

Global trade receding? Tell that to shipbuilders

Chinese manufacturers report multiyear backlog for new orders

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Despite concerns about the effect of rising geopolitical tensions on global trade, shipbuilders are finding plenty of business. (Photo: Jim Allen/FreightWaves)

For all the discourse about globalized trade being past its peak, maritime volume data at the start of 2024 sure looks strong. And if reports from shipbuilding companies are any indication, the sector should continue its growth into the end of the 2020s and beyond.

According to an article [published last week](#) by Yicai Global — an English-language news service under the umbrella of China's state-owned [Shanghai Media Group](#) — production schedules at most of the country's shipyards

are booked through 2026. China's shipbuilding output has grown dramatically since the early 2000s, when it accounted for around 10% of the global market share, to more than 50% (more than [43 million deadweight tons](#)) in 2023. Its shipyards secured more than 65% of all new orders last year.

China holds a smaller share in certain high-value segments, such as LNG carriers, where it's responsible for about 15% of the orderbook, with South Korea leading the market. But even that could be changing as steady technological improvements bolster orders for specialized vessels like chemical tankers, roll-on/roll-off carriers for automobiles and reefer ships. At the end of 2023, South Korean shipbuilders seemed to be [having trouble meeting their annual targets](#).

In all, China, South Korea and Japan account for more than 90% of new cargo shipbuilding globally.

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The increase in new shipbuilding orders is negative for rates, and it could also indicate a belief that trade will not be seamless in the coming years. Geopolitical tensions around key trade routes, like those in the Black Sea and the Red Sea, introduce challenges that could continue to lengthen shipping routes as companies aim to bypass conflict zones. Low water level projections in the Panama Canal are [threatening future transits](#) in a similar way. These situations help fuel the boost in shipbuilding, because longer routes mean more vessels are needed to transport the same amount of goods.

Zheng Yiming, director of the statistical information department at the China Association of the National Shipbuilding Industry, said that the primary challenges facing Chinese shipbuilders are steel prices and the yuan's exchange rate against the U.S. dollar. The former headwind is eased by an increasing number of Chinese steelmakers capable of producing

marine steel plates. The latter is in large part dependent on the country's economic performance as a whole.

Interestingly, this [vibrant long-distance maritime trade](#) is having little trouble coexisting with the rise in North American nearshoring, particularly between Mexico and the U.S. The two were each other's [No. 1 trade partner in 2023](#).

Nearshoring and the push toward diversifying trade networks might not mean a reduction in the maritime trade. This pivot toward regional shipping complements broader international routes.

Shipbuilding by the end of the decade

If current trends continue, the shipbuilding market is projected to experience significant growth by 2030. The global market, valued at approximately \$150 billion in 2023, is expected to expand to around \$192 billion by 2030, according to [Coherent Market Insights](#).

This growth is driven by several factors, including increasing seaborne trade and the need for more environmentally friendly ships as the industry moves toward decarbonization.

Asia is expected to retain its dominance, supported by large production capacities and technological advancements.

The emphasis on building more environmentally friendly ships, such as those powered by LNG or equipped with advanced emission reduction technologies, is likely to also be a significant trend. This shift is partly due to regulatory changes aimed at reducing the maritime industry's environmental impact. Similarly, the market's growth is influenced by the expansion of trading lanes and replacement of aging fleets.

The median age of the containership fleet has increased significantly in recent years. According to a report from the Baltic and International Maritime Council in October 2023, the [median age of the containership fleet](#) has risen by approximately 4.3 years since 2010, reaching 14.2 years in 2023.

Now, nearly 21% of the fleet is over 20 years old, and the recommended service life is generally between 20 and 30 years. The report suggests that the average age of the fleet is expected to decline in the coming years as more ships are retired and containership newbuilds are delivered.