

34,000 NEW PLANES FOR BOEING?



Airplane maker and defense contractor Boeing forecasts that it would sell planes worth \$4.5 trillion over the next two decades. The company has increased its prediction for the period to 34,000 jet planes, because of ever-increasing levels of travel to emerging markets like India and China.

This figure is sufficient to double the global jet fleet, although the corporation will face a number of competitors in the market, such as COMAC - owned by the Chinese government - as well as established operations such as Embraer, Bombardier, and - especially - Airbus.

The new forecast increases predicted plane numbers by 500, and predicted sales by \$500 billion, compared to that made in the previous year, partly because of increased sales of more capacious - and therefore more expensive - planes. Boeing stated that the current figure of 20,000 planes operated by the world's airlines would likely rise to 40,000 by the year 2031.

Because of a mounting backlog of orders, both Boeing and Airbus are ramping up production levels. French-based Airbus said Monday that it would commence assembly of its A320 plane in Alabama, with initial deliveries slated for 2016. Meanwhile, production of Boeing's directly competitive 737 is also being increased.

According to Boeing, the largest market for new airplanes will be in the Asia-Pacific region, with potential sales of 12,030 planes in the years up to 2031. Next on the list is Europe, with a predicted 7,760 sales across the continent, followed by North America, which is expected to take 7,290 aircraft.

The growth of low-cost airlines is driving the growth in air travel, said Tinseth, who went on to say that Asia was a market of particular importance for budget carriers, because they bring flying within the reach of those who could not previously afford it. Boeing's forecast suggested a five percent annual growth in world airline traffic for 20 years.

Tinseth admitted that the growing light rail network in China would draw some people away from airlines. However, he pointed out that this investment, combined with money being poured into airport construction, would act as a stimulus to the economy there, thus ensuring that demand for air travel would continue to rise. Tinseth also firmly marked out the Asia-Pacific region as the center for the aviation market in the future.

Boeing's figures suggest that more than two-thirds of planes sold - 23,000 out of 34,000 - would be those with single aisles, for example the Airbus 320 and Boeing's own 737. Larger planes like the 787 would account for 7,950 units. Due to the increased costs of larger aircraft, each type would bring in sales of around \$2 trillion.

Boeing, said Tinseth, would aim to construct around the same number of single-aisle jet planes as Airbus, but he thought that Boeing could dominate the market - ahead of Airbus - in wide-bodied, larger aircraft. Because of continuing slowness in the cargo sector, Boeing nudged predictions down in this area, forecasting sales of 940 dedicated freight planes and 1,820 converted passenger jets.

The level of economic slowdown in Europe was an unknown quantity that could both reduce air travel and cause difficulties for airlines' freedom to borrow, said Tinseth. His prediction was that

Europe would continue to see difficult trading conditions through 2013, but would recover thereafter. He pointed out that markets often bounced back fast from economic problems.

Boeing's assessment of trends in airline sales and travel is conducted annually. Because there is a long lead-in time for aircraft orders, Boeing needs to decide on production levels at a very early stage. Shares in the Chicago company ended at \$74.27, up \$1.09 on the day, and are close to the top of their range over the last 52 weeks.

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