

Navigating new altitudes in commercial aerospace

Commercial Aerospace Insight Report

Accenture's latest analysis of the commercial aerospace industry predicts 2024 revenue will surpass pre-pandemic levels despite supply chain disruptions and quality concerns.

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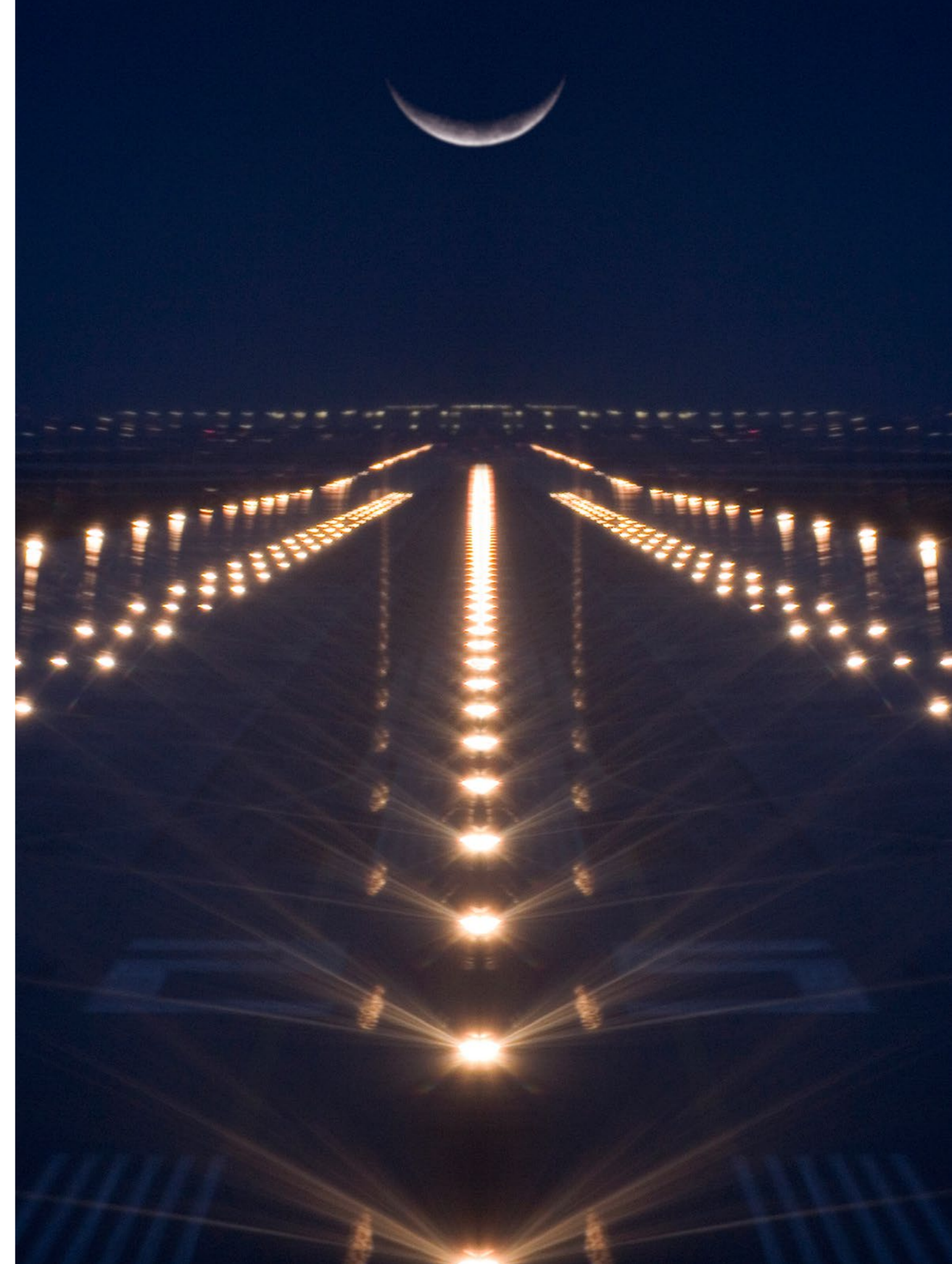
This edition of the Commercial Aerospace Insight Report marks a defining moment for the industry, with global revenue forecast to surpass pre-pandemic levels. Despite challenges like the Boeing strike, supply chain bottlenecks and quality issues affecting original equipment manufacturers (OEMs) and less resilient suppliers, 2024 is expected to see at least 3% year-over-year (YoY) revenue growth. This modest increase will be fueled by a surge in aftermarket services and strategic inventory build-up by OEMs. Engine manufacturers, in particular, are standing out, with expectations of double-digit growth.

However, executives are cautious in the short term—fewer than 40% anticipate revenue increases. Longer term, the outlook is far more optimistic, with a majority expecting revenue expansion over the next one to two years.

The **Asia Pacific** region is set to be the industry's growth engine, with revenue projected to soar by 54% compared to 2019. This remarkable growth will be driven by booming demand for maintenance, repair and overhaul (MRO) services and increased production in China. Revenue in **North America** is expected to be up to 3% below 2019 levels, with the machinists strike at Boeing dampening the outlook. **Europe** is also likely to lag, with 2024 revenue estimated to remain 4% below 2019 levels, largely due to the region's economic challenges and Airbus's production rate levels.

The industry continues to grapple with supply chain disruptions: **94%** of executives report moderate to severe impact from parts shortages, while **83%** point to persistent quality concerns. The sluggish adoption of automation and digital tools in supplier communication has done little to improve the situation. More than half of executives say they still rely on cumbersome manual processes for supply chain monitoring, data exchange with suppliers and risk management. To better manage risks and shortages, companies must swiftly adopt AI-driven platforms and build digital twins of their supplier ecosystems.

Despite these hurdles, some companies have managed to outperform. Embraer, Rolls-Royce, Honeywell and Hexcel all reported strong performance in the first half of 2024. Their success seems to come from a shared approach: digital transformation, strong supplier communication, process improvements, focus on talent and production localization.





Findings in brief

Global aerospace market set to surpass pre-pandemic levels

The commercial aerospace industry stands on the brink of a milestone, with 2024 global revenue expected to exceed the 2019 peak—and the 2023 mark—**by at least 3%**. Despite this growth, optimism remains tempered: Only four in 10 executives foresee significant revenue gains in the second half of the year.

This caution stems from mixed results among aircraft OEMs, with Boeing suffering a sharp 34% decline in 1H 2024 deliveries compared to the same period in 2023.

There are, however, strong points of resilience. Major suppliers—especially engine manufacturers—continue to drive growth, alongside a robust MRO market that's struggling to meet rising demand for parts and maintenance services.

Despite challenges at the OEM level, executives remain cautiously optimistic on full-year deliveries: 58% of them expect an increase in narrow-body deliveries, while 50% anticipate more wide-body deliveries in 2024 compared to 2023. However, our latest forecast suggests overall deliveries in 2024 could decrease by up to 11% YoY, **depending on the final impact of the Boeing machinists' strike.**

Air travel demand continues to soar

The International Air Transport Association (IATA) projects global airline industry net profits to reach \$30.5 billion in 2024, with a 3.1% net profit margin, up from \$27.4 billion and a 3% margin in 2023. Passenger revenue is expected to grow by 15.2% to \$744 billion, with load factors stabilizing at 82.5%. Global Revenue Passenger Kilometers (RPKs) are forecast to rise by 11.6%, led by the Asia-Pacific region at 17.1%.

Despite rising revenue and profits, the airline industry's 5.7% return on invested capital remains below its 9% cost of capital.¹ To bridge this return on capital gap, airlines must embrace advanced technologies and enhance operational efficiency to generate additional cash.

Supplier and quality issues slowing growth

The aerospace industry is still wrestling with supply issues, particularly in engine, aerostructure and cabin equipment deliveries—disruptions expected to persist well into 2025. Quality concerns have compounded these delays, hindering production ramp-ups for both OEMs and suppliers alike.

Some companies are finding ways to navigate these challenges effectively. These growth leaders are investing in digital tools, improving supplier coordination, localizing procurement and restructuring their supply chain management processes to stay ahead.

Short-term confidence in supplier deliveries remains largely unchanged since our last survey. Only 77% of executives feel confident about their supply chains' ability to deliver on time and meet quality standards over the next six months.



Aftermarket growth holds steady

Labor shortages and supply chain disruptions are slowing the MRO industry at a time when demand for services continues to rise. To keep up, MRO providers are expanding capacity, hiring aggressively and enhancing training programs. GE Aerospace, for example, has announced plans to invest over \$1 billion in its MRO and component repair facilities globally over the next five years.²

Despite these challenges, the MRO sector is on a solid growth trajectory. Forty-two percent of surveyed executives expect MRO spending to rise in the next six months, with 61% forecasting increases over the next year. Delays in new aircraft deliveries and issues with newer engines are prompting airlines to extend the service life of older engines, boosting demand for MRO services. Strong demand and investor interest underscore confidence in the aftermarket's growth potential.

Tackling parts and material shortages with digital solutions and partnerships

Commercial aerospace companies continue to face severe shortages of parts and material, a challenge that's expected to persist through 2025. The outlook for critical materials like composites, titanium and semiconductors is expected to worsen, with more executives anticipating challenges over the next 24 months. Ninety-four percent of executives report production delays due to these shortages, and 83% highlight quality issues as another major obstacle.

To address these challenges, companies need to enhance visibility

throughout the supply chain and work more closely with suppliers. Digital twins can provide real-time insights into parts availability while AI tools enable proactive supplier engagement, helping manage risks and anticipate shortages.

With prices elevated—costs of used materials are nearing those of new OEM parts—companies must accelerate their shift to digital operations. This transformation will not only enhance monitoring and risk management but also bolster operational resilience in an increasingly volatile supply chain environment.

Navigating economic uncertainty, inflation and labor unrest

Rising concerns over economic instability are clouding the industry's outlook over the next 12 to 24 months. Executives are also worried about adverse currency fluctuations over a longer timeframe of 24 months, which could further strain operations. To weather inflation and currency volatility, companies need to focus on strengthening their supply chains and implementing cost controls.

Rising prices of raw materials, energy and labor are driving production costs higher. Titanium prices, in particular, have surged due to supply chain disruptions from the Russia-Ukraine conflict. Counterfeit titanium entering the supply chain has only made matters worse, forcing companies to invest more in quality control.

Labor unrest is exacerbating these challenges. The strike at Boeing, for example, has added complexity as machinists demand higher wages amid inflationary pressures.

Global outlook



2024 will be the first year since the pandemic when global commercial aerospace revenue exceeds 2019 levels.

Global commercial aerospace revenue is estimated to grow by **at least 3% YoY** in 2024, driven by continued demand for new and replacement aircraft and an increasing need for MRO services, especially for engines. While this forecast is in line with our May 2024 projections, the pace of growth is expected to be slower due to weak financial performance from major OEMs.

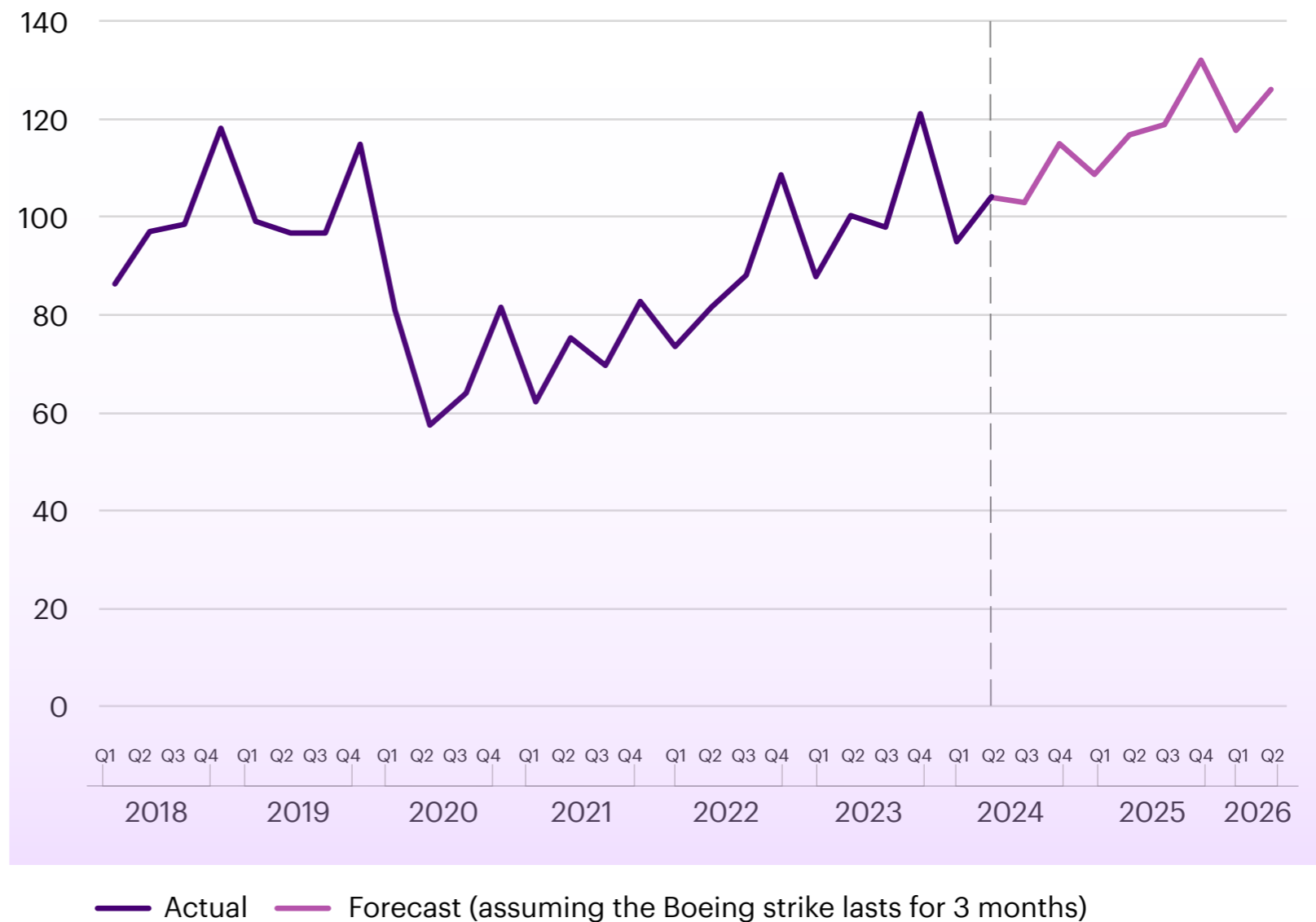
Supply chain disruptions, quality issues and the strike at Boeing continue to constrain production capabilities. As a result, OEM deliveries in 2024 could fall by up to 11% YoY, depending on the duration of the Boeing strike.

Despite these challenges, two key factors are supporting the recovery. First, OEMs are building up inventories, which allows production to continue despite supply chain constraints. Second, the resurgence in commercial flight activity is driving higher demand for MRO services, boosting overall commercial aerospace industry revenue.

We expect OEM results in 2024 to be mixed. After a sluggish first half, where Airbus’s commercial revenue grew just 4% YoY and Boeing’s plunged 31%,³ the European manufacturer is likely to see a better second half. In contrast, Boeing faces deeper challenges, as the machinists strike halted production on three of its four commercial aircraft lines. For the full year, we expect Airbus to increase commercial deliveries by 8%. Boeing’s outlook remains uncertain as it depends on the final impact of the strike, but we forecast a 38% decline in deliveries.⁴

Further, strong double-digit revenue growth at most major suppliers is expected to shore up the forecasted 3% increase in global commercial aerospace revenue.

Figure 1. Global commercial aerospace index (USD, 2018 = 100)



Airline performance

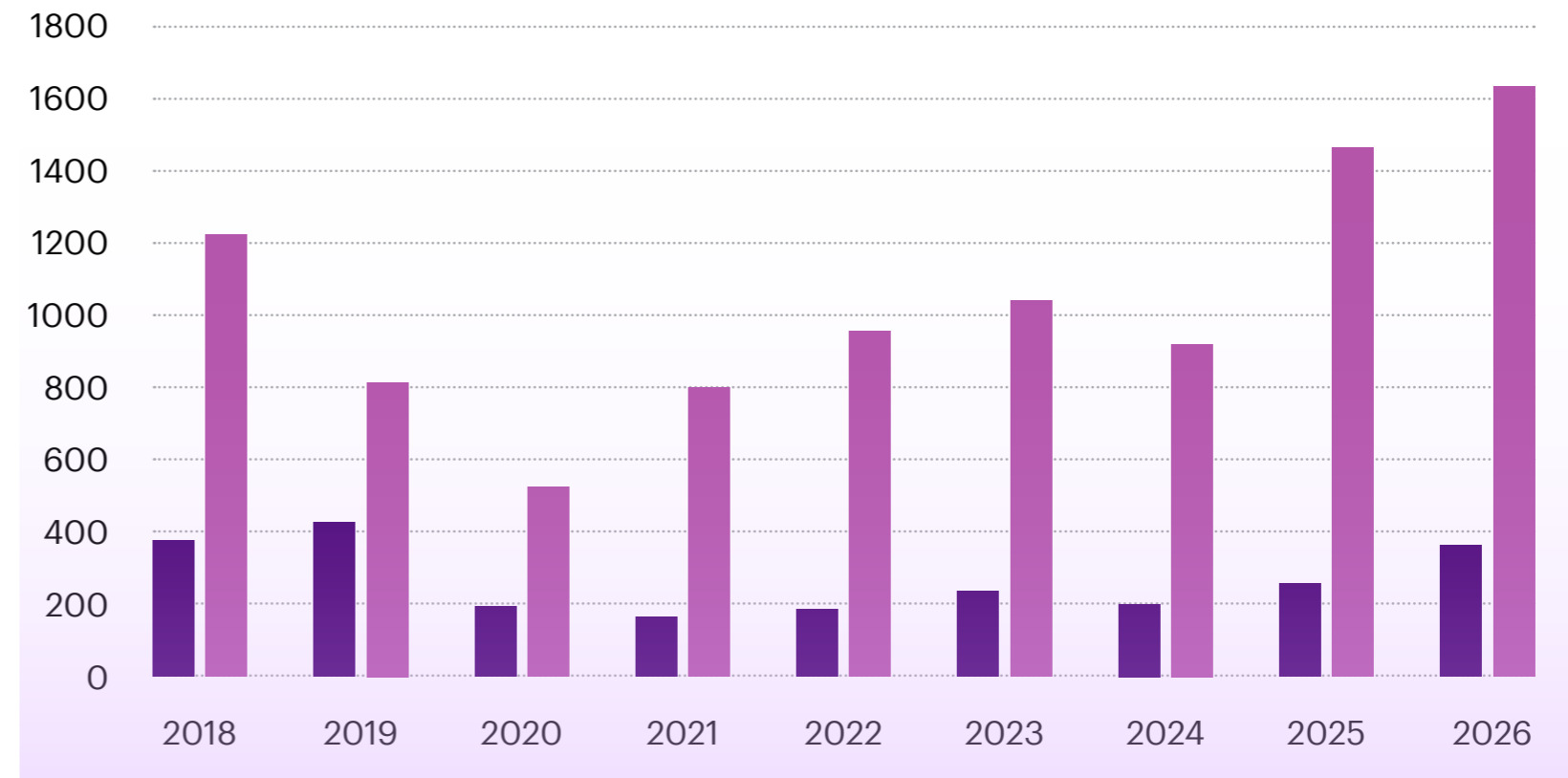
Airline revenue and profits are set to rise in 2024, but tech-driven efficiency gains are needed to close the gap between return on capital and cost of capital.

According to IATA, global airline industry net profits will reach \$30.5 billion in 2024, with a 3.1% net profit margin, compared with \$27.4 billion in 2023 and a 3% net profit margin. Total industry revenue is estimated to hit a record \$996 billion, driven by demand from 4.96 billion passengers worldwide. Passenger revenue is predicted to grow by 15.2% to \$744 billion, with the average load factor stabilizing at 82.5%—a return to pre-pandemic levels. Further, RPKs are expected to rise by 11.6%, reflecting ongoing recovery and higher aviation demand.⁵

All geographies are expected to remain profitable for the second consecutive year, with the Asia-Pacific region showing the highest growth. North American carriers are projected to achieve net profits of \$14.8 billion, European airlines \$9 billion and Asia-Pacific airlines are set to stage a strong recovery with net profits projected at \$2.2 billion. Asia-Pacific carriers are also leading in RPK growth with an anticipated increase of 17.1%.⁶

While the airline industry is moving toward sustainable profitability, its 5.7% return on invested capital remains below the 9% cost of capital. To bridge this return on capital gap, airlines must enhance operational efficiency to generate additional cash. This includes optimizing key areas such as fuel consumption, route planning, workforce management and customer service. For instance, Alaska Airlines has renewed its partnership with Air Space Intelligence to deploy AI-powered operating system Flyways, optimizing operations and improving fuel efficiency.⁷

Figure 2: Historical and expected deliveries by year (Boeing and Airbus)



— Widebody — Narrowbody

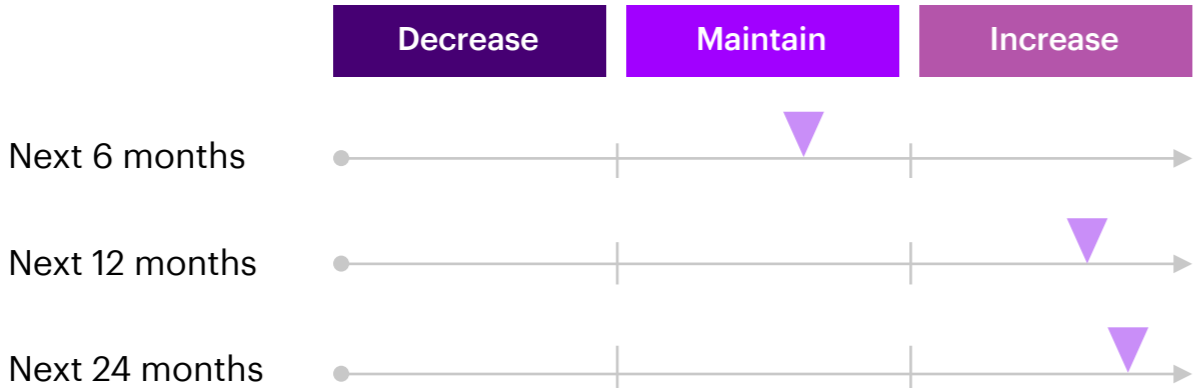
Narrow- and wide-body deliveries forecast (2018–2026)

Business-cycle status

Commercial aircraft manufacturers delivered mixed results in 1H 2024, with digital tools, AI and strong supplier coordination showing promise in driving performance.

Among the executives we surveyed, 72% expect revenue growth over the next 12 months, while only 39% share this optimism over a six-month time frame (Figure 3).

Figure 3: Business-cycle stance (commercial aerospace revenue) outlook



In the first half of 2024, Airbus reported modest 4% YoY revenue growth in its commercial aircraft business, while Boeing experienced a sharp 31% decline, making this one of most challenging periods for the two companies after the pandemic. Airbus’ commercial aircraft business still improved its earnings before interest and taxes (EBIT) by 29%, but Boeing’s losses in its commercial airplane division widened by 88% YoY.⁸ Net-new orders also fell significantly: Airbus secured 310 net-new orders, down 70% YoY, while Boeing recorded 115, down 72%.⁹

While Airbus and Boeing struggled, Embraer—the third largest commercial aircraft manufacturer—showed resilience with a 19% YoY revenue increase in 1H 2024 despite supply chain challenges.¹⁰ What helped it succeed? Strong supplier engagement, the adoption of AI-driven digital tools and the implementation of its Manufacturing Excellence System, which boosted productivity and quality.¹¹

Meanwhile, Tier 1 suppliers had a successful run in 1H 2024 with growth rates of about 10%. Engine OEMs such as GE Aerospace, Pratt & Whitney and Rolls-Royce did particularly well, with YoY commercial growth rates between 11% and 27%.¹²

Customer deliveries

With quality and supply issues weighing on aircraft deliveries in the first half of 2024 and likely to persist, companies are strengthening supply chains and supplier relationships.

Executives remain cautiously optimistic on deliveries in the second half of 2024. Half of those surveyed expect a YoY increase in narrow-body deliveries (Figure 4) while only 39% anticipate growth in wide-body deliveries (Figure 5).

Figure 4: Narrow-body aircraft delivery outlook (unit deliveries shipped to customers)

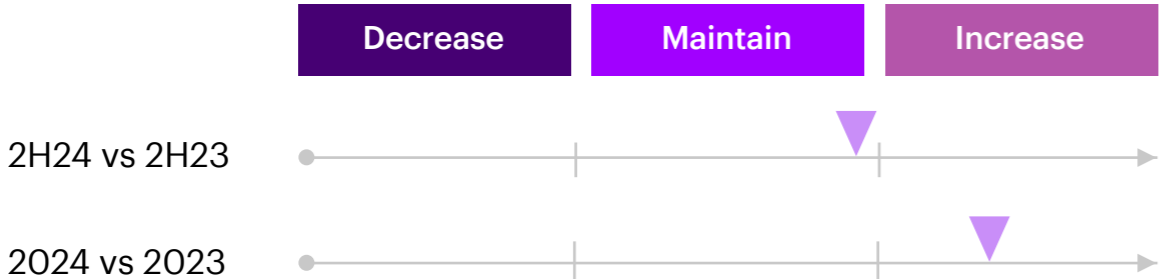
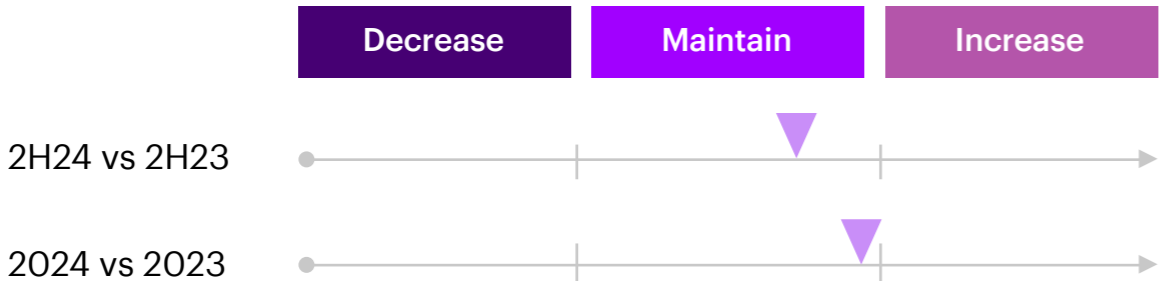


Figure 5: Wide-body aircraft delivery outlook (unit deliveries shipped to customers)



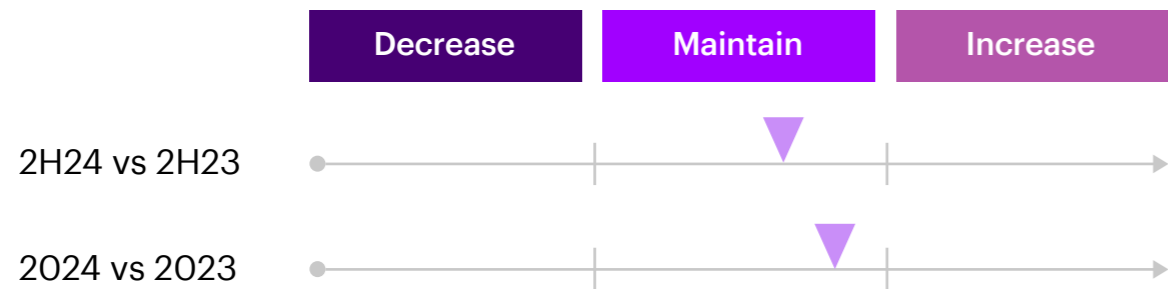
The first half of 2024 was a mixed bag for major manufacturers. Airbus delivered 323 commercial jets, a muted 2% YoY increase, hindered by ongoing supply chain issues.¹³ Boeing faced a tougher challenge with deliveries plummeting by 34% to just 175 planes, primarily due to quality issues and a renovation of its quality management system.¹⁴ In contrast, Brazil’s Embraer outperformed its US and European counterparts, delivering 15% more jets in 1H 2024 compared to 1H 2023.¹⁵

Depending on the final impact of the Boeing strike, Airbus and Boeing are together expected to deliver at least 1,122 commercial aircraft by the end of the year—a potential drop of up to 11% from 2023. This would mark the first time since the pandemic that the industry as a whole will see no delivery growth.¹⁶

Airbus has lowered its delivery target for 2024 from 800 to 770 planes.¹⁷ Narrow-body jets are expected to make up about 87% of this number, reflecting the company’s focus on ramping up production in that segment. Boeing has not set a formal target, reflecting the uncertainty around restarting production of its 737, 767 and 777 models due to the strike at several facilities, which could “jeopardize recovery in a significant way,” according to CFO Brian West.¹⁸

Following supply chain adjustments and production ramp-ups, suppliers seem to be slowly regaining momentum. Half of surveyed executives now expect overall commercial aerospace product deliveries in 2024 to surpass 2023 levels (Figure 6). This is a sizable increase from our previous survey, where only 36% anticipated growth in 2024.¹⁹ This shift aligns with our expectation that the most challenging phase of the current downturn in commercial aerospace is behind us.

Figure 6: Commercial aerospace products delivery outlook



Meanwhile, Howmet Aerospace—one of Boeing’s key suppliers—has reduced monthly shipset deliveries for the 737 and 787 models. Howmet CEO John Plant expressed doubt about Boeing’s ability to achieve its production goals, noting the need for a more cautious approach.²⁰ Similarly, Spirit AeroSystems has struggled with quality and supply chain issues, delivering just 27 fuselages for the 737 in 2Q 2024—a 64% YoY drop. It also experienced cost overruns on A220 program deliveries due to higher production costs.²¹

Beyond these operational challenges, some suppliers are facing regulatory hurdles. For example, Safran had to delay business class seat deliveries because of stricter certification rules, which, according to CEO Olivier Andries, “impact the entire interior industry.”²²

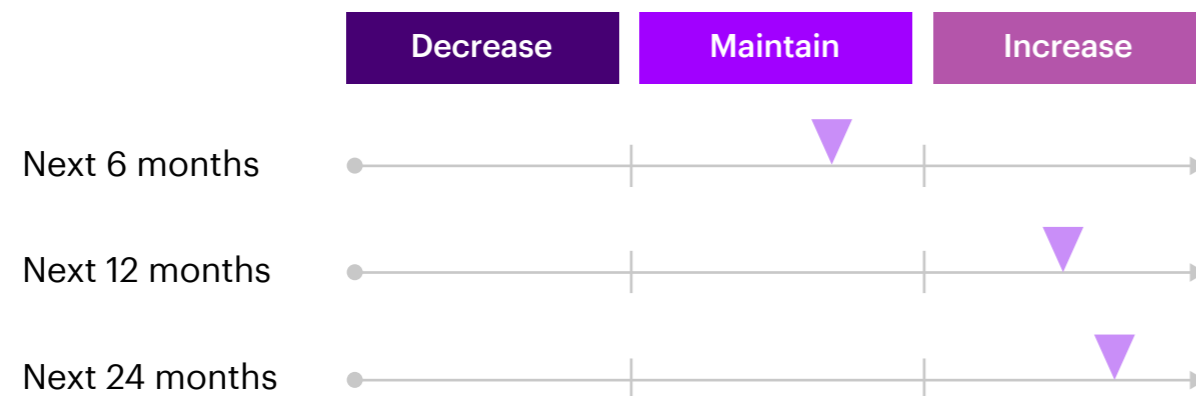
On the other hand, Rolls-Royce provides an example of how proactive supply chain management can drive higher deliveries despite these headwinds. The company established a new procurement and supply chain organization, strengthened relationships with key suppliers and increased production capacity at key sites such as Derby (UK) and Dahlewitz (Germany).²³ All of this allowed it to ramp up engine deliveries.

Aftermarket

With demand from airlines already strong and expected to peak in the near future, MRO providers are scaling up capacity and ramping up hiring to stay ahead of labor and supply chain constraints.

Among surveyed executives, 42% expect MRO spending to rise over the next six months, while 56% believe it will maintain at the current levels. The long-term outlook is more optimistic, with 61% predicting higher MRO spending in the next 12 months and 72% over the next 24 months (Figure 7).

Figure 7: Maintenance, repair and overhaul (MRO) activity outlook



The aerospace engine maintenance market is flourishing, with OEMs and independent MRO providers seeing a surge in demand. Facing delays in new aircraft deliveries and technical glitches with newer engines like Pratt & Whitney GTF and CFM Leap, airlines are extending the service life of older models such as the CFM56 and IAE V2500. This shift is driving growth for MRO providers. For instance, GE Aerospace reported a 21% increase in operating profit driven by time-and-materials work on legacy engines. This trend is expected to continue, with CFM56 shop visits forecasted to peak in 2025.²⁴

The demand for MRO services is not uniform, though. While it is stable for larger airlines like Delta, United and American Airlines, smaller carriers are facing overcapacity issues, leading to reduced aircraft utilization. Yet, despite these fluctuations, strong market demand quickly absorbs any excess MRO capacity.²⁵

At the same time, airlines are contending with longer maintenance turnaround times due to labor shortages and supply chain disruptions. In response, MRO providers like Lufthansa Technik and StandardAero are expanding capacity and ramping up recruitment and training programs.²⁶

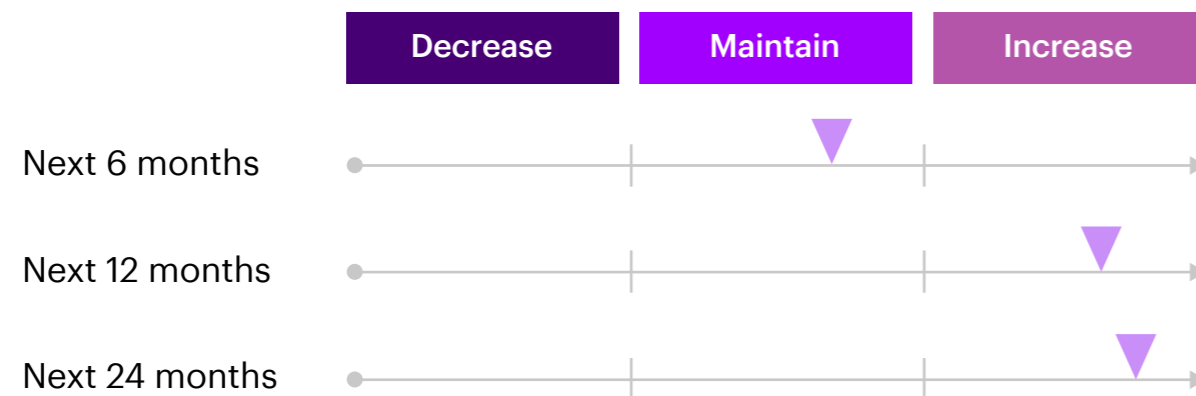
Investor interest in the MRO sector remains strong, with merger and acquisition (M&A) activity up 8% YoY in the first half of 2024. Major players like Loar Holdings, TransDigm Group and HEICO are actively pursuing strategic acquisitions,²⁷ while Safran Aircraft Engines plans to acquire Component Repair Technologies to further expand its MRO capabilities.²⁸ StandardAero has announced a \$1.1 billion IPO, valuing the company at up to \$7.5 billion, following its recent acquisition of Aero Turbine.²⁹ This wave of M&A activity highlights sustained confidence in the aviation aftermarket despite economic headwinds like high interest rates.

Production outlook

Production numbers in 1H 2024 were mixed, but we expect improved capacity in 2025 as the supply chain slowly recovers. Some suppliers are effectively navigating challenges through process enhancements, digital tools and strong communication with OEMs.

The near-term outlook for production capacity looks stable, with 56% of executives expecting no changes over the next six months. However, the longer-term picture is brighter, as 67% of executives see a production ramp-up over the next 12 to 24 months (Figure 8).

Figure 8: Production capacity outlook



Boeing’s production has been impeded by supply chain challenges, quality management upgrades and the machinists strike. Analysts now predict it won’t hit the target of 38 MAX jets per month until the second half of 2025.³⁰ Airbus has also delayed its ambitious 75 jets per month A320 production target to 2027, with bottlenecks in engine and aerostructure supplies affecting both narrow- and wide-body jet output.³¹

As OEMs struggle to ramp up production, suppliers are forced to lower their goals. For example, the CFM joint venture has cut its projected LEAP engine production growth for 2024 from an initial 20-25% to just 10-15%, with the LEAP 1B program being the most affected.³² Similarly, Triumph Group has cut its internal shipset deliveries to Boeing by 20-30%. Still, the company feels that a spurt in demand is around the corner, with CEO Jim McCabe saying “... we have to protect the ramp, which we see coming, although it may be slipping several quarters ...”³³

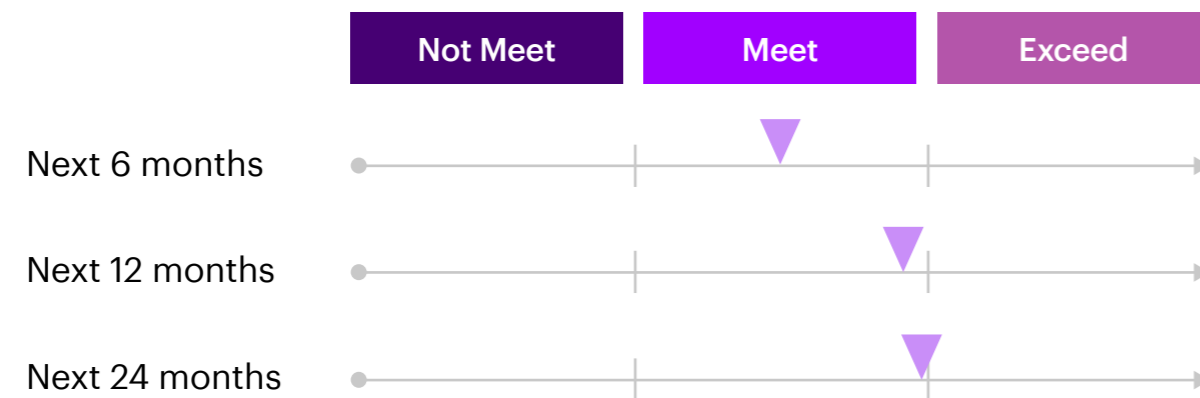
However, not all suppliers are equally affected. Hexcel, a leading aerospace materials provider, has effectively navigated the challenging supply chain landscape, with CEO Tom Gentile saying the “outlook for commercial aerospace production in the midterm and beyond is tremendous.”³⁴ The company has benefited from consistent communication with Airbus and Boeing, manufacturing and process optimization and workforce training with a strong focus on safety and quality. It has also embarked on digital transformation initiatives, including upgrades to its enterprise resource planning and manufacturing execution systems.³⁵

Supplier delivery outlook

Amid supply chain bottlenecks and low production rates, companies are looking to enhance supplier collaboration and localize procurement.

Seventy-seven percent of executives are confident in their supply chain’s ability to deliver on time and maintain quality over the next six months (Figure 9), down slightly from 79% in March.³⁶

Figure 9: Supplier delivery outlook



Boeing’s production slowdown, particularly with the 737 MAX, remains the top concern for suppliers,³⁷ and the machinists strike has worsened the situation. In response, the company has reduced spending and paused supplier purchase orders for its 737, 767 and 777 programs, further straining supply chains.³⁸ Meanwhile, Airbus has shifted its focus from lower-tier to top-tier suppliers like Honeywell, Safran and Spirit AeroSystems, launching improvement plans and addressing issues

through better communication. According to Airbus CEO Guillaume Faury, some suppliers “have not performed at the level we were hoping for.”³⁹

Improving communication has become a priority for Airbus. According to Christian Scherer, CEO of Airbus Commercial Aircraft, suppliers second-guessing Airbus production targets has been part of the problem. “We don’t want the supply chain to not believe what we are telling them.”⁴⁰

Other large manufacturers are also taking proactive steps to streamline their operations. For instance, Honeywell has localized its procurement hub at its avionics facility in Malaysia, speeding up turnaround times and reducing reliance on global components. The company has also partnered with third parties to license out the manufacturing and repair of older systems, freeing up capacity for future systems.⁴¹

Supply chain disruptions are being felt across the industry. Textron, for example, is facing delays, with CEO Scott Donnelly saying they remain “a bit behind” on deliveries despite strong second quarter results.⁴²

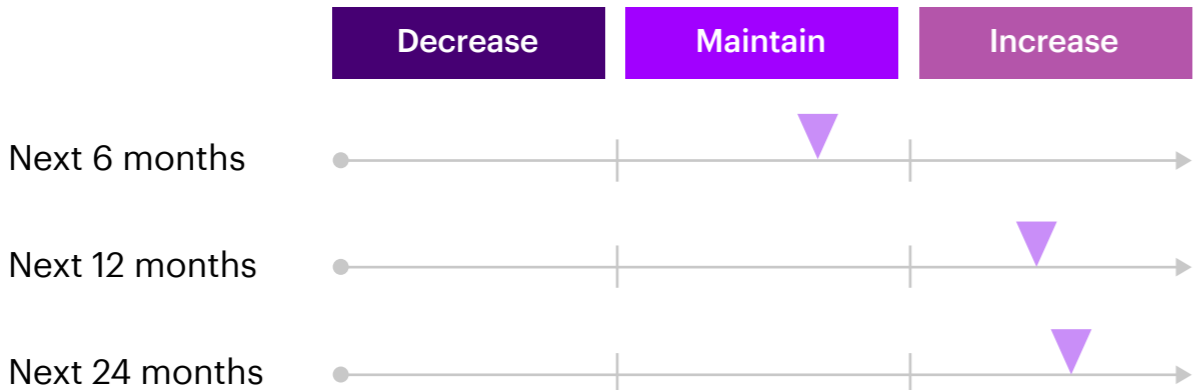
Although supply chains are gradually recovering, lower-tier manufacturers continue to feel the pinch. For example, French aerospace suppliers need to deliver on time—and to exacting standards—even as they grapple with rising costs, labor shortages and late deliveries from their own suppliers. Price negotiations remain a significant pain point. As one senior executive at a medium-sized supplier warns, “If this continues, OEMs will choke their suppliers, leaving them without enough working capital to survive.”⁴³

Production input cost outlook

The aerospace industry continues to face rising production costs due to raw material shortages, increasing subsystem prices and heightened demand for skilled labor.

Although the short-term outlook for raw material costs has improved—with 58% of executives expecting stable prices over the next six months, up from 42% six months ago—the longer-term view is less optimistic. Over the next 12 months, 53% anticipate an increase in raw material costs, rising to 61% over the next 24 months (Figure 10).

Figure 10: Raw materials cost outlook

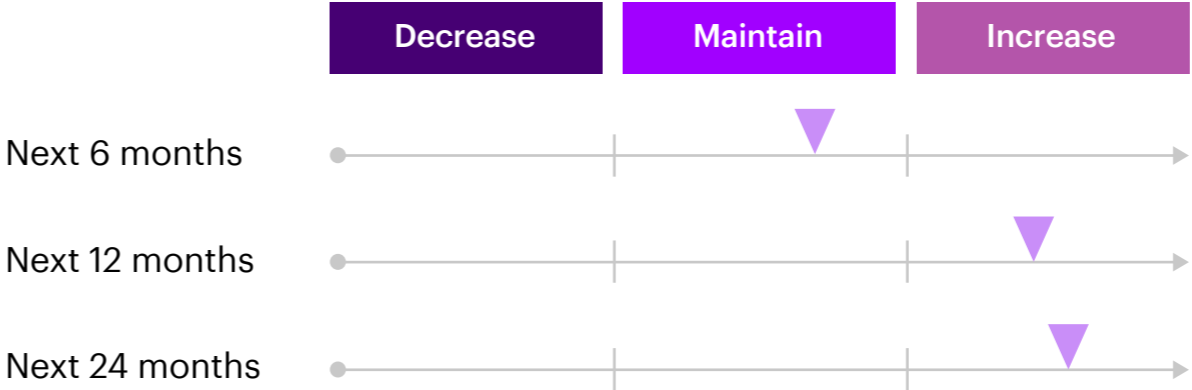


Industry analysts believe the full impact of rising titanium prices is yet to be felt due to low production of wide-body jets currently. However, some smaller suppliers—particularly those dealing in titanium—are already shifting their focus away from commercial aerospace to the defense and space sectors to tackle these increasing costs. To navigate these challenges, manufacturers need to strengthen relationships with their supply base.

Executives expect costs of sub-systems and parts to remain steady in the short term. Half of them anticipate no major price movements in the next six months, while 42% foresee increases over the next 12 months. By the 24-month mark, 67% predict these costs will rise (Figure 11).

Meanwhile, the gap between the prices of overhauled parts and new OEM kits is narrowing. With fewer aircraft being dismantled and older ones remaining in service longer, the supply of used serviceable materials (USMs) has decreased. This scarcity is driving prices higher and bringing USM’s costs closer to those of new OEM parts.⁴⁴

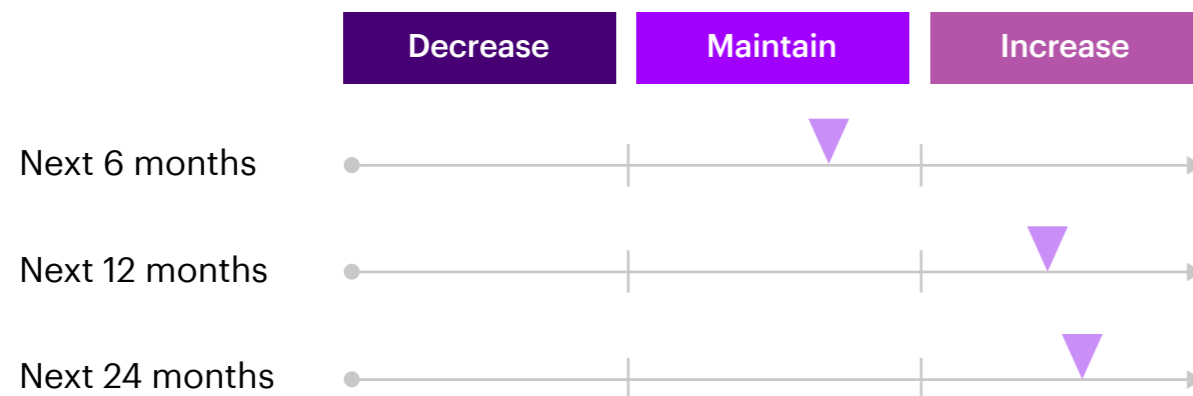
Figure 11: Subsystem or parts cost outlook



In line with the outlook for raw material and sub-system costs, labor expenses are likely to be relatively stable in the near term but rise over the medium and long term. Fifty-eight percent of executives expect labor-related production costs to hold steady over the next six months, while 53% predict an increase in the next 12 months and 69% over the next two years (Figure 12).

What's driving these projected increases? The growing demand for skilled labor in MRO, particularly to service both legacy and new-generation engines. Alistair Forbes from MTU Maintenance notes that while large companies have managed to restore their workforces, smaller providers continue to struggle with labor shortages.⁴⁵

Figure 12: Production labor cost outlook



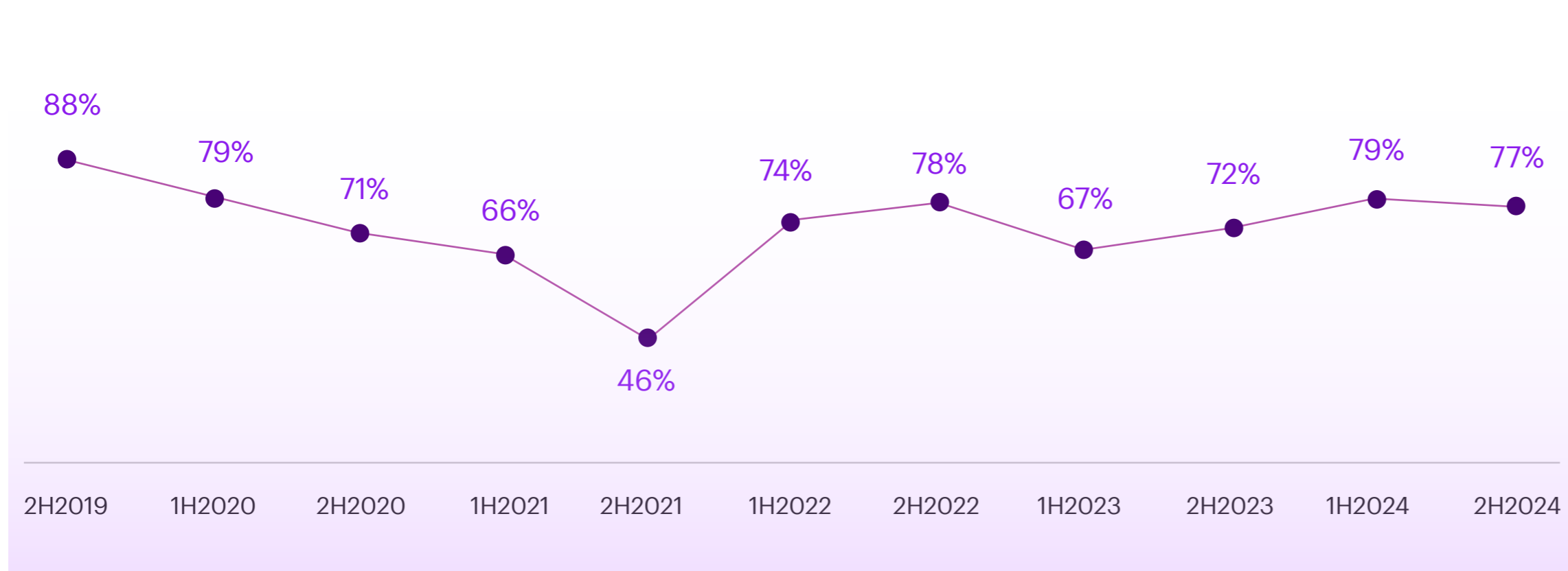


Parts and material
availability risk in the
supply chain

Supply chain shortages continue to challenge production timelines. Companies are refining strategies to overcome these obstacles.

Commercial aerospace companies are still grappling with critical supply chain disruptions, largely due to shortages of essential parts and materials. Despite post-COVID efforts to stabilize supply networks, uncertainties persist—especially in securing critical components. Ongoing quality concerns are compounding the problem, with these challenges expected to continue through 2025 (Figure 13).

Figure 13. Short-term confidence in supplier ability to deliver on time and at quality

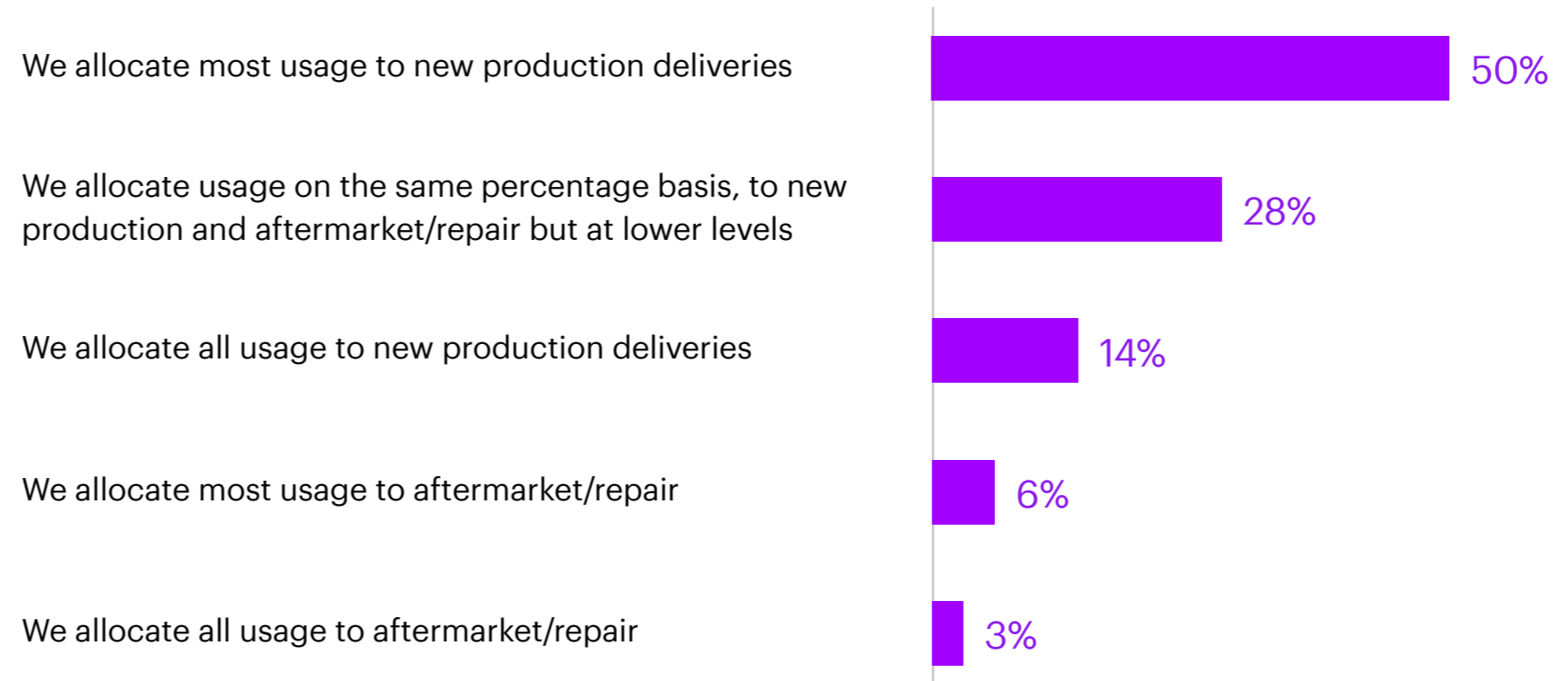


Our latest survey highlights the scale of the problem: 94% of executives report that parts and material shortages are having a moderate to severe negative impact on production schedules. Further, 83% say quality issues with components and materials are delaying production.

As a result, companies are now carefully balancing allocations between production and aftermarket needs. For example, Airbus cut its 2024 delivery forecast from 800 to 770 planes due to part shortages, despite prioritizing production. It is also postponing plans to ramp up production of its popular A320neo aircraft family, pushing the target of 75 jets per month from 2026 to 2027. These adjustments come amid growing skepticism from suppliers, particularly engine manufacturers.⁴⁶

Our survey further reveals that 64% of executives are allocating all or most parts to new production, highlighting the struggle to meet demand amid supply shortages (Figure 14). These shortages have also driven up prices of used, unserviceable material, with costs approaching that of new OEM parts.⁴⁷

Figure 14: Allocation of shortage-affected parts between new production and aftermarket/repair



The outlook for material availability is even more concerning over the next 12 to 24 months. Over half of the executives we polled anticipate significant sourcing challenges for composites and titanium.

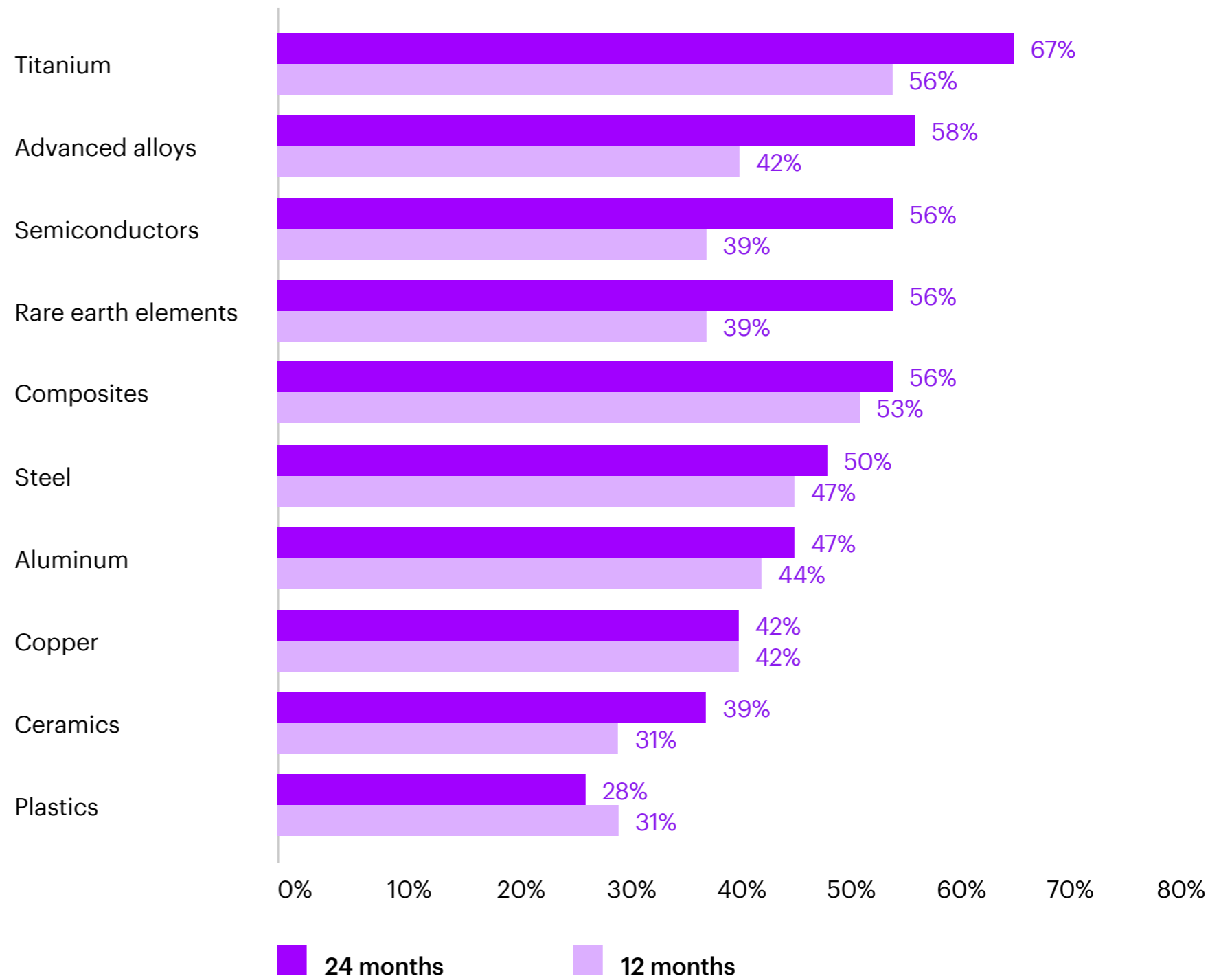
This outlook worsens over a 24-month timeframe, with more executives foreseeing shortages of critical materials. Advanced alloys, rare earth elements and semiconductors are also expected to join the list of high-risk materials (Figure 15).


While companies have made progress in mapping supplier networks and critical parts/materials, gaps in visibility remain. Our previous report showed that only 48% of executives have fully mapped their Tier-1 to Tier-n supplier networks, leaving significant blind spots. More work is needed to optimize supply chain operations.

We recommend the following strategic imperatives:

- 1. Build a digital twin of the supplier ecosystem:**
Creating a comprehensive digital model of the supplier network will allow companies to better predict and manage parts and material shortages.
- 2. Engage suppliers proactively through digital platforms:**
Leveraging digital solutions, such as AI-driven procurement systems, can greatly enhance the efficiency and responsiveness of supplier engagement.
- 3. Move toward automated, digitalized operations:**
Real-time data flow from the extended network into the supply chain digital twin will ensure traceability and allow for effective risk management.

Figure 15: Availability challenges for critical aerospace materials: 12 vs. 24 months



A man in a dark suit, white shirt, and dark tie is shown in profile, looking upwards and to the right. He is wearing black-rimmed glasses. The background is a blurred blue and white. A vertical glass pane is visible on the left side of the image, reflecting the man's face and glasses.

What's keeping
aerospace leaders
up at night?

From economic pressures to supply chain disruptions, uncertainty looms, but strategic and holistic planning will help executives stay prepared.

Compared to our April survey, executives are slightly less concerned about deteriorating economic conditions over the next 12 to 24 months—though worries are still elevated. Currency fluctuations also remain top of mind, with many wary of the potential impact in the next two years (Figure 16).

The increased costs of raw materials, energy and labor have made production more expensive throughout the aerospace supply chain. Titanium costs, in particular have surged, over the past two years due to supply chain disruptions from the Russia-Ukraine conflict. The influx of counterfeit titanium has made matters worse, forcing companies to make additional investments in quality control and testing.⁴⁸ Further, inflationary pressures and stagnant wages have stoked labor unrest. Nearly 33,000 Boeing employees went on strike demanding higher wages and better working conditions, adding yet another layer of difficulty to the company’s already strained operations.⁴⁹

On the bright side, the prospect of interest rate cuts in many countries is offering some short-term relief.

Executives remain cautious, knowing well that the road ahead is fraught with uncertainty.

Figure 16: Executive geopolitical risk concern levels (versus current levels)

Broader categories	Geopolitical factors	Current impact	Next 6 months	Next 12 months	Next 2 years
Political conditions	Terrorism	Medium	Similar	Similar	Similar
	Political instability	Medium	Similar	Similar	Similar
	Regional armed conflicts	Medium	Similar	Similar	Similar
Economic conditions	Worsening economic conditions	Medium	Similar	Greater	Greater
	Interest rate changes	Medium	Similar	Similar	Similar
	Exchange rate changes	Medium	Similar	Similar	Greater
Climate change	Weather volatility	Low	Similar	Similar	Similar

Regional outlook: North America

Quality issues, labor strike dampen growth outlook

North America’s aerospace sector is likely to see a decline in 2024 revenue, with projected revenue falling by up to 3% when compared to 2019 revenue (Figures 17 and 18), depending on the final impact of the Boeing machinist’s strike. Persistent supply chain challenges and quality issues further dampen the outlook.

Boeing’s 737 MAX has been under the microscope for safety issues after a door panel detached mid-flight in January, prompting the FAA to ground several aircraft⁵⁰ and impose a production cap. These challenges have been further compounded by the labor strike, leading Boeing to freeze hiring and slash spending. Chief financial officer Brian West acknowledged that the strike could hit Boeing’s recovery, forcing the company to cut non-essential spending, halt most employee travel and reduce supplier purchases across key programs like the 737, 767 and 777.⁵¹

Despite these headwinds, engine manufacturers and MRO providers are seeing growth and investments. GE Aerospace has announced plans to invest more than \$1 billion to expand and upgrade its MRO facilities worldwide.⁵² AAR Corp is also forecasting a robust financial year 2024, with projected revenue growing 16.5% to \$2.3 billion. In the quarter ended May 2024, AAR recorded \$700 million in revenue, an 18.6% YoY increase.⁵³

Figure 17: Outlook for North America

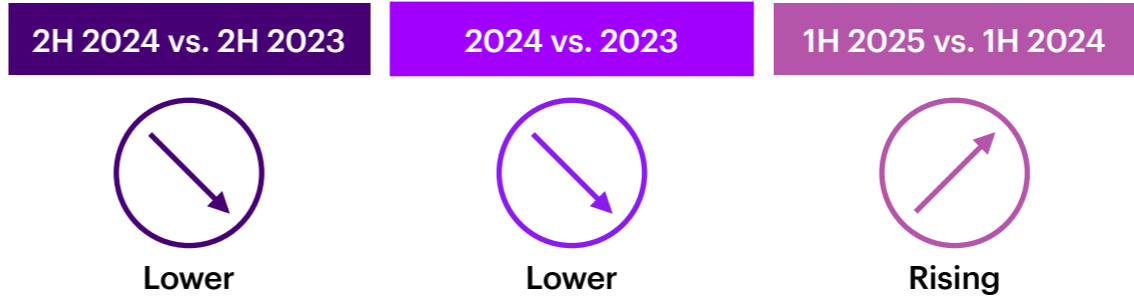
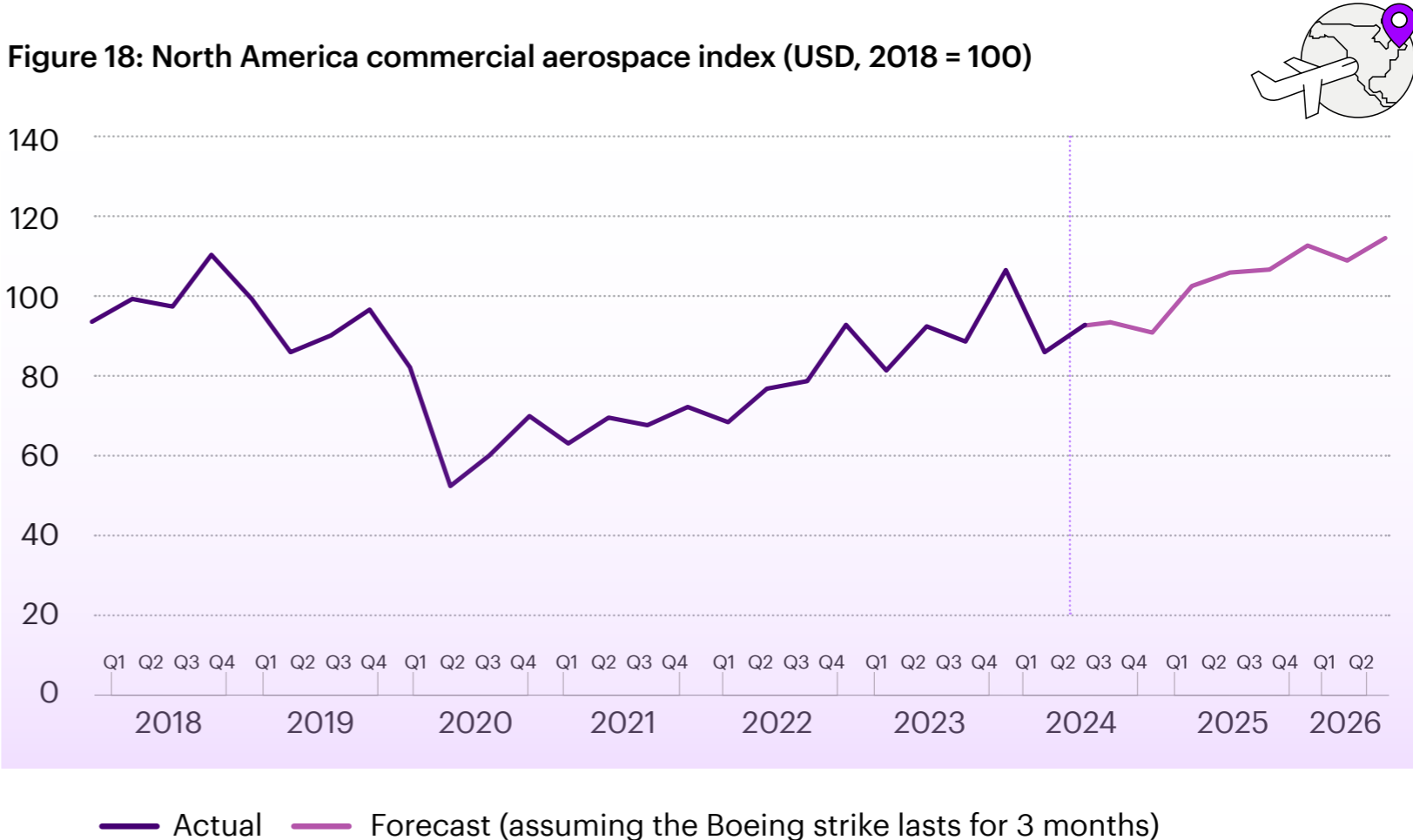


Figure 18: North America commercial aerospace index (USD, 2018 = 100)



Regional outlook: Europe

Supply chain hurdles stifle growth

The European commercial aerospace market continues to grow, but persistent supply chain challenges are preventing the industry from attaining the double-digit growth seen earlier. With revenue expected to grow by 7% YoY in 2024, the sector will still fall 4% short of 2019 levels (Figures 19 and 20). We expect a full recovery to pre-pandemic performance in the first half of 2025.

A major highlight of 1H 2024 was the order of 103 A350 jets from several airlines, indicating strong demand for the widebody aircraft.⁵⁴

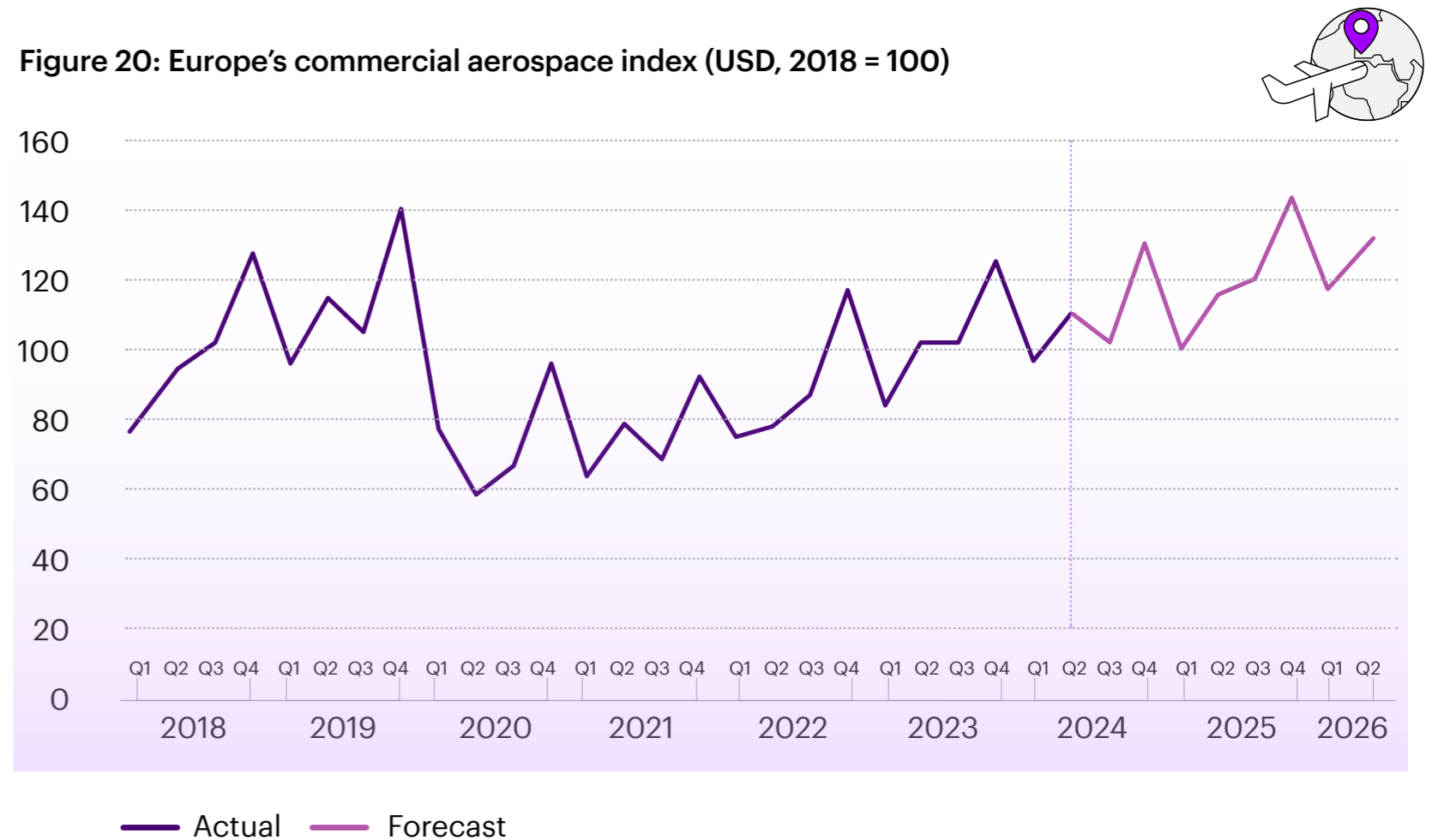
Airbus plans to further increase A350 production rates, driven by what CEO Guillaume Faury describes as “increasing commercial momentum in the widebody market.”⁵⁵

On the investment front, Rolls-Royce announced a £55 million expansion of its UK and German facilities, while MTU Aero Engines opened a new manufacturing hall for turbine disks in Munich.⁵⁶

Figure 19: Outlook for Europe



Figure 20: Europe’s commercial aerospace index (USD, 2018 = 100)



Regional outlook: Asia Pacific

Air travel surge fuels commercial aerospace growth

Commercial aerospace revenue in Asia Pacific is projected to grow by 12% YoY in 2024, pushing the overall market 54% above 2019 levels (Figures 21 and 22). This growth will be mainly driven by increased MRO operations and the expanding presence of aerospace suppliers, particularly in China.

Air traffic in the region rose by 17% in the first half of the year, fueling robust MRO activity.⁵⁷ ST Engineering recorded a 20% YoY revenue increase in its commercial aerospace segment in 1H 2024 while HAECO saw nearly 23% YoY growth.⁵⁸

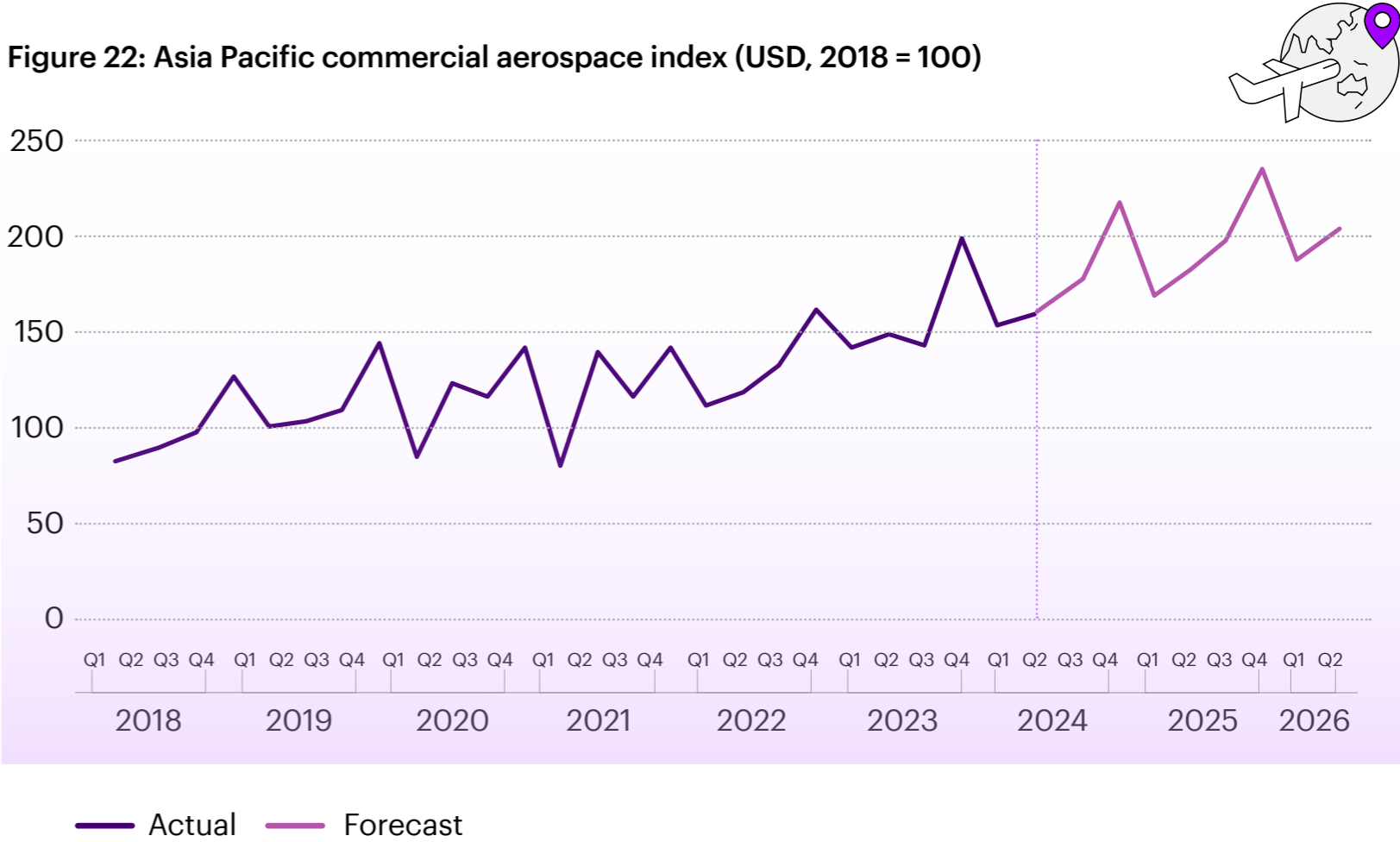
Both European and North American aerospace companies are betting on Asia Pacific as a prime investment destination. Textron is expanding operations in Australia to enhance aircraft part supply, while Safran plans to open a new MRO facility for aeronautical electrical equipment in Singapore.⁵⁹

Local companies are also investing. China Aviation Planning and Design Institute has announced the second phase of the C919 assembly plant in Shanghai, while China Eastern Airlines is building Asia’s largest MRO site at Shanghai Pudong airport.⁶⁰

Figure 21: Outlook for Asia Pacific



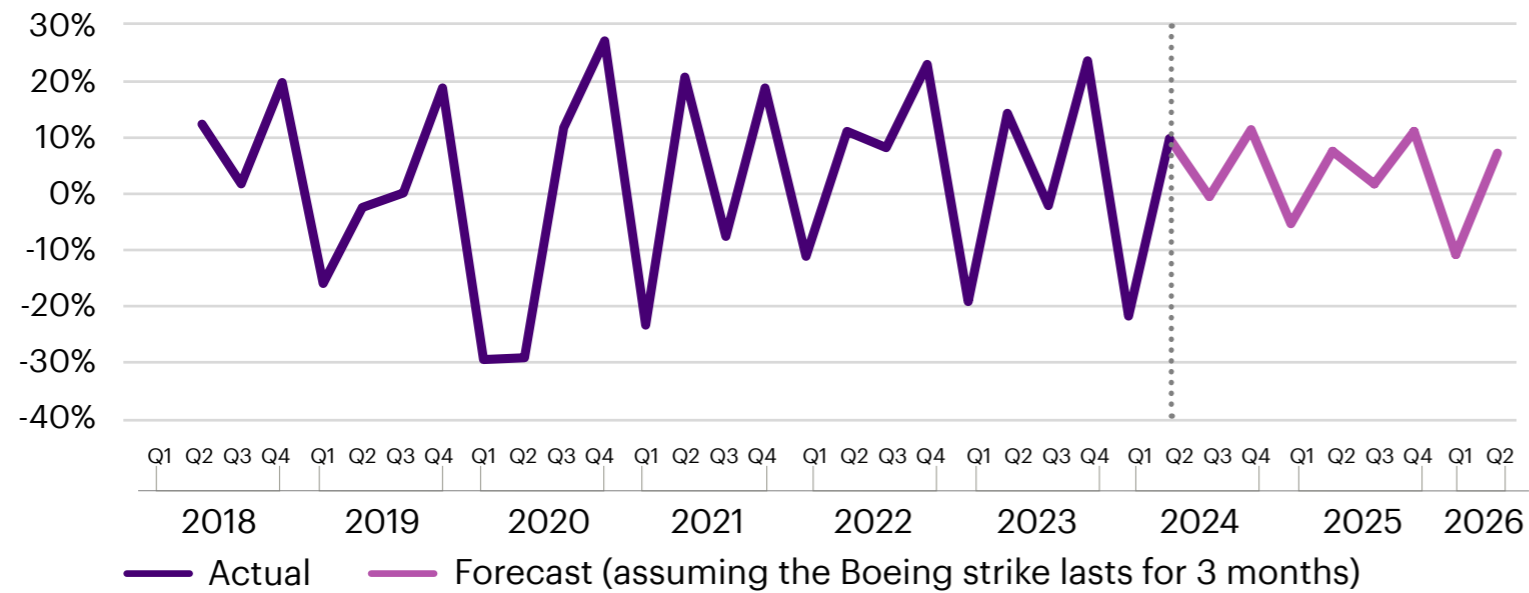
Figure 22: Asia Pacific commercial aerospace index (USD, 2018 = 100)



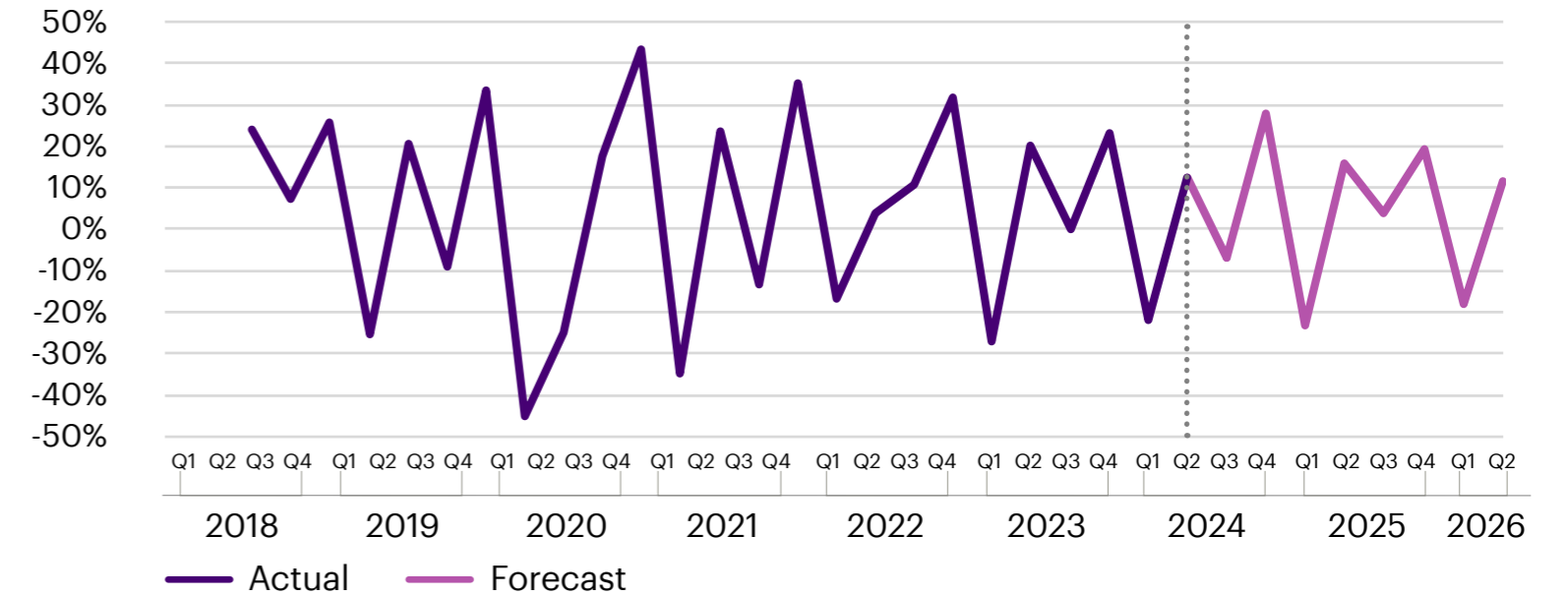
Appendix

Global and regional commercial aerospace index performance (quarter on quarter percentage change)

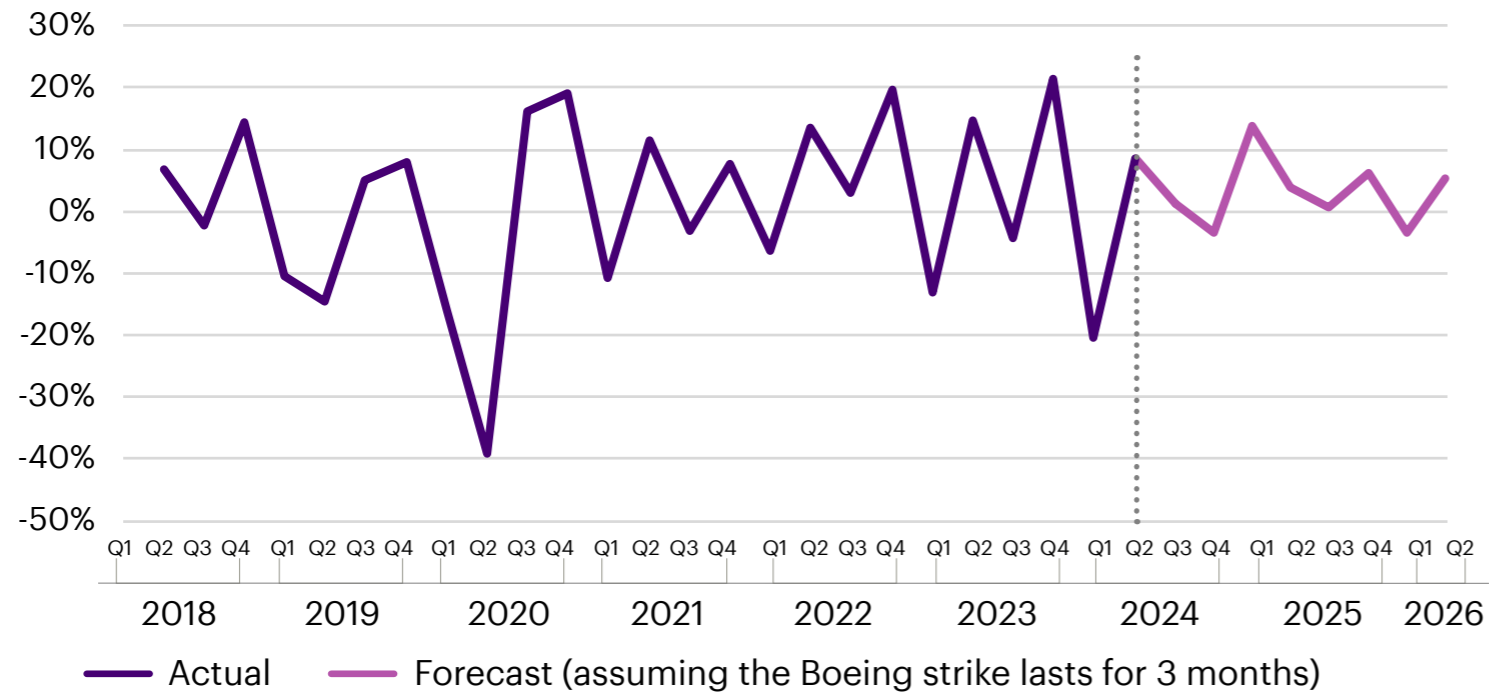
Global



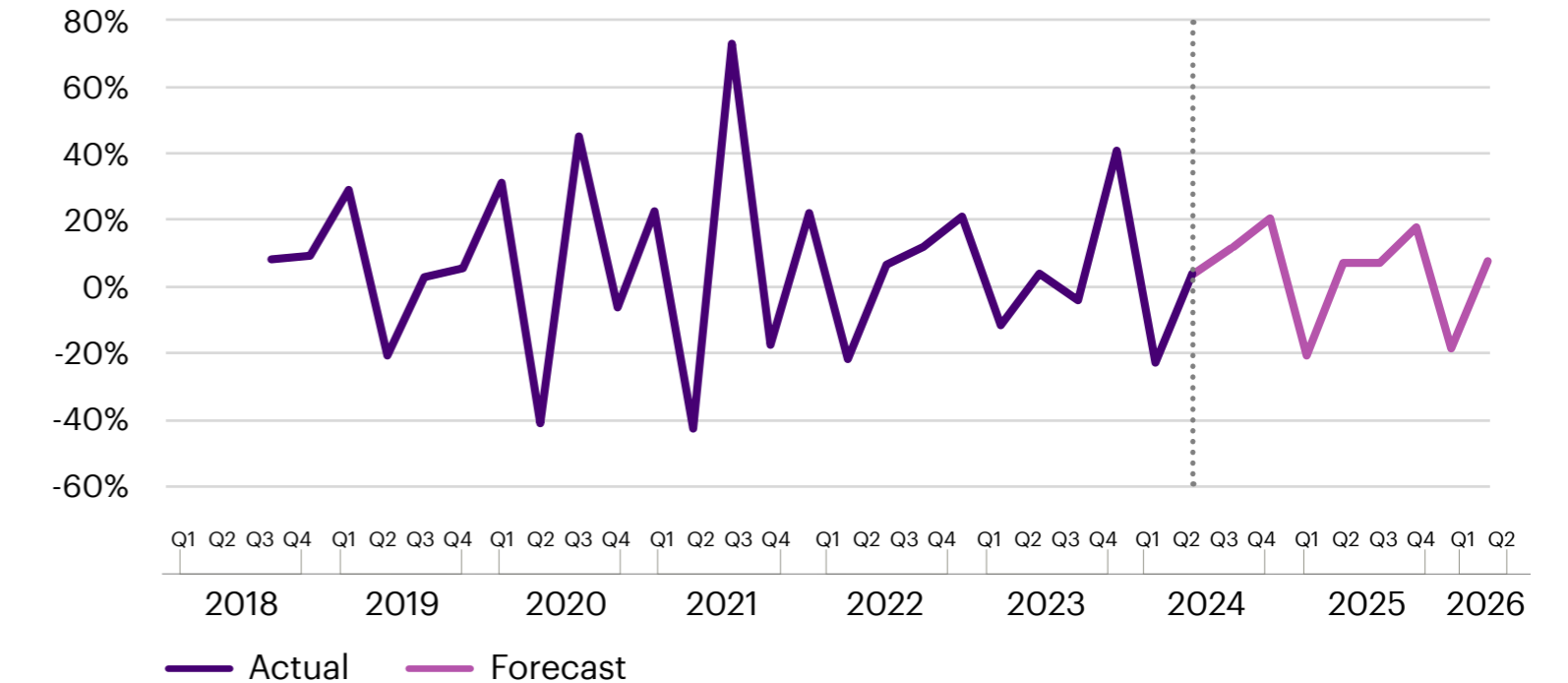
Europe



North America

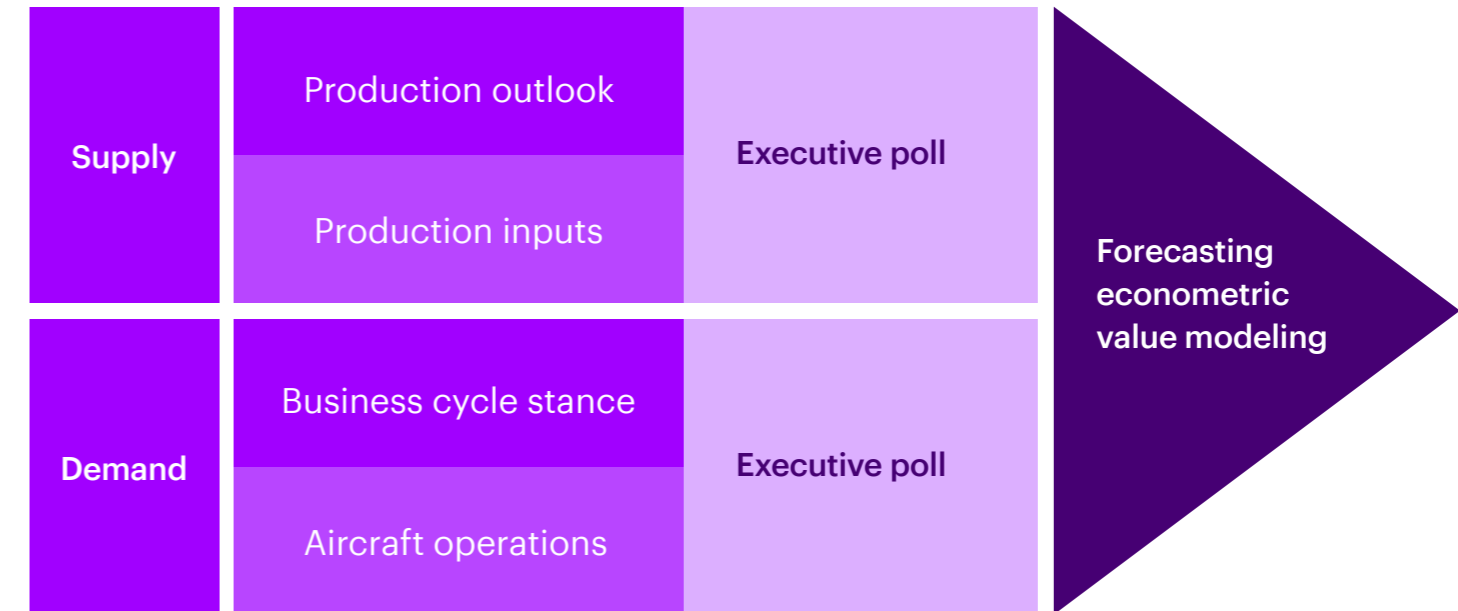


Asia Pacific



About the Accenture Commercial Aerospace Market Insight Report

The Accenture Commercial Aerospace Insight Report combines sophisticated econometric modeling methodologies to drive quantitative quarterly forecasts on the health of the commercial aviation market with insights from leading aerospace executives worldwide. It provides a unique perspective on short and medium-term trends and drivers in this market, covering a wide range of activities, from suppliers to MROs.



Regional forecasts are in the highest-impact regional currency, with the global index aggregated in US dollars, using current exchange rates (at the time of writing). The index baseline year is 2018, and both regional and global indices are based on this year.

To complement econometric modeling, we polled executives at major commercial aerospace companies. The outlook indicators in this report are based on a combination of Accenture's econometric modeling and that global commercial aerospace executive poll. We conducted our poll in August-September 2024; views are subject to considerable change as conditions can rapidly evolve.

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