Korean Shipping messenger

A collection of articles and daily news for the shipping industry with focus on the Korean shipping and shipbuilding markets.

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Shipbuilding News

Hyundai Mipo 8 PC's axed

Turkey's Geden Lines has reportedly cancelled an eight-ship order at South Korea's Hyundai Mipo Dockyard.

It is said to have axed the contract for building eight 37,000-dwt products carriers inked in the latter half of 2007.

The delivery of the vessels had been delayed by more than 18 months from original 2009-2011 in the aftermath of the global financial crisis, but now the order seems to have bitten the dust.

HMD has been facing a number of contract adjustment for PC's from early this year but an order cancellation is for the first time in 23 months.

In August 2008 the yard had four PCs, ordered by European shipowner, cancelled.

Separately, HMD has won two 34,000-dwt bulk carrier order from Greek owner, which are options attached to a four 34K BC contract inked in February this year.

The latest orders mark the 10th ship for 34K BC contracts for HMD this year.

Hanjin inks 8 kamsarmax BC's

Kamsarmax class bulker orders have surged in the first half of the year and South Korean major shipbuilder also secured one.

Hanjin Heavy Industries & Construction has reportedly won an order for four plus four 82,000-dwt bulk carriers from a Chinese shipowner.
The delivery of the first of the kamsarmax series is set for May 2012.

It is the first time HHIC contracts 82K BC's since it inked two 80K BC's with Irano-Hind Shipping, a JV between IRISL and SCI, in October 2008 for delivery in 2011.

S&M yards amid difficulties

New ship orders have picked up to 2004 and 2005 level in the first half of the year but small- and medium-sized shipbuilders in South Korea are still having difficulties caused by a severe orders drought last year.

To make it worse, prices of raw materials like thick steel plates are rising of late, putting more pressure on smaller shipyards.

Midsize shipbuilders and ship-block manufacturing yards are cutting production as their workloads have plummeted.

Particularly, the block suppliers have reduced workforce as well.

Against this backdrop, steel plate prices are rising and the yards' profitability is deteriorating.

Domestic thick steel plate price now stands at KRW 950,000 ($784.5) per ton, up by KRW 130,000 from May.

An industry player said, "Shipbuilding collaborative companies and midsize shipbuilders are still facing the worst crisis."

"They are withstanding on the very last of their strength, expecting the recent increase in new ship orders will boost their workload in the second half," he added.

Another industry official said, "Smaller yards' agony would persist for a while as ship prices are still lower than the boom period. Uncertainties are still remaining and many workers at the yards fear they will lose their jobs."

Vietnam revokes approval to STX

South Korea's STX Offshore & Shipbuilding has failed for now in its bid to establish a new yard in Vietnam.

The company said the government withdrew approval for the plan following delays in building the plant of STX-VINA Heavy Industry due to the global slump.

STX said in 2008 it intended to team with STX Corp and STX Engine Co for the project.

It was due to invest $150m in the yard, which was to build offshore rigs and platforms 440km east of Hanoi.

The shipbuilder was to hold 35% of the facility, with STX Corp having 40% and STX Engine 25%.

STX-VINA Heavy Industry was to be built in three phases by 2015.

Daewoo Buys Stake in Company Owned by Zuma’s Nephew

Daewoo Shipbuilding & Marine Engineering Co., the world’s second-biggest shipbuilder, plans to buy a stake in a company owned by South African President Jacob Zuma’s nephew.

Daewoo signed a preliminary agreement to buy 49 percent of the company known as Impinda, Seoul-based Daewoo Shipbuilding said today in an e-mailed statement. The purchase will help reduce the South Korean’s company’s dependency on building vessels and Daewoo will help

Impinda grow its commodity, oil and natural gas shipping service, it said.

Impinda is owned by Khulubuse Zuma, who is also chairman of Aurora Empowerment Systems Ltd., a Johannesburg-based gold mining company, and a separate oil and gas explorer in the Democratic Republic of Congo. Calls made to Zuma's mobile phone weren't immediately answered.

The South Korean shipyard has been expanding into shipping and alternative energy as the credit crisis caused demand for new vessels to plunge.

Daewoo Shipbuilding will jointly manage Impinda to help it win more contracts to move cargo, the South Korean company said. The South African company is currently in talks with at least three mining companies to transport raw materials, it added, without elaborating.

Daewoo Shipbuilding currently has a shipping venture with state-owned Nigerian National Petroleum Corp. It also operates an oil shipping company with Korea Line Corp.

Daewoo Shipbuilding gained 5.8 percent, the most in more than three months, to close at 20,000 won. The stock has climbed 14 percent this year, compared with a 4.5 percent advance in South Korea's benchmark Kospi index.

Nova Scotia closes deal with Daewoo to build wind turbine manufacturing plant

The Nova Scotia government and Daewoo Shipbuilding and Marine Engineering Inc. have finalized a deal to build a wind turbine plant at the former TrentonWorks railcar factory.

In a statement, the government announced it closed the transaction today with the South Korean manufacturing giant.

Percy Paris, the province's economic and rural development minister, says the legal agreement marks a milestone that will generate employment and position Nova Scotia as a leader in the green economy.

The government says 120 staff are expected to be hired within the plant's first year and up to 500 could be employed within three years.

In March, Nova Scotia announced it was putting $60 million into a $90-million deal that will see Daewoo manufacture components for wind turbines including support towers and rotor blades.

The government, which also gets a 49 per cent equity stake under the deal, says the plant is expected to be running by the end of the year.

Daewoo's operation in Trenton will be its first attempt at manufacturing for the wind energy sector.

Shipping Index, Once Global Trade Signal, Narrows In On China

A plunge in an index long seen as a barometer of trade trends is further evidence of waning raw-materials demand from China, but analysts aren't relying on the Baltic Dry Index for clear signals on the strength of the global economy.

The index, known as the BDI, has lost more than half its value since late May and on Tuesday fell for the 33rd straight day, by 2.7% to 1790.

The index historically has been seen as a proxy for the volume of international trade in commodities because it measures seaborne freight rates, the cost of shipping bulk goods such as iron ore, coal and grains by sea. It hit the most recent peak of 4209 on May 26. The December 2008 nadir, amid financial panic and cutbacks by companies, was 663.

While the latest plunge seems to be a flashing alarm about the global economy, analysts say the index no longer paints as broad a picture owing to recent developments within the shipping industry. While the index offers insights into a specific slice of China's economy, its reputation as a broader indicator has been dented by the large increase in the number of ships being built.

"The BDI shows the impact of demand in a stable demand environment," said Jeremy Penn, chief executive of the Baltic Exchange, which compiles the index. "At the moment, the supply situation is anything but stable."

Whether or not the global economy enters an extended slowdown depends largely on China, but the nation's own data process is riddled with inconsistencies. So, analysts and economists often look to discern how goods shipments in and out of China influence other parts of the worlds supply chain. The BDI is still useful in this respect.

The number and size of vessels being booked suggest that the fall in prices to transport seaborne freight and, correspondingly, the BDI, reflects weakening demand, said Melissa Kidd with Lombard Street Research.

This has been driven primarily by a lack of iron-ore imports by China's steel mills, which are struggling to cope with a tougher export environment, a new pricing system and policy moves to rein in excess construction.

China imported 47.17 million metric tons of iron ore in June, down 9.1% from May and 15% from a year earlier, according to preliminary data from China's customs authorities. It brought in 309.3 million tons in the first six months of 2010, up 4.1% from a year earlier.

"Steel production in China is not expected to collapse by any means, but we do expect it will decrease moderately in the short term," said Jeffrey Landsberg, an analyst with Commodore Research.

Other indicators point to moderation in China's commodity demand rather than a collapse. China's construction sector expanded in May, with new-construction starts doubling from last year. Chinese exports in June were better than expected, even amid the European debt crisis.

Concerns about having more ships than demand dictates has been an issue for the industry since the credit crunch, which spurred questions about how the record-setting number of vessels ordered when ship owners were flush with cash were going to affect shipping rates in a more-fragile demand environment.

Ships take about three years to build, historically making supply both easy to predict and relatively inflexible. Moves in the cost of shipping have, therefore, been largely the result of fluctuations in demand for the commodities they carry.

With uncertainties remaining about how many new ships will now be set afloat, what gave the index its forecasting element has withered. Iron-ore prices for import to China have been falling since April and recently stood at $117.60 a metric ton, the lowest since December, according to data from The Steel Index.

"The BDI has all sorts of distortions," said Julian Jessop, chief international economist at Capital Economics in London. "At the moment it's been moving in the same direction as other commodity prices. It seems odd to suppose this would be better at predicting the future than commodity markets themselves."

LPG carrier demolition to hit new high

London-based shipbroker Gibson recently issued report that in spite of few LPG carrier demolished but shipowners were not willing to purchase old ships in case of old low chartering fees. Gibson speculated LPG demolition volume would increase in the second half year. It was believed to break the record of last year.

According to statistics of Gibson, about 20 LPG carriers of 403,500m3 have entered demolition yards, 16 of which were built in the 1980s'. Another three were delivered in the 1970s' and one delivered in the 1990s'.

At the same period of last year, 27 LPG carriers of 918,700m3 were demolished totally, ten of whose capacity surpassed 55,000m3. Singapore-based BW Gas took the champion last year, with six units demolished.

The director of LPG division Gibson indicated that currently chartering fees of LPG carriers were hanging around bottom. Obviously it's not attractive enough to shipowners. Facing their old fleet and low market level, some of them had no choice but demolition.

However, Korean STX recently announced they gained orders from Brazilian Transpetro to build six LPG carriers valued $536m. All will be built in STX's joint yard in Brazil, to be delivered in 3rd quarter of 2013.

KHI may import steel plate

Japanese shipbuilder Kawasaki Heavy Industries could be ready to buy steel from China and South Korea for the first time.

The company is worried that domestic prices may rise too high.

Nobumitsu Kambayashi, the president of KHI's shipbuilding unit, told Bloomberg that if price talks fail with domestic mills, it could look abroad if the price is right.

Price negotiations for the six months to 30 September may drag on for another month.

Mills want to raise prices by $225 per tonne.