1 BIG WAY THE BOEING 737 MAX AND AIRBUS A320NEO BACKLOGS DIFFER

News / Manufacturer

Much ink has been spilled in recent years about **Airbus'** lead over**Boeing** in the enormous market for single-aisle jets. Airbus ended 2015 with 5,535 firm orders for its A320 family of jets (including the new A320neo). Meanwhile, Boeing ended the year with 4,392 firm orders for its competing 737 family (including the new 737 MAX).

Airbus A

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THE A320NEO AND 737 MAX HAVE HUGE ORDER BACKLOGS. IMAGE SOURCE: AIRBUS.

In recent years, Boeing and Airbus have been producing roughly the same number of single-aisle jets. However, the rising gap in future orders has led Airbus sales chief John Leahy to predict that Airbus will control 60% of the market in the future.

However, there is one key difference between the Airbus and Boeing single-aisle order backlogs: Boeing has a higher-quality customer base, so its orders are more likely to stick. By contrast, Airbus has sold a lot of planes to relatively unproven carriers. These orders could disappear if any

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of Airbus' customers run into trouble with their aggressive growth plans.

Battle of the backlogs
To get a feel for how the Boeing and Airbus customer bases in the narrowbody market differ, let's take a look at the 10 largest outstanding orders for both companies. (The following table only includes firm orders as of the end of 2015.)

Top A320 Orders		**Top 737 Orders**	
Customer	**Outstanding orders**	**Customer**	**Outstanding orders**
IndiGo	430	**Southwest Airlines**	256
AirAsia	309	Ryanair	254
Lion Air	221	Lion Air	245
AerCap	200	American Airlines	140
EasyJet	181	**Air Lease**	138
Wizz Air	146	Norwegian	136
American Airlines	145	GECAS	128
Avianca	141	**United Continental**	102
Lufthansa	136	BOC Aviation	102
GECAS	122	AerCap	101

DATA SOURCE: AIRBUS AND BOEING 2015 YEAR-END ORDER BOOKS.

For each company, the 10 largest orders account for 36% to 37% of the total narrowbody backlog. That indicates a roughly similar level of customer concentration. However, Boeing's biggest orders may be a little more secure than Airbus' biggest deals.

Comparing customers
Boeing's top 10 customers for the 737 family include the largest discount airlines in the U.S. and Europe, respectively; two of the three largest U.S. airlines; and the two largest aircraft-leasing companies in the world (plus another two of the top 10 aircraft-leasing firms).

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That leaves Lion Air and Norwegian Air Shuttle. Norwegian Air Shuttle is a fast-growing European low-cost carrier with a mixed record of profitability. However, it already operates about 90 Boeing aircraft, so it may be able to absorb its scheduled growth. Furthermore, it also has 100 outstanding A320neo orders with Airbus. If Norwegian had to scale back its growth plans, it would probably stay with its all-Boeing fleet and drop the Airbus orders first.

Lion Air is a bigger risk. It is one of Indonesia's two biggest airlines, but it has had a troubled history, including huge safety lapses and terrible delays. Government regulation and weak economic conditions in Indonesia also threaten to stunt its growth. Yet it has nearly 500 aircraft on order: more than double the number it currently operates.

Lion

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LION AIR HAS PLANNED FOR EXTRAORDINARY FLEET GROWTH. IMAGE SOURCE: Wikimedia commons

The saving grace is that like Norwegian Air Shuttle, Lion Air currently favors the Boeing 737 but also has a lot of A320 and A320neo orders on the books. If it has to slow its growth, it's more likely to defer or cancel its Airbus orders in order to simplify its fleet.

Airbus also has a number of solid customers for its A320 and A320neo aircraft families. But Lion Air is not its only major customer that could cancel aircraft orders.

Airbus' biggest order is the most tenuous of all. While IndiGo is the most successful airline in India, it currently operates about 100 planes, which is a tiny fraction of its 430 plane backlog with Airbus. Additionally, its strategy of leasing planes for a few years and then returning them could drive big cost increases in future years, as airlines typically incur significant maintenance expenses in connection with returning leased aircraft.

Airbus' second-largest order is only a little more secure. AirAsia is a highly successful budget carrier with nearly 200 planes in operation, but it had to scale back its growth last year due to poor economic conditions. While management remains optimistic about the future, further setbacks could prevent it from absorbing more than 300 new A320neos in the coming years.

The race is closer than it may seem

Of course, airlines are sometimes able to follow through on aggressive aircraft orders they place. IndiGo might be able to continue dominating the Indian airline industry. So there's no certainty that Airbus will lose a large number of its orders for single-aisle planes.

However, it does seem more likely than not that at least one of Airbus' big A320 customers will not take all of the planes it has ordered. By contrast, most of Boeing's largest 737 customers are more established companies.

Fortunately, Airbus has a firm backlog of more than 5,500 planes, equal to more than eight years of production, factoring in scheduled production increases. Thus, a few hundred cancellations wouldn't hurt it at all. Nevertheless, its sales lead over Boeing may be smaller than it appears.

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