



# AIRCRAFT ORDERS SLOW AS CYCLE PEAKS; POTENTIAL FOR PRODUCTION IMPACT SEEN

News / Manufacturer



**A decline in aircraft orders this year shows the order cycle is peaking after five years of torrid growth, industry experts said on Thursday, raising speculation that Boeing Co and Airbus may be forced to scale back higher production rates planned for coming years.**

"Orders have a history of very high peaks and very low troughs," said Edmund Greenslet, an independent analyst who publishes the Airline Monitor. After big surges, "orders drop very quickly."

With three weeks left in 2015, Boeing Co and Airbus have booked 1,582 orders, a decline from 2,888 in 2014.

Boeing Co booked 11 new jetliner orders worth about US\$1.1 billion at list prices on Thursday, leaving it about 180 short of its 2015 target of 755-760 planes.

Airbus has booked 1,007 net orders this year, versus 575 for Boeing, giving it 64 percent of orders. Boeing is likely to deliver far more airplanes than Airbus in 2015.

The slowdown itself is not a surprise. Because Boeing and Airbus have eight to 10 years of

backlog, planes ordered today won't be delivered until 2023 or later, said John Plueger, president of Air Lease Corp.

"There's not a whole lot left really to sell," he said. Slow sales in the next few years is "a normal reaction."

But some see rising risk of a production excess. "I can see signs of a glut emerging," said Adam Pilarski, an analyst at consulting firm Avitas, that could mean order cancellations.

The biggest concern is over single-aisle planes. Airbus and Boeing each produce 42 of these planes a month. Airbus recently said it will lift that to 60 in 2019 and sources said Boeing is discussing when to follow. Failure to match the higher rate would leave Boeing with fewer production slots to sell.

Sales have been stoked by new models. Airbus' single-aisle A320neo is due out by the end of the year, with the first going to Germany's Lufthansa. Boeing this week rolled out its new 737 MAX, which is due to enter service in 2017.

The risk of order cancellations is growing as the global economy cools, particularly in China, Russia and Brazil, Pilarski said.

Boeing's orders in the latest week included 10 of its 737 planes for Turkish Airlines and one 767 for FedEx Corp. Four orders for 737 jetliners were canceled.

That's a risk for suppliers. "When the consequences of these cuts in production come, they come fast," Greenslet said.

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**SOURCE: REUTERS**

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