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Airbus cuts aircraft production by a third

European aerospace group confirms it will slash production of popular A320 single-aisle jet

By Peggy Hollinger, International Business Editor
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Airbus is cutting aircraft production by a third in a move expected to trigger a wave of job losses across the global aerospace supply chain as airline customers fight to survive the impact of a virtual halt to international air travel.

The European aerospace group has confirmed it will slash production of its popular A320 single-aisle jet, as reported in the Financial Times last week, from 60 to 40 a month.

It will also cut production of the A350 midsized twin-aisle from about 10 a month to six, and produce only 24 of the A330 family of widebody aircraft a year against previous expectations of 40.

Investors watch production rates closely as a guide to future profits and cash flow.

The moves come as airlines around the world seek to defer or even cancel orders for aircraft as government attempts to contain the spreading coronavirus have grounded the majority of the world's passenger jets.

Airbus's decision to cut production so substantially suggests that the company expects future demand to remain subdued for several years, bringing to an end more than a decade of ever-increasing production.

Analysts estimate that over the next four years the industry may have committed to buy some 20 per cent more aircraft than will be needed for an aviation market now expected to shrink substantially in the aftermath of the crisis.

Airbus's US rival Boeing, which has already had to halt production of its own 737 Max single-aisle after two fatal crashes, is expected to follow with its own production rate cuts in the coming weeks, several suppliers told the Financial Times.

Both manufacturers have already closed factories temporarily to implement safety measures. The US company had indicated before the crisis that it would cut production of its 787 Dreamliner as the wide-body market slowed, while the expected production of the new 777X is also likely to be scaled back.

Several big suppliers told the Financial Times that they would begin looking at factory closures and job cuts as soon as both aircraft makers had indicated their expectations for future production rates.

However many will be wary of announcing job cuts while governments are providing payroll support to companies who have had to furlough workers during the crisis. "It will take a few months," the supplier said. "We will have to wait for a time where we will not be seen as the bad guys."

Airbus said the new rates would "meet customer demand while protecting its ability to further adapt as the global market evolves".

The aircraft makers are concerned to keep production flowing through the supply chain to support many of the small but critical suppliers who have invested for growth and will be under extreme pressure from the collapse in demand.

The European aerospace group also hinted that job cuts could be in the offing as a result of the new production rates.

"Airbus is working in co-ordination with its social partners to define the most appropriate social measures to adapt to this new and evolving situation," it said in a statement.

Guillaume Faury, who took over as chief executive a year ago, said the impact of the crisis was unprecedented. "We are in constant dialogue with our customers and supply chain partners as we are all going through these difficult times together."