2026: the year shipbuilding changed

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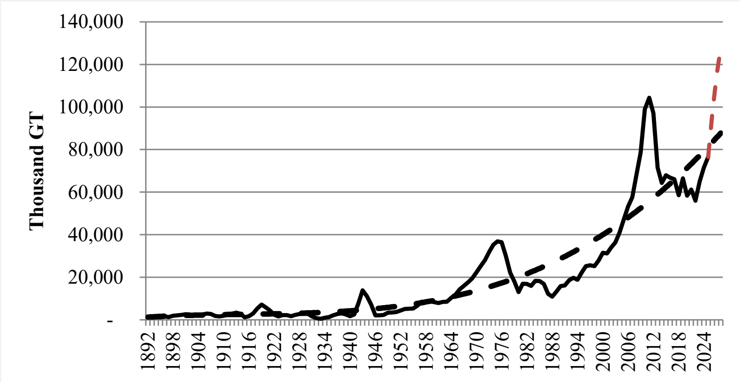

Hello and thanks to those following.

I have been preparing for a presentation at the kind invitation of the Society of Maritime Industries in London. In doing this I find myself almost in a state of shock – at the pace of change over 2026.

In April of this year I gave a presentation at the OECD Shipbuilding Working Group in Paris, where I asked the question whether shipbuilding is at the start of a cyclical upswing? My answer was that it was too early to tell but, on the basis of figures from the start of the year, probably not yet. I have to eat my words following the pace of ordering so far in 2026, on top of two previous strong years. If the orderbook is delivered according to schedule (using statistics reported in Clarkson's World Shipyard Monitor), we have now entered the sharpest upswing in shipbuilding demand since WWII and are set to exceed the previous peak of 2008 before the end of this decade. The graph shows the expected rate of deliveries reported (in GT) against the historic trend. On this basis the length of trough of the current cycle will have been 16 years, set against an average over the last century of 25 years. The sharpness of this upturn is unprecedented.

It is not just the dynamics of demand that appear to have shifted. The competitive landscape has fundamentally changed. China overtook South Korea in share of orders taken only 8 years ago. Since that time China has risen to take a share of 75% of orders so far in 2026 (measured by CGT) – a level of market share only previously achieved in in UK a century ago. At the same time, Korea's mighty industry has seen its once dominating share decline to below 20%.

The pace of China's ambition needs to be put into perspective. To achieve the level of output currently projected in the statistics, China could require (on a very conservative OME) something like an additional ¼ million productive shipyard workers in the next couple of years (unless China has somehow managed to crack shipbuilding automation beyond the panel line). This is on top of ramping up the supply chain, particularly steel and main engines. It is likely that only China, with its population of 1.4 billion, could consider this as feasible.

South Korea maintained dominance of the industry from about 1990 to 2018 through volume. I have long been suggesting that I think the volume paradigm is unsustainable, for the reason that it is inefficient over the long term because of the extreme volatility of demand. What I hadn't anticipated, although this remains conjecture for the moment, is that the trigger for a shift would be labour supply.

There is more. South Korea's focus on volume led the industry to compete for large ships only, with others finding work in smaller and more specialised tonnage. China is not concentrated in a limited number of ultra-large shipyards, as Korea has been, and the industry's focus is on everything. This is a fudamental shift in the nature of market and competition, to the detriment of all other regional and national industries.

How to counter this onslaught? Protectionism and Government support is likely to be important: something that undoubtedly underlies China's ambitions. Over the longer term, however, cracking automation beyond the panel line, and maximising the potential of AI and digital capability, appears to be the only way. My own view is that we are currently looking at this the wrong way and I will be blogging about that in coming months.