

# Boeing ends 2022 on high note, but supply chain delays linger

Dec 30, 2022, 2:56pm PST

The Boeing Co. (NYSE: BA) cleared high-priority hurdles in 2022, boosting the outlook for aerospace production in the Puget Sound region, but critics say it still has a long way to go to reclaim its former standing in the market.

The Arlington, Virginia-based jet maker spent the year grappling with supplier shortfalls and the glacial pace of certification for several of its commercial programs. It netted wins in the latter half of the year when it was able to restart deliveries of the 787 Dreamliner and secure help from Congress in the \$1.7 trillion spending bill signed into law on Thursday that allows its newest 737 Max designs to move forward.

"Wide body orders are re-emerging and the first and foremost focus on that center of the wide body fleet which is the 787," Boeing Commercial Airplanes CEO Stan Deal told investors in



ANTHONY BOLANTE | PSBJ

Boeing 737 jetliners sit parked near its production factory in Renton. The company has said it wants to hit a production target of 50 737 Max jets per month by the middle of the decade.

November. "So we see a pretty good outlook on the demand, it's just managed in our factory output through the supply chain."

But it has also struggled to sustain its production targets for its top-selling narrow-body jets, and analysts have questioned the company's decision to delay development of a new mid-market aircraft.

Boeing CEO David Calhoun seems to have internalized the lessons of caution and restraint following the twin crises of the Covid-19 pandemic and the 737 Max grounding. The company has taken a measured approach to the ramp-up of the 737 line and its dealings with regulators across its upcoming jet models. That's despite impatience from customers who are eager to refresh their fleets with more fuel-efficient jets.

"Our stated objective is going to remain stability, knowing that we can deliver airplanes on time, on schedule to our customers," Calhoun said in November. "That will be our stated objective, stability, and whether we are tied one or two in that market is not going to be the be all, end all. It gets you in trouble."

## **Losing ground to Airbus**

That restraint also extends to the company's research and development efforts, where it has put off design work on a new jet to compete with European rival Airbus' high-capacity, long-range A321neo for at least two more years, drawing warnings from aerospace analysts that it's surrendering years of sales.

AeroDynamic Advisory senior analyst Richard Aboulafia said the market share figures speak for themselves. At the end of November, Airbus had sold more than 6,000 jets in its A320 family, compared with Boeing's 737 backlog of 4,262 planes, before adjusting for customers who may be unable to pay, which Airbus is not required to report.

Calhoun said in November the company would likely not roll out a new jet until the mid-2030s, awaiting meaningful advancements in engine technology from its suppliers.

"We'll stay disciplined on investments," he said. "Everybody thinks there's a giant ticket out there somewhere in this timeframe or even

five years beyond this timeframe to do some new fancy airplane. It's not going to happen. Not going to happen. Technologies won't be ready to make that happen."

Aboulafia said Boeing's stance "has nothing to do with historical reality," stressing the company's need for continual improvements over Airbus' offerings.

Meanwhile, Airbus has said it aims to increase production of the A320 family to 75 per month by the middle of the decade as the line for the jets stretches into 2028. Boeing has set a more conservative target of 50 jets per month from its Renton 737 facility by 2026.

## **Competition for talent**

The risk to Boeing goes beyond lost revenue in the interim, Aboulafia said, as it competes not just with Airbus but with emerging sectors like space and advanced air mobility to retain engineering talent that would support a new program.

Boeing is relying in part on its widebody sales to make up the difference — particularly in the higher-value freighter market, where sales have surged and Boeing has held a dominant position. It ended November with more than 1,000 widebody jets in its backlog compared with just 619 for Airbus. That will mean continued activity for its Everett 777 and 767 lines, likely filling the void left when the last 747 left the shop floor in December.

The restart of the 787 line was overwhelmingly the company's top priority for the year, Aboulafia said, along with a reorganization of its defense services division to restore capabilities and address cost overruns on fixed-price government contracts.

But talent will be at a premium in the coming year, as Boeing faces the incredibly labor-intensive task of preparing its inventories of nearly 400 737 and 787 Dreamliner jets for final delivery.