



CAN CHINA SAVE THE DAY FOR SLUMPING AIRCRAFT MANUFACTURERS?

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The Singapore Air Show, the biggest event of its type in East Asia, is taking place this week. At the past few Air Shows, there have been major orders placed by airlines from India and Southeast Asia. Though a number of deals will certainly be made at the 2016 event, the mood is not quite as positive as it has been in years past.

The flow of orders was slow at the world's last major air show, which occurred this past November in Dubai. Things are also expected to be rather quiet in Singapore. Fears of a worldwide economic slump have caused airlines to think twice before they expand their fleets further.

Airlines in Southeast Asia had been very active over the past few Singapore Air Shows, but they are not expected to play a major role this year as far as new orders. In fact, airline manufacturers are concerned that airlines in the region may seek to delay the orders that they already have on the books. Meanwhile, the region's powers are involved in a simmering dispute about oil, fishing and territorial rights in the South China Seas. This has added further uncertainty to the region's air travel industry.

Is the airplane manufacturing industry on the "bust" leg of the "boom and bust" cycle? The industry as a whole is certainly on the bottom of the cycle when it comes to optimism, but there are a

couple of things that could see manufacturers leaving Singapore with a positive feeling.

Some carriers in Southeast Asia are looking for new planes. Philippine Airlines has made it well known that it is planning to order aircraft this week. It will most likely opt for Airbus A350s. Several new low cost carriers in the region could be in the market for aircraft as they expand their fleets as well.

China will get the most attention at the show this week. Why China? The country is experiencing its worst economic growth numbers since the early 1990s. However, the government is making major changes that are aimed at getting Chinese consumers to spend more money domestically. The country is currently in the midst of a five year plan to upgrade its air travel infrastructure to encourage people to fly more. The ambitious blueprint calls for no fewer than 66 airports to be built around the country. This year alone, Beijing has set aside \$12 billion for air travel development projects.

This major push by China is great news for Boeing and its peers, who are looking for orders to replace those that they are not expected to get from Southeast Asian and Indian airlines going forward. As China's Big Three (China Southern, China Eastern and Air China) look to expand into these new airports, a steady stream of subsidiaries and independent airlines are also entering the fray. Assuming the government's efforts are successful, there will plenty of orders going forward for major manufacturers. Smaller firms like Embraer and Bombardier are also looking to China for new orders while they are in Singapore as well.

Some experts are predicting that within 20 years, China will replace the United States as the biggest market for air travel on earth. So even if things do not go exactly according to plan with the country's air travel infrastructure upgrades, there will still be plenty of upside for aircraft manufacturers over the next decade.

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