The shipbuilding pendulum

by Marek Błuś

This year's end grants us with a good opportunity to summarize the entire second decade of the 21st century, hence provide us with the answer whether it was favourable to the European shipbuilding industry in general and to the Baltic Sea region in particular. No, it was not. Back in 2008, Europe's yards climbed to their historic top thanks to delivering 6.0m gross tonnage (GT). Two years later, it was GT 4.1m, and after another 24 months – GT 1.9m. The continent's share in the global ship completion went down at an even faster pace, from 9% in 2008 to just 2% in 2012. Since 2015, the European GT output has been under 2.0m, except for the 2.5m+ 2016-17 period, but other than that, nothing indicates a change for the better in the foreseeable future.

There have been several factors contributing to this state of affairs, most notably the wholesale transfer of building large-scale cargo ships to the Far East, recently pronounced by Daewoo, which in 2018 withdrew from the Romanian Mangalia yard, or the latest bankruptcies of Croatian shipyards. However, that's not the end of the story. The Chinese shipbuilding business also started producing vessels for the offshore market as well as ro-paxes.

Little wiggle room it had, European yards decided to specialize in constructing passenger cruise ships, a booming market it turned out to be. In 2017, the continent's shipbuilders delivered GT 1.02m, GT 1.32m the following year, and GT 1.56m in 2019. While the cruise share in Europe's delivery book was below 40% in 2016, it was two-thirds last year. That said, China's yards are keen to get their cut as well, also because their domestic cruise voyage market has considerably grown over the past couple of years. As such, the construction of the first big cruise vessel (4,000+ pax) commenced in Shanghai this November (delivery planned for 2023). Worth mentioning is also that Vietnam joined the 'cruise club' in 2020, though its newbuilding belongs to the below GT 10k expedition section. By 2030, Europe's cruise dominance can very well become a thing of the past.

Risky specialization?

And there's the pandemic, too, which hit the cruise market with a vengeance. Owners have postponed contracts and put new orders on hold. Many are more than worried the protracted situation will result in their insolvency, causing shipbuilding projects to go adrift in limbo or be scrapped altogether. Because of its specialization, Europe is particularly vulnerable here. The 2020 output lurks in the unknown – possibly down to GT 1.5-1.9m, out of which cruisers account for 1.1-1.5m – as Fincantieri and Meyer Turku were originally supposed to deliver two cruise ships this year.

Photo: Turku Business Region

Tab. 1. European shipbuilding countries' performance in 2018-2019 (thousand gross tonnage)[1]

№	Country	2019	2018	2019/2018 [%]	2019 order book
1	Italy	528	477	+10.7%	3,900
2	Germany	508	470	+8.1%	2,340
3	France	355	360	-1.4%	2,300
4	Finland	336	138	+143%	1,380
5	Spain	230	225	+2.2%	500
6	Norway	172	133	+29.3%	280
7	The Netherlands	101	118	-14.4%	325
8	Russia[2]	98	40	+145%	340
9	Croatia	16	17	-5.9%	110
10	Denmark	15	12	+25.0%	26
11	Portugal	10	2.0	+400%	21
12	Romania	9.0	73	-87.7%	12
13	UK	8.0	4.0	+100%	38
14	Poland	7.0	7.0	+/-0%	29
15	Bulgaria	5.0	2.0	+150%	2.0
16	Greece	5.0	12	-58.3%	7.0
	Total	**2,403**	**2,090**	**+15.0%**	**11,610**

[1] *Statistic based on location of contracting/outfitting shipyards*
[2] *Shipyards in the European part of the country only, incl. Krasnoye Sormovo*
Sources for Tabs. 1-2: national and associations' statistics corrected by own research

Photo: FSG

Tab. 2. Vessels over GT 100 built by Baltic shipyards in 2019 – in alphabetical order by ship name

Name	Flag	GT	Shipyard	Type
Aqua Kvaløy	Norway	2,784	Crist	Live-fish carrier
Bakhtemir	Russia	3,030	Nevsky Plant	Rescue vessel
Bremen	Germany	125	Baltic Workboats	Patrol vessel
Charisma	UK	2,941	Karstensens	Fishing vessel
Costa Smeralda	Italy	185,010	Meyer Turku	Passenger (cruise)
Dars	Germany	125	Baltic Workboats	Patrol vessel
Ellen	Denmark	996	Søby	Ferry
Gelting	Germany	125	Baltic Workboats	Patrol vessel
Herjólfur	Iceland	3,270	Crist	Ro-pax ferry
Kalas	Russia	3,030	Nevsky Plant	Rescue vessel
Komandor	Russia	1,150	Yantar	Fishing vessel
Konstelacja	Poland	283	Tyovene	Research vessel
Leevsten	Malta	32,887	FSG	Ro-ro
Leninets	Russia	1,150	Yantar	Fishing vessel
Lingbank	Denmark	1,306	Karsenstens	Fishing vessel
Maria Grazia Onorato	Italy	32,936	FSG	Ro-ro
Mein Schiff	Malta	111,554	Meyer Turku	Passenger (cruise)
Ob	Russia	5,532	Vyborg	Icebreaker
Odd Lundberg	Norway	2,774	Karstensens	Fishing vessel
Pall Jonsson	Iceland	964	Alkor	Fishing vessel
Pola Anfisa	Russia	6,266	Nevsky Plant	General cargo
Rabochaya	Russia	1,100	Onego Shipyard	Hopper barge
Rav	Norway	3,274	Karstensens	Fishing vessel
Sadko	Russia	188	Pella Shipyard	Tug
Strand Senior	Norway	2,884	Karstensens	Fishing vessel
Yuri Kuchiev	Russia	39,594	Arctech	Tanker
Total		**445,278**		

The Baltic shipbuilding market has gone a similar path – from GT 1.1m in 2010 to a GT 0.35m nosedive one year later. With the exception of the GT 0.37m year 2017, the region's output has been permanently stuck under the GT 0.3m bar. Then again, GT 0.45m came to pass last year, owing to huge investments made by the Meyer Group in Finland and MV Werften (MVW) in Germany; investments meant to increase their capacity to cater to the cruise market. Though we were expecting the delivery of the first luxury passenger vessel from MVW this year, while the Finnish-German duo was supposed to float out GT 0.5m for cruise ships owners after 2021, as a result bringing the entire Baltic market to GT 0.7m, these figures will most probably not turn into reality, as the regional production of cruisers by Meyer and MVW will be halved throughout the first half of the coming decade. Even if Meyer Turku delivers the GT 183k-big *Mardi Gras* by year-end, it won't bring the Baltic's output above GT 0.3m.

More join the cruise club

A total of 19 cruisers, out of which nine were over GT 100k (GT 1,557k in total), three ro-paxes (GT 84k), and three crude oil carriers (GT 206k) accounted for the bulk of Europe's 2019 output (77% with GT 1,847k). Cruise ships were for the first time handed over by seven countries, besides the four traditional leaders (Italy, Fincantieri, four ships, GT 431k; Germany, Meyer, 3/GT 397k; France, Chantiers de l'Atlantique, 2/GT 353k; and Finland, Meyer, 2/GT 296k), also by the makers of 'expedition' vessels – Norway (Vard, 4/GT 51k; Ulstein, 1/GT 8.0k), Croatia (Brodosplit, 2/GT 15k), and the Netherlands (De Hoop, 1/GT 6.0k). Counting 185k, *Costa Smeralda* from Mayer Turku was the largest cruiser delivered last year, closely followed by the GT 182k *MSC Grandiosa* from Chantiers de

Tab. 3. Vessels over GT 100 built by Baltic shipyards in 2020 – in alphabetical order by ship name

Name	Flag	GT	Shipyard	Type
Admiral Nevelskoy	Russia	3,061	Nevsky Plant	Ro-pax
Arktika	Russia	33,327	Baltic Shipyard	Icebreaker
Barentsevo More	Russia	5,098	Vyborg	Fishing vessel
Beysug	Russia	3,030	Nevsky Plant	Rescue vessel
Coey Viking	Norway	4,803	Remontowa Shipbuilding	PSV
Festøya	Norway	2,596	Remontowa Shipbuilding	Ferry
Kristin	Germany	875	Karstensens	Fishing vessel
Liekut	Malta	32,887	FSG	Ro-ro
Lunar Bow	UK	3,439	Karstensens	Fishing vessel
Mannheller	Norway	2,427	Remontowa Shipbuilding	Ferry
Nanoq Arctica	Denmark	3,162	Remontowa Shipbuilding	General cargo
Planeta I	Poland	1,273	Remontowa Shipbuilding	Boy tender
Rus	Russia	1,208	Pella Shipyard	Fishing vessel
Skagerak	Denmark	315	Karstensens	Fishing vessel
Solavagen	Norway	2,596	Remontowa Shipbuilding	Ferry
Torland	Sweden	1,310	Karstensens	Fishing vessel
Tor-ön	Sweden	1,310	Karstensens	Fishing vessel
Viktor Chernomyrdin	Russia	20,431	Baltic Shipyard	Icebreaker
Zodiak II	Poland	1,273	Remontowa Shipbuilding	Boy tender
Total		**124,421**		


Photo: Atomflot


Photo: Wikimedia Commons

l'Atlantique. The ferries were delivered by the Italian Visentini shipyard (two pieces, GT 57k) and Ulstein (GT 27k). Two tankers came from the Spanish Navantia (GT 166k), which finished a four-big Suezmax series for a national owner, while the third (GT 40k) was built in Helsinki by the former Arctech shipyard.

In the Baltic, two cruisers from Meyer Turku and the Helsinki tanker scooped 75.5% of the region's output (GT 336k), making Finland dominate the market. Germany came in second with two ro-ros from FSG only (GT 66k). Russia was third with GT 21k; the country is also worth mentioning because of the deliveries of fishing vessels from different Russian shipyards, the first fruits of a large project tasked with restoring the national fishing fleet.

Less than projected

The outlook for 2020 looks far worse, not only because of the delays and postponements caused by the pandemic but also because the delivery book was itself thinner. The latter results from natural irregularities such as smaller ships occupying order lines or the yard's capacity to deliver one and a half ships per year. For instance, Meyer's facility in Pappenburg delivered three vessels, like usual, but only one was more than GT 100k, so its output fell to GT 293k (-26%

Photo: Nevsky Shipyard


Photo: Wikimedia Commons

Tab. 4. Top 10 shipbuilding countries in the world in 2018-2019 (million gross tonnage)

№	Country	2019	2018	2019/2018 [%]
1	China	22.69	22.84	-0.7%
2	South Korea	21.72	14.32	+51.7%
3	Japan	16.21	14.53	+11.6%
4	The Philippines	0.81	2.00	-59.5%
5	Vietnam	0.56	0.48	+16.7%
6	Italy	0.53	0.48	+10.4%
7	Germany	0.51	0.47	+8.5%
8	Brazil	0.45	0.38	+18.4%
9	Taiwan	0.40	0.33	+21.2%
10	France	0.36	0.38	-5.3%
	Total	**64.24**	**56.21**	**+14.3%**
	Global total	**66.20**	**58.10**	**+13.9%**
	Share of Top 10	**97.04%**	**96.75%**	**+0.29pp**

Photo: Crist

Photo: Remontowa Shipbuilding

Photo: Visit South Iceland

year-on-year). The whole German production will not exceed GT 350k after FSG's failure to deliver the ro-pax *Honfleur* (the shipyard in Flensburg ends this year with one GT 33k-big ro-ro).

Chantiers de l'Atlantique managed to deliver only one (GT 131k) of the planned duo, sinking France's output below GT 150k. Italy will remain atop the league, with an output of GT 400k/530k, depending on the date of delivery of *Costa Firence* (GT 131k). At the time of writing this article, Fincantieri completed five cruisers (GT 360k), out of which only two were over GT 100k, and Visentini – a single ro-pax (GT 35k). Finland's situation is unclear. If Meyer Turku delivers *Mardi Gras* in 2021, as Equasis informs, the country's 2020 result will be a perfectly round zero.

This ship will also decide on the Baltic shipbuilding performance in 2020, since its tonnage is bigger than the sum of completions in Russia (GT 66k), Germany (GT 33k), Poland (GT 18k), and Denmark (GT 7.0k). The Russian icebreakers *NV Arktika* and *Viktor Chernomyrdin* deserve a special mention, as their deliveries were delayed by three and five years, respectively.

The order of the year/decade

Will European shipbuilding nations retain their (6^{th}, 7^{th}, and 9^{th}) position in the global Top 10, held for the second year in a row? It's anybody's guess today (at the end of November). Their standings may as well go back to two-thirds of a million, an average the three have together been scoring since 2014. One thing's for sure, the Top Trio of China, South Korea, and Japan won't change (with the Koreans overtaking the Japanese last year, a reshuffling to the order established in 2010).