

Airframers

Analysts question if demand supports Boeing's 2021 Max production plan

By [Jon Hemmerdinger](#)

Some aerospace analysts suspect Boeing may need to further cut its planned 2021 737 Max production rate to better align with grim realities facing the aerospace industry.

Boeing has said it expects to increase Max production to 31 aircraft monthly during 2021, but two analysts view a roughly 20-per-month rate as more reflective of demand.

Not all analysts share that view, but they agree additional rate cuts would further strain a supply chain that evolved for profitability at higher rates.

Source: Max Kingsley-Jones/FlightGlobal

A Boeing 737 Max 8.

Meanwhile, the aerospace downturn continues, dampening demand for new jets. Recovery appears years off.

“Several suppliers have indicated that they don’t have confidence in the... outlook on rates from Boeing,” says aerospace analyst Michel Merluzeau at consultancy AIR. “There is a sentiment that Boeing needs to really come clean, to come forward with [realistic] rates.”

“I think it’s going to be lower than 31,” says Alex Krutz, managing director at aerospace and defence advisory Patriot Industrial Partners. “I think the production has to be at a lower rate, so that they can reduce their plane inventory.”

Boeing declines to comment about the 31-monthly rate. But earlier this month, chief financial officer Greg Smith said Boeing is “staying very engaged with customers around the globe to fully understand short-term and long-term requirements”.

“All of this is informing current and future production rates and any further adjustments as needed to balance supply and demand,” Smith added

Boeing could disclose more details about production when it releases second quarter results, scheduled for 29 July.

Several top Boeing suppliers, including CFM International, Collins Aerospace and Spirit AeroSystems, likewise declined to comment.

Airbus this year also cut A320neo-family production from to 60 to 40 jets monthly. Merluzeau likewise thinks Airbus is overestimating, calling 40 A320s monthly “incredibly optimistic”.

But Boeing faces the additional pressure of needing to divest an estimated 450 Max jets already in its inventory. The company produced but did not deliver those jets following the type's March 2019 grounding.

The Federal Aviation Administration is moving closer to the Max's certification, saying it will soon publish a proposed airworthiness directive. Boeing has said it expects certification will occur in time to allow deliveries to begin in the third quarter.

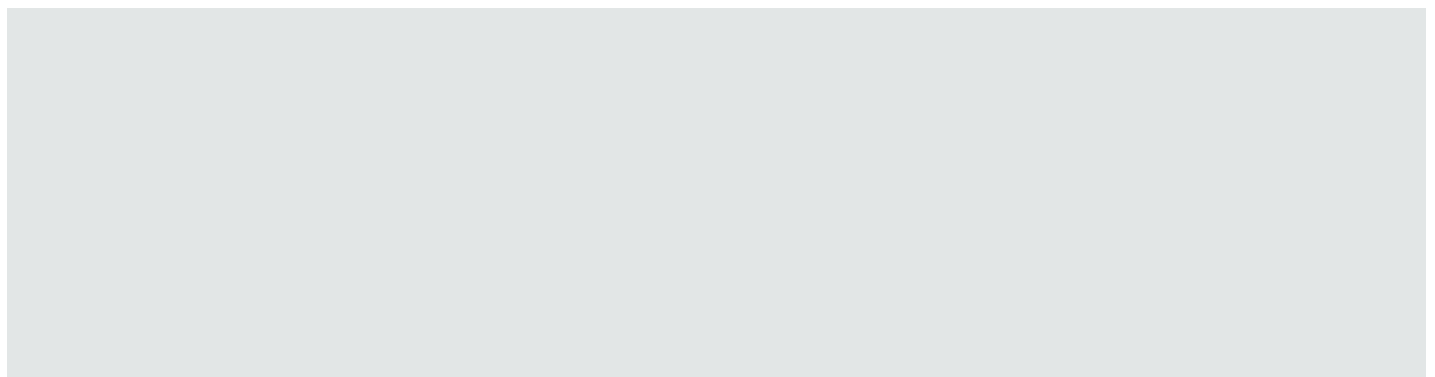
Merluzeau estimates demand might support 250-275 Max production in 2021, or about 22 monthly.

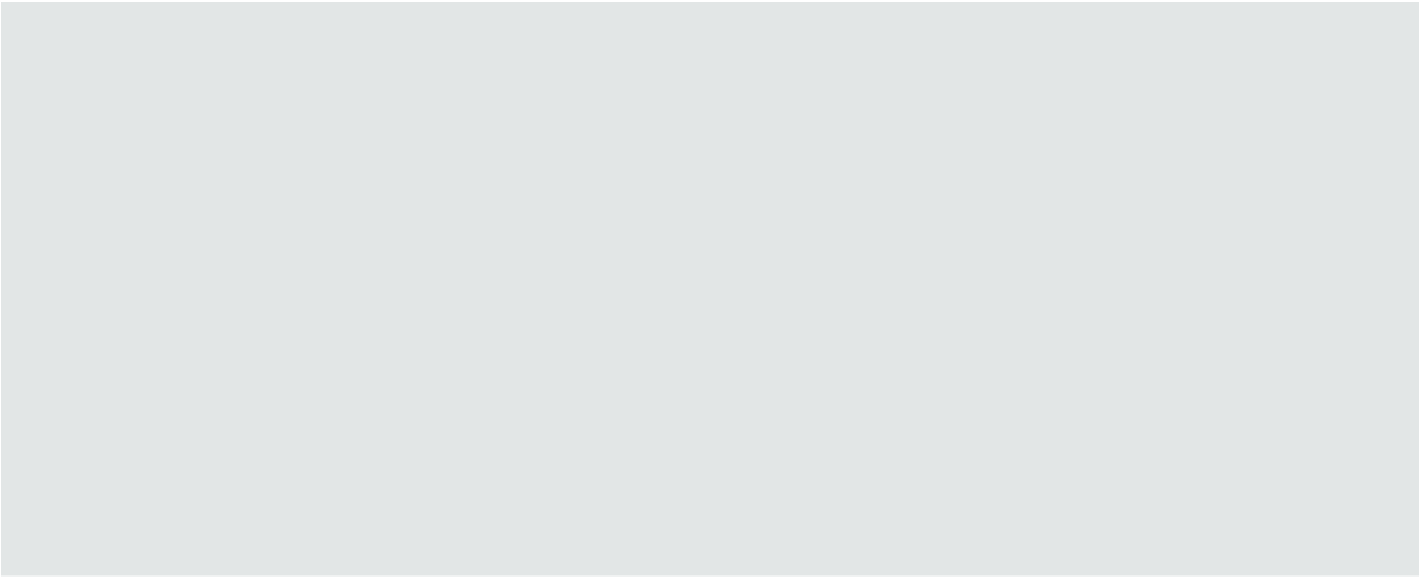
Krutz doubts that Boeing, at a 31-monthly Max production rate next year, will be able to deliver enough aircraft to also burn down its 450-strong inventory.

“I'm concerned that, even though they have a strong order book, they will continue... replenishing the inventory instead of burning it down,” he says.

Krutz concedes Boeing's analysts may have determined 31 monthly to be a minimum viable rate, and says that perhaps Boeing will not hit 31 until the very end of next year.

Still, he views a “high teens to low 20s” rate as a sensible level that would allow Boeing to also work into its inventory.





Boeing's Renton, Washington 737 production site.

But George Ferguson, senior analyst of aerospace, defence and airlines with Bloomberg Intelligence, disagrees.

“We do think it’s feasible,” he says of Boeing’s planned 31-monthly Max rate.

Bloomberg estimates airlines in the next year will retire as many as 5,000 narrowbodies – about one-third of that fleet. But, carriers will need to replace all those jets by mid-decade, at which time the industry should have returned to 2019 levels, Ferguson says.

To produce 5,000 jets in five years, Airbus and Boeing, each taking half, would each need to deliver an average of about 40 narrowbodies monthly.

Production of 30 Max monthly in 2021 “feels about right”, Ferguson says, adding that production could then exceed 40 monthly as the decade progresses.

He suspects airlines, at least those in the strongest financial positions, will want to take deliveries early next year so as to add capacity in time for summer 2021.

“If you are going to be in this business, you can’t just sit there and tread water forever,” Ferguson says. “The stronger ones will make a run at some decent capacity in 2021.”

He cites top 737 Max customers Copa Airlines, Southwest Airlines and Ryanair as carriers that will likely be eager to take aircraft.

SUPPLY CHAIN SHOCK

Analysts say Boeing's suppliers, large and small, are vulnerable to additional rate cuts.

Some suppliers, wary of Boeing's estimates, feel "they have to take ownership of their rates", says Merluzeau. "There is a feeling of disconnect."

"Slowdown has a ripple effect through [Boeing's] supply chain, which is far more vulnerable than they are," he adds.

Krutz notes that during last decade Boeing shifted to its "Partnering for Success" supplier model, under which the airframer secured cost cuts while offering suppliers increased volume.

Suppliers, in turn, geared their businesses around higher rates, and signed high-rate contracts with their suppliers, onward down the chain.

With production now limping along, many suppliers find themselves saddled with excess raw materials, and with contracts to continue taking those materials at levels not needed, says Krutz.

"That's going to be really the big problem in the coming months – the inventory bulge in the supply chain," he says. "The break is hitting every couple weeks into a different part of the supply chain."

Aerospace

Air Transport

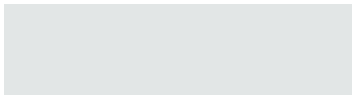
Airframers

North America

Related articles

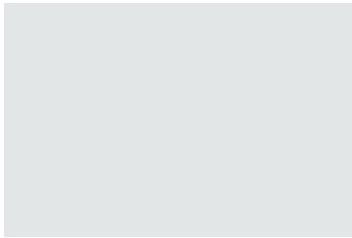
News

Southwest sees recovery as 'long saw-toothed slog'



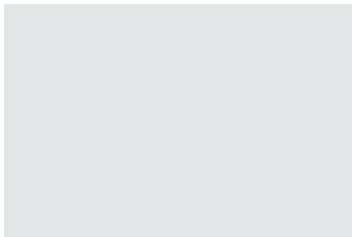
News

Max return lag may continue to enhance value of 737-800s



News

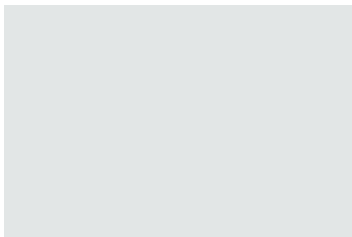
FAA set to propose order to lift Max grounding, public comment to follow



More Airframers

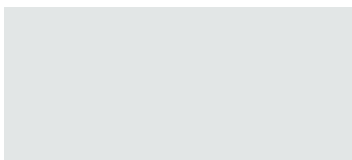
News

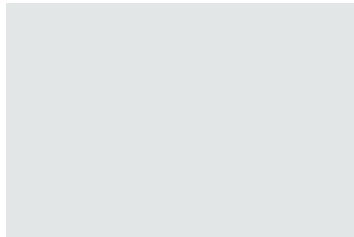
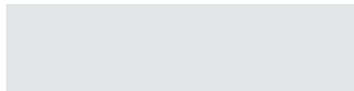
Corrosion can prompt 737NG in-flight engine shutdowns following storage:
FAA



News

DHL orders four 767 Boeing Converted Freighters





News

Embraer's first-half 2020 deliveries tumble more than half to 31 jets

[Contact us](#)

[About us](#)

[Advertise with us](#)

[Jobs](#)

[Conferences and Events](#)

[Newsletters](#)

[Sponsored content](#)

[Reports](#)

FlightGlobal is the global aviation community's primary source of news, data, insight, knowledge and expertise. We provide news, data, analytics and advisory services to connect the aviation community globally and help organisations shape their business strategies, identify new opportunities and make better decisions faster.

Follow us on social media

Site powered by [Webvision Cloud](#)