

Commercial Aviation

Is surging demand for air travel an opportunity for mid-sized aerospace manufacturers?

A phrase that frequent airline travelers hate to hear is when the pilot suggests they stay in their seats because “We are running into a bit of chop.” The same could be said of air carriers’ efforts to meet burgeoning demand.

Commercial air travel continues to surge as the world puts the pandemic in the rearview mirror. Halfway through 2023, Revenue Passenger Kilometers (“RPKs”), an essential metric for the commercial aviation industry, continues to climb. In fact, global RPKs are only 12.0% off their 2019, pre-COVID levels. While all regions continue to see growth, the International Air Transport Association (IATA) reports that the global recovery to pre-COVID levels is currently being pushed by demand within the Asia Pacific region.

Such demand suggests that a robust and sustained commercial aviation recovery is likely as both Boeing and Airbus have reported heavy backlogs for their commercial jets of all sizes.

The one bit of turbulence that could prevent airlines from taking full advantage of surging demand going forward: there simply aren’t enough planes.

Record orders suggest an expectation for sustained demand

This year during the Paris Air Show, there was much buzz around the increased new aircraft booking orders, including a record 500-plane deal between Indian airline IndiGo and Airbus for A320neos. In total, Airbus left Paris with 801 new orders and Boeing with 230. Although Airbus was the clear winner coming out of the Air Show, the industry might be the true winner given the optimism stemming from the number of orders received and the perceived continued revival of the commercial airline industry.

The bad news is that the large airplane manufacturers are struggling to meet demand. As we received finalized 2022 numbers, it was apparent that last year’s delivery volumes failed to meet initial benchmark targets due to supply chain challenges and workforce shortages.

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