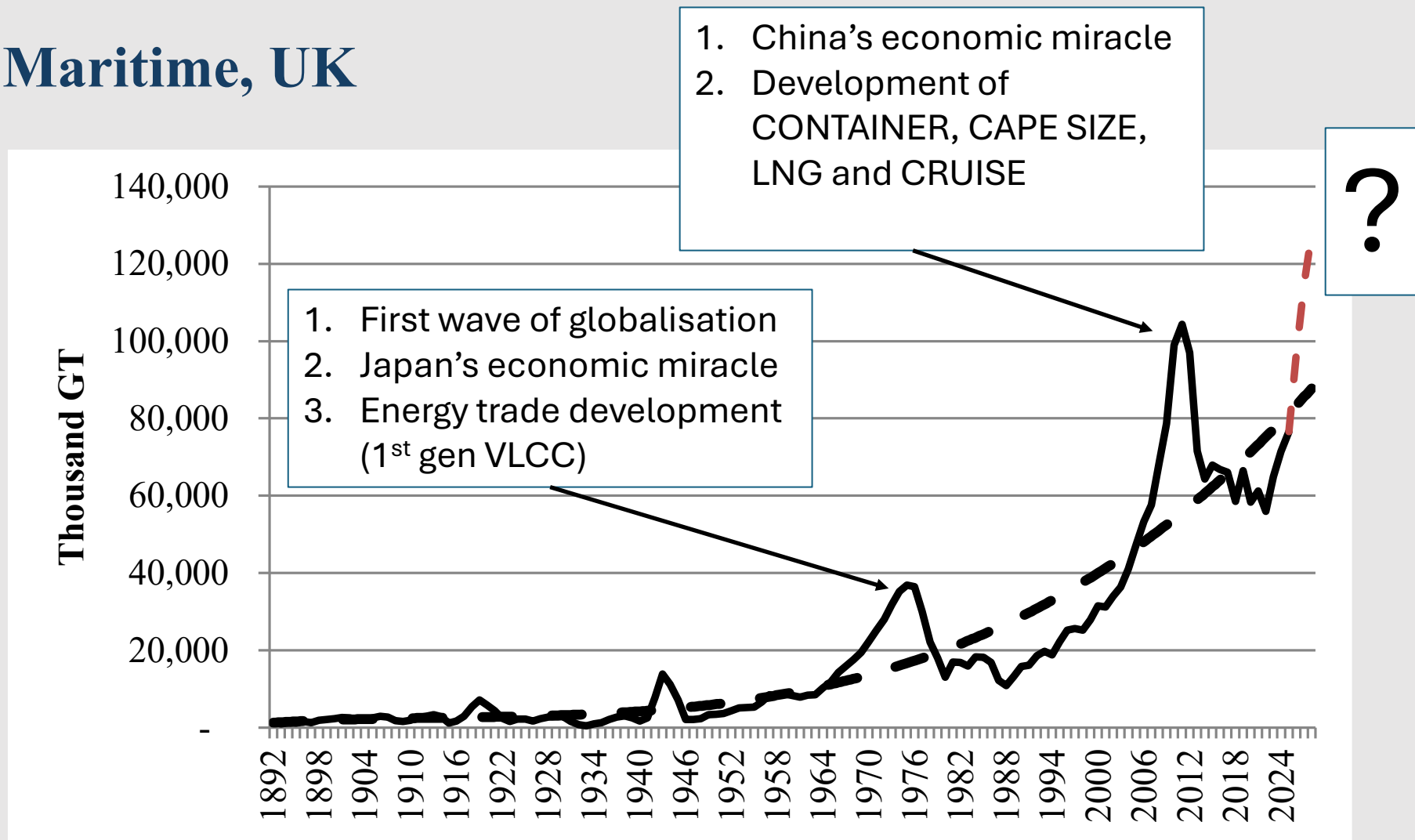


This is the sharpest increase in demand since WWII.

The underlying reasons for this increase need to be understood.



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To understand what is going on and to try to forecast, we need to fill in this blank.



Causes may include, for example:

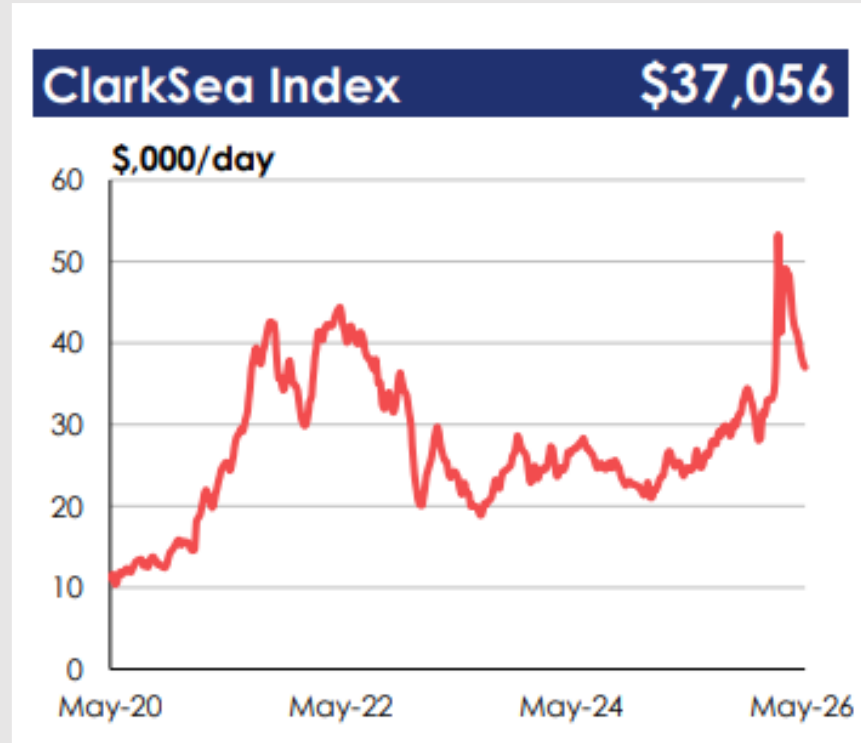
1. Partial closure of the Red Sea / Suez Canal
2. Closure of the Straits of Hormuz
3. Energy insecurity and the increasing reliance on LNG
4. The use of ULCC to increase container efficiency
5. Changing trading patterns and partnerships
6. Insecurity in ship owning due to geopolitical volatility
7.



Fundamentally, the end of the US-centric World economic and trading paradigm that came into being post-WWII and which led to globalisation, will lead to a shift in shipping and shipbuilding.

Although, having said that, we still need to ship the energy, coal, iron ore, grain, etc – sources have not re-located and ships remain the only way to move the materials around the planet – but, particularly in energy, the patterns of production and consumption are changing.



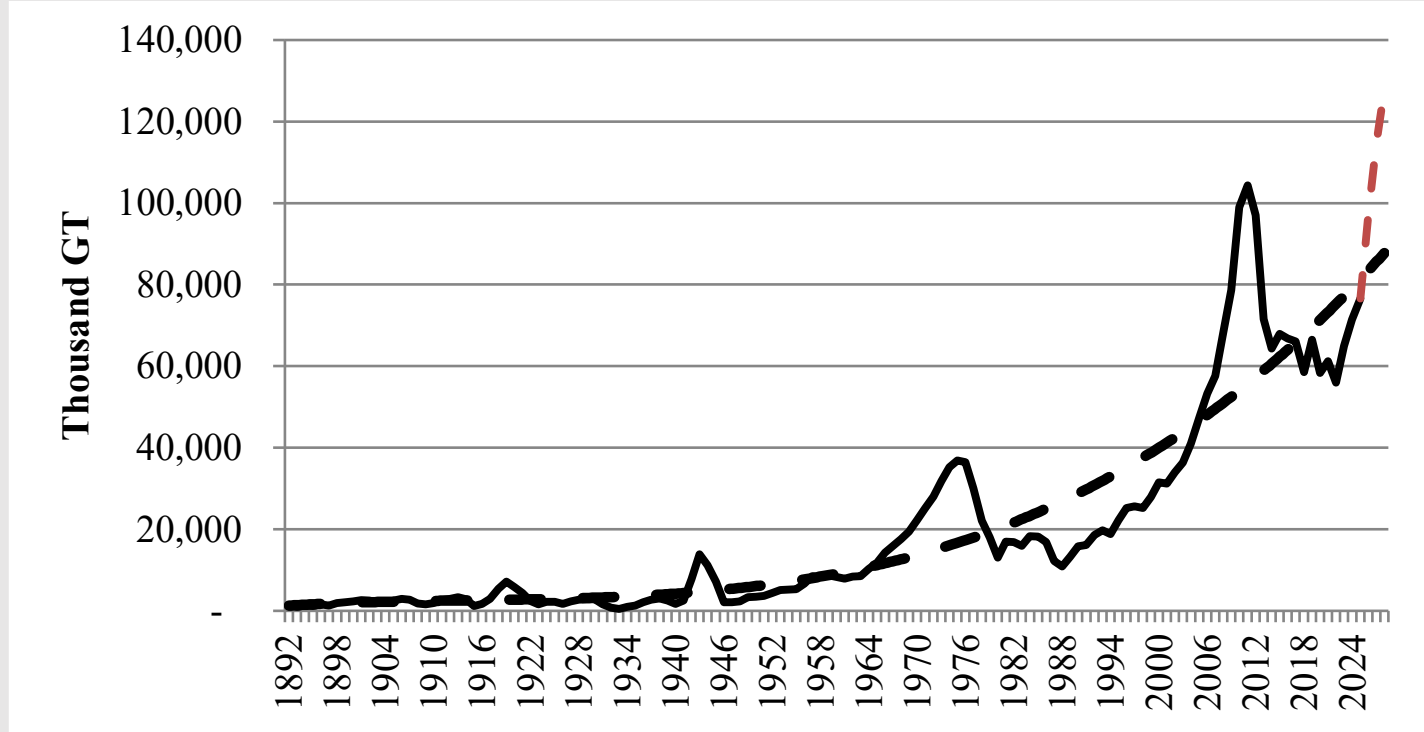


Clarkson Shipping Intelligence
Weekly, 29th May 2026

The mechanism that translates these shifts into demand for new ships is predominantly the effect on freight rates – which spiked in 2025.



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The achievement of this record rate of deliveries depends on how successful China is in bringing new capacity online.



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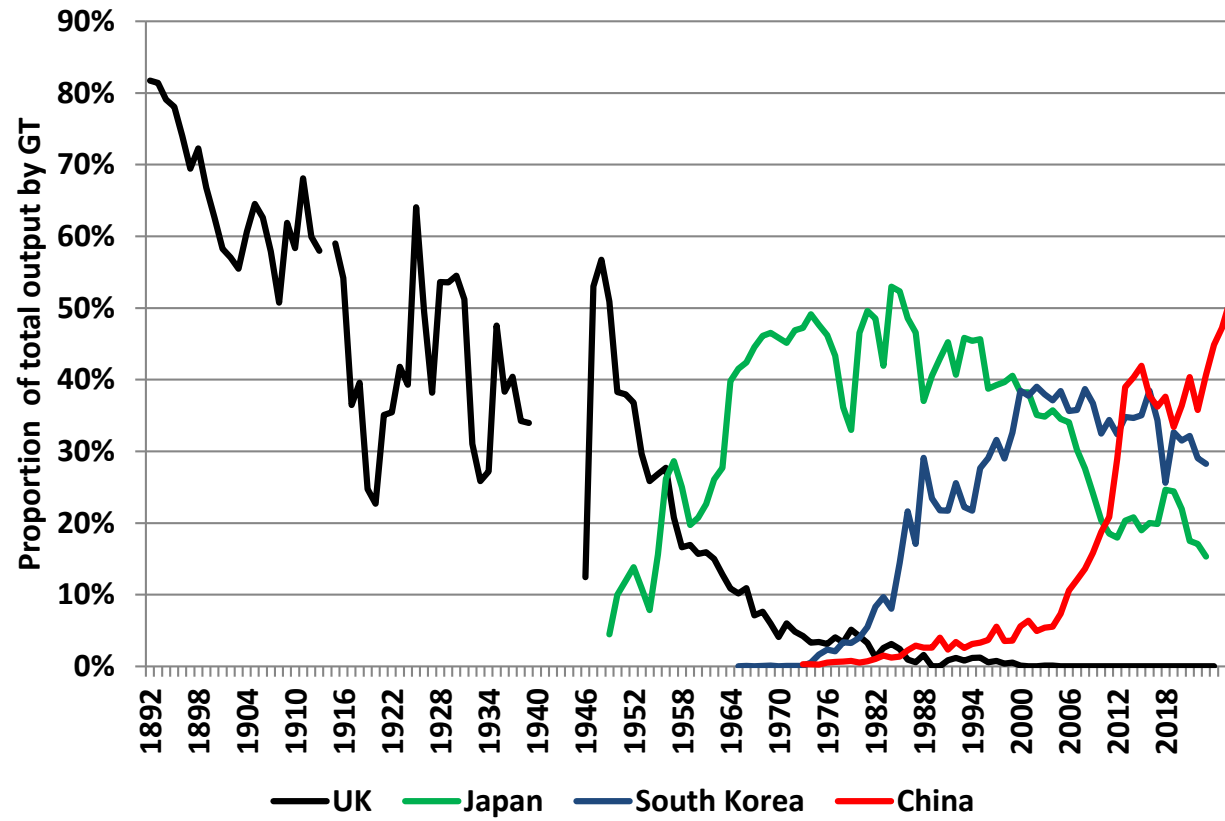


1. Demand
2. **Supply**
3. Price
4. Competitiveness



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Shipbuilding could be described as a ‘shifting hegemony’ – a market dominated by a single supplier, in which the dominator changes over time.



Length of leadership:

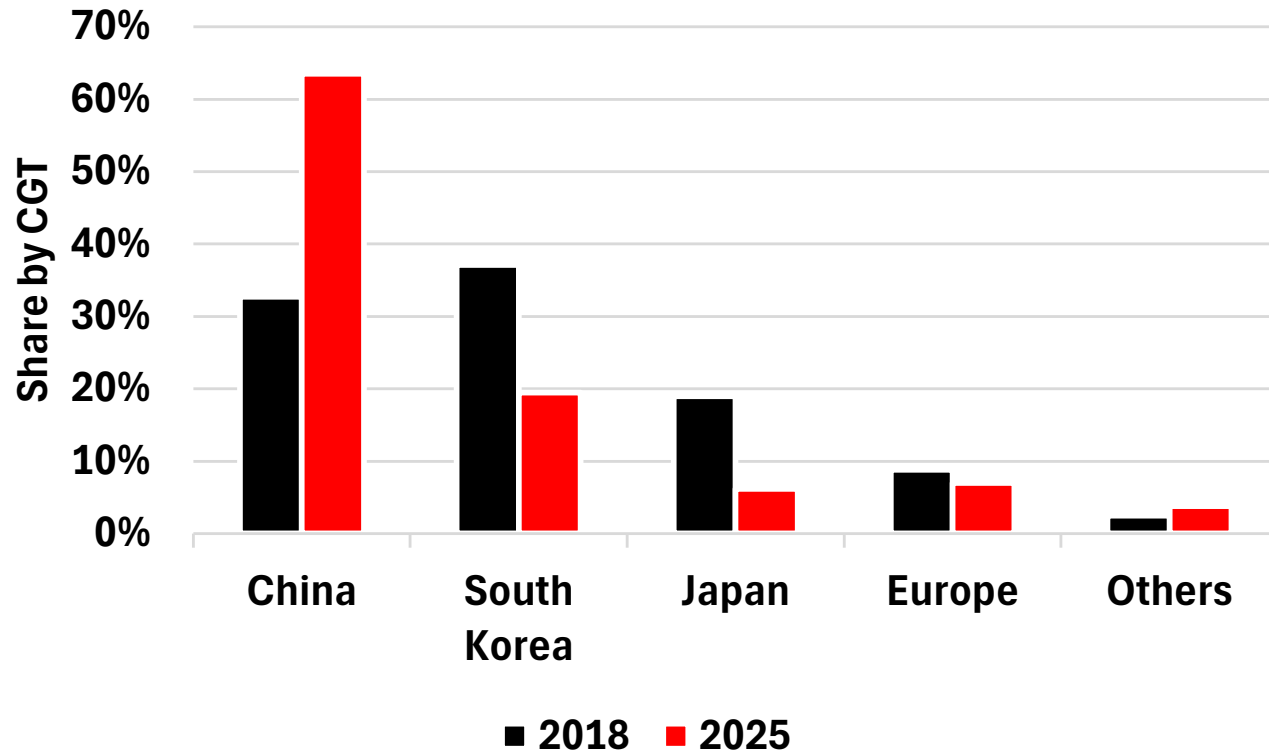
1. UK: 65 years +
2. Japan: 42 years
3. South Korea: 13 years
4. China: ?



There has been a very rapid change in the competitive picture over the past 8 years.



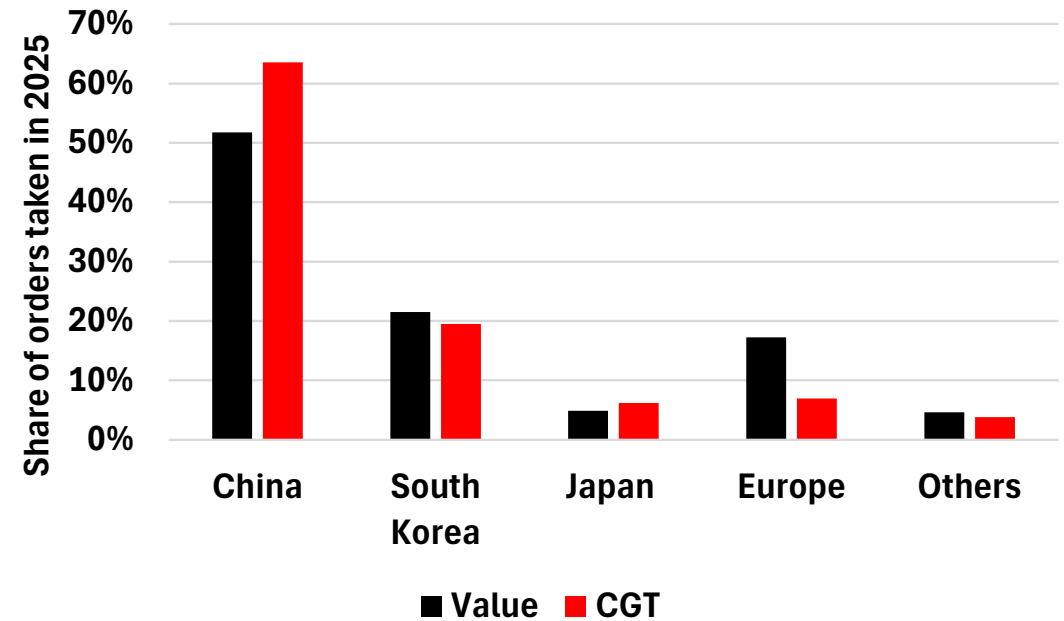
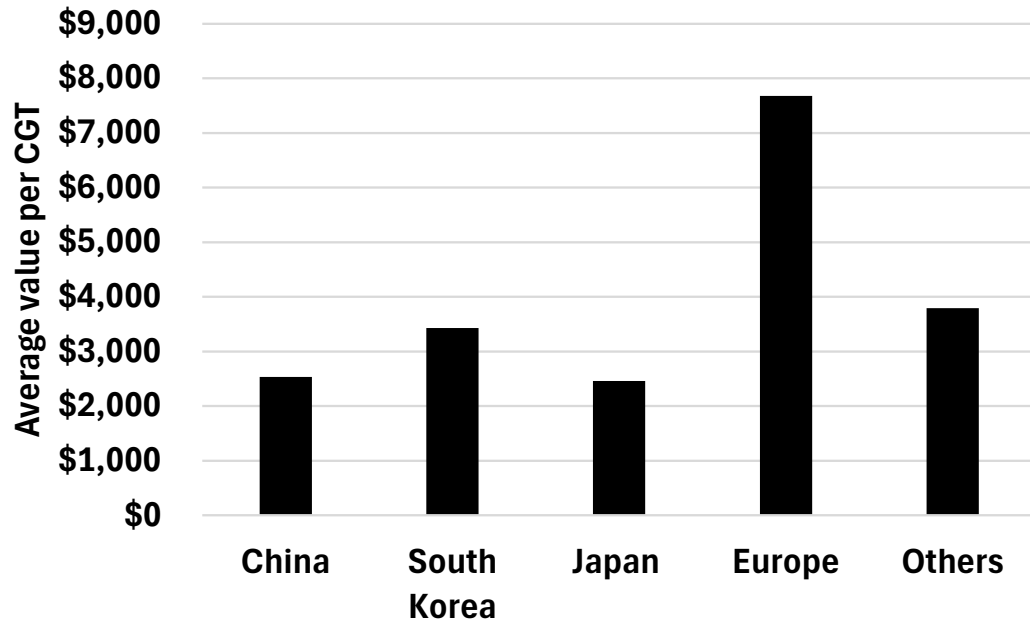
Change in share of new orders taken (by CGT).



China has taken
75% of new orders
so far this year.



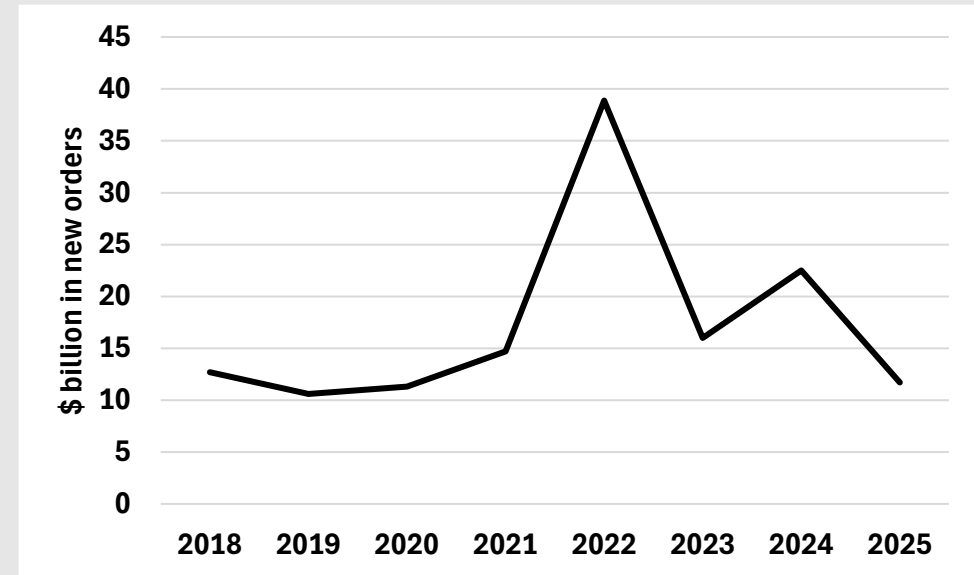
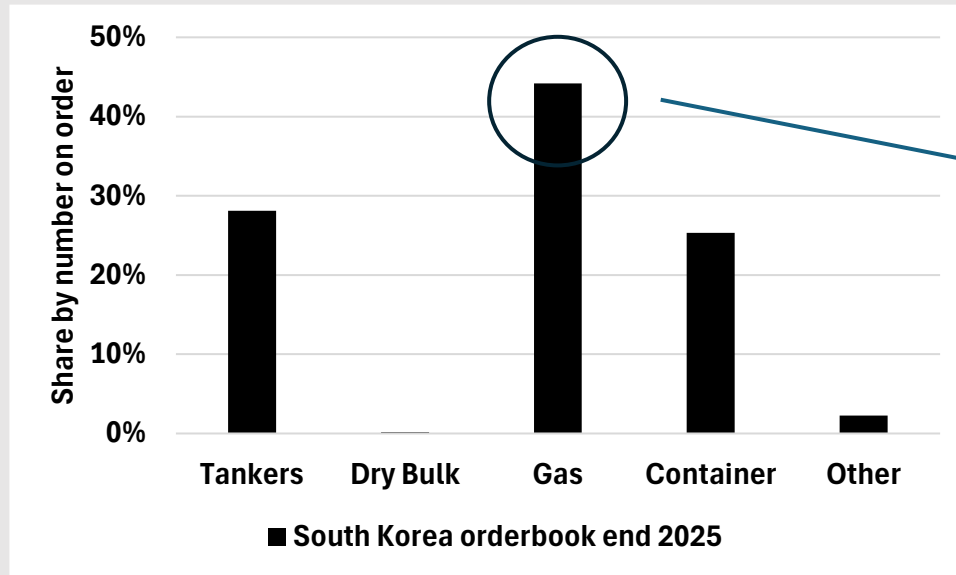
Would value, rather than volume, tell a different story?



Not really but the picture does reflect product mixes.



Of particular concern in South Korea is the decline in investment in LNG tanker ordering.



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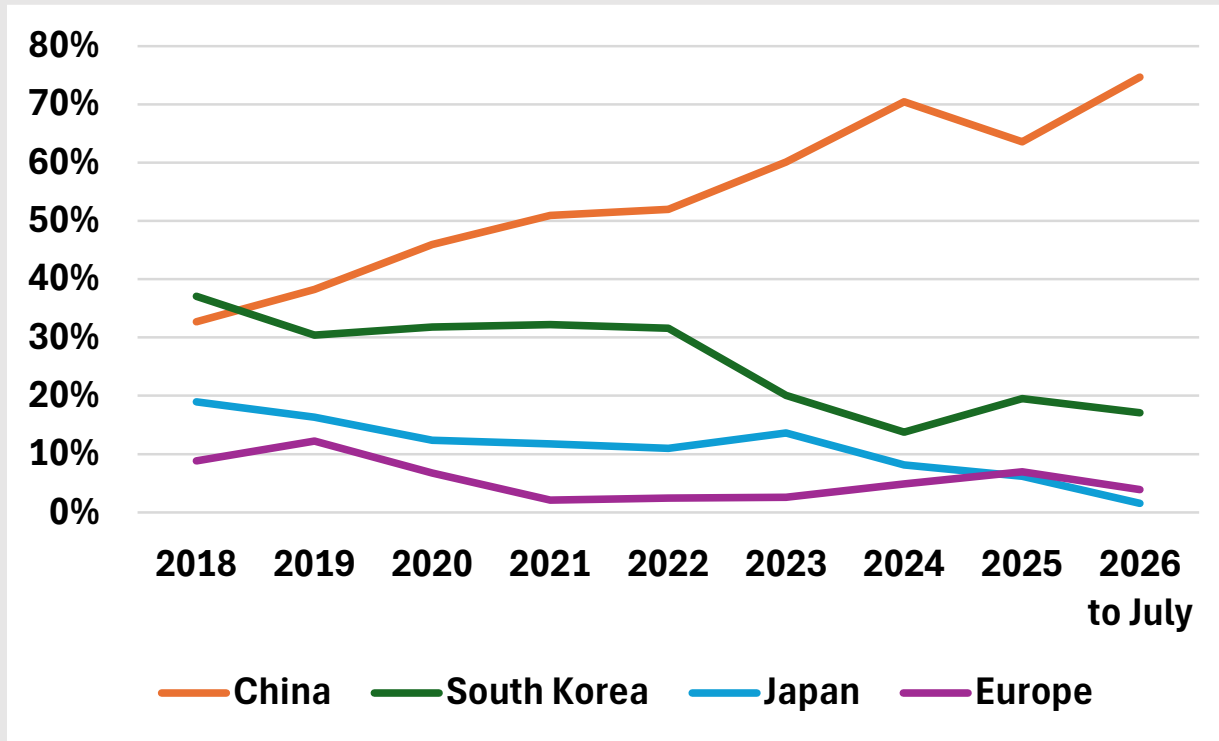
In the past decade, China has been in the ascendancy and is now market dominator. Shipbuilding is one of the industries listed as key in the 'Made in China' plan in 2025.

China's share of over 75% of new orders (CGT) placed so far in 2026 is probably equalled in the past only by UK in the inter-war years of the 20th Century.



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What, to me, has been astonishing is the pace of increase in China's gain in share and South Korea's loss in share.

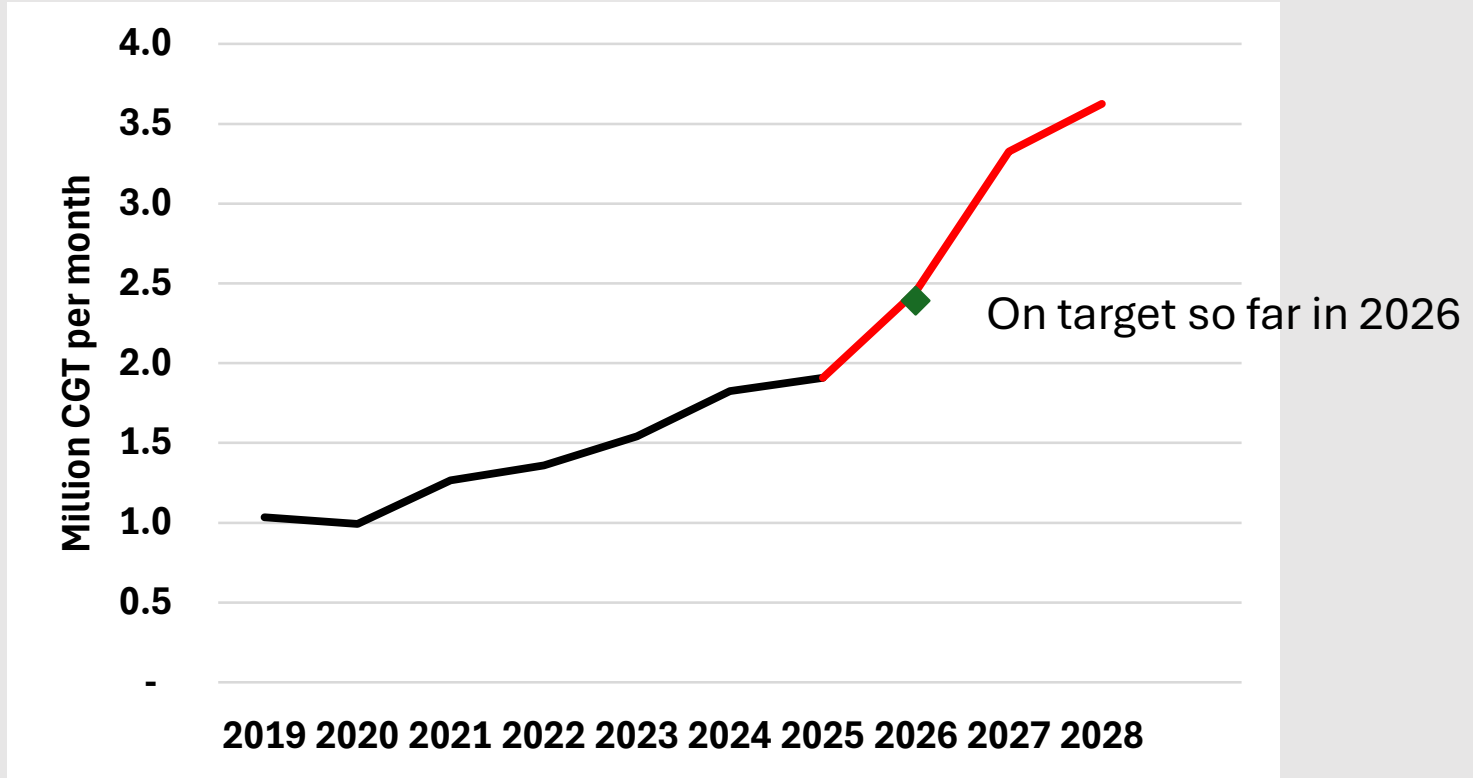


This suggests a fundamental shift in the basis for competitiveness in commercial shipbuilding.

Share of new orders taken (by CGT)



China needs a significant increase in capacity to achieve the orders taken – output needs to be 90% higher than it was in 2025 to achieve the planned level of output in 2028.



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To achieve the output planned in 2028, in addition to capital investment, the industry in China will need to significantly expand the workforce.

A very rough back-of-the-envelope estimate suggests that, order of magnitude, an additional ¼ million productive shipyard workers will need to come online over the next two years.

China will have to ramp up the supply chain similarly – particularly steel and main engines.

If they are less productive then the number of new workers needed could be higher than this.

If more productive or if Chinese robotisation has finally cracked shipbuilding, the number could be less.



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It is probably only China, with its population of 1.4 billion, and with the economy being at the stage that it is, that could possibly aim to achieve this.

This represents a significant shift in the basis for competitiveness in global shipbuilding – from the volume paradigm that defined South Korea to a manpower paradigm for China.

This capitalises on the problem that all other shipbuilders face – insufficient labour to expand or even maintain an industry.



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The volume industry in South Korea was centred in 5 mega-yards – up to c.3 million tonnes of steel per year per shipyard.

However, capacity is inherent in two elements: capital investment and human capital.

The largest investment has zero capacity if it has no human capital – labour shortage leads mega-shipyards into the realms of inefficient.



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Ship prices have risen on average by about 50% in 5 years – more where South Korea and Japan are competing for orders with China.

	2020	2026	
VLCC	85.5	130.5	153%
Capesize	46.5	76	163%
LNG	186	248.5	134%
ULCC	142	259.5	183%



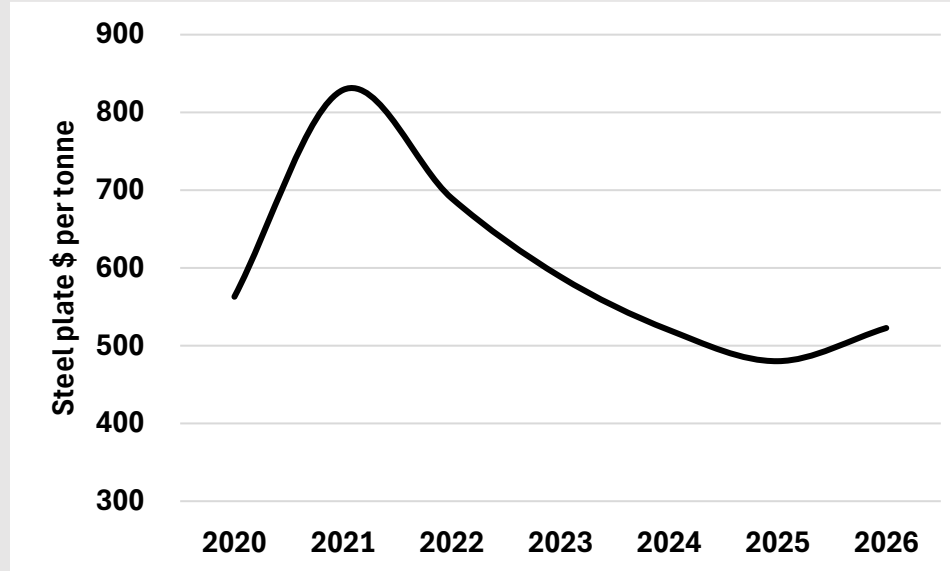
There are three significant determinants of newbuilding prices:

- Steel plate prices (which are a proxy for shipbuilding costs)
- Backlog (the number of years of forward work)
- Freight rates



Inflation at the start of this decade will have added cost but this cannot explain the very strong prevailing prices.

Steel plate price has fallen since a peak in 2021.



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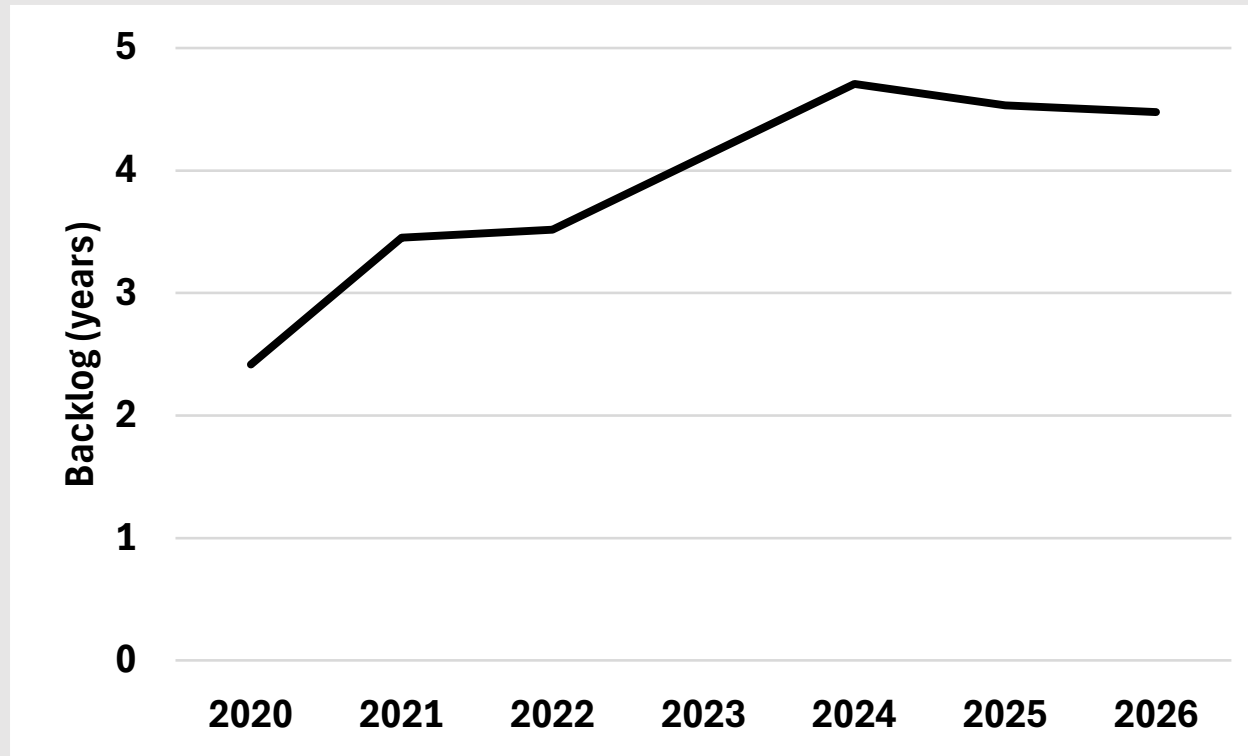
The most significant reason for strong prices is backlog – the industry has a strong forward orderbook.

Backlog has been found to be the strongest determinant of newbuilding prices (see Stott P. 2026 *Understanding Commercial Shipbuilding*. Available from www.strategicmaritime.co.uk)



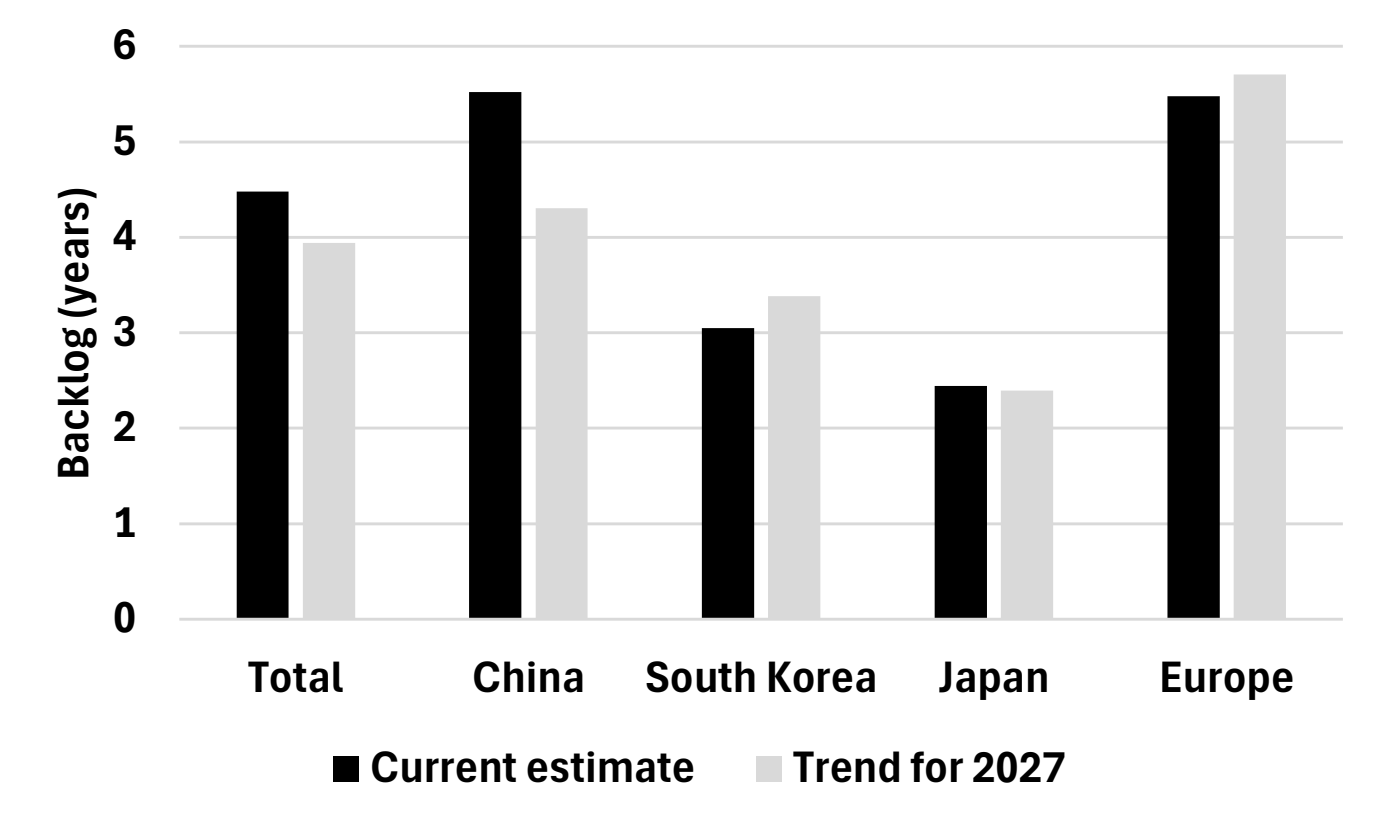
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Global backlog is currently around 4.5 years. This is strong but is well below the average of between 5.5 and 6 years that was seen at the last demand peak in 2008.



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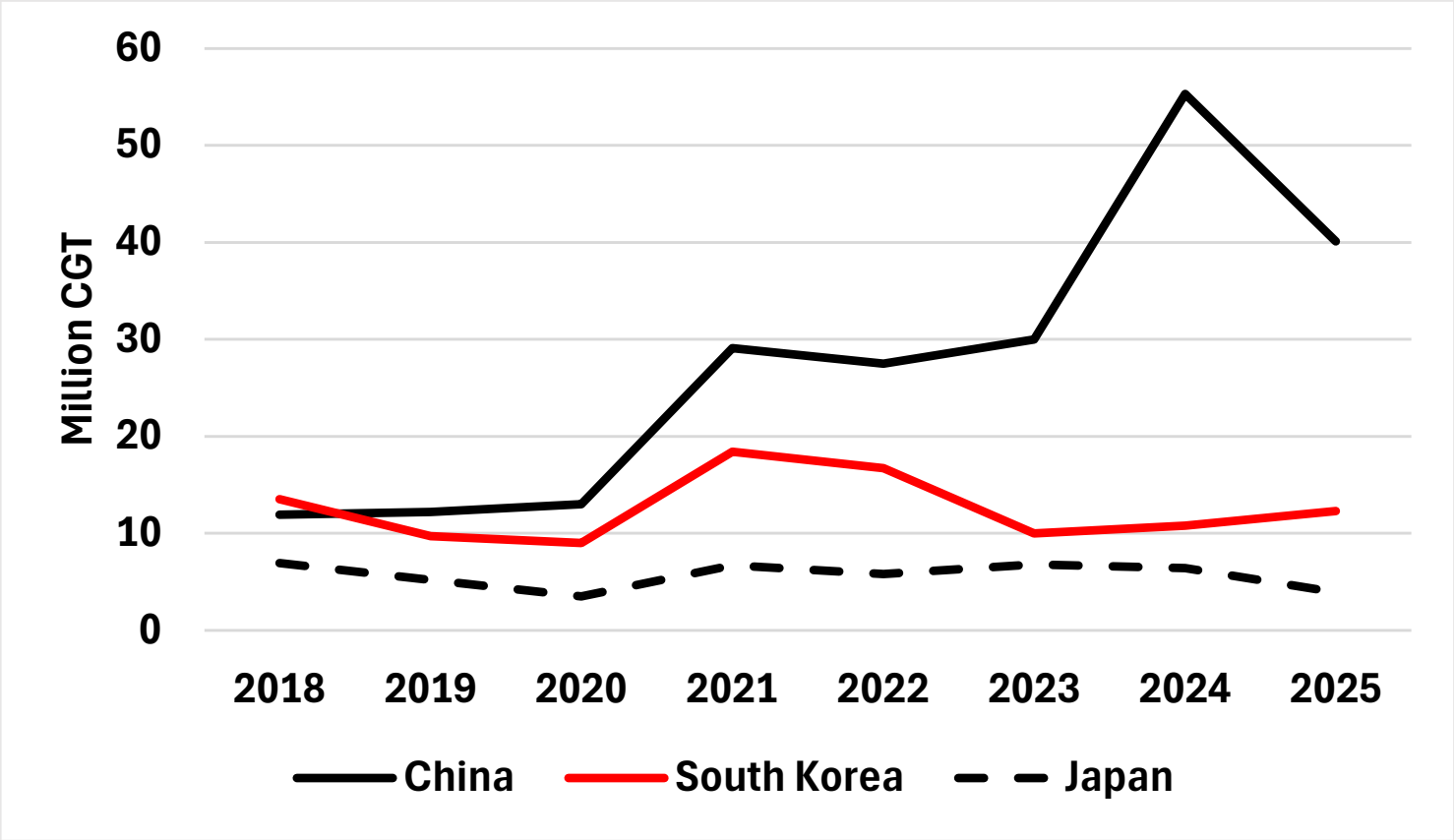
There is a significant variance between the main shipbuilding nations, however.



Strong backlog, particularly in the market leader, has led to strong prices.

Higher prices should have opened up opportunities for other suppliers (particularly South Korea and Japan) but thus far this has not led to increased order intake in those countries.





Contracting of new orders



Ordering is strong, the market leader's backlog is long and prices are high.

This begs the question why South Korea and Japan have not responded with increased order intake?



The third factor that has led to strong prices is high freight rates in all the main fleet sectors – the Clarksea Index of shipowners' earnings spiked in 2025 at over \$50,000 per day. It is now below \$40,000 per day but remains strong.



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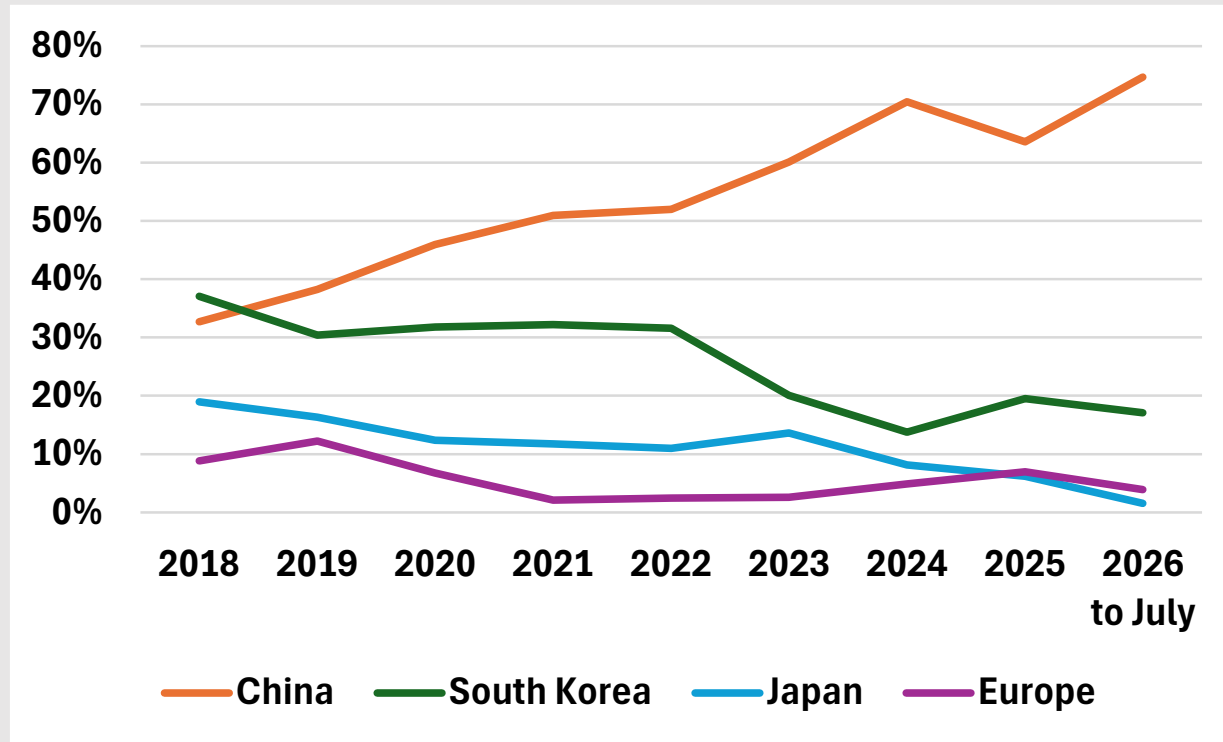


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Share of new orders taken (by CGT)



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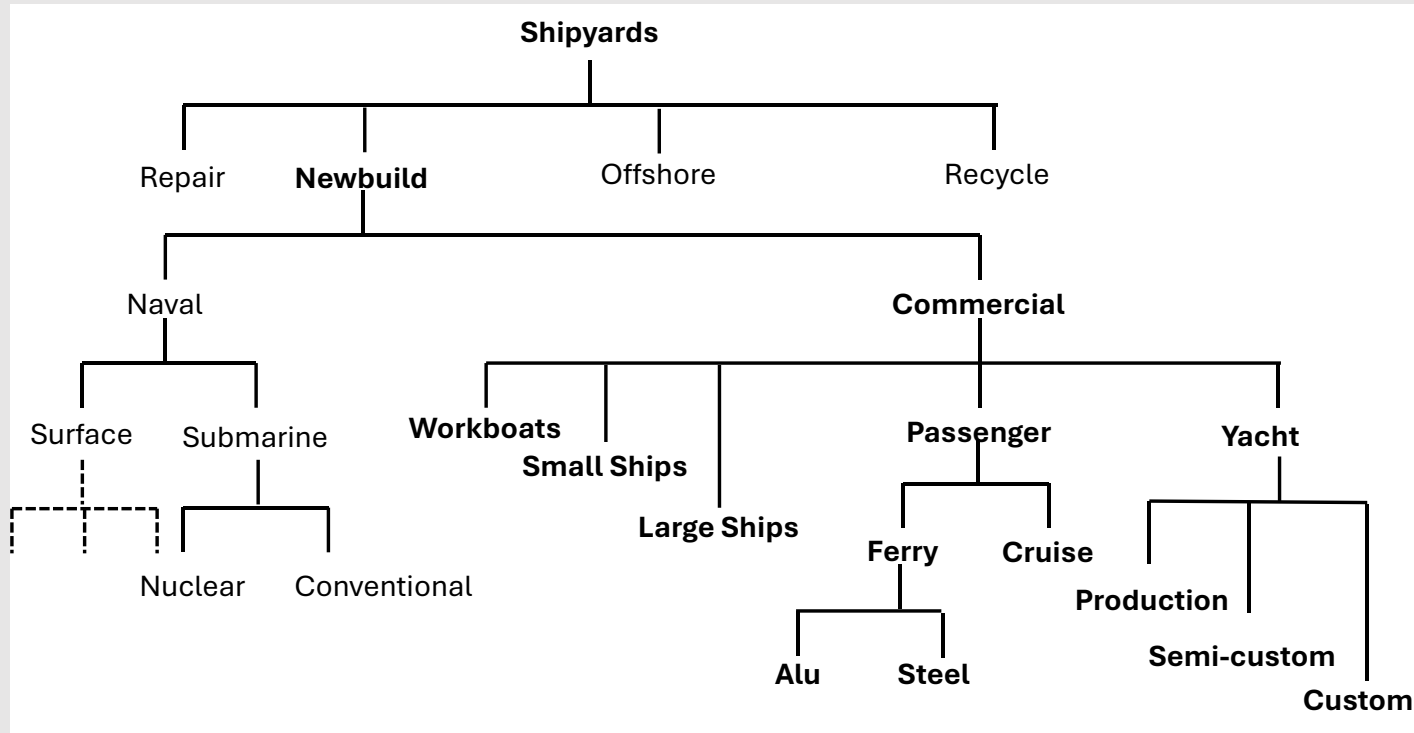
Europe is maintaining a strong share of cruise ship building, although the region's other focus, small and specialised, is under threat from Chinese competition.

For the main large ship sectors, the market is strong and prices are high – what is it that China is able to do that South Korea and Japan cannot do?

- Protectionism
- Manpower
- Government support



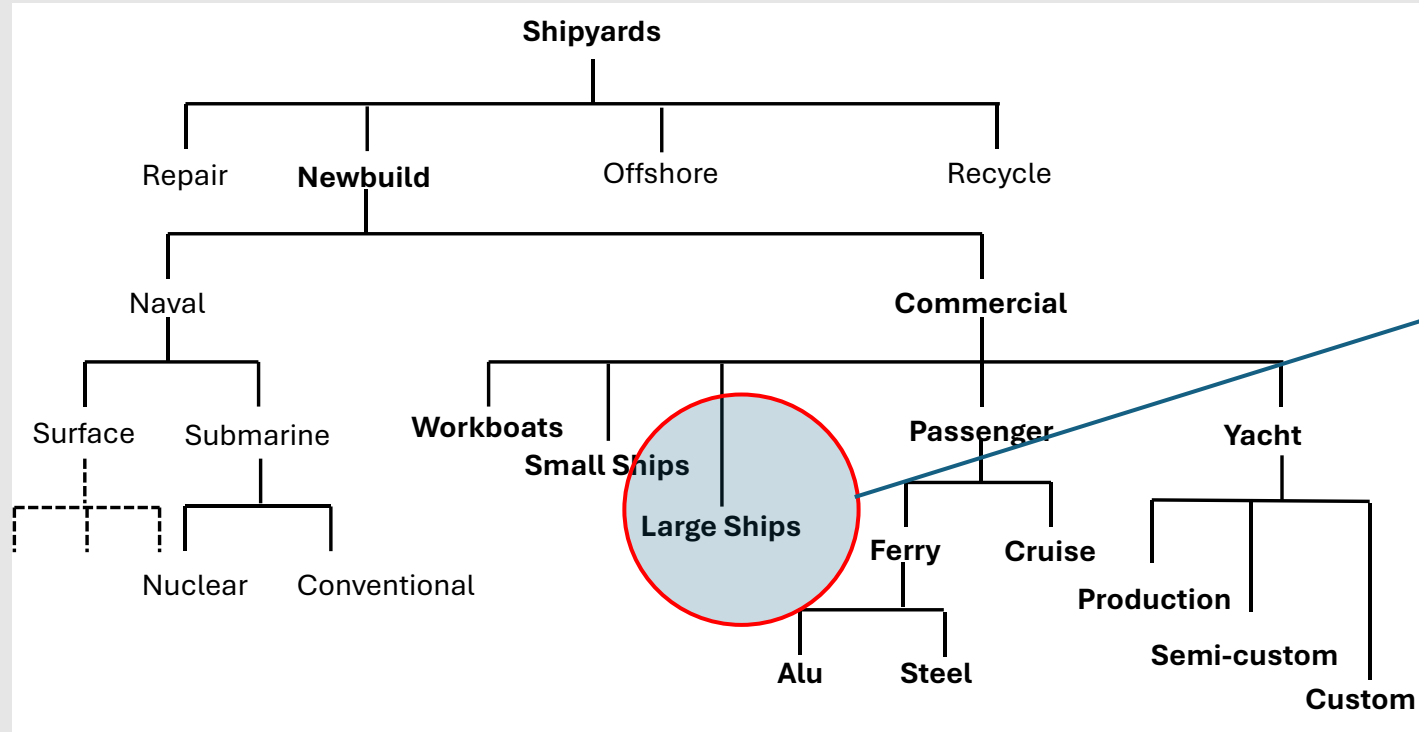
Commercial shipbuilding is not a single market



Source: Understanding Commercial Shipbuilding (2026): www.strategicmaritime.co.uk



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Global market, dominated by large ships (>5,000 GT) – 90% of all shipbuilding work done.

This is what is normally referred to as “the commercial shipbuilding market” when it is regarded as a single entity.



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What is **excluded** is significant, in particular in the European and UK context:

No:

- Naval /Auxiliary
- Cruise
- Workboats
- Yachts
- Smaller ships



What precisely has changed?

South Korea's focus on volume in 5 shipyards meant that the industry was only interested in large ships – the 90%.

This left small and specialised ships competition to others.

China is targeting everything, including those niches previously available to others.



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What is **no longer excluded** is significant, in particular in the European and UK context:

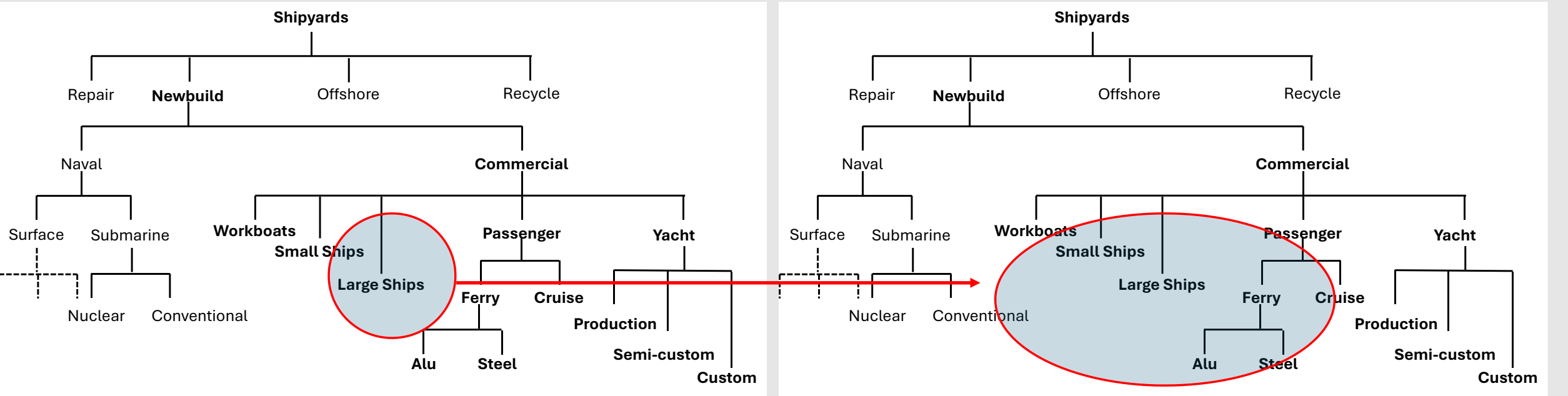
No:

- Naval /Auxiliary
- **Workboats**
- Yachts
- **Smaller ships**

These two sectors are no longer outside the focus of the market dominator.



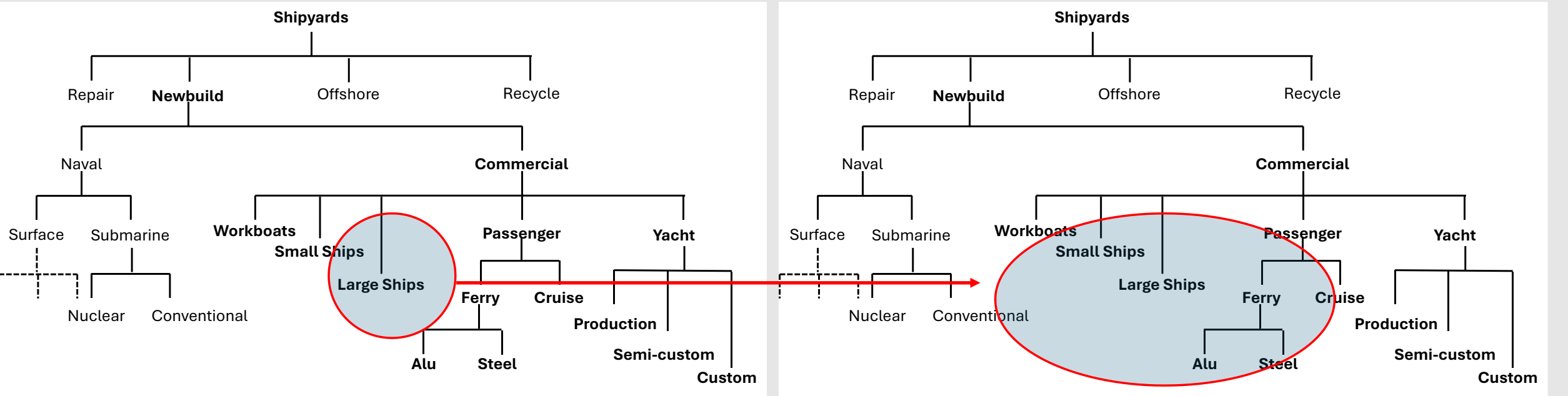
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The change in competitive environment means that the bounds of the markets have changed. Clearly this is of great concern to those who have survived in the niches.



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This shift represents an existential threat, particularly in Europe. The strategy to survive this threat is vital and, as with everything else, requires some new thinking.

