BOEING TO REDESIGN 737 MAX 9 TO VIE WITH AIRBUS A321NEO

News / Manufacturer

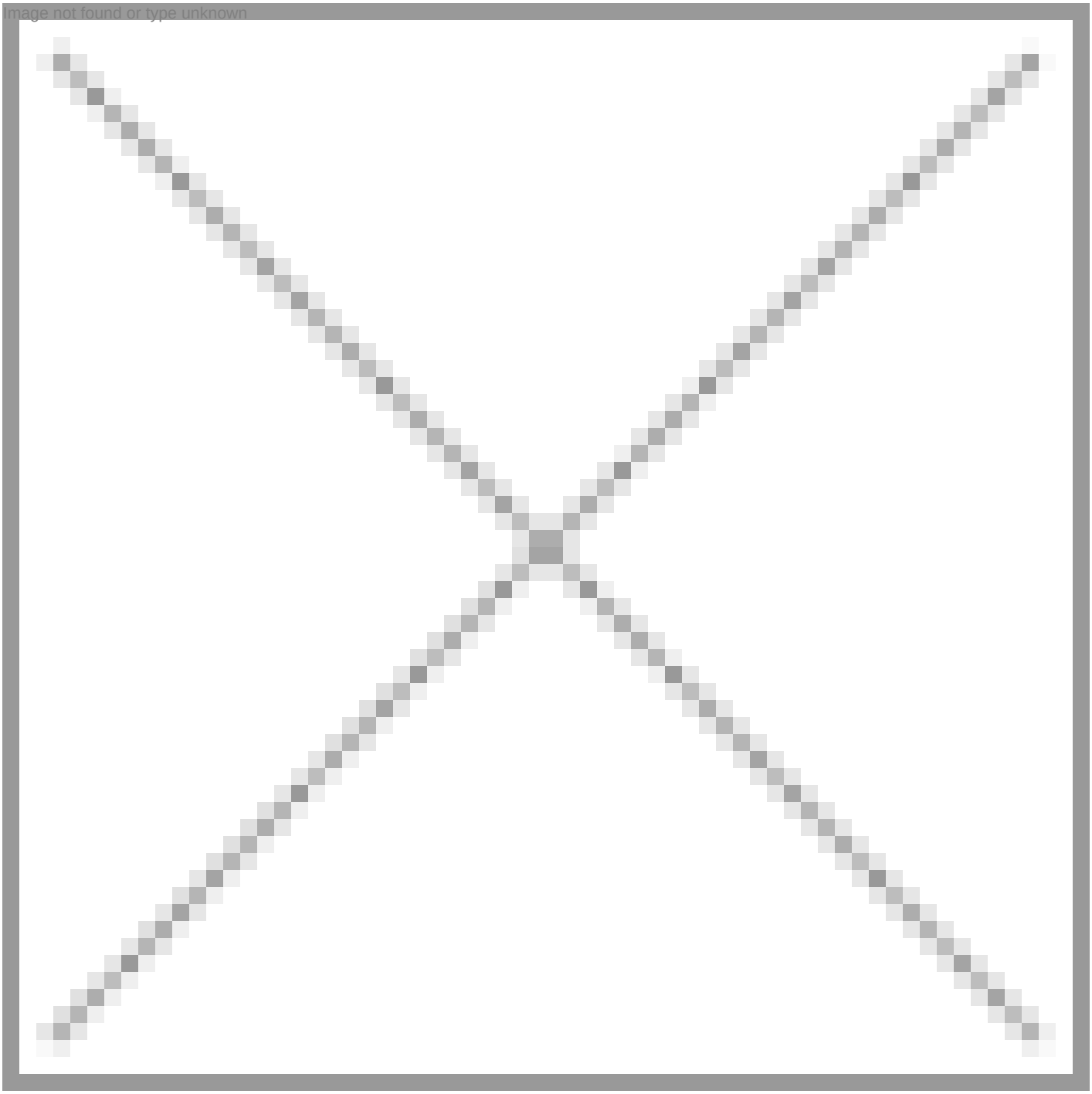


In a bid to compete against Airbus Group NV's EADSY longest single-aisle jet – A321neo, The Boeing Company BA is analyzing two potential designs for a longer version of its existing 737 Max 9 model, as per a recent report by Bloomberg. The new model, to be named Max 10, will be the largest aircraft in Boeing's 737 product line.

Notably, Boeing's 737 MAX family of commercial aircraft incorporates the latest-technology CFM International LEAP-1B engines to deliver the highest efficiency, reliability and passenger comfort in the single-aisle market. Note, that the 737 Max 9 is presently the longest narrow-body aircraft with the capacity to accommodate up to 200 passengers.

BOEING CO Price

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What to Expect from the Max 10?

As per Bloomberg, the 737 Max 10 will not only be longer than its predecessor, but will also incorporate the larger, upgraded engines that are currently used in the Airbus jets. Boeing's management claims that the 737 Max 10 model will cater to worldwide aircraft customers with an improved alternative to Airbus' A321neo will cater to customers worldwide.

Will the 737 Max 10 Benefit Boeing?

To assess the 737 Max 10's potential to drive Boeing's business, a brief analysis of Airbus' A321neo is essential. Note that Airbus A321neo enjoys a distinct advantage over Boeing's Max 9 model based on its size and operating efficiencies, as it can accommodate a higher number of passengers (up to 240 in high density) being eight feet longer than the latter.

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However, the lack of details related to the new Max 10's passenger capacity makes it difficult to accurately gauge its features, thereby raising questions over the new model's superiority over Airbus A321neo.

Meanwhile, Airbus A321neo is set to hit the market in 2019 and has already received 1,334 orders, reflecting huge demand for the A320 family of aircraft. Boeing, on the other hand, expects to launch the 737 Max 10 in late 2021.

Obviously, such a long time gap between the commercial debuts of the two models will go in favor of Airbus because by the time the 737 Max 10 is ready to hit the market, a considerable market share will already be captured by Airbus.

On the bright side, redesigning an existing model is expected to be significantly cheaper than launching a novel aircraft. However, revamping and upgrading the Max 9 model will involve increased engine thrust and a change in the landing gear, which will only be beneficial if the Max 10 model rakes in higher profits than the A321neo.

Lastly, although many analysts are skeptical as to whether this redesigning will prove to be profitable for Boeing, we remind investors that the 737 product line is the company's biggest source of revenues. The company is currently on track to increase the production of the 737 from the current level of 42 per month to 47 in 2017, followed by 52 in 2018 and 57 in 2019. That said, only time will tell if the new Max 10 model will be able to fetch as much profit as Boeing anticipates.

Demand for New Airplanes

We also note that Boeing currently forecasts demand for 39,620 new airplanes over the next 20 years, reflecting an increase of 4.1% over last year's forecast. In the broader market, demand for the single-aisle jet category will be particularly strong, with low-cost carriers and emerging markets driving growth. 28,140 new airplanes will be needed in this segment, indicating an increase of over 5% from last year. Given this forecast and the huge demand that Boeing's 737 family of jets already enjoys in the market, we expect the new 737 Max 10 model to hit the market right when the demand is projected to see uptick.

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