

# Higher (And Scarier)

## Strongest Aircraft Market Outlook In Ten Years

**Presentation To The National Aeronautic Association**

Washington, DC

Richard Aboulafia

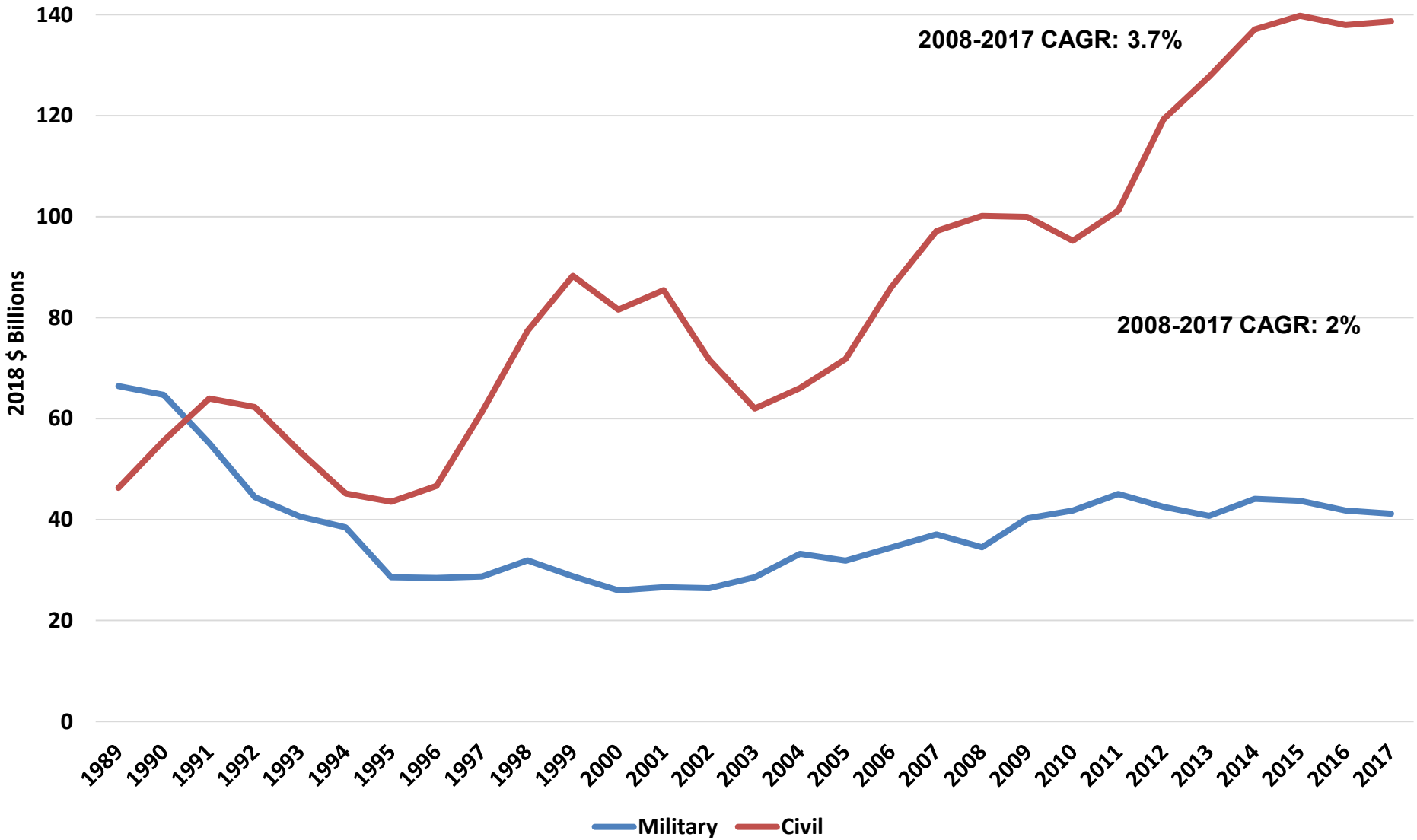
Vice President, Analysis

Teal Group Corporation

[www.tealgroup.com](http://www.tealgroup.com)

January 2018

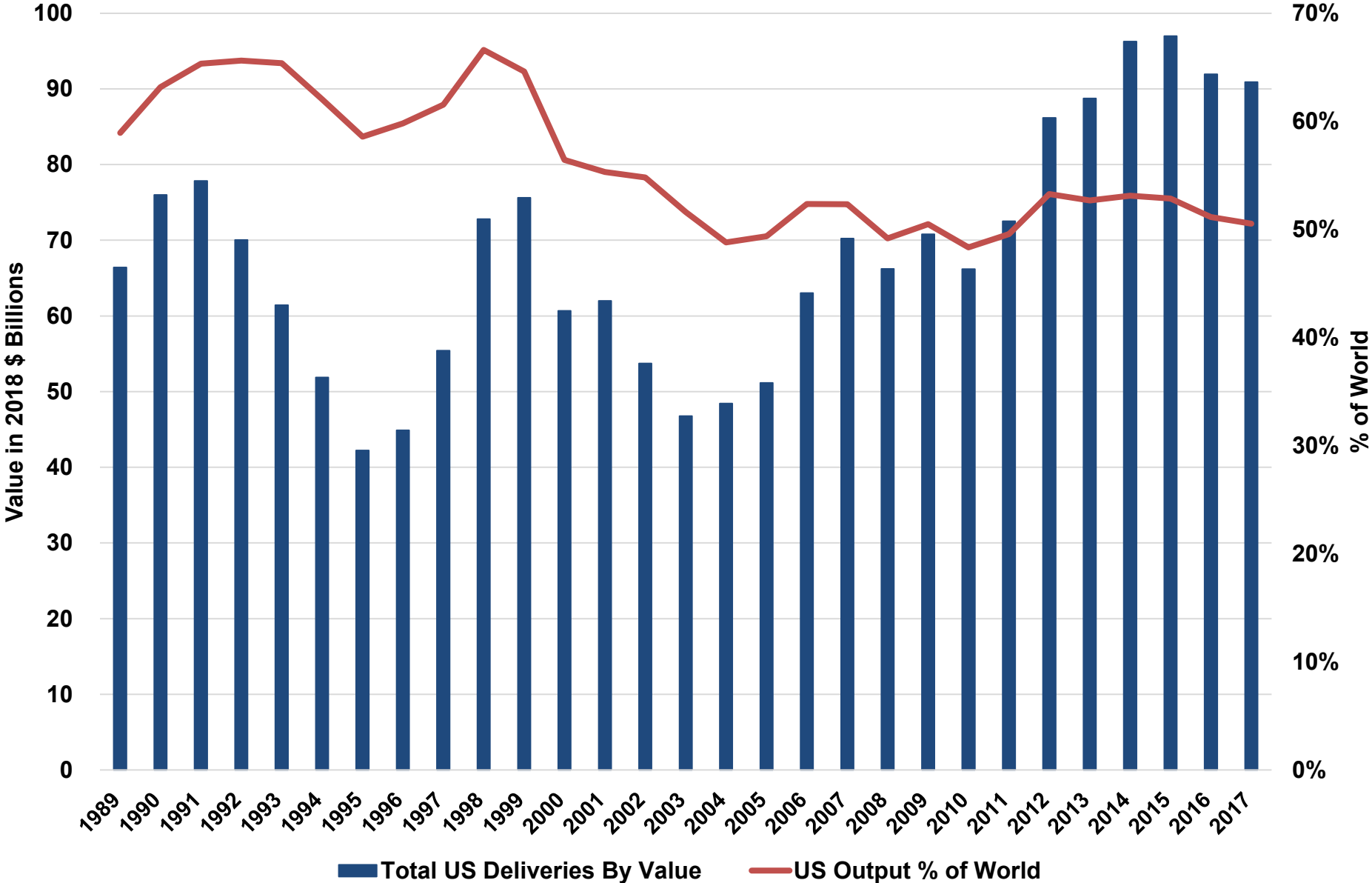
# World Aircraft Deliveries By Value, 1989-2017



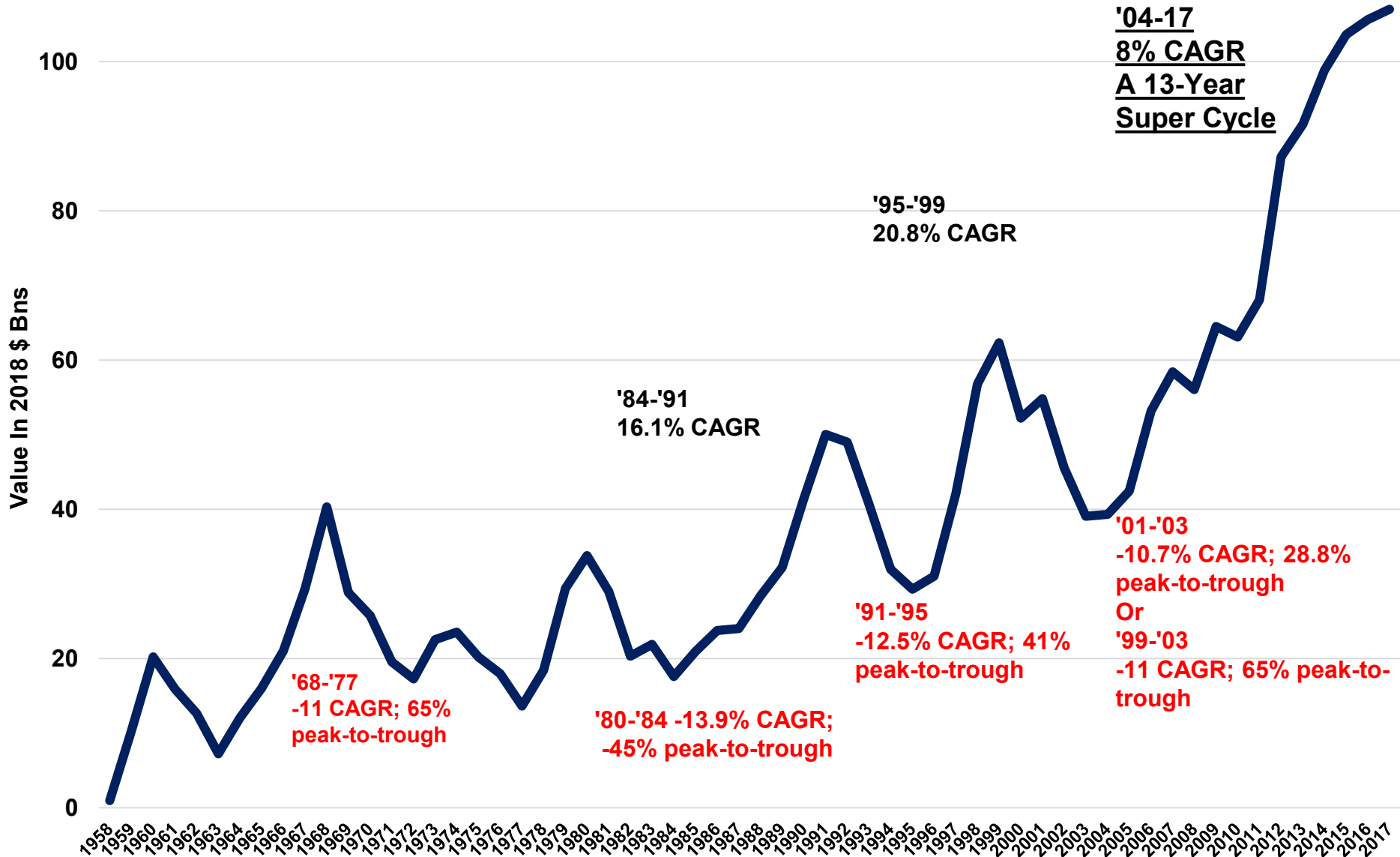
# Aircraft Markets, Through Good And Bad Years

<u>World New Deliveries</u>	<u>CAGR</u>	<u>CAGR</u>	<u>Change</u>	<u>Change</u>
<u>In 2017 (2018 \$)</u>	<u>'03-'08</u>	<u>'08-'14</u>	<u>'14-16</u>	<u>'16-'17</u>
Large Jetliners (\$102.2 b)	7.5%	9.9%	6.9%	1.3%
Business Aircraft (\$20.3 b)	17.2%	-2.2%	-15.9%	-2.0%
Regionals (\$7.1 b)	4.6%	-3.2%	0.4%	-7.6%
Civil Rotorcraft (\$4.1 b)	19.8%	-1.3%	-36.1%	10.4%
Military Rotorcraft(\$12.9 b)	9.7%	9.0%	-16.3%	-11.8%
Military Transports (\$6.1b)	3.2%	-0.7%	7.3%	-3.8%
Fighters (\$18.6 b)	1.9%	1.1%	-0.8%	9.1%
<u>All Civil</u> (\$133.8 b)	<u>10.1%</u>	<u>5.0%</u>	<u>0.6%</u>	<u>0.5%</u>
<u>All Military</u> (\$41.1 b)	<u>3.8%</u>	<u>3.4%</u>	<u>-5.2%</u>	<u>-1.6%</u>
<u>Total</u> (\$175 b)	<u>8.2%</u>	<u>5.1%</u>	<u>-0.8%</u>	<u>0.0%</u>

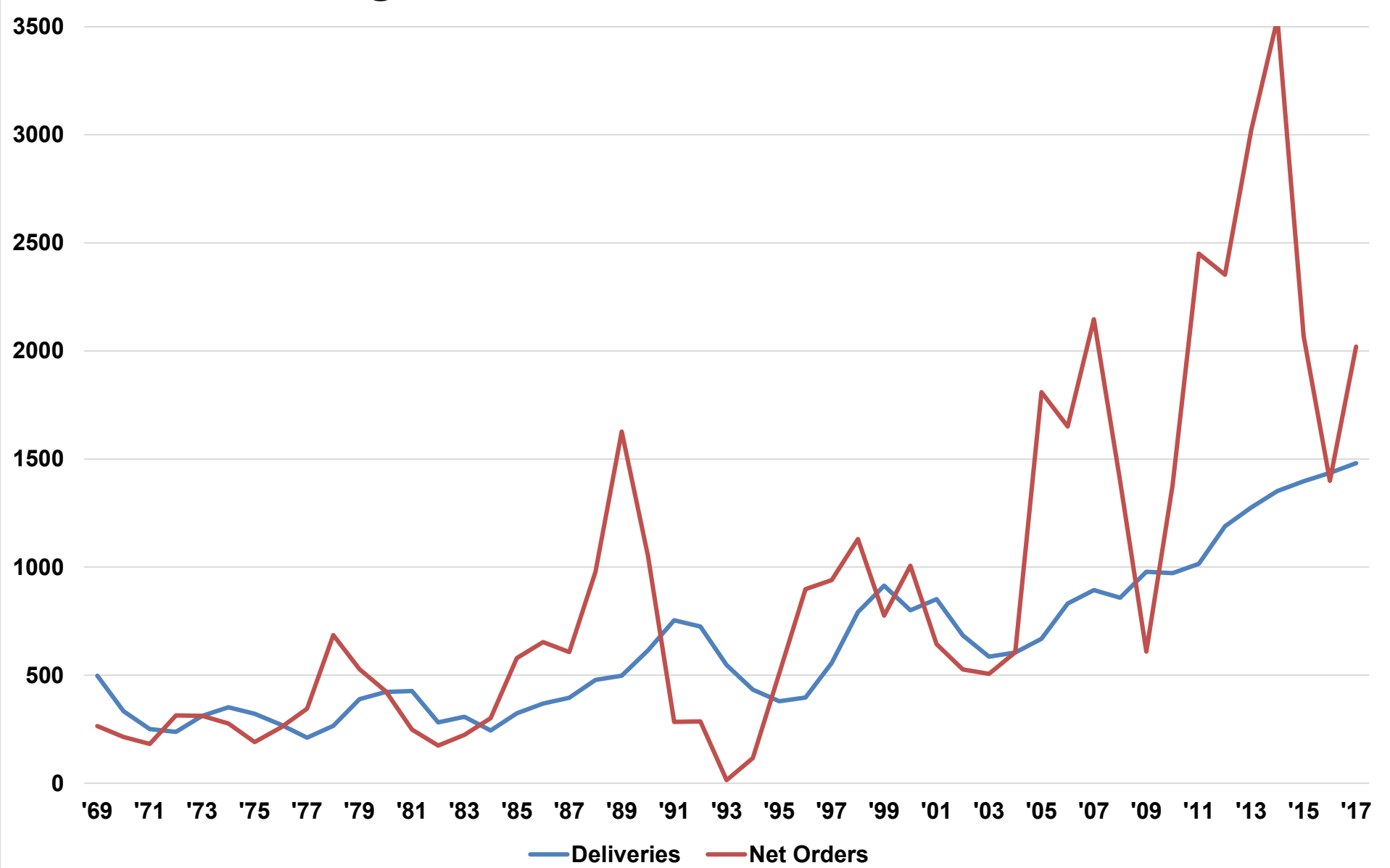
# US Aircraft Industry Output



# Cyclicality, Our Long-Forgotten Nemesis



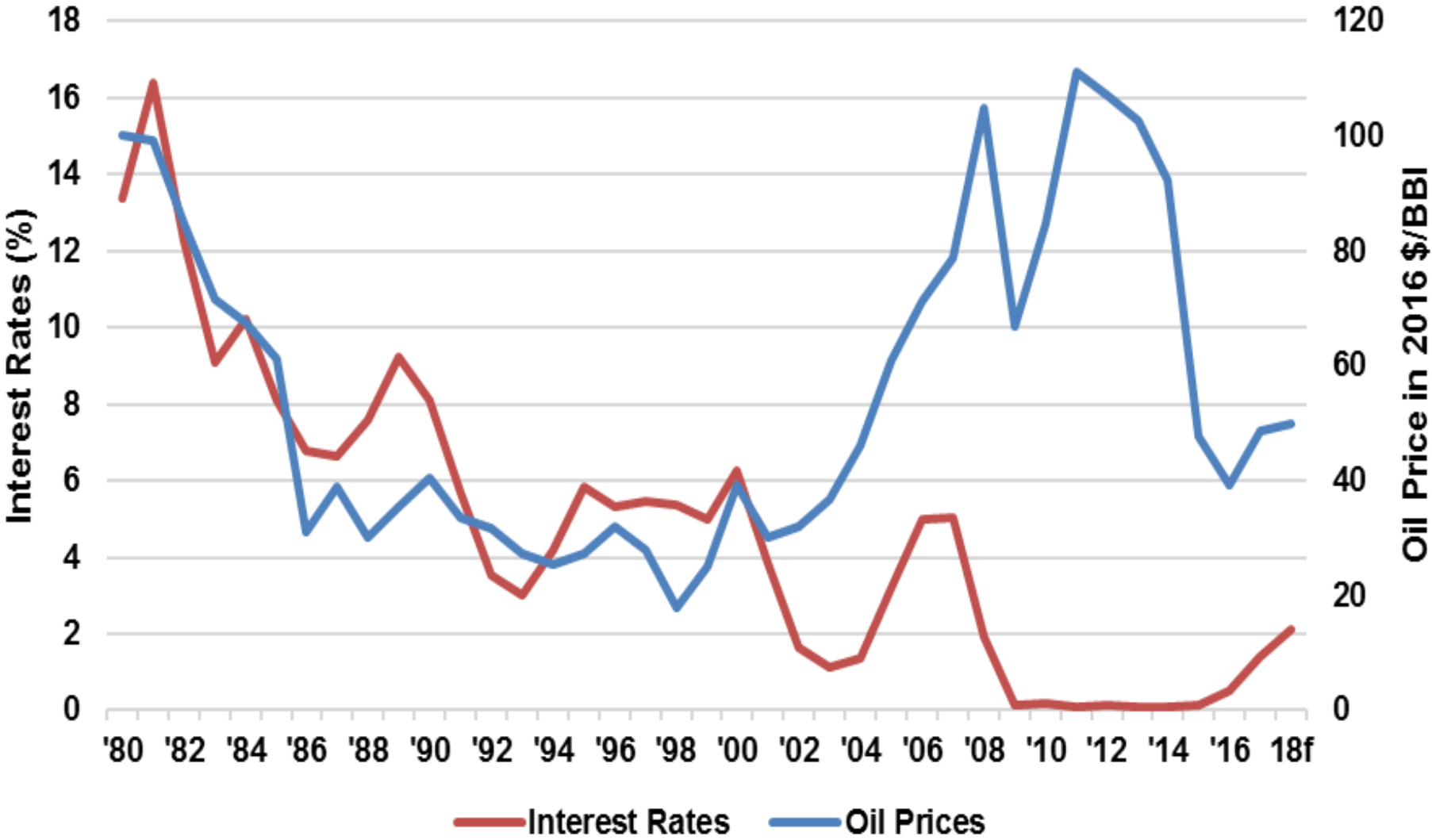
# Large Jetliner Orders And Deliveries



— Deliveries — Net Orders



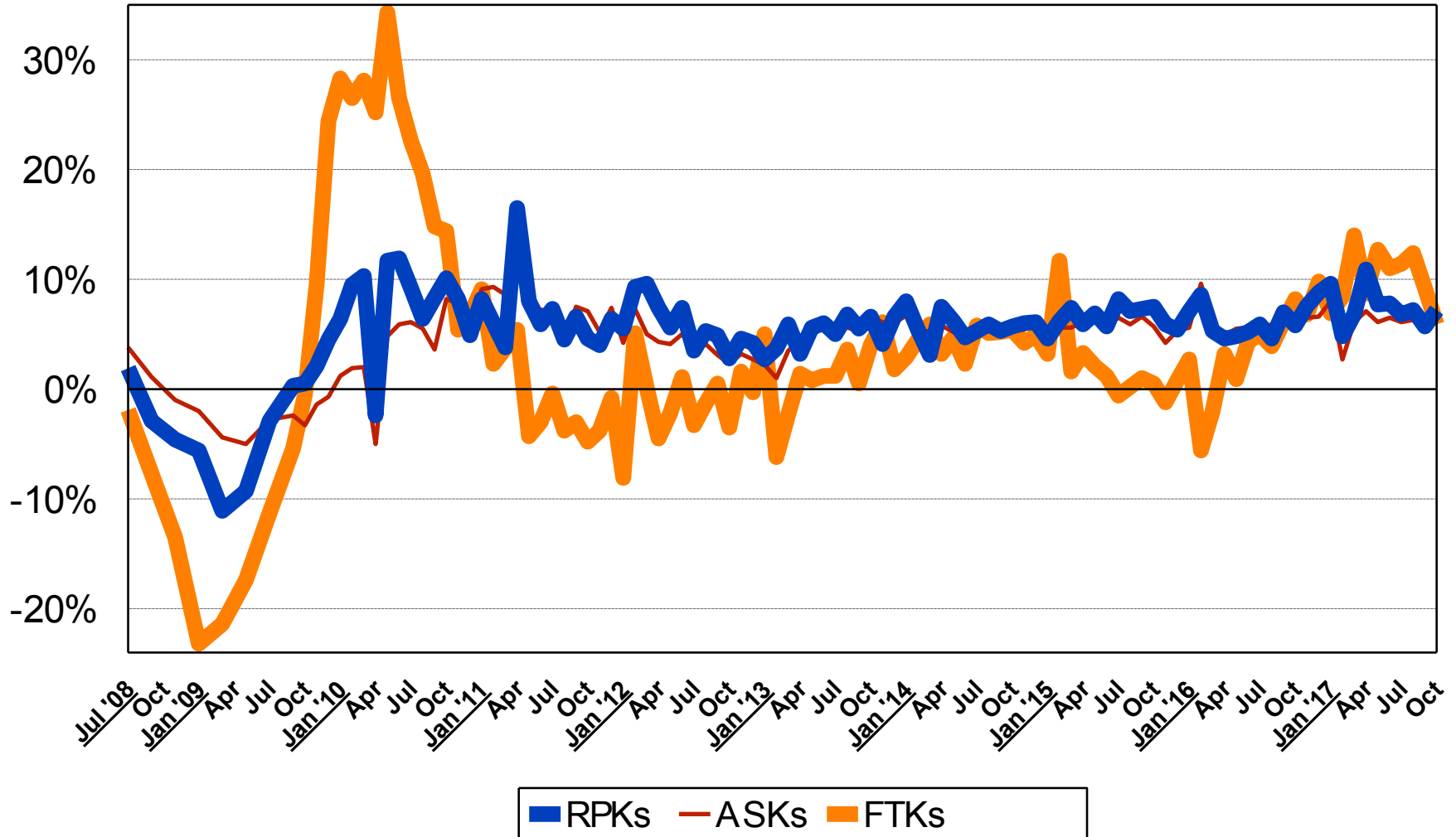
# Oil Prices And Interest Rates: The End Of A Strange Moment



# Y/Y Traffic: Well Above Trend

2017 1H Totals: RPKs 7.9% (12-year high), FTKs 10.4% (3x 5-year average)

2016 Totals: RPKs 6.3%, ASKs 6.2%, FTKs 3.8%  
2015 Totals: RPKs 6.5%, ASKs 5.6%, FTKs 2.2%



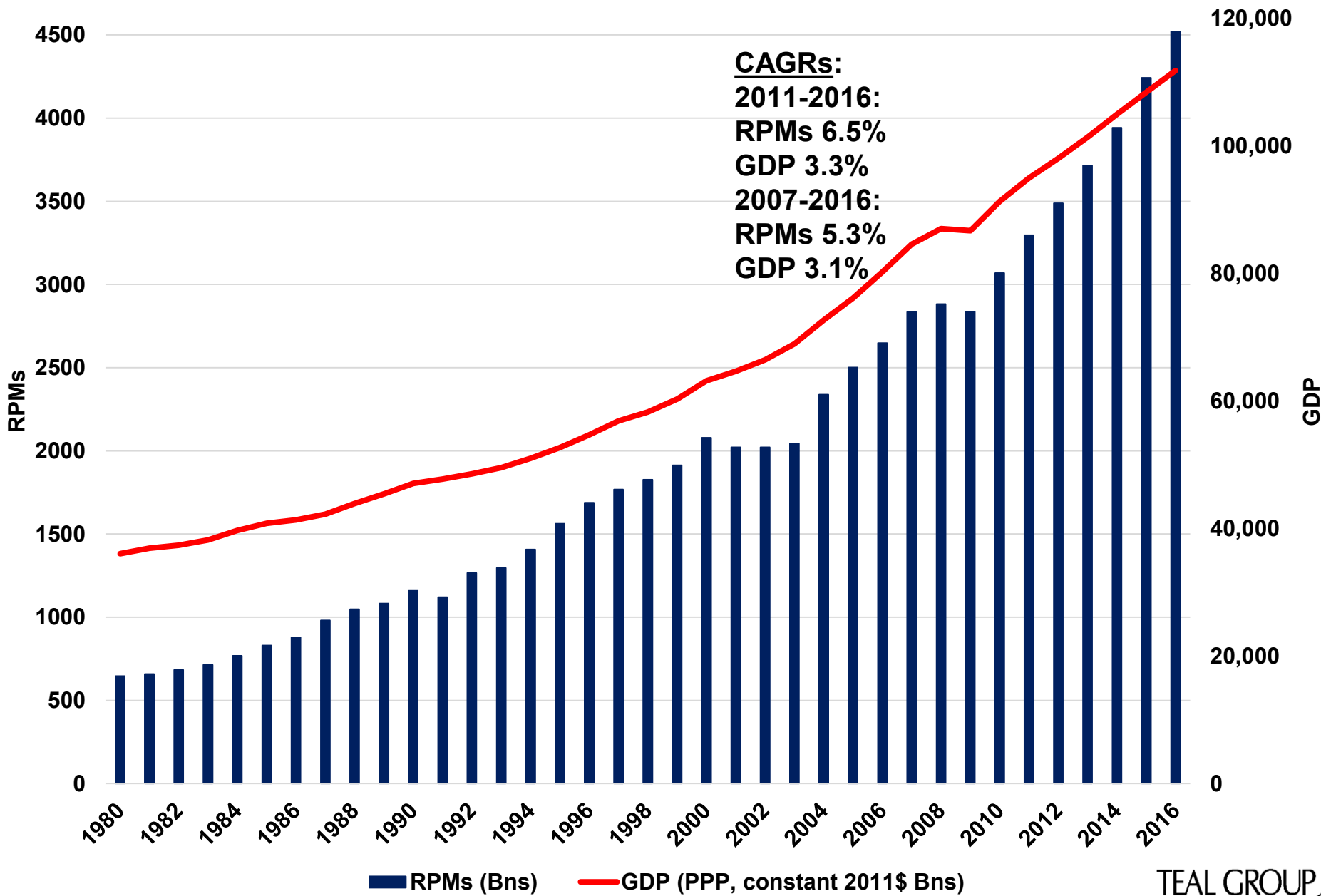
Source: IATA

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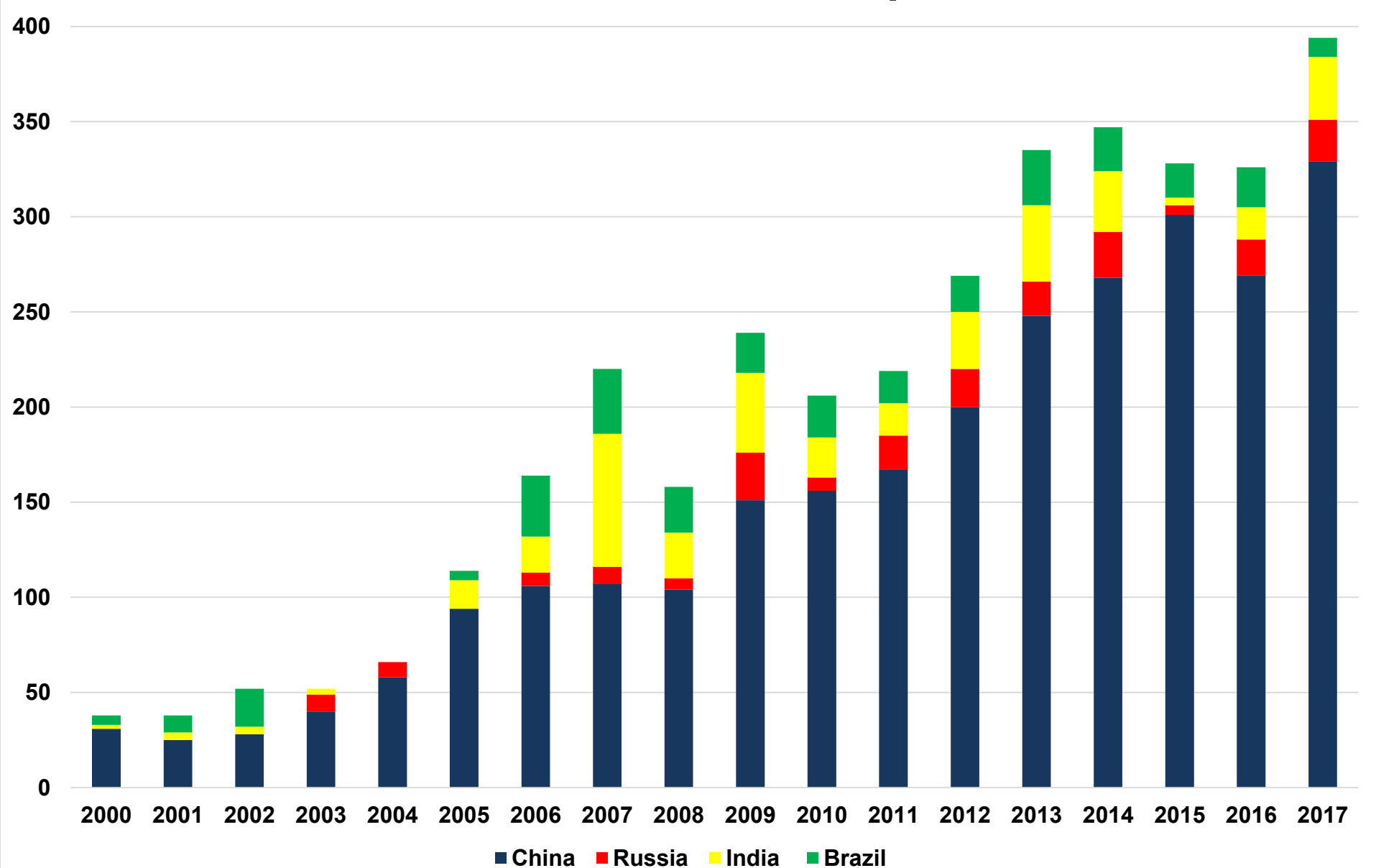




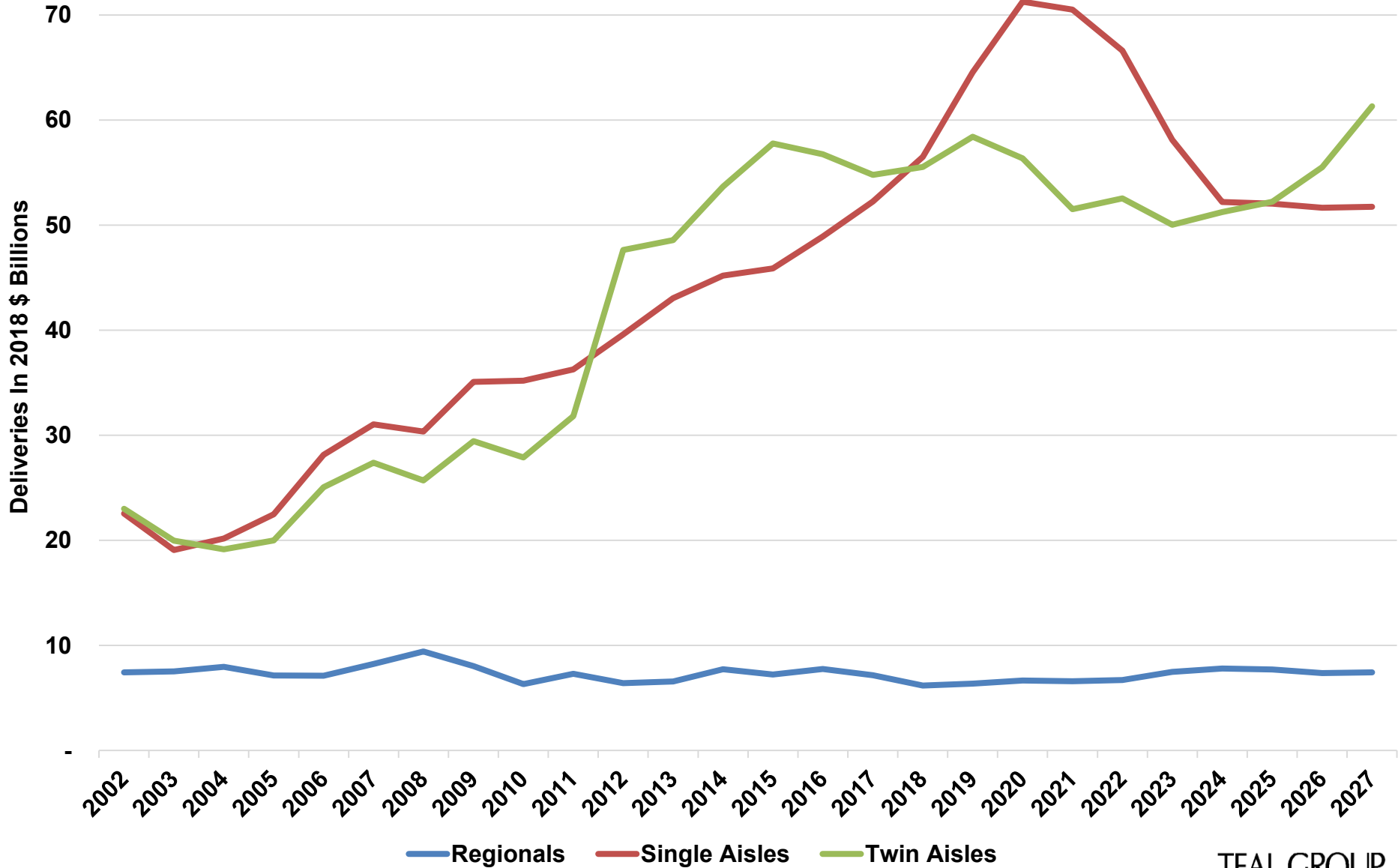
# Global Economic Growth Outpaced By Travel Demand



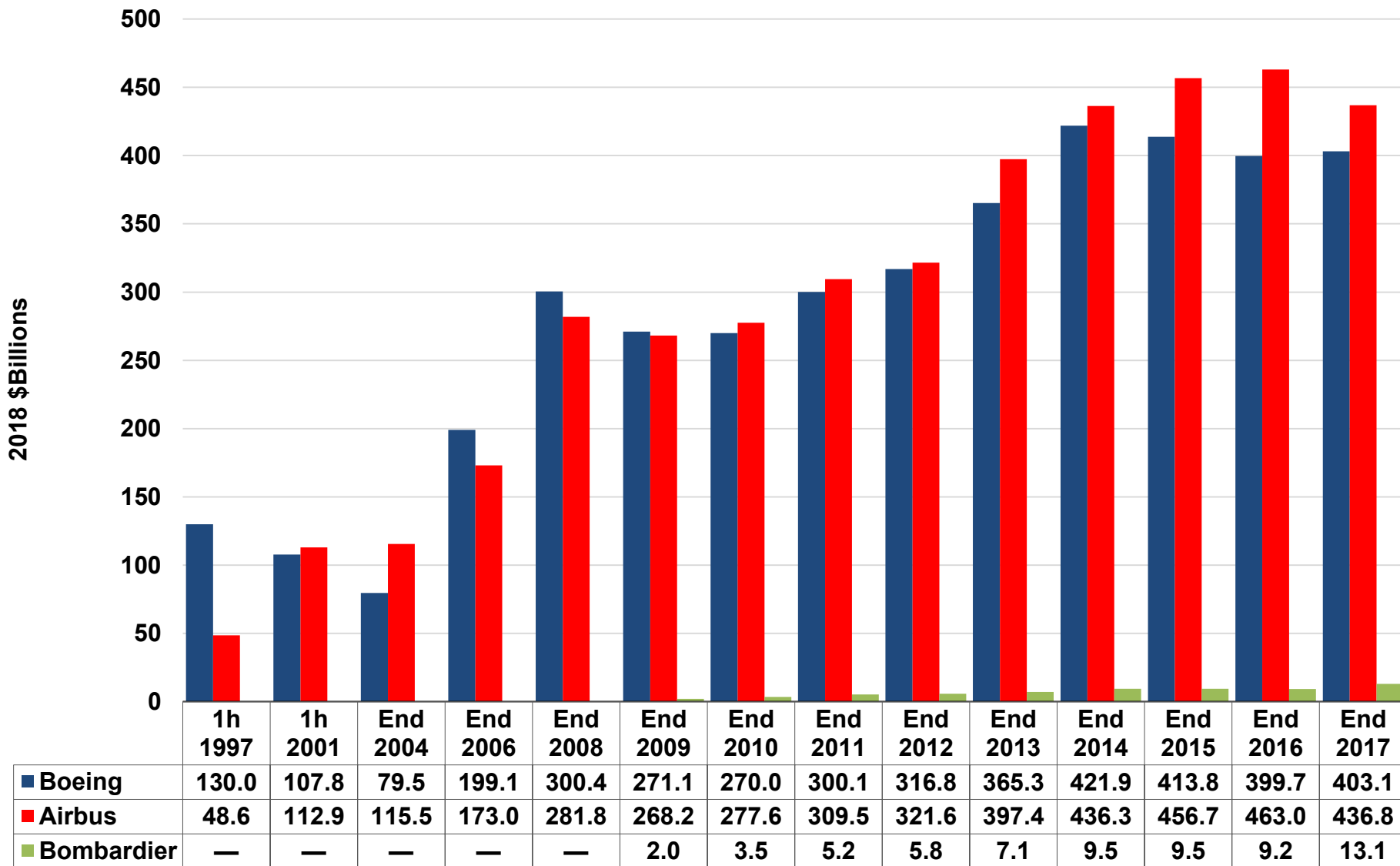
# BRIC Deliveries: Peaked, Except For China



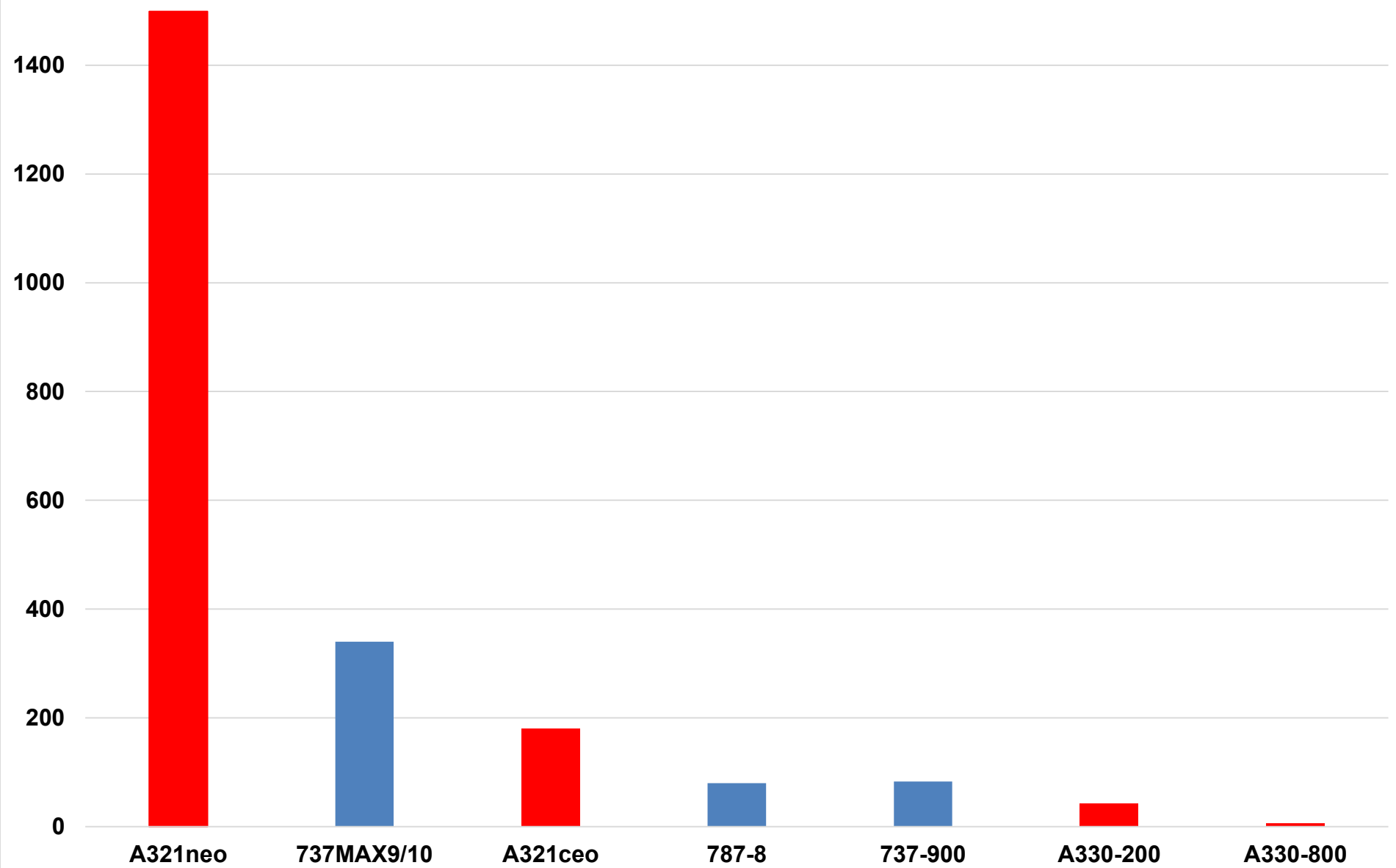
# The Air Transport Market By Class



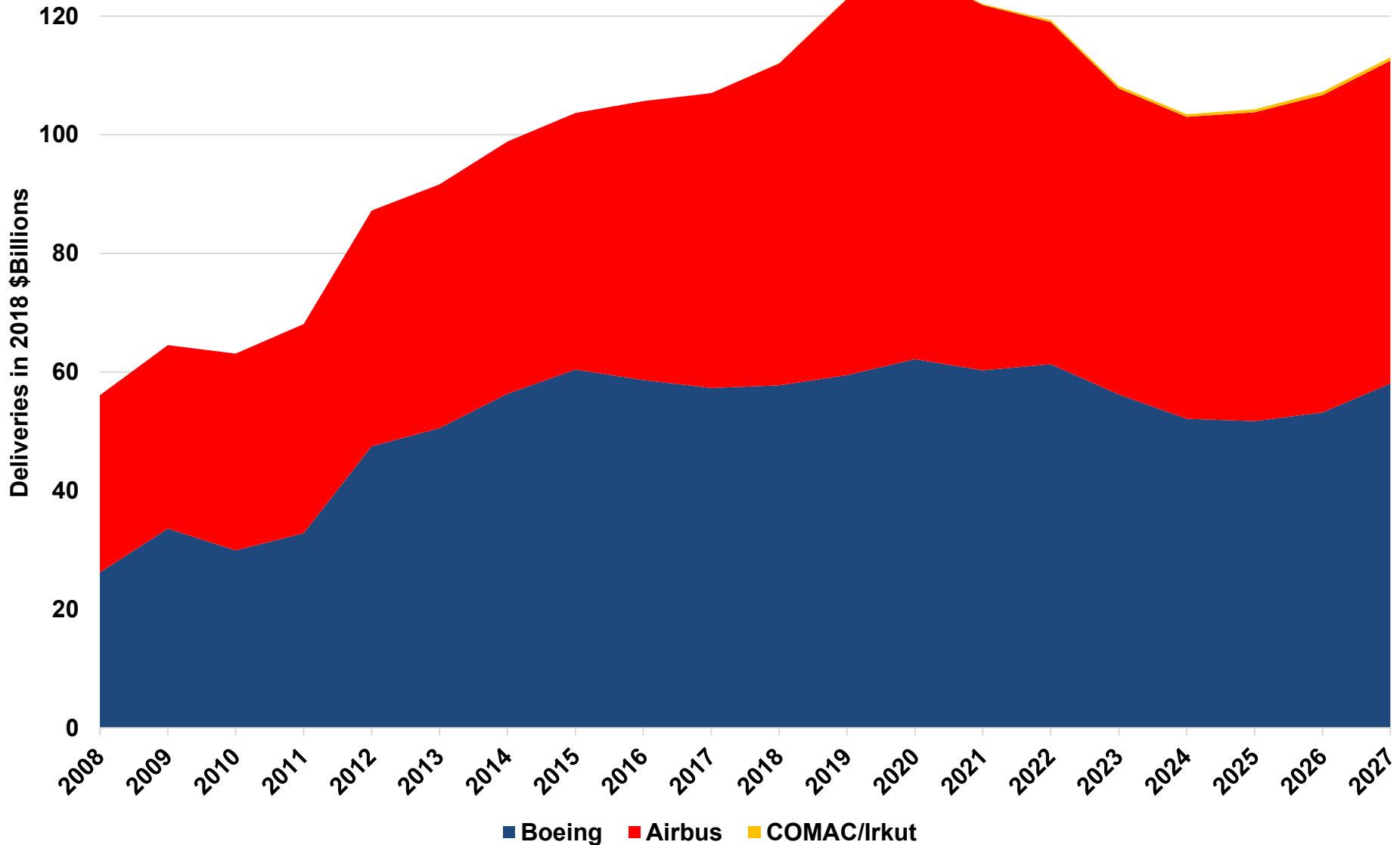
# Firm Order Backlog Values



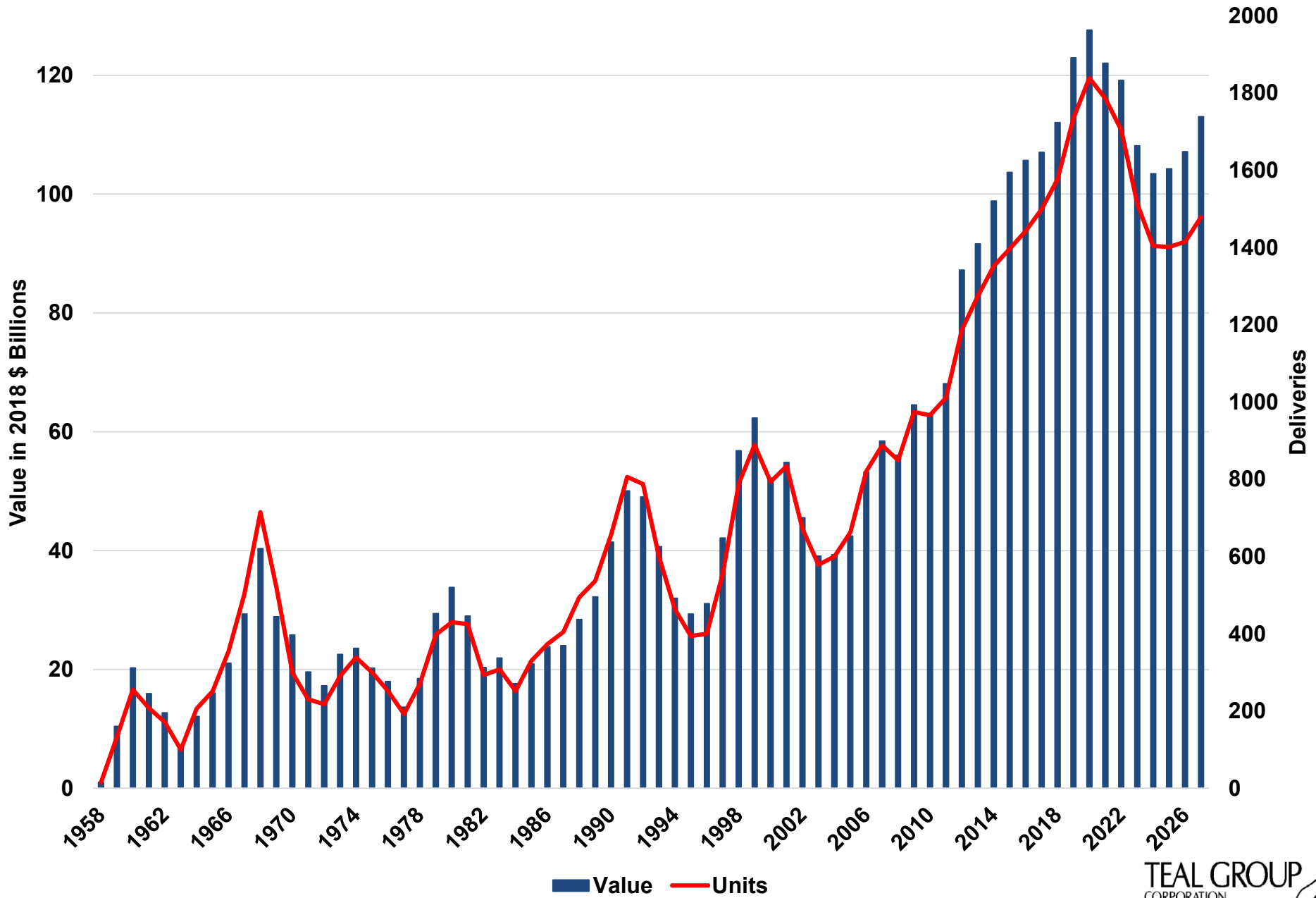
# Mid-Market Backlogs: Airbus's Strong Position



# Jetliner Market Shares By Deliveries

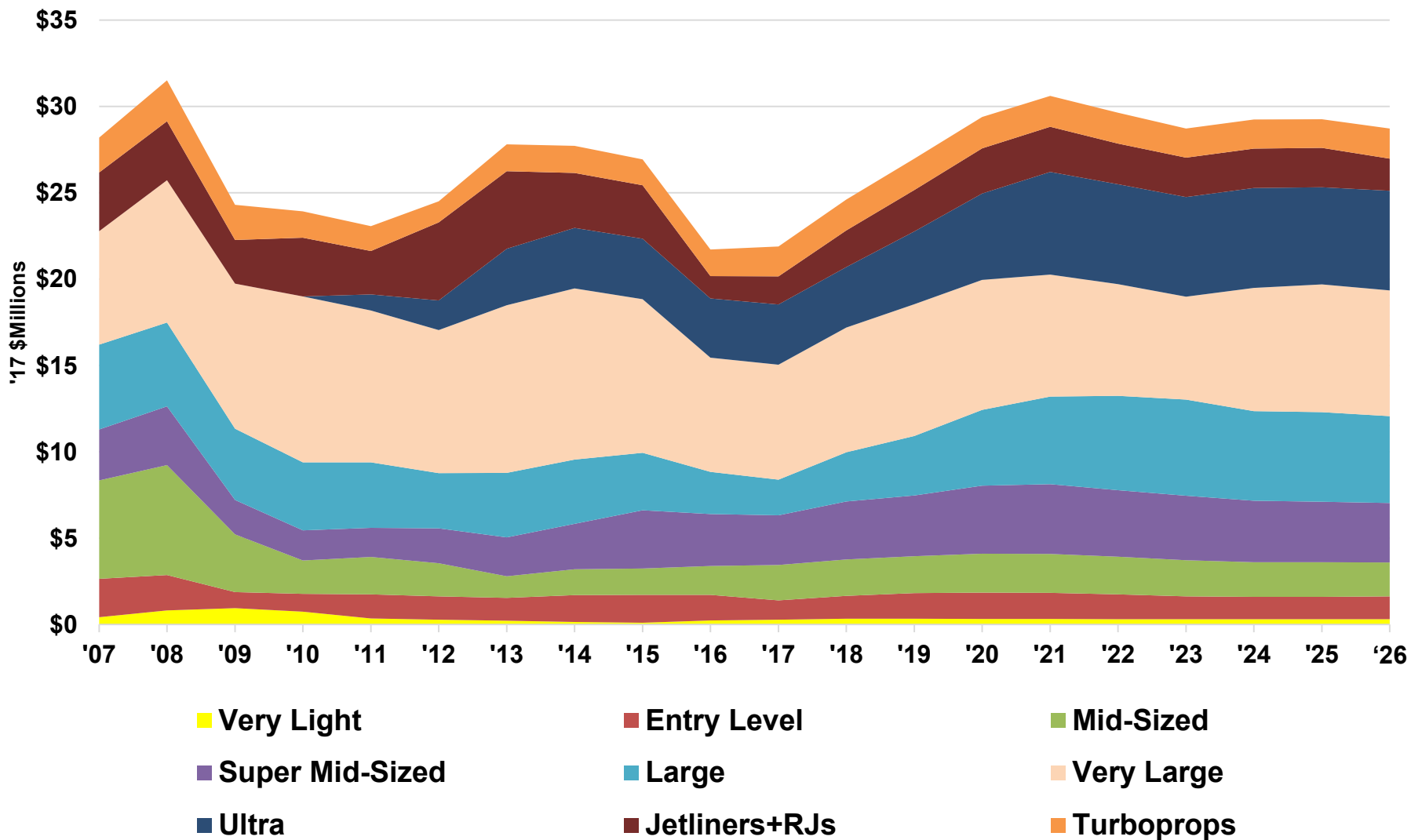


# "It Was Different That Time," We Hope To One Day Say



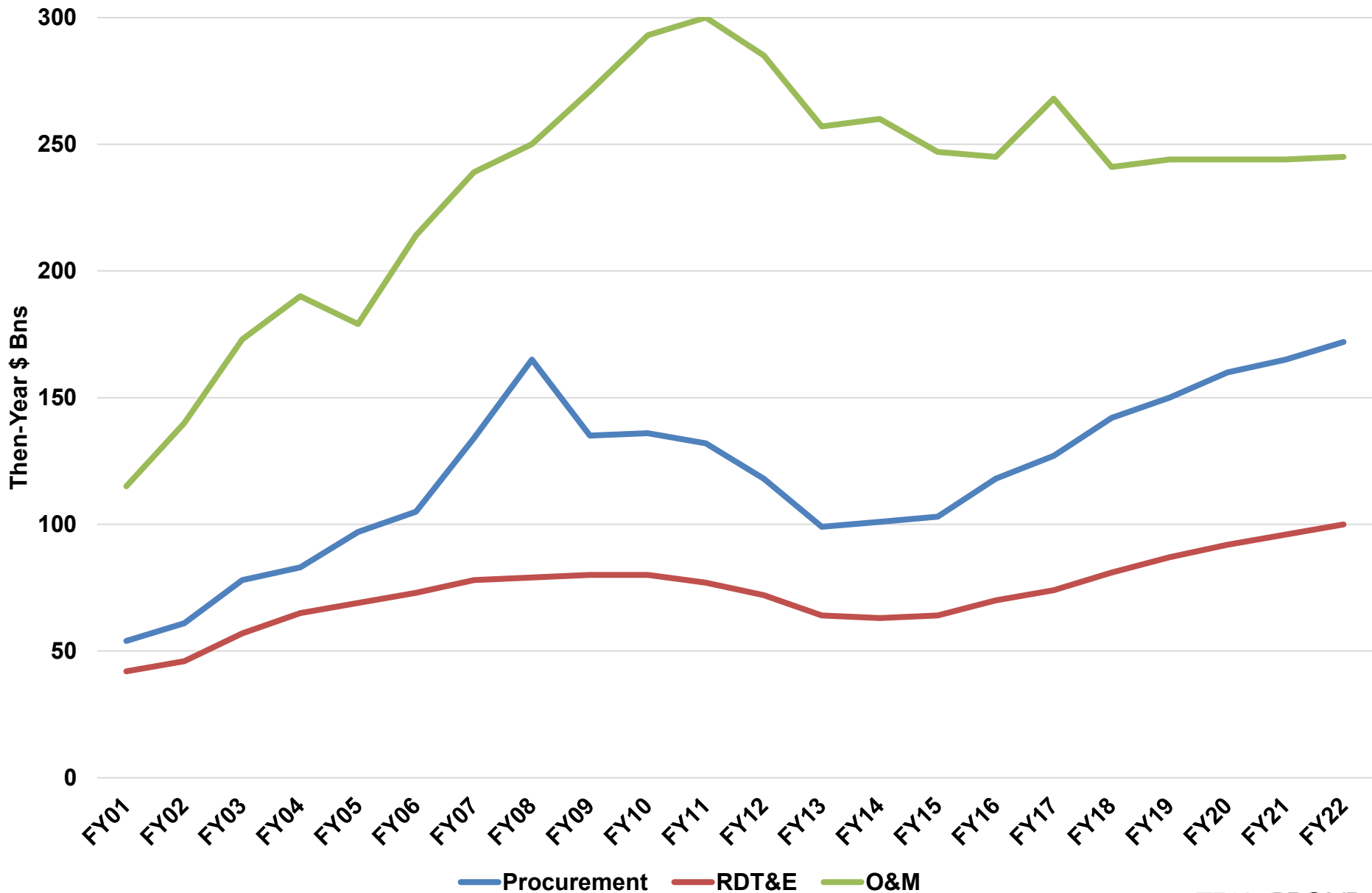
# Business Aircraft Market by Class

## A Gradual Shift Towards Larger Aircraft



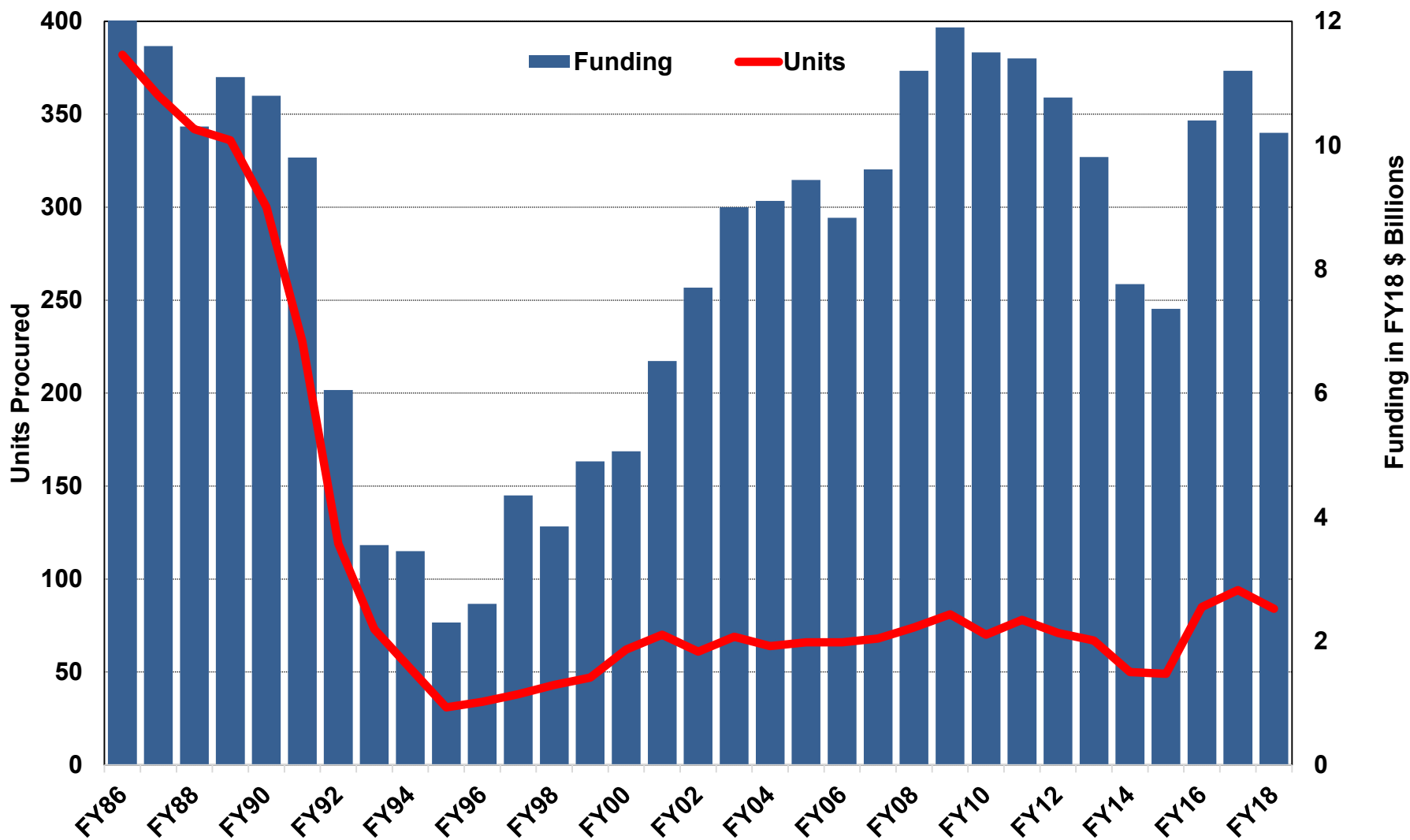


# DoD Investment, O+M: Booming Again, In Theory

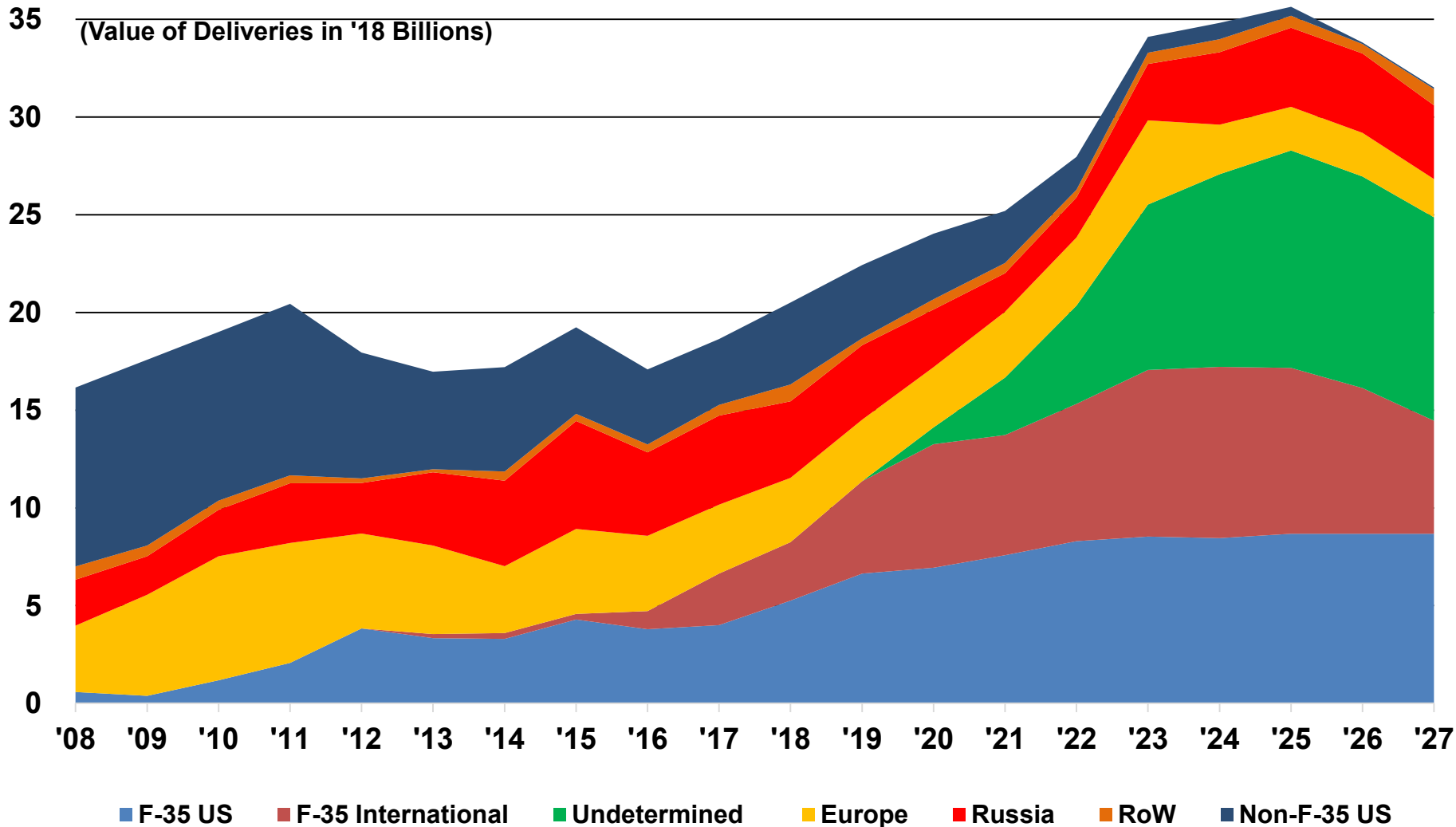


# DoD Tactical Aircraft Procurement FY86-FY18

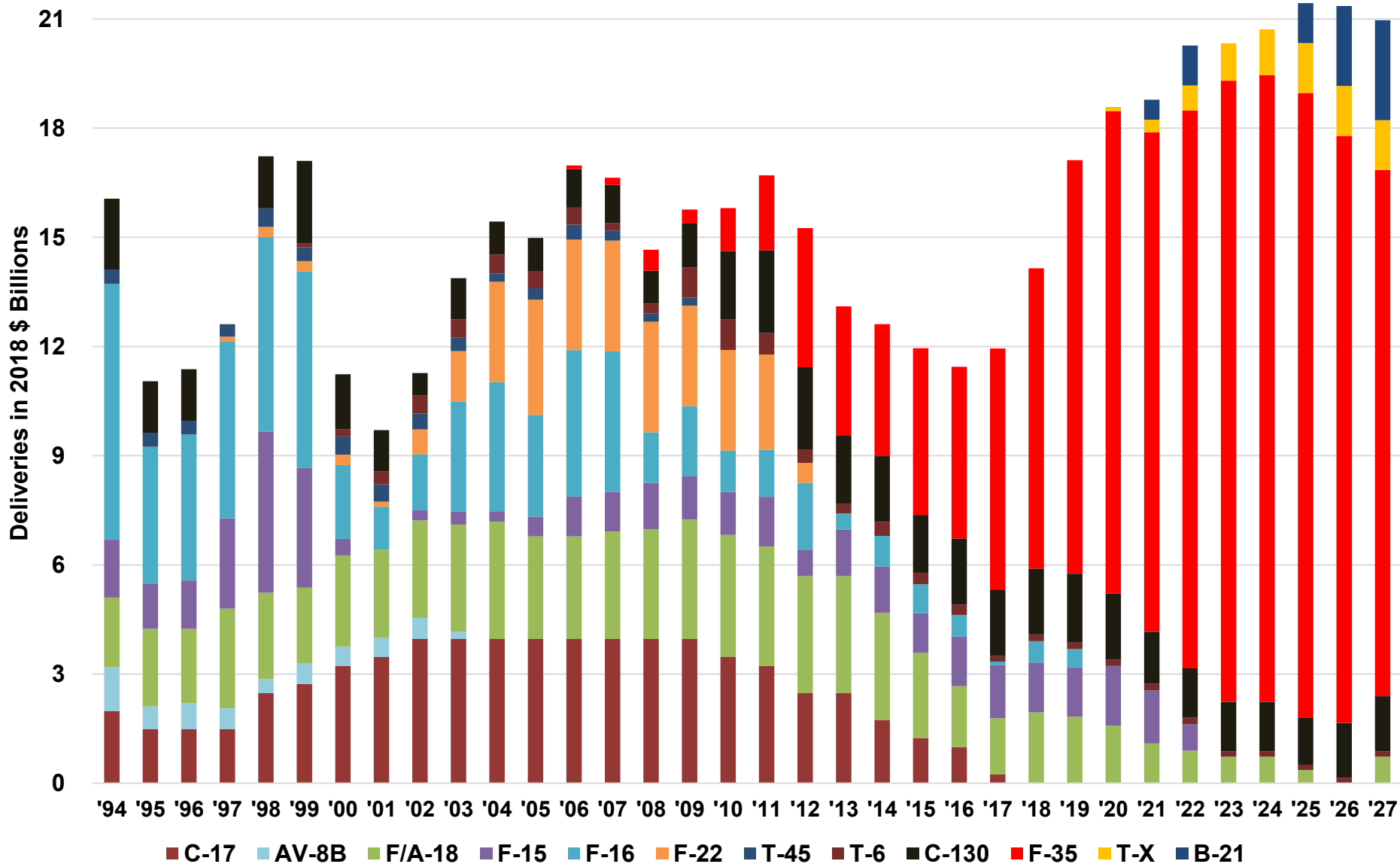
## A Return to the Peak, But Fundamental Problems Remain



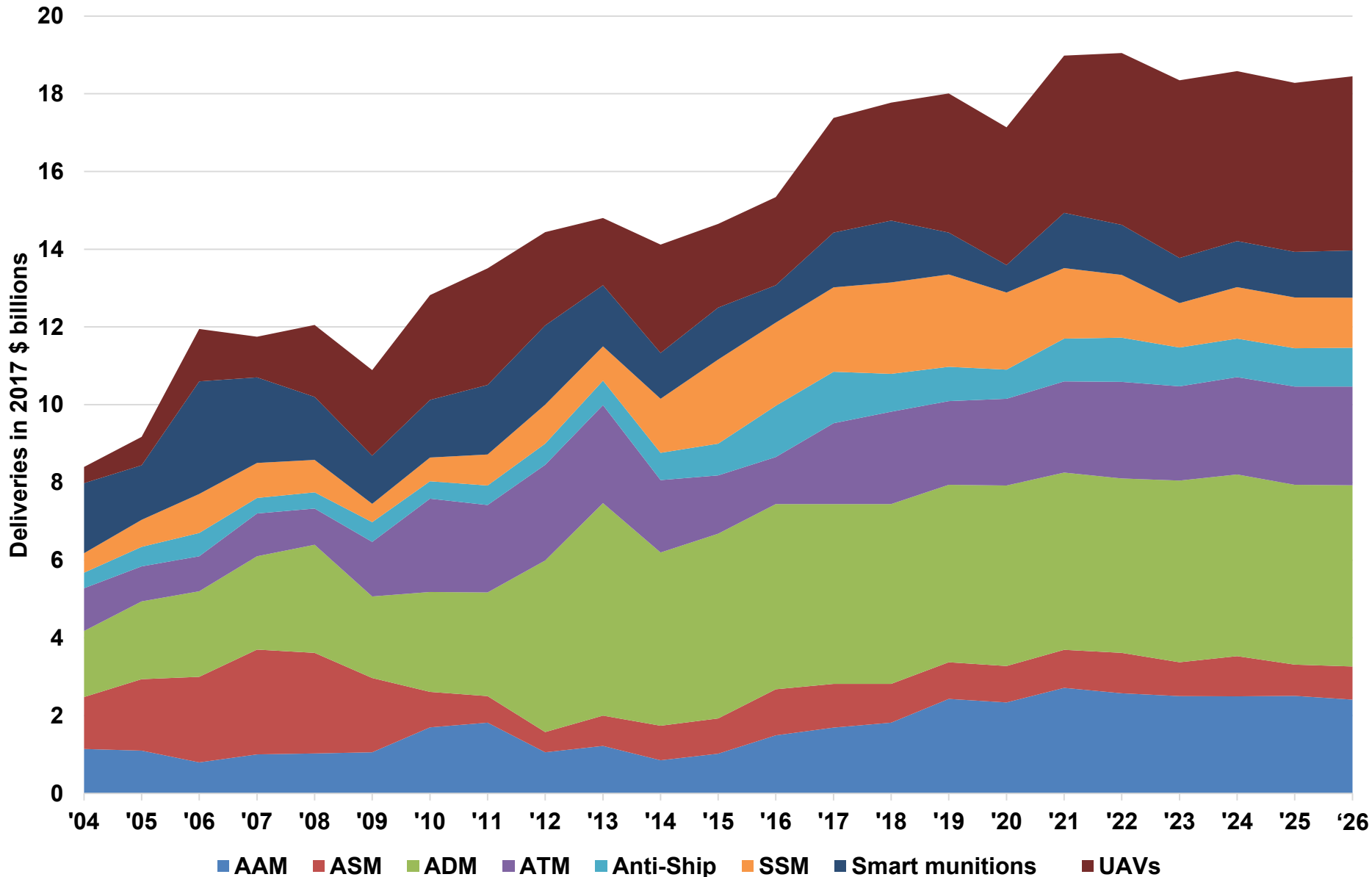
# World Fighter Production Shares



# US Military Fixed Wing Aircraft Deliveries



# Missiles, Munitions, UAVs: Strong Growth



# Global Aircraft Market Outlook In One Page

<u>Market</u>	<u>2018</u>	<u>Risk</u>	<u>Elevator Comment</u>
<b>Large Jetliners</b>	4.7%		SA ramp dealing w/ production snafus. TA over-capacity an issue. Watch China, fuel, interest rates
<b>Business Aircraft</b>	4.1%		Some signs of hope, but many false starts over a disappointing decade.
<b>Regionals</b>	-13.7%		Waiting for E-2; Scope clause is only big risk, but no growth.
<b>Civil Rotorcraft</b>	-1.3%		Still tough. Too many new models aimed at a weak Segment (oil).
<b>Military Rotorcraft</b>	8.9%		Trending down as programs of record end/slow; no risk of accelerated downturn.
<b>Military Transports</b>	7.8%		Long-term flat. Only risk is A400M execution; C130J benefits if it's a problem.
<b>Fighters</b>	10.0%		I like this market. F-35, plus strong Gen 4.5
<b><u>All Civil</u></b>	<b><u>3.5%</u></b>		Jetliner growth compensating for weakness in other segments; more risk from emerging markets, oil.
<b><u>All Military</u></b>	<b><u>11.0%</u></b>		Global insecurity, Tension, Malice. Special mission also boosts topline.
<b><u>Total Industry</u></b>	<b><u>5.2%</u></b>		<u>Overall outlook best in ten years.</u>