Boeing Projects $208 Billion Market for New Airplanes in Northeast Asia

Boeing [NYSE:BA] sees a $208 billion market for new commercial airplanes in Northeast Asia during the next 20 years, according to the company's 2004 Current Market Outlook. That report is widely regarded as the industry's most comprehensive and respected analysis of the commercial aviation market.

The Northeast Asia market consists of Japan and Korea . In terms of U.S. dollar value of airplanes delivered, it's the largest in the Asia-Pacific region, with the majority of forecast deliveries being intermediate twin-aisle airplanes such as the Boeing 777 and 7E7.

"The long-term market outlook remains positive," said Boeing Commercial Airplanes Vice President of Marketing Randy Baseler during the Japan Aerospace 2004 tradeshow. "Even severe downturns such as we've experienced during the past few years do not change the fundamentals of economic growth and the need for people to travel."

Boeing projects that Northeast Asia airlines will need almost 1,600 new passenger and freighter airplanes over the next 20 years. More than 50 percent (807 airplanes) will be intermediate twin-aisle airplanes. In dollar terms, these airplanes are nearly 63 percent of the $208 billion that airlines in the region will invest in new equipment.

In addition, 35 percent of the deliveries, or 553 airplanes, will be single aisles. Ten percent (156 airplanes) will be for 747 and larger airplanes, and nearly one-third of these (51 airplanes) will be new large freighters, while five percent (72 airplanes) will be regional jets.

The new freighter market is 81 units, valued at $19 billion. In addition, passenger airplanes will be converted to freighter configuration to help serve the region's air cargo markets.

A key finding in the 2004 Current Market Outlook is the increase in the number of frequencies and city pairs between Japan and China .

In 1990 there were only 59 weekly frequencies of direct service between cities in those countries, and ninety-five percent went through Beijing or Shanghai . Today the number of Japan and China city pairs has increased more than five times, while weekly frequencies have risen eight-fold, to 463.

"Passengers want the freedom to go where they want to go, when they want to go," Baseler said. "In a competitive market, airlines will continue to meet passengers' demands for more nonstop, point-to-point flights and increased frequency choice, which doesn't rely on larger airplanes."

Boeing expects this trend of increasing frequency choice and more nonstop service to continue because that is what passengers want.

"The same pattern is true for the Japan domestic market where airplane size decreased after deregulation in 1996," said Baseler. "This resulted in an increase in frequencies and nonstop markets to accommodate the air travel growth and reduction in airplane capacity to the benefit of the passenger."

Average air traffic to and from Northeast Asia will grow 6.1 percent annually during the next two decades, exceeding the world average growth of 5.2 percent; while traffic within Northeast Asia is forecast to grow at a 5.4 percent annual rate.

In the period of 2004-2023, air travel growth in the combined Asia-Pacific market is expected to grow at 6.0 percent.

Worldwide, Boeing projects that operators will invest $2.0 trillion for approximately 25,000 new commercial airplanes during the next 20 years.

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