

Ship builders to get govt ballast

China's State Council, or the Cabinet, yesterday approved a stimulus package for the country's shipbuilding industry in a bid to help the emerging sector better weather the global economic downturn.

The government said it will encourage financial institutions to lend more to ship buyers and also offer incentives for purchasers of ocean-going ships until 2012. The country will also support the industry in technology upgrades, it said.

The government will limit new capacity in the industry and is working on a policy to scrap outdated ships. It will also encourage construction of advanced ships and promote mergers and acquisitions within the industry.

Guo Yalin, an analyst with CITIC Securities, said the stimulus package comes as a boost to a sector that has been struggling for new orders and in retaining old ones.

New orders for domestic shipbuilders are expected to fall to 20-30 million deadweight tons in 2009, compared to 58.18 million deadweight tons in 2008, according to the China Association of National Shipbuilding Industry.

Buyers' defaults and requests to delay deliveries are also on the rise, the association said. Cancellation of orders and payment delays will also increase this year if the market remains grim, the association predicted.

"The supportive financing measures will help cut cancellations by buyers," Guo said.

Wang Jinlian, secretary-general of the association, said that order cancellations and delayed deliveries will account for at least 10 million deadweight tons this year.

Shipbuilding output reached 28.81 million deadweight tons, an increase of 52.2 percent year-on-year, according to the latest data put out by the Ministry of Industry and Information Technology.

China's share in the global shipbuilding market has increased to 29.5 percent in 2008 from 22.9 percent in 2007.

The industry as a whole saw profits grow by 50.5 percent (to 28.34 billion yuan) in 2008. China Customs' statistics show that shipbuilding exports grew by 59.9 percent in 2008 to \$19.57 billion. The latest stimulus plan comes after similar packages were announced for the auto, steel, textile and equipment manufacturing sectors.

Source: China Daily
