CURRENT STATUS OF JAPAN SHIPBUILDING INDUSTRY

Current Status

In fiscal 2022, Japanese shipbuilders won contracts for 280 ships (11.74 million gross tons) for export, which plunged 17.9% from the previous year. The global economy showed signs of recovery as the COVID-19 pandemic was gradually subsiding. However, steel prices continued to rise sharply, advancing ship prices. Ship owners, as a consequence, maintained a wait-and-see stance. Meanwhile, they secured a backlog of orders for 498 ships (22.16 million gross tons), which surged 16.5%.

Future outlooks are still unclear due to Russia's invasion of Ukraine, which began in February 2022; the Chinese economy, which has not as fully recovered yet as expected from the damage it incurred from the nation's zero-COVID policy; the U.S. economy, which has become unstable since the Federal Reserve Board (FRB) began raising interest rates; and other factors. The shipping market, which was brisk in early fiscal 2023, has returned to normal now. In addition, not many contract negotiations were held in the first half of fiscal 2023 as steel prices remained high. In April-October, Japanese shipbuilders received orders for 130 ships (5.21 million gross tons), while their backlog of orders was expanded for 515 ships (22.33 million gross tons).

Newbuilding Activities

According to World Shipbuilding Statistics published by S&P Global Market Intelligence (Former IHS Markit Maritime & Trade) in the U.K., the status of newbuilding activities around the world was the following in new orders received, completed tonnage and newbuilding order backlog.

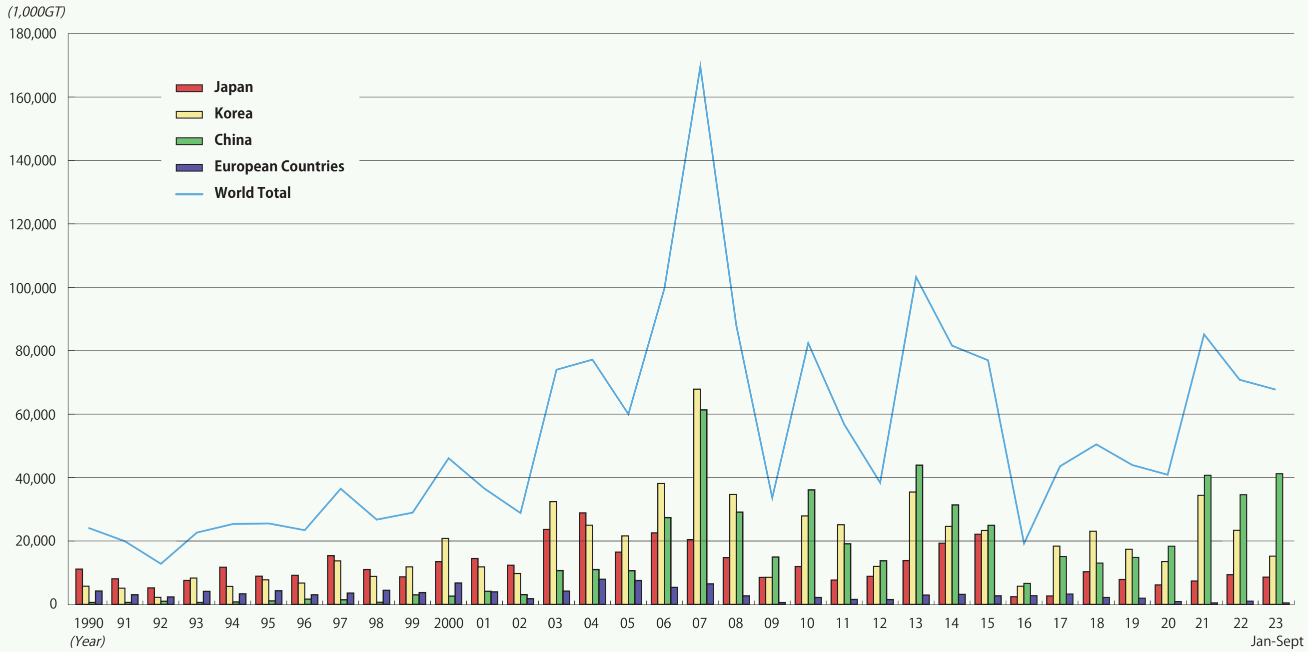
1. New Orders

In 2022, newbuilding orders worldwide totaled 2,270 vessels of 70,733,000 GT, down 16.8% on the year in Gross Tonnage. In Compensated Gross Tonnage (CGT), the total was 43,750,000, down 2.2% year on year.

Out of the global total of newly ordered gross tonnage, Japan had a share of 13.2%; South Korea, 32.9%; China, 48.8%; and European countries, 1.4%. The following is a breakdown by country or region:

Japan had received orders for 326 vessels of 9,310,000

Graph 1 **New Orders**



Source: Data obtained from "World Shipbuilding Statistics" by S&P Global Market Intelligence

Next Page

GT (up 26.6% on 2021) or 5,083,000 CGT (up 34.5%); South Korea had received orders for 269 vessels of 23,282,000 GT (down 32.1%) or 14,920,000 CGT (down 14.4%); China had reported in new orders 797 vessels of 34,516,000 GT (down 15.0%) or 18,811,000 CGT (down 5.8%); and Europe had 289 vessels in new orders totaling 955,000 GT (up 161.9%) or 1,453,000 CGT (up 151.8%).

From January through September 2023, global newbuilding orders were placed for 2,356 vessels of 67,623,000 GT, up 33.9% on the year, or 37,896,000 CGT, 20.3% more than in the same months of the preceding year.

The national or regional share of the total gross tonnage ordered during the nine months was 12.7% for Japan, 22.6% for South Korea, 60.8% for China, and 0.6% for European countries. Breaking it down, Japan had received orders for 307 vessels of 8,607,000 GT (up 48.7% year on year) or 4,466,000 CGT (up 41.4%); South Korea, 187 vessels of 15,254,000 GT (down 19.9%) or 8,956,000 CGT (down 28.0%); China, 951 vessels of 41,132,000 GT (up 80.0%) or 21,315,000 CGT (up 64.2%); and Europe, 214 vessels of 396,000 GT (down 40.3%) or 643,000 CGT (down 39.9%).

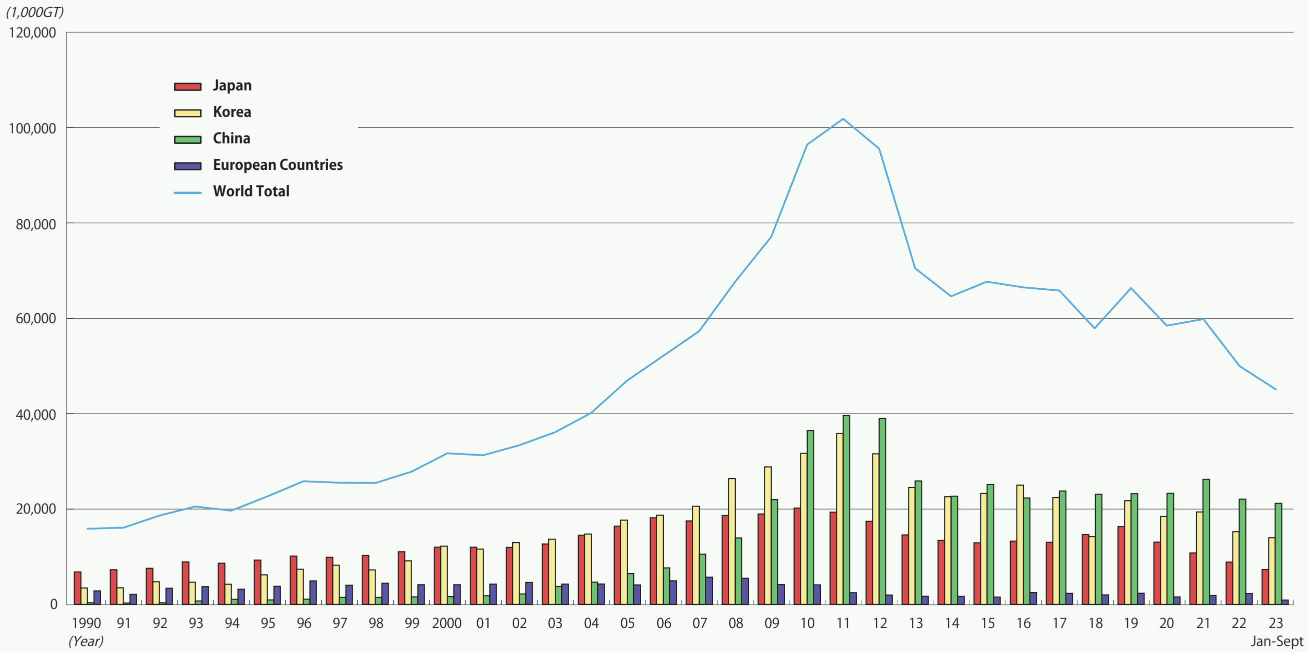
*** See Graph 1.**

2. Newly Completed Tonnage

In 2022, there were 1,915 vessels of 50,016,000 GT completed worldwide, down 16.4% over the year before, or 27,302,000 CGT, down 16.9%. Of the global completed gross tonnage total in 2022, Japan completed 17.9%; South Korea, 30.4%; China, 44.1%; and Europe, 4.3%. In a breakdown by country or region, Japanese yards had completed 328 vessels of 8,962,000 GT (down 16.3% year on year) or 4,484,000 CGT (down 16.7%); South Korean yards, 193 vessels of 15,144,000 GT (down 21.6%) or 7,047,000 CGT (down 29.9%); Chinese yards, 701 vessels of 22,045,000 GT (down 15.5%) or 11,572,000 CGT (down 10.0%); and European yards, 137 vessels of 2,146,000 GT (up 21.2%) or 2,256,000 CGT (up 3.2%).

From January through September 2023, 1,641 vessels of 45,106,000 GT were completed in the world, up 21.2% on the year. In terms of CGT, the nine-month total was 23,991,000, up 21.6% year on year.

Graph 2 **Completion**



Source: Data obtained from "World Shipbuilding Statistics" by S&P Global Market Intelligence

The national or regional share of the total gross tonnage completed during the nine months was 16.0% for Japan, 31.0% for the South Korea, 46.9% for China and 2.0% for European countries. More closely, Japanese yards had completed 263 vessels of 7,236,000 GT (up 5.1% year on year) or 3,690,000 CGT (up 9.3%); South Korean yards, 167 vessels of 13,964,000 GT (up 19.4%) or 6,738,000 CGT (up 23.5%); Chinese yards, 546 vessels of 21,164,000 GT (up 29.2%) or 10,550,000 CGT (up 26.1%); and European yards, 150 vessels of 886,000 GT (down 16.2%) or 1,131,000 CGT (down 3.5%).

*** See Graph 2.**

3. Newbuilding Order Backlog

The global newbuilding order backlog at the end of December 2022 consisted of 5,201 vessels of 183,026,000 GT, 14.2% more than at the end of December 2021 on a gross tonnage basis, or 107,118,000 CGT, up 17.6%.

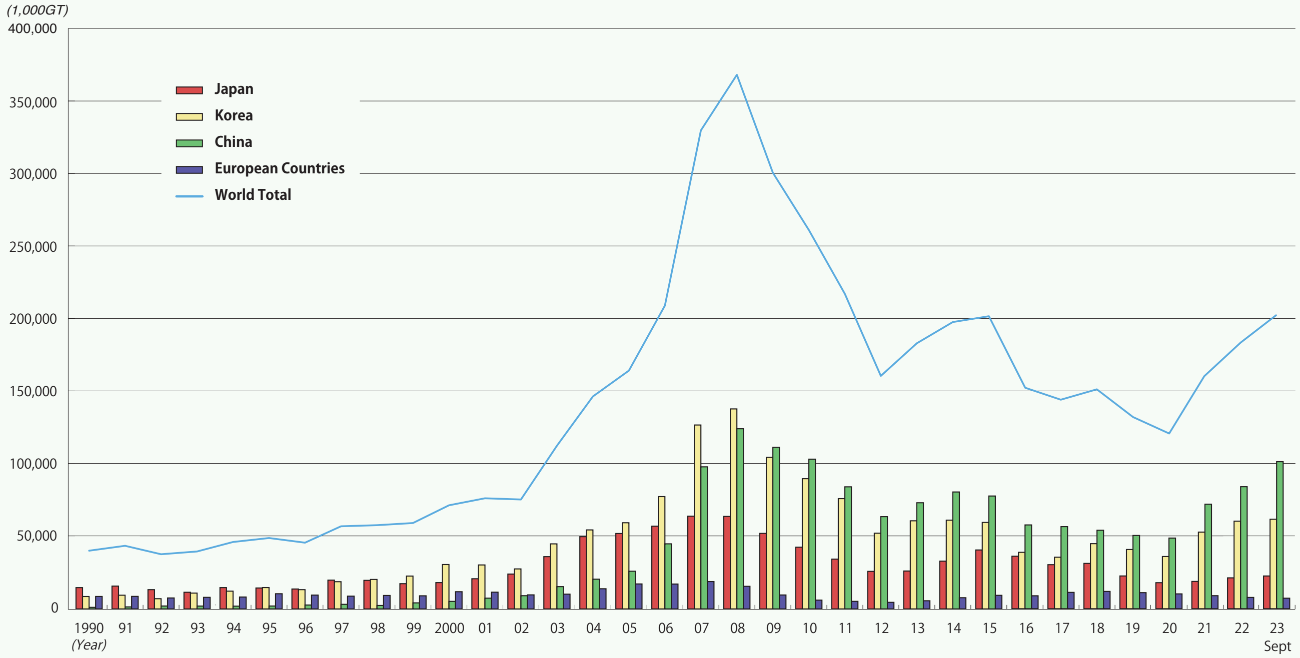
Of that backlog total at yearend 2022, Japan accounted for 11.4%; South Korea, 32.9%; China, 45.9%; and European countries, 4.1%. In detail, Japanese yards had on order 597 vessels of 20,807,000 GT (13.1% more than at the end of December 2021) or 10,464,000 CGT (up 16.7%); South Korean yards, 676 vessels of 60,301,000 GT (up 14.4%) or 34,525,000 CGT (up 27.6%); Chinese yards, 1,863 vessels of 84,035,000 GT (up 17.4%) or 43,946,000 CGT (up 19.4%); and European yards, 618 vessels of 7,488,000 GT (down 13.7%) or 8,511,000 CGT (down 9.5%).

At the end of September 2023, the global newbuilding order backlog stood at 5,572 vessels of 201,945,000 GT, up 14.8% compared with the end of September 2022 on a gross tonnage basis, or 118,465,000 CGT, up 14.2%.

The national or regional share of this global total was 10.9% for Japan, 30.3% for South Korea, 50.1% for China and 3.4% for European countries. Breaking it down, Japanese yards had 625 vessels on order for a total of 22,101,000 GT (up 13.7% on the end of September 2022) or 11,169,000 CGT (up 15.0%), South Korean yards, 689 vessels of 61,270,000 GT (up 2.8%) or 36,612,000 CGT (up 8.7%), Chinese yards, 2,159 vessels of 101,207,000 GT (up 29.4%) or 53,013,000 CGT (up 27.8%), and European yards, 602 vessels of 6,949,000 GT (down 15.8%) or 7,891,000 CGT (down 14.2%).

*** See Graph 3.**

Graph 3 **Orderbook**



Source: Data obtained from "World Shipbuilding Statistics" by S&P Global Market Intelligence