



EMBRAER, 1020 NEW DELIVERIES ON DEMAND IN 70 TO 130-SEAT SEGMENT IN CHINA

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During the China 2015 Aviation Expo taking place at the National Convention Center, Embraer Commercial Aviation released its 2015-2034 Market Outlook for the Chinese market, which presents delivery projections of new aircraft over the next 20 years. The Company forecasts that 1,020 new jet aircraft in the 70 to 130-seat segment will be delivered in China by 2034. Embraer projects worldwide deliveries of 6,350 jets, in the 70 to 130-seat segment. The value of these deliveries, at list prices, will reach an estimated US\$300 billion.

Embraer Commercial Aviation has achieved an 80% share of the regional aviation market in China. Currently, Embraer's ERJ145 and E190 are serving over 120 [airports](#) in more than 400 markets. As of June 30, Embraer had logged 167 firm orders for commercial jets from customers in China, of which 130 have been delivered.

Paulo Cesar Silva, President & CEO, Embraer Commercial Aviation, said: “The aviation industry in China will continue to be robust in the foreseeable future. We believe China’s aviation industry will keep its momentum during the next 20 years and become the largest single-country market in the world.”

China’s economy will remain strong, with a projected annual growth rate of 5.6%. This is one of the drivers that will lead to a 7% annual growth for air travel in China over the next 20 years, and become the highest in the world. “As a world leader in this segment, Embraer is ready to embrace this growth momentum and continue to bridge the current travel gap in the regional market in China,” said Guan Dongyuan, Senior Vice President of Embraer and President of Embraer China.

The report points out that several favorable policies by the central government have had a stimulating effect on the industry: The “One Belt, One Road” initiatives, for instance, a mega-scale blueprint that focuses on the connectivity between countries and regions by all modes of transportation, underscore the importance of air transportation and encourage more regional [airlines](#) to launch new routes and improve local air transportation.

The Chinese aviation industry has been reaping the benefits of the central government’s reforms. China’s current Five-Year Plan, under CAAC coordination, includes the construction of 70 new airports and feasibility studies for an additional 28, highlighting the importance of air transportation. The CAAC is also encouraging the introduction of regional aircraft by offering incentives of up to RMB 1 billion per year to the regional aviation industry.

In this context, air transport development will be uneven across the country. Access to air travel in second and third-tier cities will grow twice as fast as in major cities, and the central and western provinces, where there are sufficient time slots and incentives from local governments, will lead the growth in the next two decades. Regulations for new entrants are being relaxed and this has led to a surge in new private airlines. In light of the development of Western and Central China, start-up airlines will exploit the opportunity to operate from small bases, promoting efficiency and profitability throughout the country.

Embraer is also witnessing a more pragmatic trend among airlines, which are changing their metrics of success from market share to shareholder value, in the new landscape. Right-sized aircraft can generate higher revenue and profit per seat, and bring a better return for investors. Embraer E-Jets and E-Jets E2 offer a perfect solution, as they usually command higher average yield. The marginal cost of flying an extra seat is often higher than the lower fare it generates, as larger aircraft introduce surplus capacity that is often sold at widely varying discounts.

“The government’s focus on a new stage of development, combined with the mindset shift to shareholder return in the Chinese airline industry, unveils huge opportunities for regional aviation, which generates enormous demands for jets in the 70 to 130-seat aircraft,” concludes Dongyuan.

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