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Large Business Jet Sales Cool
Possibly Affects Gulfstream, Dassault & Bombardier

As the last decade commenced, the world had an insatiable appetite for the biggest of corporate jets. More recently though, that love affair has broken up as many of the previous demand drivers have gone the way of the Harlem Shake and planking.

Back then, the large jet category, capable of whisking passengers between continents, was still a relatively new jet segment with demand outstripping supply. Some of the newly-minted models included Gulfstream's G450, G550 and G650, Bombardier's Global 5000 and 6000 and Dassault's Falcon 7X. Impatient buyers were known to have paid multi-million dollar premiums to existing order holders to jump to the front in the line instead of waiting 2 to 5 years for their new airplane.

During the financial crisis of 2007-2008, these luxo-barges proved to be recession-proof too. As the lower end of the business jet market collapsed, in part due to buyers not having the financial wherewithal to weather the financial storm, large business jet order holders stood pat, having their own sources of financing to keep their orders intact. This market bifurcation witnessed a steady stream of large jets delivering briskly while small- and mid-size jets atrophied.

Today, the demand drivers that seeded this wave of orders have waned. Emerging markets, once a primary purveyor of long range jets given their geographic remoteness, have fallen victim to lackluster stock markets, geopolitical instability and a dive in natural resource prices. China, once the fastest growing business jet market on the planet, has seen its fleet contract as deteriorating economic conditions and a new reluctance to ostentatiousness have taken a toll.

Other factors resulting in less big cabin buyer interest nowadays include a relatively strong U.S. dollar, which when converted to local currencies magnifies lofty list prices which top $50-80 million and up. While one may naturally assume plunging oil prices would be a boon for fuel-thirsty large aircraft, quite the opposite is true. Some analysts have postulated that up to 1 in 5 big corporate jets sold are either directly or indirectly dependent on the health of the oil industry, which has recently seen prices fall from over $60 per barrel into the $20's.

Field intelligence from brokers of used, ahem, preowned business jets is that most of their activity has been on the smaller cabin end. This is corroborated by aviation statistical firm AMSTAT, showing that large jets are now accounting for a fifth of all preowned transactions, down from a fourth.

When splitting new bizjet delivery statistics provided by industry association GAMA into cabin sizes, the percentage of new, large aircraft delivered has steadily declined from half of all 2013 deliveries to less than a third in 2019. It would appear that supply has finally caught up to demand.

The sales sag may also be presenting itself as workforce cutbacks, which were likely accelerated and in all likeliness exacerbated by virus-related impacts. Gulfstream, one of the premier makers of top-end jets, announced 699 layoffs this month on top of 446 employees let go in October. Other large jet manufacturers have mostly gone the rolling furlough route, at least for the time being.

Longer term, the pendulum will inevitably swing back towards an improvement in big cabin sales. There are a plethora of brand new large business jets now available or coming in the next couple of years, which tend to stimulate sales. Emerging markets and oil prices won't be downtrodden forever, and when they do return there'll be the added interest of flying internationally in a more germ-free environment.

Until then, both new and used smaller business jets will garner most of the attention for the time being, a distinction not seen in ages, which may benefit companies such as Textron

Aviation's Cessna unit and Brazil's Embraer. But then, it seems everyone is downsizing in one way or another these days.

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