

## Bloomberg Intelligence

### Coronavirus Hammers the Weak Wide-Body Market

Additional Intelligence on this Topic: Global Aerospace Covid-19 Outlook



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#### Wide-Body Aircraft Hit Harder by Coronavirus Than Narrow-Bodies

(Bloomberg Intelligence) -- The coronavirus will likely hit wide-body aircraft significantly more than narrow-bodies, given a supply glut for the former, and our expectations for international travel to remain restricted longer than domestic flights as countries try to contain the virus' re-emergence. The Boeing 777 and Airbus A330 face the greatest pressure. (04/06/20)

#### 1. Wide-Body Orders Crushed by Coronavirus

Wide-bodies are likely to garner very few orders in 2020 and we wouldn't be surprised to see a negative book-to-bill as airlines cancel orders and production rates fall. Covid-19 has hurt twin-aisle aircraft even more than single-aisle given heavier restrictions on overseas flights, and we see intra-country quarantine requirements as last to be lifted. Compounding the challenge, prior to the pandemic, order books were suffering on oversupply, which was seen in weak long-haul fares. We expect slowing global GDP will continue to depress long-haul travel after the pandemic, which may be worse and linger longer in the developing world. Longer-range narrow-bodies such as the Airbus A321 and Boeing Max-9 likely will continue to take market share from wide-bodies, especially as demand shrinks in many markets. (04/06/20)

Wide-Body Book-to-Bill for 2019 (YTD)

	Airbus	Boeing (1)
Wide-Body Aircraft Net Orders YTD	51	107
Wide-Body Aircraft Deliveries YTD	147	224
Wide-Body Aircraft Book-to-Bill	0.3	0.5
Total Net Orders Year-to-Date	718	56
Total Deliveries Year-to-Date	725	345
Expected 2019 Deliveries	860	368
Expected Deliveries in January 2019	880 - 890	895 - 905

Data as of December 11th, 2019. Data from companies websites (1) ASC 606 Changes are not considered

Source: Bloomberg Intelligence

#### 2. Boeing 787, Airbus A350 Likely See Rate Cuts

The 787 and A350 were being built above sales rates before the coronavirus and despite adjustments to Boeing's 787 production rate, we believe there's high potential for cuts for both. Of particular concern is the concentration at struggling Emirates, which is dependent on long-haul flights. India is an important market for Emirates, making the airline vulnerable should the virus significantly affect the country. Further concentrations at Lufthansa, United, Singapore and American, which are preserving cash to survive the downturn, increase the likelihood for deferrals and rate cuts.

The 787 and A350 are the most produced wide-bodies at Boeing and Airbus, and while margins are below that of the narrow-bodies, the size of the order book and build rates could bring strong margins and cash flow. (04/06/20)

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Orders for 787, A350 by Operators

Operators	787-10	787-9	787-8	A350-1000	A350-900	Grand Total	Share
Emirates Airline		30			50	80	7.3%
United Airlines	2	10			45	57	5.2
Qatar Airways		23		27		50	4.5
Etihad Airways	22	11		16		49	4.4
Singapore Airlines	29				19	48	4.4
Lufthansa		20			27	47	4.3
American Airlines		25	21			46	4.2
Air France - KLM	10	1			34	45	4.1
International Airlines Group (IAG)	12			13	18	43	3.9
Turkish Airlines		14			25	39	3.5
Korean Air	20	10				30	2.7
Japan Airlines				13	13	26	2.4
Unannounced commercial customer	12	16	7			35	3.2
Other Operators	38	175	21	65	209	508	46.1
<b>Grand Total</b>	<b>145</b>	<b>335</b>	<b>49</b>	<b>134</b>	<b>440</b>	<b>1,103</b>	

Only firm orders are considered.  
Cumulative data as of April 3, 2020.

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### 3. Boeing 777, Airbus A330 Smallest Backlog

Airbus and Boeing's most profitable wide-bodies, the A330 and 777, entered 2020 short on orders and running the largest risk of a rate cut. We expect the coronavirus pandemic to add to that difficulty. Both programs contribute close to double-digit profitability, yet are waning. Boeing adjusted its monthly build rate on the 777 to three, from 3 1/2 as it transitions to the 777x. Both the size and concentration to Middle East carriers makes us believe a further cut is likely with no strong bounceback on the horizon.

The A330 has five years of backlog, though we would characterize 40% of it from AirAsia X (78) and Iran Air (36) at risk. AirAsia X is managing weak profitability and has just parked the majority of its fleet after not taking an airplane in four years. Iran Air can't take deliveries due to renewed U.S. sanctions. (04/06/20)

Airbus, Boeing Production Rates

Airbus						Boeing					
Announced	Effective	A320	A330	A350	A380	Announced	Effective	737	767	777	787
Jan 2012	2012	42	9.5	-	2	Dec 2014	Sep 2015	-	-	-	1.3
Feb 2011	2Q 2013	-	10	-	-	June 2015	Mar 2016	-	1.5	-	-
July 2014	Nov 2015	-	-	5	-	Sep 2015	1Q 2016	-	2	-	-
Oct 2014	4Q 2015	-	9	-	-	Jan 2016	Mid 2016	-	-	12	-
2010	Jan 2016	A320 neo enters service				Jan 2016	Sep 2016	-	-	-	0.5
Feb 2015	Q1 2016	-	6	-	-	Jan 2016	Jan 2017	-	-	7	-
Feb 2014	Spring 2016	46	-	-	-	Oct 2013	3Q 2017	47	-	-	-
Feb 2015	Q2 2017	50	-	-	-	Dec 2016	Aug 2017	-	-	5	-
Feb 2016	H2 2017	-	7	Cancelled	-	Sep 2015	Late 2017	-	2.5	-	-
July 2016	2018	Late 2018 A330 neo enters service				May 2016	Jan-18	-	-	3.5 (2)	-
Feb 2015	Jan 2019	-	4	10	-	Oct 2014	2018	52	-	-	-
July 2017	Jan 2019	-	-	-	0.66	Jan 2016	2019	57	-	-	-
Oct 2015	Mid 2019	60	-	-	-	Oct-17	2019	-	-	-	14
Jan 2020	Immediately	-	3.33	9-10	-	Latest Rate		0 (1)	3	3 (2)	12
Latest Rate		60	3.33	9-10	0.66	Apr-18	2020	-	3	-	-
May 2015	2021	63 (1)	-	-	-	Oct-19	2020	-	-	3 (2)	12
						Jan-20	2021	57(7)	-	-	10
						Jan-20	2023	-	-	-	12
						Oct-19	2021	777X Enters Service			

(1) With increases of 1 to 2 a year after 2021, discussed on Q419 earnings call.  
Notes: A320 and 737 include each manufacturer's family of narrowbody aircraft.  
Source: Airbus, Boeing, Bloomberg Intelligence

(2) Temporary cut from 52 to 42 on April 9th, 2019, then to 0 December 16, 2019.  
(3) effective rate in transition to the 777X

Source: Bloomberg Intelligence

### 4. Boeing 777, Airbus A350 Largest Survivors

The number of markets served by the new, larger 777 is rapidly diminishing, which could continue for years, due to Covid-19. We expect shrinking air-travel demand and slower growth as economies recover from the pandemic. This will cut the average size needed for a long-haul airplane. Also, the concentration of 777s at Emirates and Qatar is a challenge as the aircraft serve long-haul fliers between India, Southwest Asia and Europe, regions likely to be hampered by travel restrictions for at least the rest of 2020. About 54% of Boeing's 777 backlog is to Gulf carriers, with almost 32% at Emirates.

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We expect the pandemic to hasten parking of the A380 and 747 passenger aircraft. The 777 and A350 are likely to survive yet fewer will be flown. (04/06/20)

Gulf Carriers' Order Books

	777	787	A330	A350	Total
United Arab Emirates	140	63		66	269
Emirates Airline	115	30		50	195
Etihad Airways	25	33		16	74
Qatar	65	23		27	115
Qatar Airways	65	23		27	115
Iran			36	16	52
Iran Air			36	16	52
Other Middle East Countries		29	50	36	115
Grand Total	205	115	50	129	499
Percentage of Backlog	55%	22%	15%	22%	28%

Only firm orders are considered. "Other Middle East Countries" includes Kuwait, Iraq, Israel, Lebanon, Oman, Saudi Arabia, and Yemen.

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### 5. Airbus A350 Could Gain on Chinese Backlog

The trade dispute and slowing GDP growth were hurting Boeing's Chinese wide-body orders before the pandemic and could give the Airbus A350 an advantage as travel restrictions unwind. China had the virus first and could lead the way out, though we are still concerned international flights will be restricted much longer than domestic as governments protect against reinfection. **Chinese carriers have significantly more orders for the A350 than Boeing's 787 and 777, a relationship significantly different in other regions.** The region's 777 order book could be at risk for deferral or cancellation as Cathay Pacific and Hong Kong Airlines were struggling amid unrest before the pandemic.

The A330 runs similar risks with a large order to financially struggling Hong Kong airlines and no large order book at other carriers. (04/06/20)

Chinese Wide-Body Orders

Operators	777	787	A330	A350	Total
Cathay Pacific	21			12	33
Air China		1	2	20	23
China Southern Airlines	3	5		14	22
China Eastern Airlines				13	13
Hong Kong Airlines	6		4		10
Sichuan Airlines				10	10
Ruili Airlines		6			6
Hainan Airlines		4	1	1	6
Others		18	6	1	25
Total	30	34	13	71	148
Percentage of Backlog	8%	6.4%	4%	12.4%	8.2%
Unknown Country	10	35	44		89
With Unknown Country	10.6	13%	17.4%	12.4%	13.1%

Only aircraft on firm order are considered.  
Circum data as of April 3, 2020.

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