

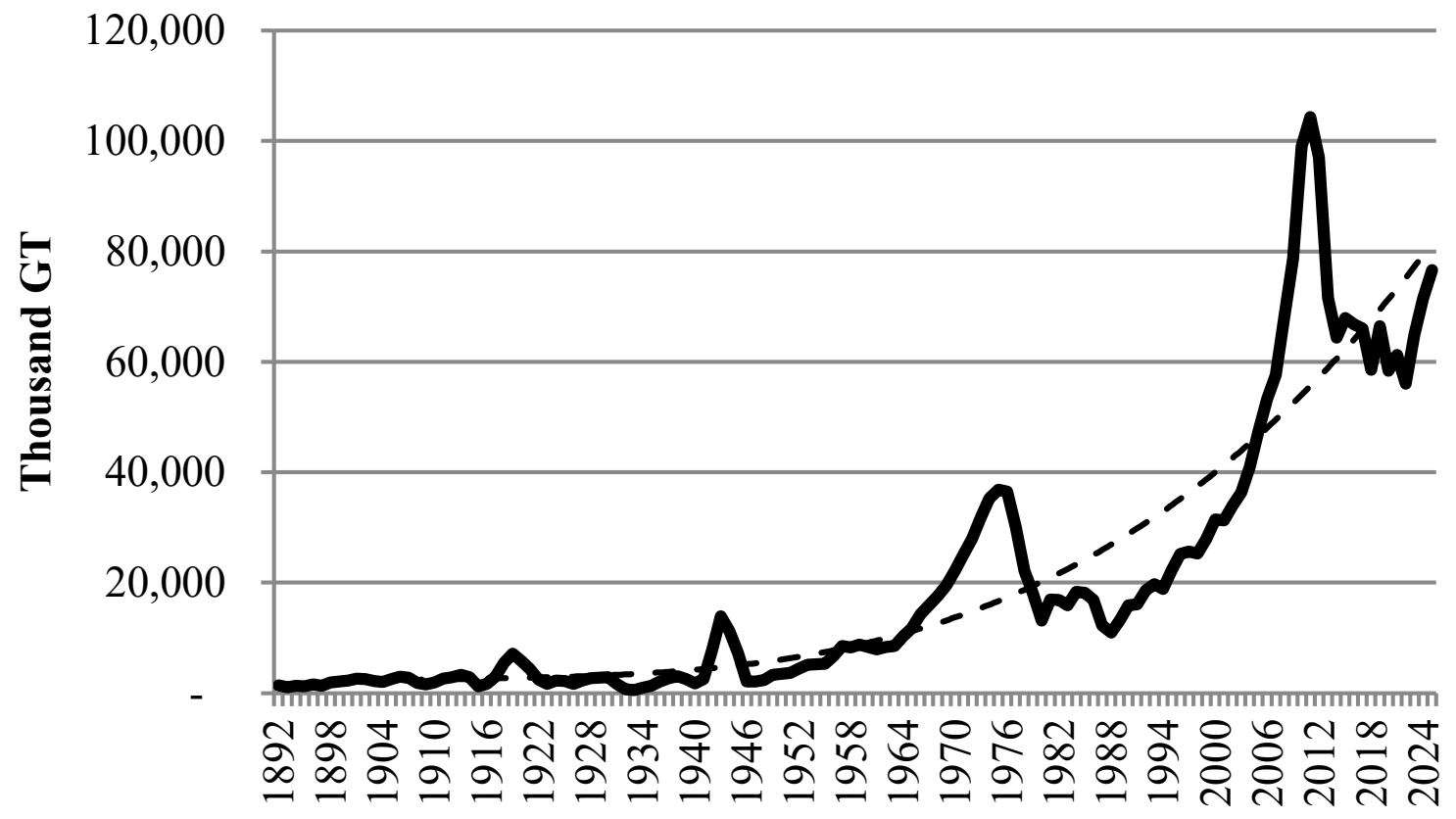
# Commercial Shipbuilding: Long term demand prospects

Dr Paul Stott, Strategic Maritime, UK

**Theme: where will the  
commercial shipbuilding market  
head over the next 25 years?**

**We can learn much by reviewing past  
long-term market development**

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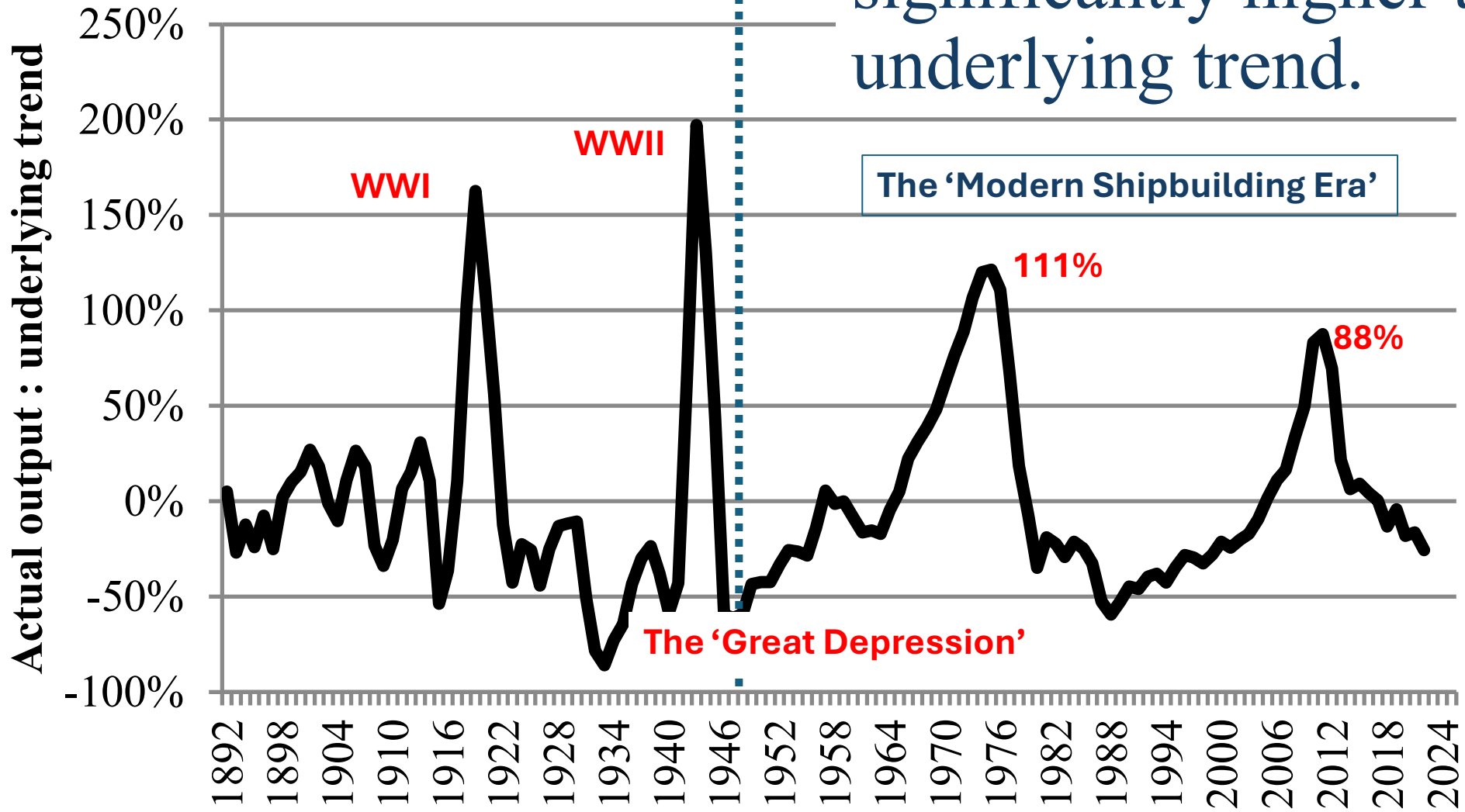
- 1. 4 Peaks with a pitch of approx. 30 years
- 2. Underlying growth trend of 3.1% per annum (consistent with underlying seaborne trade growth)

## Global shipbuilding output 1892 - 2025

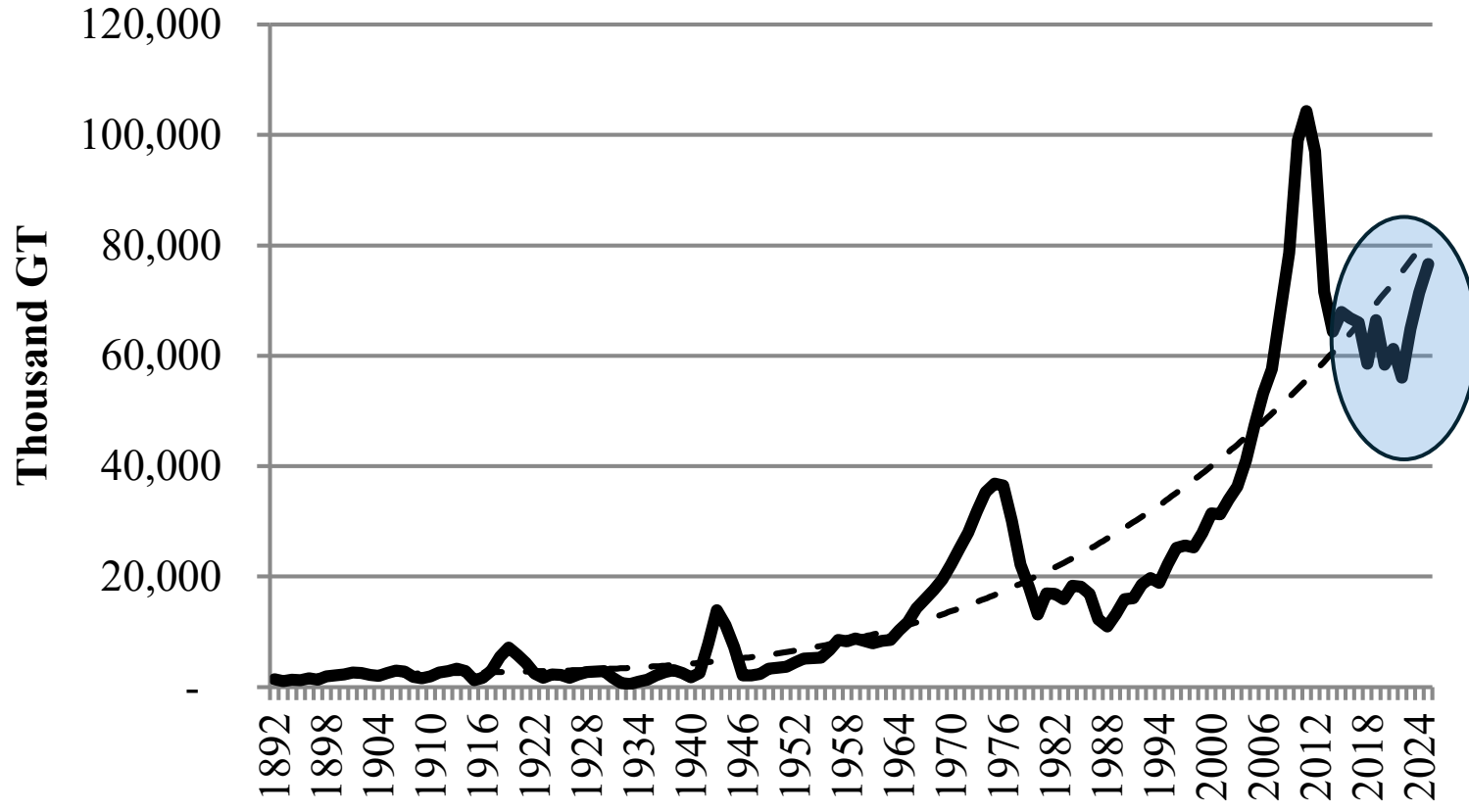


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Past peak levels have been significantly higher than the underlying trend.



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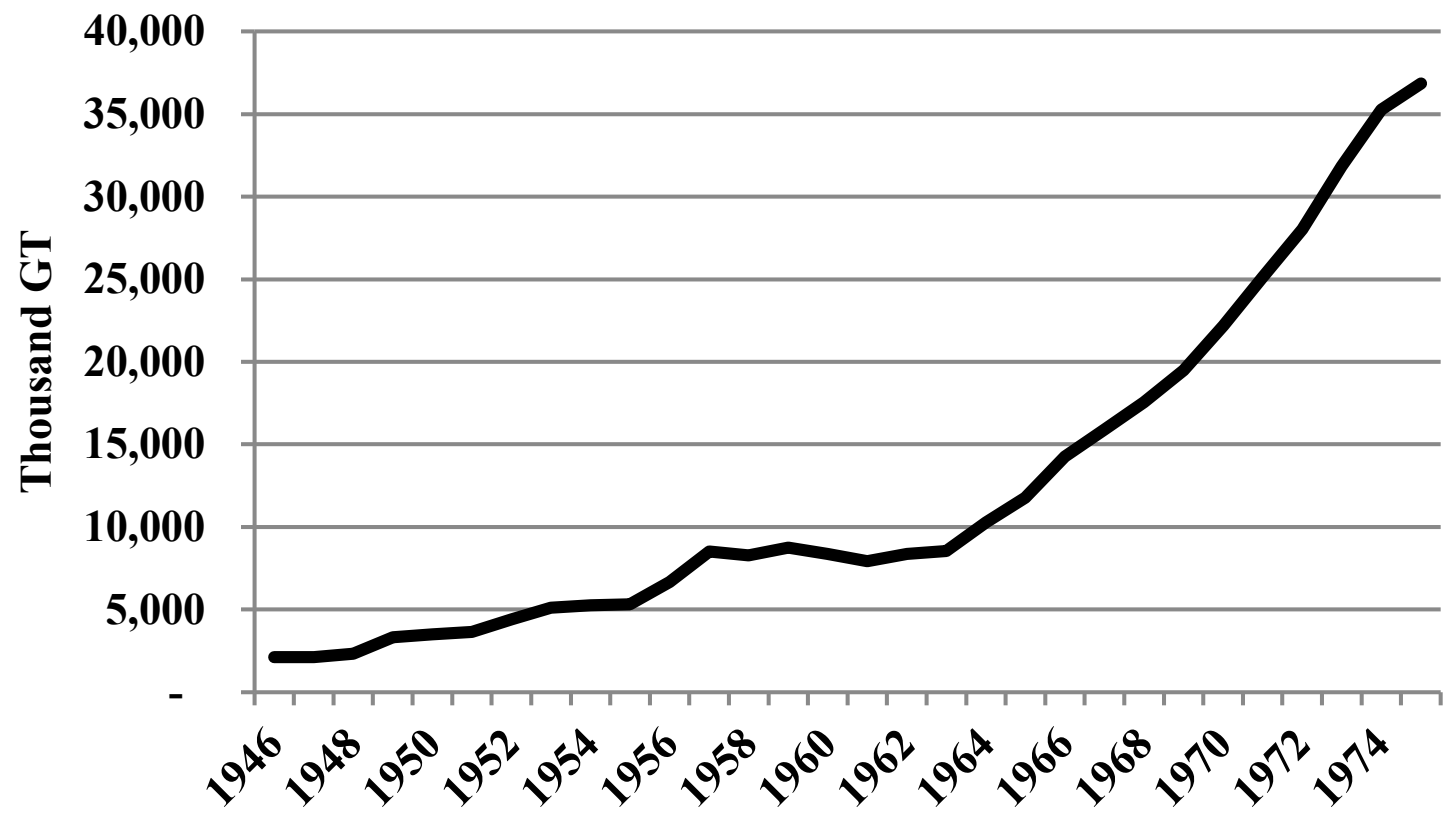


Is commercial shipbuilding poised to enter the next cyclical growth-phase?

What can we learn from the previous two cycles in the modern shipbuilding era?

Global shipbuilding output 1892 - 2025

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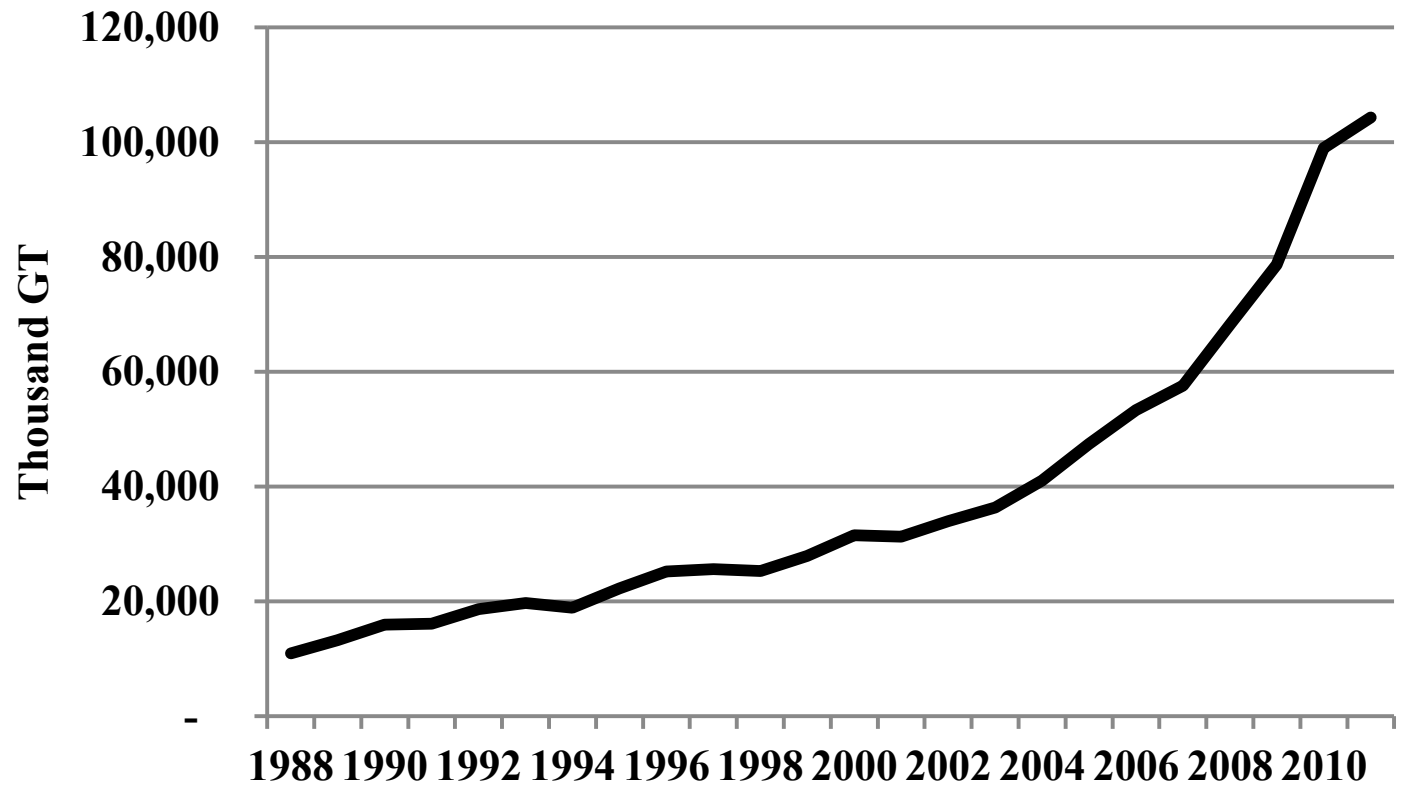


- 29 years of growth at an average rate of 10% pa – a boom market.
- Japan expanded
- Europe modernised and expanded
- South Korea entered shipbuilding

Shipbuilding market growth phase 1946 - 1975



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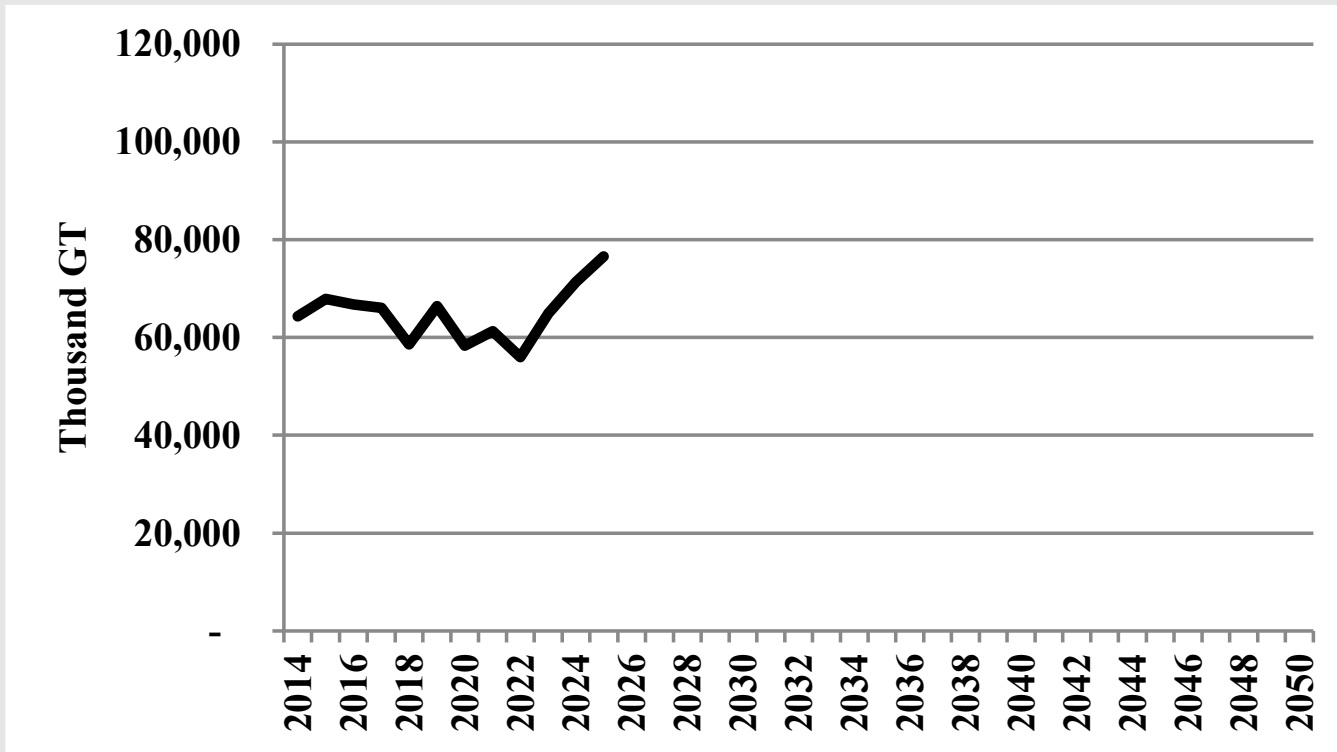


- 23 years of growth at an average rate of 10% pa – a boom market.
- South Korea expanded
- China entered global shipbuilding and expanded

Shipbuilding market growth phase 1988 - 2011



## What happens next?



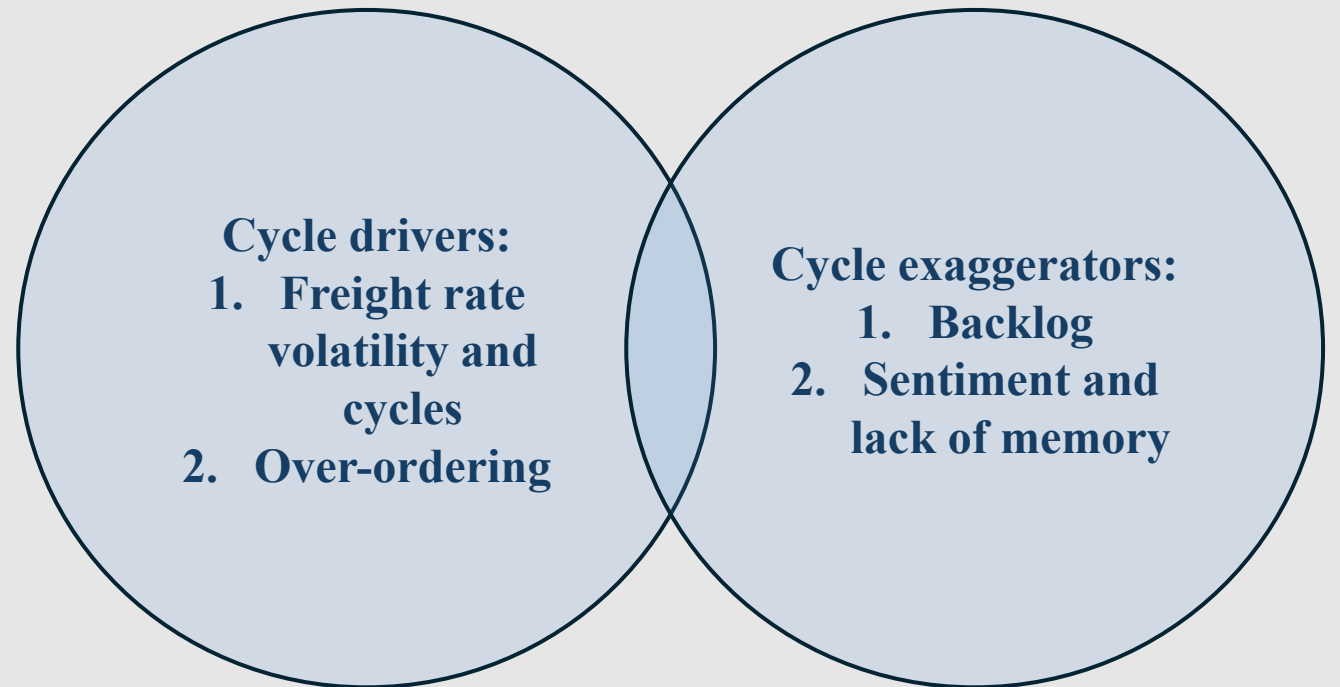
Global shipbuilding output 2014 - 2050

The answer is in three parts:

1. Will the **cyclicality** persist?
2. How will the underlying **trend** progress?
3. How will the **fleet** **respond** to that trend?

# What happens next? - **cyclical**ity

The causes of exaggerated cyclicalities have not changed – so the cycle can be expected to continue in future (unless fundamentals change)

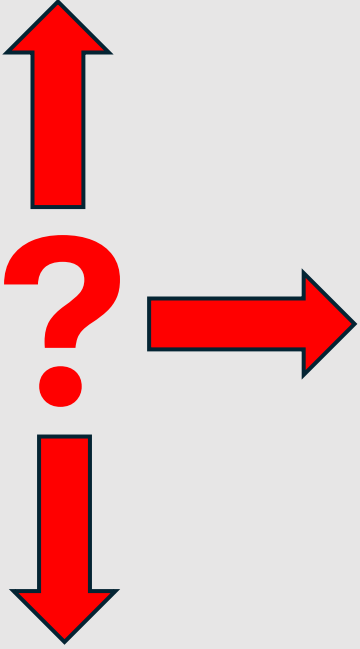
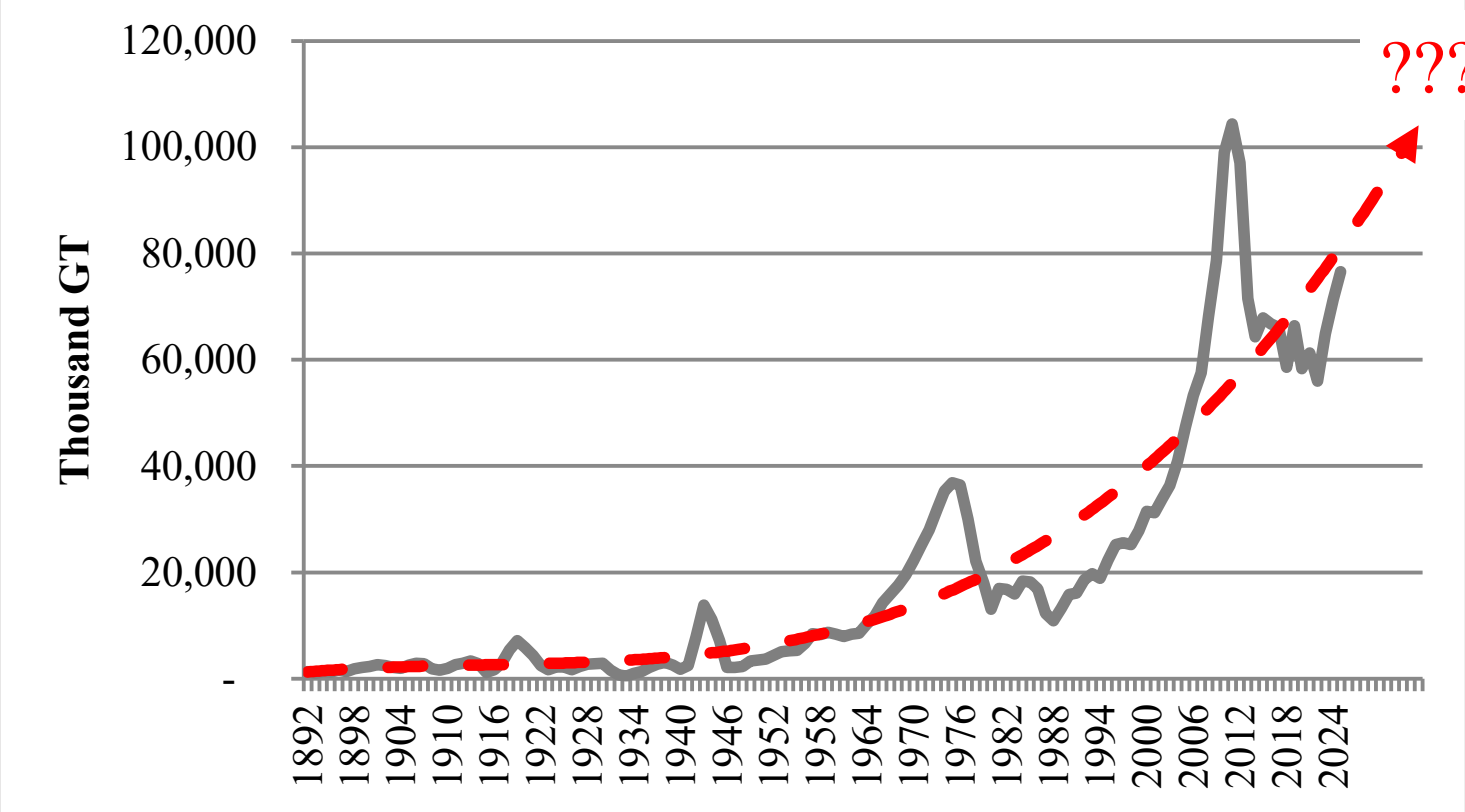


## What happens next? - cyclical<sup>ity</sup>

Whilst the causes haven't changed, the parameters of the cycle are variable, including:

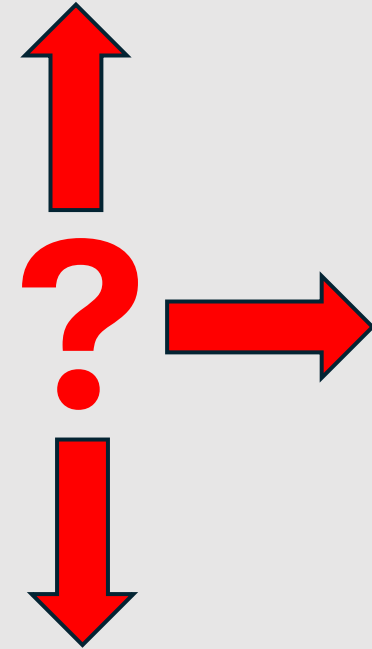
1. The pitch length of cycle;
2. The height of the peak compared to the trend;
3. This remains very difficult to model and new techniques are needed for forecasting.

# What happens next? - trend

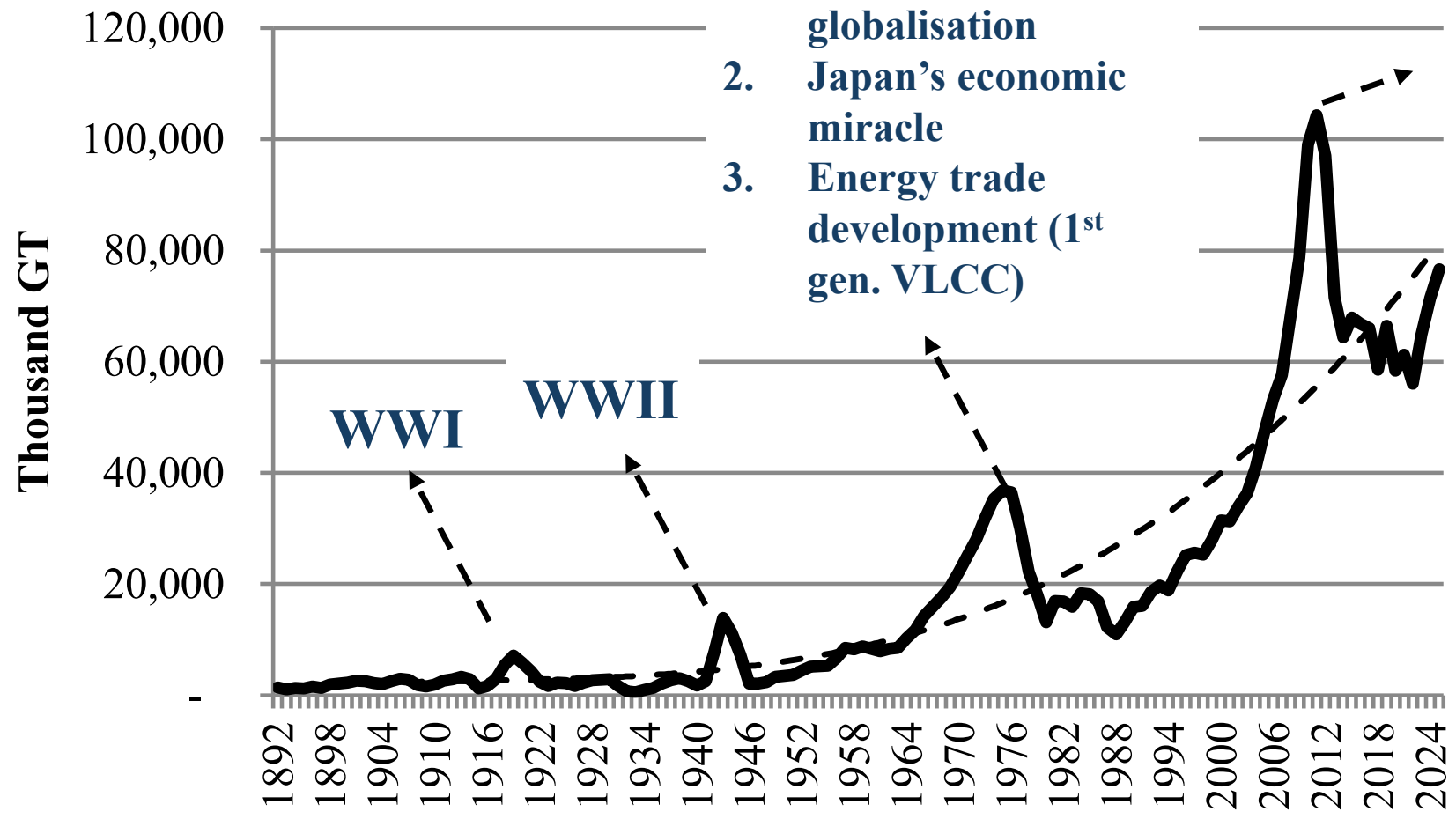


# What happens next? - trend

To consider this the past demand cycles have to be viewed in the context of their causalities.



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1. First wave of globalisation
2. Japan's economic miracle
3. Energy trade development (1<sup>st</sup> gen. VLCC)

1. China's economic miracle
2. Development of CONTAINER, CAPESIZE, 2<sup>nd</sup> gen. VLCC LNG and CRUISE

## Underlying causality

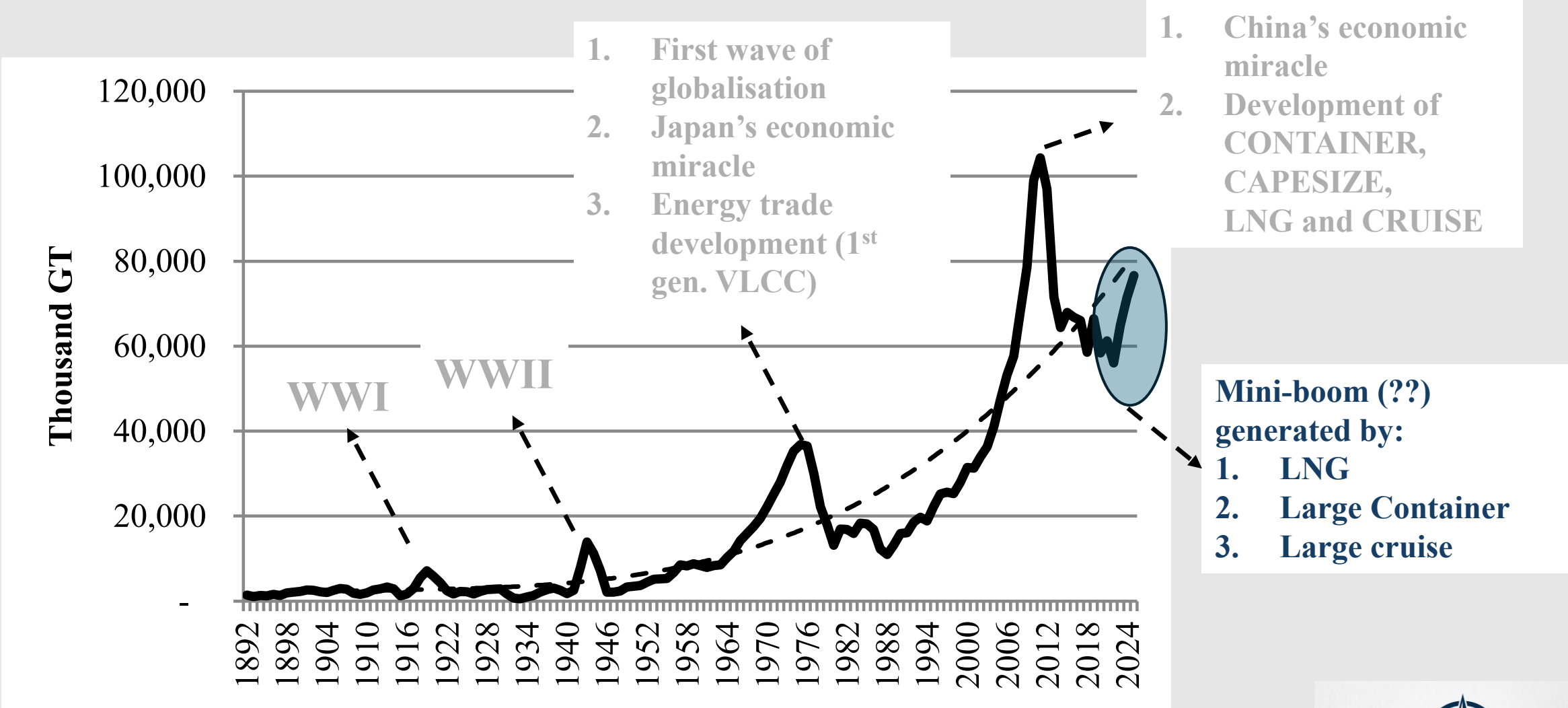


It is too early to say yet whether the current increase in output is the start of the next up-cycle – but probably not.

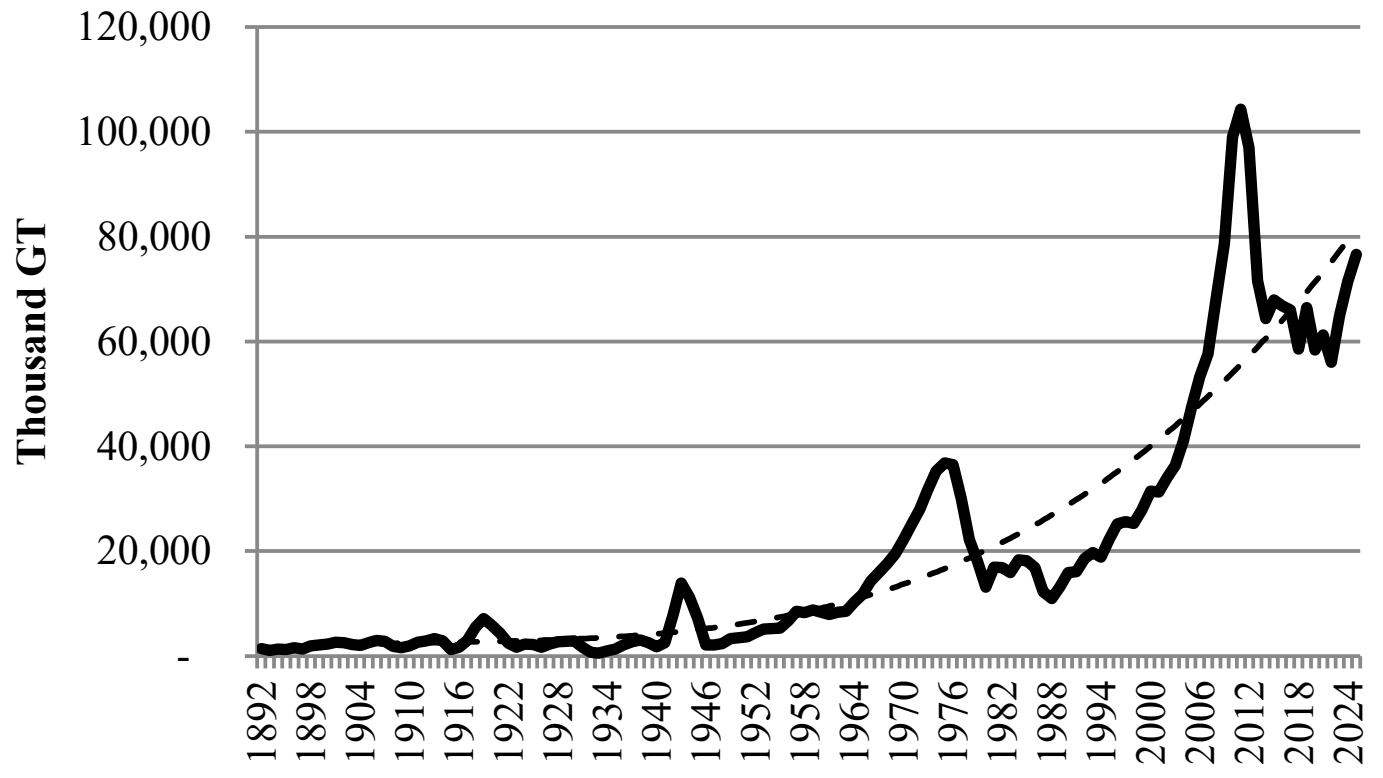
Contracting fell in 2025 and continues to be weak so far in 2026.

The current upswing is more likely a mini-boom related to three specific opportunities – but the cyclical upturn is likely not to be far away.

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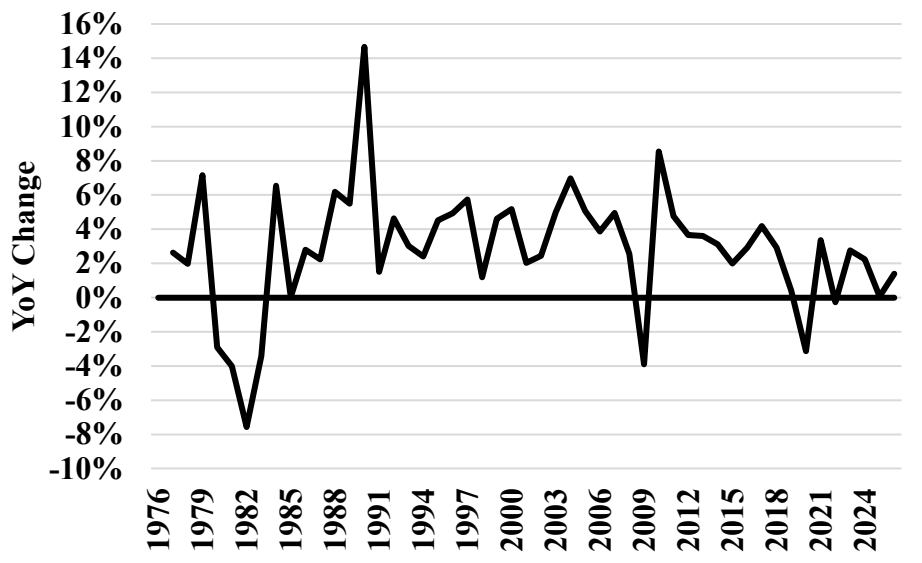
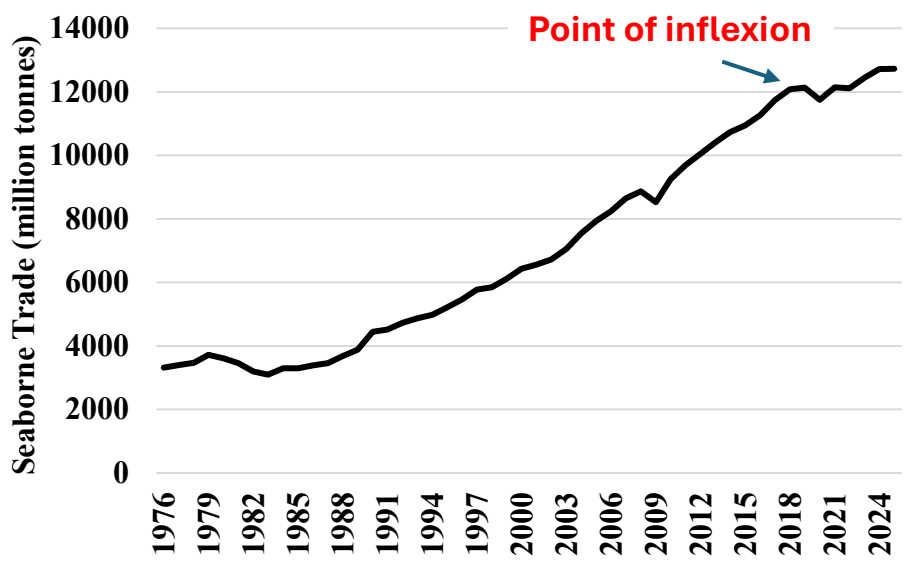
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To answer the question where shipbuilding demand will proceed next, we need to project where seaborne trade will proceed?

The cycle (which is not directly related to seaborne trade growth) will then be superimposed on that underlying trend.

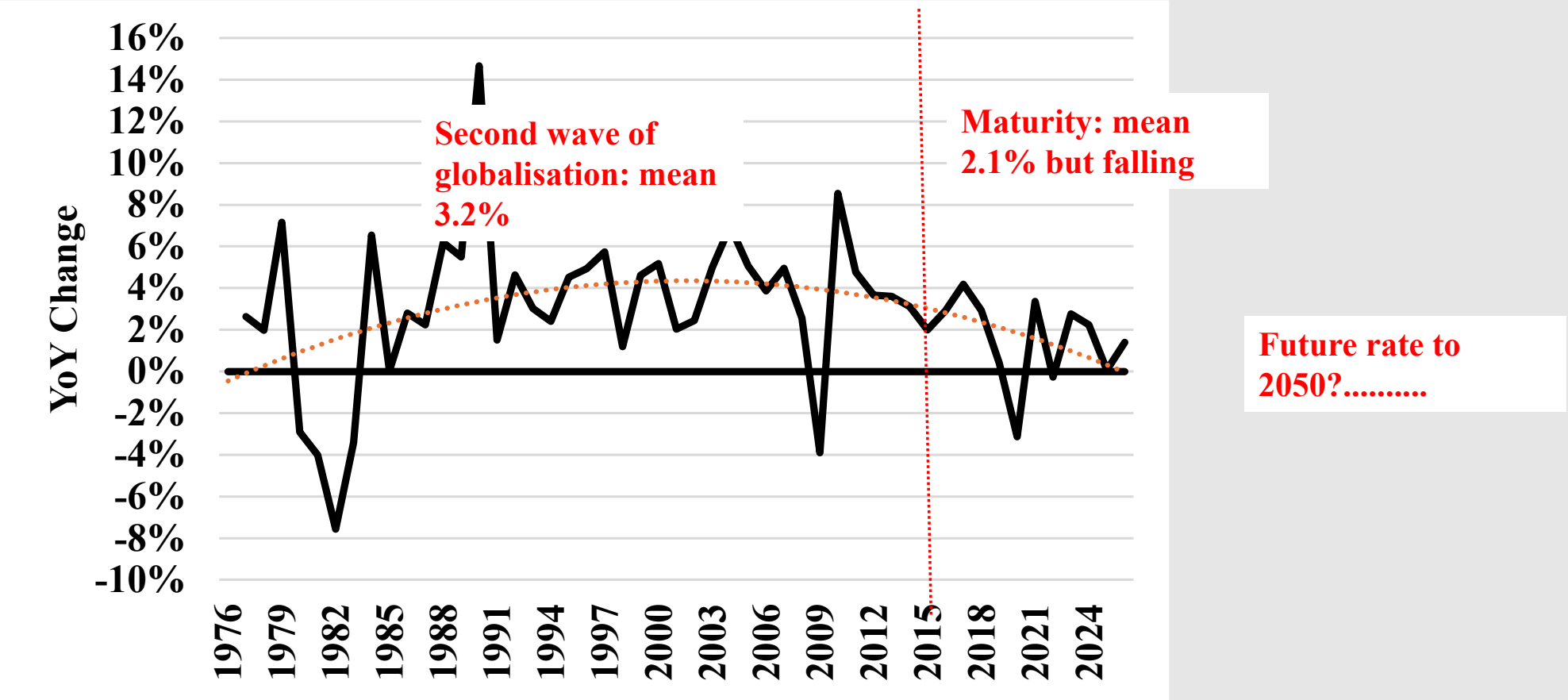
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Seaborne trade has (in the past 50 years) rarely declined, but the rate of increase has been falling in the past five years. This would suggest that the next peak may not be proportionately as high as the previous peak compared to its predecessor.

High uncertainty means that the prospects are now somewhat in turmoil and forecasting is extremely difficult. A downturn in trade could see the next peak being lower than 2011.

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A possible categorisation of trade growth



# Seaborne trade - the big uncertainties:

1. China's future economic development
2. Protectionism and trade agreements
3. Changes in patterns of production and consumption
4. Energy usage and policy

## In addition to trade growth, we need to consider:

1. The level of maturity of fleet sectors (growth, maturity, decline);
2. How different fleet sectors may respond to changing trading volume and patterns;
3. How technical or regulatory developments may affect shipbuilding demand;
4. Supply-side changes in the shipbuilding sector.

## Fleet sector developments?

**Wet bulk (mature)** – demand for oil likely to decline long term, reducing the need for large tankers – this will have a significant effect on the tonnage ordered, but less effect on value.

**Liner (mature)** – the fleet is mature – depends on future patterns of production and consumption.

**Dry bulk (mature)** – The geographic distribution of raw materials and food stuffs may not change significantly, although demand for steam coal likely to reduce.

**Cruise (growth)** – The fleet remains in the development phase. At some point it will mature and demand will fall.

**LNG (growth)** – The fleet remains in the development phase. At some point it will mature and demand will fall.

# Fleet development?

**Technology or regulatory changes** (for example relating to climate change mitigation) may modify future shipbuilding demand, superimposed on the trade influences.

# Shipbuilding supply-side changes?

Prices are higher than might be expected at the current stage of the cycle. This is partly due to the period of high inflation since 2020. It is also due to higher-than-expected backlog. Output has been growing at a slower pace than orderbooks.

If this is due to labour shortage in shipbuilding, this may suppress future demand through higher prices and longer backlogs.

On the other hand, higher prices may open up opportunities for new market entrants.

# What might the future look like?

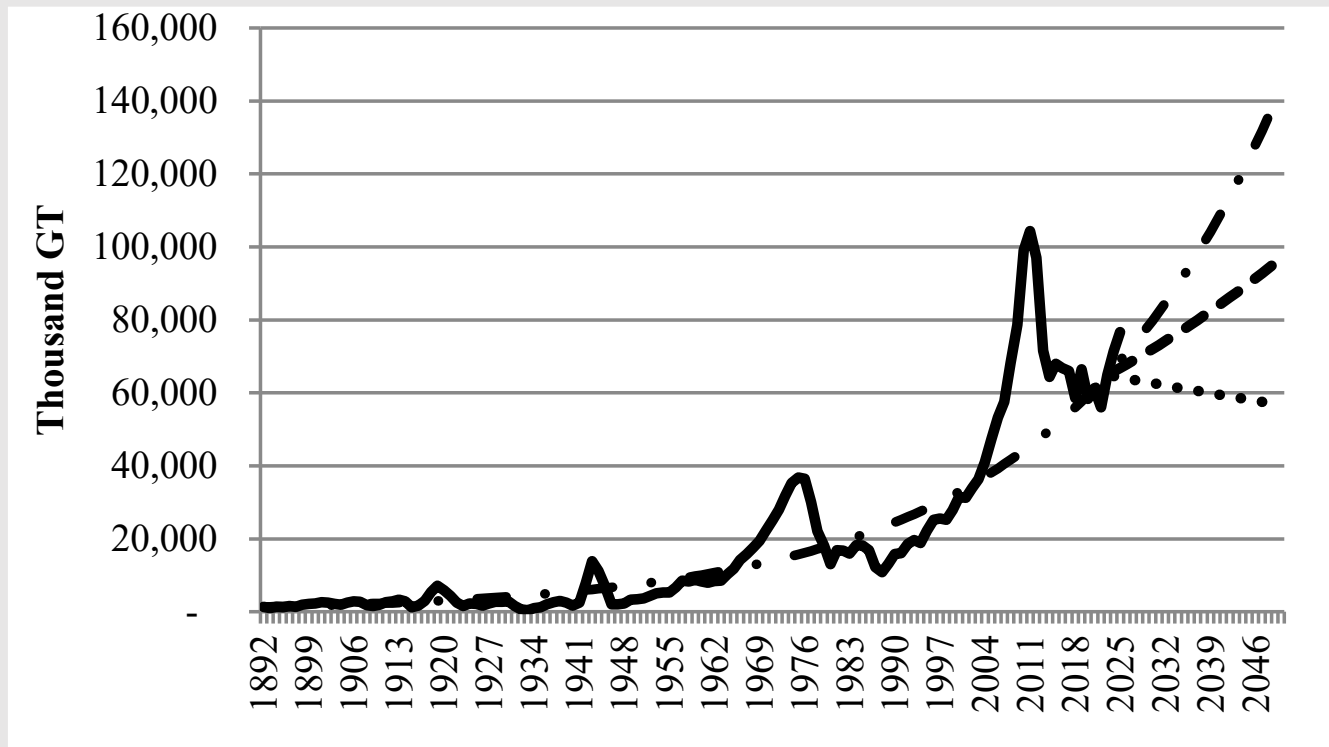
There is significant uncertainty, particularly because of geopolitical volatility and the influence this may have on possible future developments of economics and trade volumes/patterns.

The following is NOT a forecast – it is a projection based on past market behaviour.

What I am presenting is more of a methodology than a forecast – a lot of thinking is needed to develop this into a forecast.

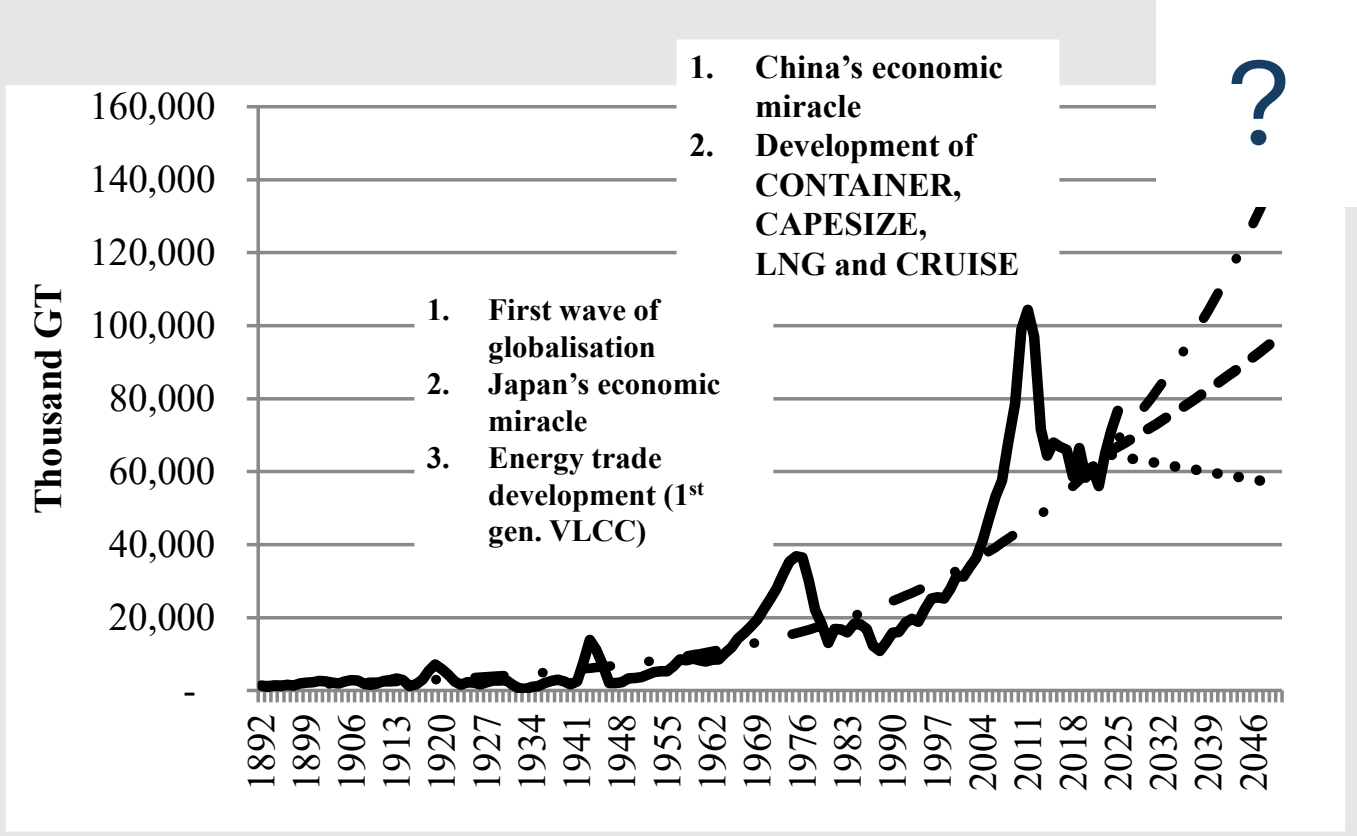
## Three theoretical scenarios (trend only)

1. Status quo: 3% continued growth
2. Realistic (??): 1.5% future growth
3. Pessimistic (?): -0.5% future growth



1. Highly sensitive.
2. The cycle will be superimposed on these trends.
3. Possible peak around 2050?

## Developing a forecast



To develop this into a forecast:

1. The underlying fundamental factors need to be postulated;
2. The cycle drivers and exaggerators need to be modelled.



## Caveats

- 1. Analysis presented is very tentative. The information and opinion provided is given without guarantee of any kind. No decisions should be made on the basis of information contained in this presentation without further analysis and opinion.**
- 2. The commercial shipbuilding market is not a single entity and forecasting techniques need to vary between sectors, particularly yachts, small ships and workboats and cruise/ferry.**
- 3. Further details will be given in a forthcoming book from Strategic Maritime.**