Market development

Steady development in the service markets

Service market activity improved somewhat during 2018, supported by a seasonal pick-up in demand towards the end of the year. In the marine markets, the cruise and ferry segment developed positively and the high level of interest in environmental retrofit projects, combined with improved service volume in the gas carrier segment, supported activity in the merchant segment. The demand for services in the oil & gas industry improved, while conditions in the offshore markets remained challenging. Power plant related service activities were steady across all geographical areas.

Power generation markets stable with continued interest in flexible capacity

The interest in flexible power capacity in the form of generation and storage solutions is growing. Costs of solar and wind energy continue to decrease, and it has become more economical to replace traditional baseload capacity with renewables and flexibility. Utilities are assessing how to integrate such energy sources into their generation portfolios, and are updating their long-term investment plans accordingly. Currency volatility in the emerging markets, which has resulted in slower decision-making in certain countries, eased towards the end of the year. At the same time, the continued need for reliable capacity to support economic growth and alleviate power shortages supported power plant investments.

Energy Solutions' market share

For the twelve months period ending in September, Wärtsilä's market share in the <500 MW market segment decreased to 13% (17). Global orders for natural gas and liquid fuel power plants remained stable at 20.8 GW (20.7). Global orders include all gas turbine and Wärtsilä orders with prime movers over 5 MW in size. The data is gathered from the McCoy Power Report.

Gradual recovery in marine markets with strong demand for environmental solutions

During the year 2018, 1.237 contracts for new vessels were registered (1.037 excluding late contracting). Market conditions in the LNG carrier segment improved, with vessel contracting being driven by increasing spot rates and the trend towards more environmentally friendly fuels. Investments in containerships and bulkers were partly limited by high fuel costs and global tariff concerns. Contracting activity was solid in the cruise segment, being supported by the need for modern capacity to match the expected growth in cruise passenger numbers. Investments in the ferry segment were mainly related to fleet replacements. Fluctuating oil prices created uncertainty in the offshore industry, and overcapacity continued to limit newbuild investments. Environmental compliance emerged as a key theme in shipping during the year, and the IMO 2020 sulphur regulations led to an uptake in orders for exhaust gas cleaning systems.

In terms of compensated gross tonnage, South Korea and China remained the largest shipbuilding nations with 43% and 32% of all confirmed contracts respectively. Japan and Italy accounted for 13% and 3% of the global total.