

BOEING CRISIS AFFECTS THE U.S. ECONOMY



The international suspension of the 737 Max has affected Boeing's finances and has also begun to impact the U.S. economy. The Boeing crisis was unleashed after the Ethiopian Airlines Boeing crashed. As a result, a tenth and a half of GDP growth of the U.S. economy has been endangered, according to estimates of the largest US bank, JP Morgan.

This disproportionate impact of the Boeing crisis is caused by the influence of the aerospace industry on the U.S. foreign trade statistics. **Since most of the production of the 737 was going to be destined to the international market, the paralysis of the sales supposes fewer exports and, therefore, smaller growth.**

Currently, it is not known when the company will be able to fly the 400 planes of the 737 Max category. Boeing announced that the updates of the controversial MCAS software will be delayed. When it is launched, the Federal Aviation Administration (FAA) and various air regulators have to approve the changes, which will be followed by a trial and a training period by pilots and airlines.

Also, last week, Boeing announced that it would reduce Max's manufacturing from 52 to 42 a month. It is the first time that the largest aircraft manufacturer in the world cut its production of a model since the halting of the aviation industry caused 18 and a half years ago by the attacks of 9/11.

Boeing's decision had a cascading effect on the aeronautical sector. Since the component suppliers operate with a lapse of time between 12 and 18 months behind the manufacturers, there is the obvious danger of creating a bottleneck of aircraft stored by Boeing and parts, engines, and other equipment by the company. That translated into widespread downturns in the Wall Street aerospace sector that also extended to the low-cost carrier Southwest Airlines, whose fleet is almost exclusively composed of 737 aircraft and which had planned to replace at least 20 of them this year with the Max.

According to JP Morgan, 35% of Boeing's cash flow was going to come from the Max this year. Now, with the prospect that the plane will not be sold for months, plus the storage costs of those that continue to be manufactured, and the more than probable demands of airlines for compensation for the 375 aircraft that cannot fly – more than 100 million euros per unit – Boeing faces a significant impact on its accounts.

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