

Boeing speeds production boosts on market outlook-UPDATE 3

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BOEING/ (UPDATE 3)

- * Boeing accelerates 777 production increase to mid-2011
- * Moves 747 rate increases to mid-2012
- * Sees market improvement
- * Shares up 1.4 percent, helping limit losses on the Dow (Recasts first sentence, adds analyst comments, updates share movement)

By Kyle Peterson

CHICAGO, March 19 (Reuters) - Boeing Co <BA.N> said on Friday it will accelerate planned increases in production of two of its popular wide-body planes to accommodate heightened demand from airlines that had curbed orders in the last two years because of the economic crisis.

The improved outlook by the world's No. 2 planemaker may represent the beginnings of a strong rebound in demand for Boeing and Airbus <EAD.PA> planes as the global airline industry claws its way back to stability.

"I think it's fantastic," said Alex Hamilton, senior aerospace analyst at C.K. Cooper & Co.

"We're awash in news that the commercial aerospace outlook is improving," Hamilton said. "The demand is coming back. We're seeing traffic improve."

Boeing had hinted at the acceleration previously, but confirmation of the stronger market outlook sent shares to a 21-month high before retracing slightly. Shares of the company, a Dow component, were up 1.4 percent at \$71.83 near midday, limiting losses on the Dow industrials.

The shares rose as much as 3.4 percent earlier in the day.

"Market improvement and our conservatively managed approach to production have put us in a position where we see it necessary to raise aircraft output," said Boeing Commercial Airplanes Chief Executive Jim Albaugh, said in a statement.

Boeing said it sees 2010 as a year of economic recovery and that airlines are likely to return to profitability in 2011.

Boeing, which is boosting rates on its 777 aircraft to seven per month from five per month, will make that change in mid-2011 rather than early 2012 as originally planned.

The company also plans to increase the rate of its 747 production to two airplanes per month from the current 1.5 planes. That increase will take effect in mid-2012 rather than mid-2013.

The global airline industry has been battered by an economic downturn that drained travel demand and caused some carriers to postpone or cancel airplane orders. But evidence is mounting that the industry has weathered the worst of the storm.

The International Air Transport Association last week cut its estimate of the 2009 industry loss to \$9.4 billion from December's \$11 billion and said airlines are recovering strongly from the crisis, as passengers, freight and pricing power return.

Hamilton said the improved industry outlook also reduces the chance that Boeing will need to cut production rates on its hot-selling single-aisle 737 plane.

But another expert, Richard Aboulafia at the Teal Group, said it is too soon to say that demand for new planes has recovered.

"There's still a lot of overcapacity, so any talk of rate increases is kind of aggressive at this point," Aboulafia said.

He added that he still believes Boeing will end up cutting 737 production rates.

Boeing, which gets paid when it delivers aircraft, said the production rate for the two wide-bodied planes would not affect 2010 financial results. (Reporting by Kyle Peterson; Editing by Lisa Von Ahn and Matthew Lewis)