

Q2 2025

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# Plane insights

Commercial Aviation Market  
Intelligence Every Quarter

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China recovery and supply  
constraint supporting strong lease  
rates despite macro-economic and  
supply chain volatility.

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Strategic and Market Analysis

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## Summary

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- The outlook for the global economy in 2025 is uncertain due to volatility in the US along with weakening in other developed nations. The introduction of global tariffs has potential to reduce global growth and increase inflation if they stick. Above target inflation levels will lead to a pause in central bankers cutting interest rates. Geopolitical volatility remains a concern, and the impact of tariffs can directly impact aerospace.
  - On a positive note, brent and jet fuel prices remain stable and are expected to average less in 2025 than in 2024. The impact of increased production in the US and OPEC+ should further reduce the average price.
  - Air traffic grew at a double-digit rate in 2024 with transpacific travel the key market lagging. Profitability dipped versus 2023, but forecasts for 2025 show a further improvement with revenues to hit close to a trillion dollars.
  - Supply of used aircraft remains very tight; looking at the current stored fleet by age, almost 40% are older than the average retirement age with most heading for scrap, while we also have a spike of younger aircraft driven by the powder metal issue.
  - Final numbers for 2024 deliveries show a drop from 2023 but Airbus has commented that it expects to deliver fifty more aircraft in 2025 while Boeing has yet to provide an expectation. Airbus continues to dominate the orderbooks and from 2016 to date, the neo has outsold the MAX at a rate of 2.3:1.
  - While appraiser aircraft values are stable, they see further improvement for lease rates, particularly for new tech widebodies.
  - Although supply chain issues have somewhat stabilized, significant concerns remain for lower tier suppliers, ranging from labor issues to raw material supply and increasing payment terms.
  - Despite domestic traffic growing in China by over 30%, the share of deliveries of new aircraft into China has reduced over the past five years leading to an increase in average age and a growing need for new orders. Most forecasters expect a fifth of deliveries to be earmarked for China and in the absence of orderbooks, there may be an increased reliance on leased aircraft.
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## Macro Environment

At the time of our prior publication in January, the forecast for growth in the global economy was 2.5% for 2025 and not soon after, it was revised upwards to 2.7%. This was primarily driven by strong US performance but offset by weakening in Europe and China.

However, the US president's decision to introduce tariffs, at a level not seen since the 1930s, to all its current and potential trading partners has resulted in significant volatility in both markets and economic forecasts. While the move may be seen to fly in the face of conventional economic logic, it may have some political logic as the US pursues its 'USA First' policy. The current administration believe that the move will revitalise US manufacturing, increase revenue for the federal budget which will allow them to cut taxes, and it will also act as a tool for diplomacy. The last point is important as it does suggest that the tariffs may not stick. That said, many of these objectives are long term by nature, but there is a recognition that there will be some short-term dislocation and pain. Bloomberg for example, cite a 2018 Fed Study which shows that a 1% increase in tariffs will result in a 0.14% fall in GDP and 0.09% rise in inflation. If all of the April 2nd tariffs remain in place, we should expect US GDP to see a 2.4% impact and a 1.4% impact on inflation.

It is worth noting these moves would come on figures that were already allowing for a slowing economy. Atlanta Fed's GDPNow model which is forward looking and forecasts quarterly GDP up to sixty days in advance. The most recent release, which was pre-April 2nd, forecasts -2.8% growth in Q1, strongly at odds with other analysis forecasting strong economic growth in the US. The probability of a US recession has risen dramatically in the last two weeks.

It is less clear what will happen in other economies. In general, we would expect economies who introduce retaliatory tariffs to see some level of inflation, but their GDP impact may be greater as they will see their exports fall. Other economies who accept the new status quo will likely see inflation fall as their economy slows and unemployment rise. Europe for example was already a concern with its lack of growth and structural issues. It has an ageing population with declining productivity. Governments are wary of implementing unpopular changes in case of a populist backlash while consumers are cutting back on spending due to uncertainty. Household savings rates were in the region of 12% pre-Covid but are now north of 15%.

We previously commented that inflation had been steadily declining, however, that trend has reversed. In the US, inflation has increased over the prior five months and hit 3% in January but looked to have softened a little in February. We should now expect upward pressure as the impact of tariffs begins to be felt.

Labour markets in developed nations remain tight with the OECD's unemployment rate below 5% for nearly three years. Competition for staff has seen nominal wages increase by 4% year on year, but productivity growth is muted. If employers cannot spread increased employee costs over increased output, then they will be passed onto consumers in the form of higher prices. Policymakers are also making inflationary decisions either through tariffs or through increased deportation.

One area where there continues to be a significant divergence of opinion is on the direction of US interest rates. The Federal Reserve failed to cut interest rates at its last meeting; elevated inflation coupled with uncertainty regarding the US economic agenda means that the best course of action is to remain steady until there is more clarity.

Higher for longer interest rates also lead to increased expense for the federal government. Interest payments on government debt have risen from 1.2% of GDP in 2015 to 3.2% in 2025 – representing c.\$950 billion. This will lead to some political pressure to cut rates. President Trump has already been vocal on this subject.

The Bloomberg consensus forecasts further rate cuts, expecting the fed rate to be 4.35% in Q2 of 2025 reducing further to 4.10% in Q4, a slower rate than observed in our last quarterly. However, the money markets are pointing to sharper and quicker cuts.

Meanwhile in Europe in March, ECB policymakers cut their main rate for the sixth time since July 2024 to 2.5% with markets expecting them to reach 2% by the year's end.

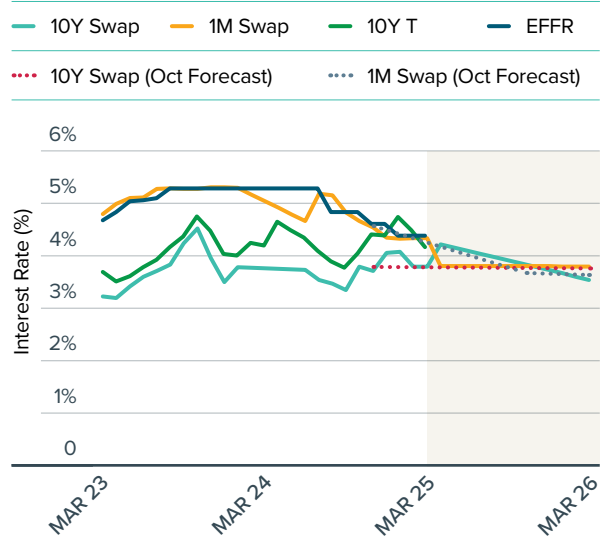
All of this volatility will impact traffic demand. The impact of tariffs in the aviation space may also be felt by the OEMs. From 2025 through 2029, 18.5% of Airbus deliveries are forecast to deliver into North America while 16% of Boeing deliveries will be into Europe. Depending on the level of tariffs, or lack thereof we could see some reduction in these shares. According to analysis from AeroDynamic Advisory, the US aerospace industry's cost of tariffs could be \$5.3 billion with significant upside possibilities.

# Macro Environment (continued)

This considers the five, pre-April 2nd, announced tariffs on steel and aluminium, along with Canada, China and Mexico with these costs borne by OEMs and suppliers. The tariffs have already led to some suppliers raising concerns as they expect pre-existing supply chain problems to be further complicated by increased paperwork and costs. We would note that the last Trump administration and EU agreed in 2021 to suspend tariffs on Boeing and Airbus

What is also notable about this period of economic uncertainty has been a flight away from the US dollar. The U.S. Dollar Index (DXY), which represents the relative value of USD against a basket of US trade partners' currencies, has declined around 5.5% since the start of the year. As the JOL/JOLCO market is an important source of funding it is beneficial to see the JPY reduced over the prior couple of months and has dropped below the ¥145 mark.

Figure 1. Interest Rates



Source: Bloomberg. Forecast 10Yr and 1M swaps as of March 2025

## Fuel & SAF

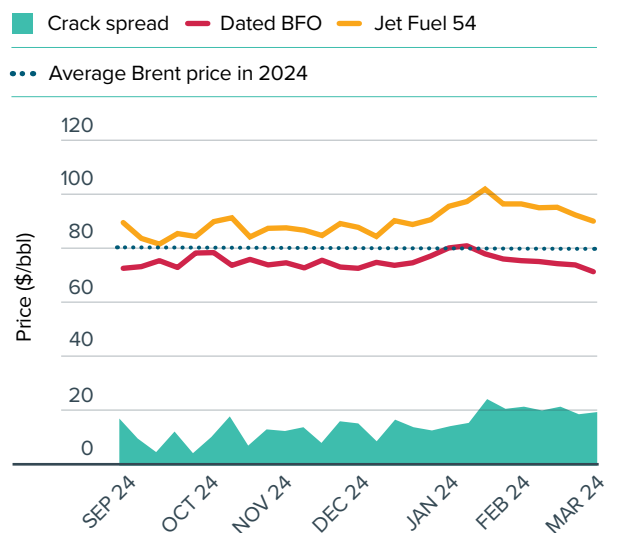
Year to date oil prices have remained below the \$80 per barrel average of 2024 and hit \$68 in early March, the lowest since 2021. S&P Global Ratings assumes moderately lower oil prices of \$75 per barrel in 2025 despite conflicts in the Middle East. Conflicts involving oil-producing nations or which are near transportation facilities add a risk premium to prices. Overall, this is good news for airlines as fuel as a percentage of operating costs at airlines stood at 30% in 2024 but should decline further in 2025. Tempering this for airlines is a slight uptick in the crack spread which is bumping around the \$20 mark.

Of course, supply is the key driver of price and OPEC+ are a key supplier. They were holding back c.6 million barrels per day of output, equivalent to 5.7% of global supply, but just recently, they have affirmed plans to gradually increase production. The cartel intends to raise production by 2.2 million barrels a day, or around 2% of global demand over many months.

The US under Donald Trump also intends to increase supply setting a target of additional 3 million barrels per day by 2028. However, that is unlikely as production is constrained by low oil prices rather than a lack of permission to drill.

A wave of mergers since the late 2010s resulted in an industry ruled by a few large companies that are risk averse whose shareholders require stable dividends and double-digit returns. Shale firms have little incentive to drill unless oil prices reach \$89 per barrel.

Figure 2. Oil and Jet Fuel Costs



Source: BFO Brent & Jet Fuel 54 as of March 2025

## Fuel & SAF (continued)

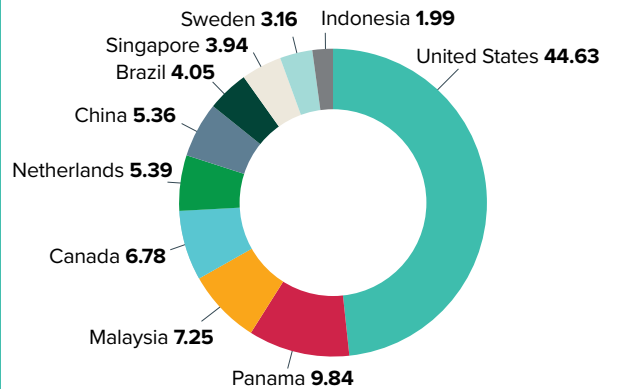
Tempering the positivity is to note that oil consumption is highly sensitive to the performance of the world economy, which might slow if the trade war heats up, crimping trade, air travel and other activities.

There have been some important recent movements within the environmental sector of aviation on policy and regulation, production and carbon credits including the below:

- The International Monetary Fund (IMF) published a report on “The Urgent Need for a Global Carbon Tax on Aviation and Shipping” which estimates that up to \$200 billion a year in revenues could be raised by 2035 through this mechanism (based on \$170 per tonne of CO<sub>2</sub> or around double the current price of the EU ETS). The report notes the undertaxation of both sectors and, in the case of aviation, points out the key limitations of CORSIA.
- Donald Trump signed the executive order titled ‘Unleashing American Energy’, which aims to ensure that no Federal funding be employed “in a manner contrary” to its principles of encouraging fossil energy exploration and production and increased mineral extraction, among others. As a result, the executive order could cause a temporary halt in the provision of loans and grants for SAF projects under the Inflation Reduction Act (IRA) but may not necessarily spell the end of federal grants and loans as biofuels are considered a domestic energy resource.

- The Indian government has reportedly lowered the duty on “blended aviation turbine fuel” for select airlines ahead of efforts to mandate SAF usage on domestic flights from 2027.
- ICAO published a list of facilities that could produce SAF and other Lower Carbon Aviation Fuels (LCAF) with the vast majority being in the United States. The below chart is measured on projected capacity, but on a facility basis the US is also well in the lead with 113 facilities, followed by Canada with 28 and China with 13.

Figure 3. Top 10 SAF Producer Countries by Projected Capacity



Source: ICAO. Capacity measured in billion litres per year

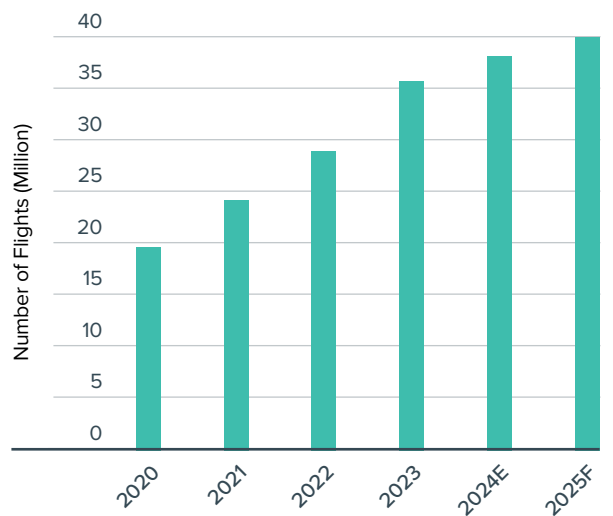
## Air Travel

Air travel demand measured in Revenue Passenger Kilometres (RPK) hit record levels in 2024, globally increasing 10.4% driven by emerging markets, particularly within APAC. Northeast Asia followed by Northern Africa and Eastern Europe showed the strongest growth. Supply issues meant that total capacity measured in Available Seat Kilometres (ASK) grew by a lesser amount at 8.7%.

International traffic continued to strengthen throughout 2024 as more routes entered service, which led to a 13.6% growth versus 2023, against a 5.7% increase in the more mature domestic market.

As mentioned in the prior newsletter, the key markets for recovery are China International and Transpacific, which have now recovered to around 20% below 2019 levels.

Figure 4. Traffic Growth



Source: IATA

## Air Travel (continued)

Recently, we are seeing improvement in the Chinese international medium-haul market, mainly in Southeast Asia, with several airlines announcing new routes. Demand during the lunar new year was strong with HSBC commenting on longer holidays, longer distance travel and increased spending, particularly to countries offering visa-free access.

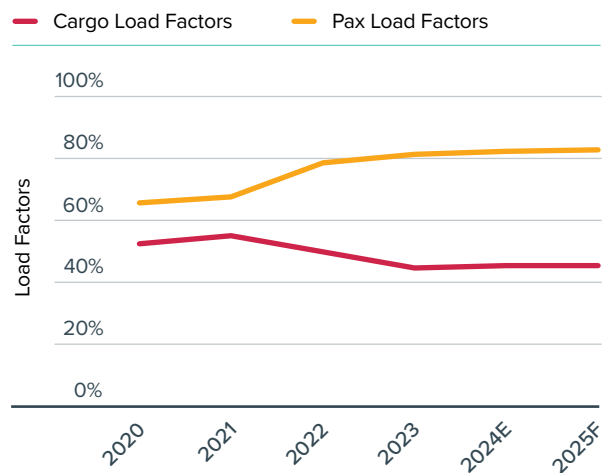
In a low margin industry, airlines need to maximize the utilization of their assets. The seasonality adjusted utilization for the industry further improved in 2024, returning to 2019 level. Load factors on passenger aircraft are very strong and are at all-time highs across the various regions. Through 2025 we expect them to remain at this level driven by supply chain issues. For cargo aircraft, we have seen moderation since 2023 as load factors dropped to the long-term average following the Covid driven boom.

IATA forecasts an 8% growth in traffic in 2025 but with aircraft availability tight and airlines at effective maximum utilization of their assets, growth will come from OEM deliveries alone so this target may be difficult to achieve due to production uncertainties.

Along with overall traffic numbers, it is important to look at connectivity in terms of city pairs. The restoration of routes cut during Covid, and the establishment of new routes means that there are now around 400 more connections than in 2019, while international connectivity has returned to pre-Covid levels.

Annual traffic and emission data reveals that total emissions from passenger and cargo flights in 2024 were 1% higher than the CORSIA baseline year of 2019. The increase was driven by a 4% increase in single-aisle aircraft in operation along with an increase in freighter aircraft which saw very strong use during the Covid downturn and has remained at high levels since. An increasing portion of new-technology aircraft helps depress emission gains. In 2019, 15% of the global fleet was new-technology aircraft but this now stands at a third.

Figure 5. Load Factors



Source: IATA

## Airline Profitability

Airline revenues continue to improve and are expected to exceed \$1 trillion in 2025, 20% higher than in 2019. 70% of revenues are generated from ticket sales with ancillaries generating c.14% per annum. Ancillary revenue growth is driven by the increased market share of Low-Cost Carriers (LCCs) and the ongoing unbundling of network carrier services.

While a benign fuel price environment was welcomed, airlines did experience higher costs across other areas, particularly staff costs both in terms of increased wages and employee strikes. Maintenance costs also increased through high escalation of parts costs, particularly for Engine Performance Restorations (EPR) and Life Limited Parts (LLPs).

In addition, as the global fleet ages, we have seen an increase in non-routine maintenance, which further increased overall maintenance costs for the airlines.

Despite the growth in revenue, global yields slipped in 2024, and we may see a slight decline through 2025. However, tight capacity and a low jet fuel price environment should offer upside. Should the US dollar continue to weaken, then there could be some additional uplift in yields in non-US environments.

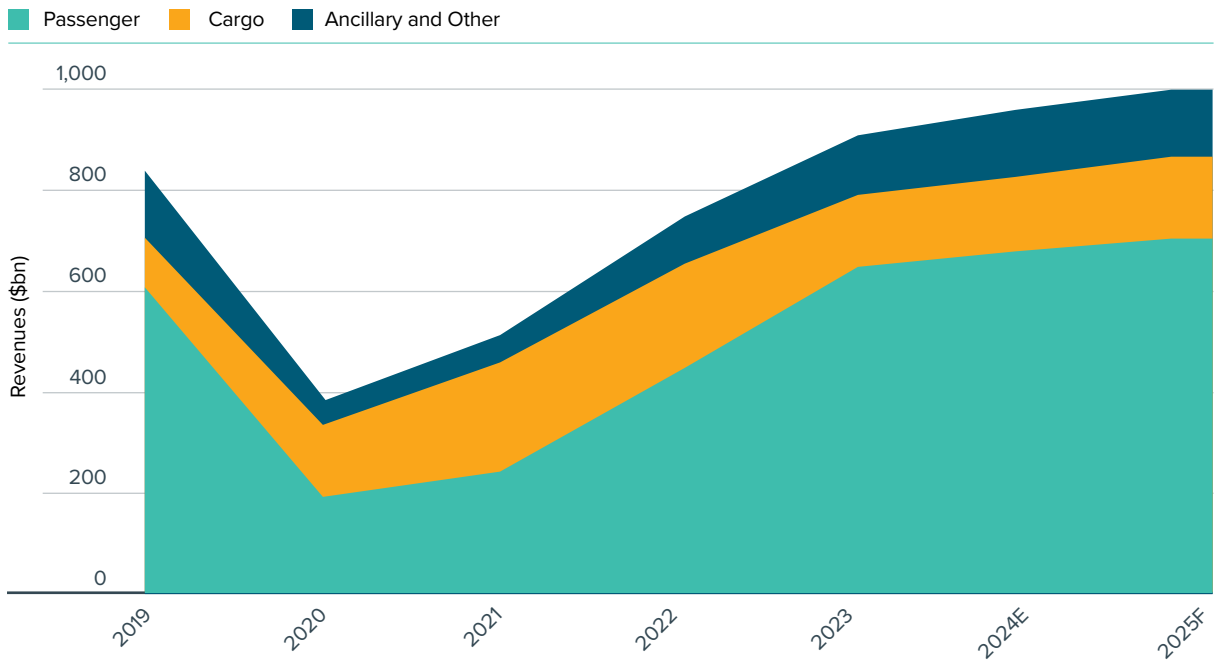
North America had a strong end to 2024 as nine of the top ten US carriers significantly increased their Q4 2024 operating profit versus the 2023 equivalent. United Airlines was up 51%, American Airlines 73% and Delta Airlines 30%. Network carriers are performing better than the LCCs which struggle with cost pressures and overcapacity.

## Airline Profitability (continued)

However, in March the six largest airlines announced updated (lower) guidance on their Q1 projections on the back of weakening consumer demand. While at the time of writing we have yet to see results from the European majors, the LCCs did see improved margins. Chinese carriers have signalled that 2024 results will be weak.

On the air cargo side, yield is expected to remain stable through 2025 (but still up 25% versus pre-Covid) as disruption in sea shipping, particularly in the Red Sea, has seen some of the lighter and more time sensitive cargo move to air cargo. Although maritime rates have not reached the heights of 2021, this situation still resulted in a sharp drop in the relative air cargo rates over maritime shipping, boosting air cargo's competitiveness over sea transport while this issue remains.

Figure 6. Airline Revenues



Source: IATA

## Storage & Retirements

In the previous edition, we discussed the downward trend for stored aircraft and how it was approaching pre-Covid levels. This time we took a snapshot of the current stored aircraft with a focus on the age profile.

There are two distinct peaks, aircraft under the age of eight and aircraft older than 26. For the younger aircraft, the majority are PW powered A320 family aircraft which are stored due to the well-publicised powder metal issue. Recently, we have seen an increase in A321s along with A220s and Embraer E2s being stored due to the same issue. We expect this issue to continue until c.2028.

Almost 40% of all stored aircraft are above the average age of retirement. While this does not necessarily mean that all will be retired as some are undergoing freight conversion and scheduled maintenance, we can assume that a large proportion will ultimately be scrapped.

Similarly, aircraft around the age of 10-12 and 16-18 reflect typical lease terms for first and second leases and would be undergoing a transition to new operator.

# Storage & Retirements (continued)

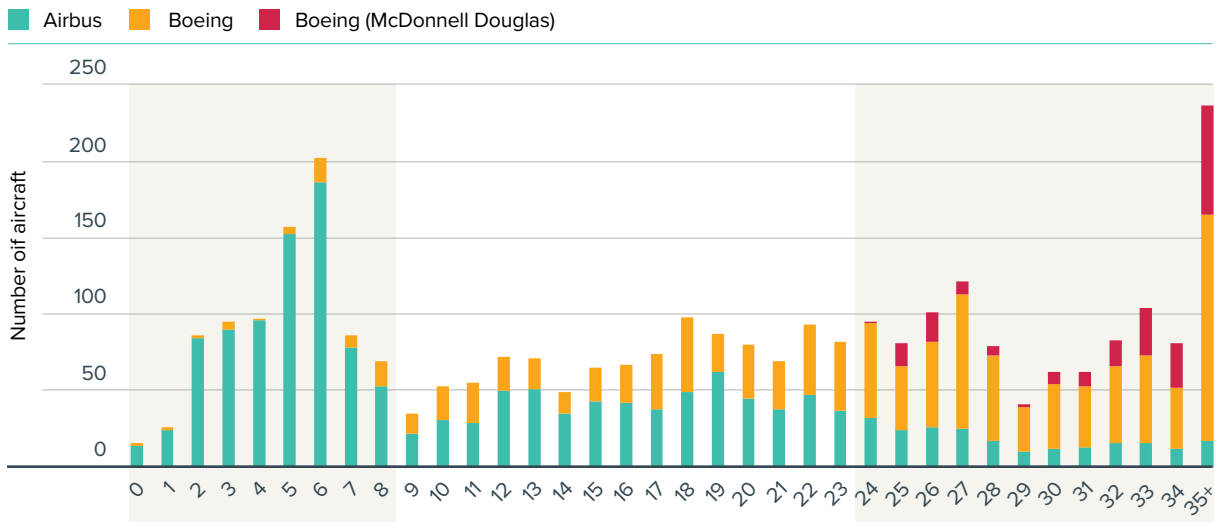
Just under a third of aircraft retirements over the prior twelve months have been by airlines. MROs and lessors combined have accounted for more, particularly end-of-life lessors who run down the green time on the aircraft prior to parting out for Used Serviceable Material (USM).

Of the c.500 aircraft retirements across the twelve months, the majority have been from the two most liquid types, the A320 and the 737NG. At an average retirement age of 26 for the A320, this is slightly older than narrowbody medium-term average of 24.

The smaller A319s have been retired earlier where their parts, and in particular their engines can be used on their larger siblings. This is similar to the 737 where the majority retired are the smaller -700s and at a younger average age.

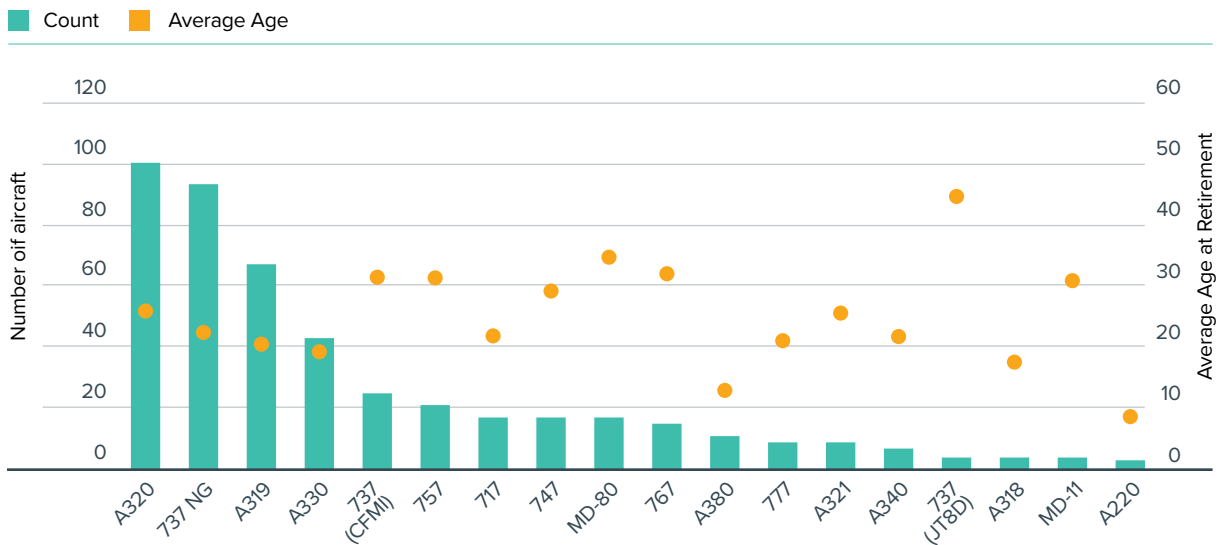
Some other interesting types include three A220s which were all test aircraft and never entered airline service along with twelve A380s previously operated by airlines including Korean Air, Air France and Emirates.

Figure 7. Stored Aircraft by Age



Source: Cirium Fleets Analyzer, SMBC AC analysis

Figure 8. Aircraft Retirements Apr 2024 – Mar 2025



Source: Cirium Fleets Analyzer, SMBC AC analysis



# Aircraft Supply

In the new aircraft space, total production for narrowbody and widebody aircraft in 2024 was just over 1,100 aircraft, disappointingly falling short of 2023 and similar to what was achieved in 2022.

**Figure 9. Airbus and Boeing Monthly Production**

	2023	2024	2025F
<b>A220</b>	5.6	6.3	6.7
<b>A320neo Family</b>	49.5	52.1	55.7
<b>A330neo</b>	2.6	2.7	3.6
<b>A350</b>	5.8	5.2	5.5
<b>737 MAX</b>	32.2	21.5	38.3
<b>787</b>	6.1	4.3	7.5

**Source:** Cirium Fleets Analyzer, SMBC AC analysis. Monthly production assumptions: A220 12p/m, A320 11.5p/m, A330neo & A350 11p/m, Boeing (all) 12p/m. Numbers reflect average number across the year.

Boeing did not provide guidance at the start of the year due to the volatility in output, but most forecasters had estimated deliveries at anywhere between 430 and 480, ultimately the final number for 2024 was just under 350. They were delivering over 30 MAX aircraft per month, including pre-built, prior to the strike but will be slow to rebuild to FAA limit of 38 per month off the production line. Recently Boeing

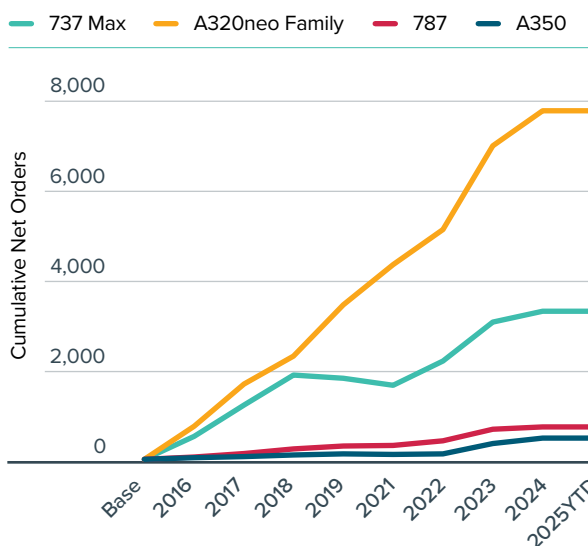
have been more bullish in their outlook suggesting an application to the FAA for a rate break above the current cap of 38 per month could be made in Q2/Q3.

Airbus recently commented that it expects to deliver around 820 aircraft this year with the expectation that Q1 of 2025 will be down on Q1 2024. Boeing have yet to comment on its forecast as it works to stabilise production.

Looking at Airbus and Boeing’s order performance over the prior decade, it is evident that on the narrowbody side the order profiles moved in parallel from the end of 2015 through the end of 2018 but diverted significantly since. Across the period analysed, the neo has outsold the MAX at a rate of 2.3:1. On the widebody side, Boeing have the advantage, with their 787 outselling Airbus’ A350 by 240 aircraft. While both OEMs also offer other widebodies, the A330neo and the 777; the 787 and A350 are considered their core widebody offerings.

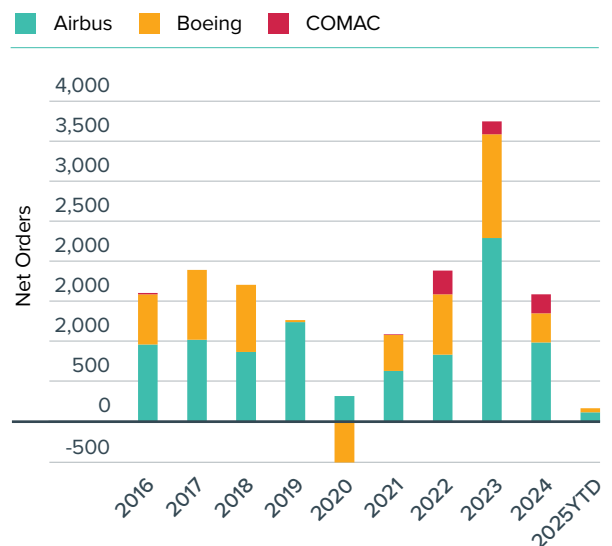
There are two outliers in the below chart, firstly the negative net orders during the 2020 downturn. Secondly, the 2023 number is distorted by some mega orders from Indian carriers with IndiGo ordering 500 A320neos and Air India ordering c.250 of the same type along with c.220 MAXs. Ignoring 2020 and 2023, the average annual orders is in the region of 1,600. To date in 2025, Airbus have accumulated 128 orders while Boeing have 49. More than half are classified as unannounced customers, but Aegean with eight, Korean with six and Lufthansa with 5 are some of the announced airline purchasers.

**Figure 10. Cumulative Net Orders 2016-2025**



**Source:** Cirium Fleets Analyzer, SMBC AC analysis

**Figure 11. Commercial Aircraft Orders**



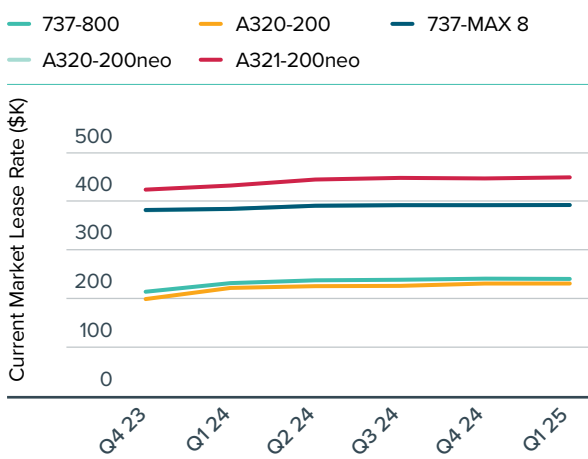
**Source:** Cirium Fleets Analyzer, SMBC AC analysis

# Aircraft Lease Rates

According to appraisers, Current Market Lease Rates for single aisle aircraft continue to trend upwards, although at a shallower rate than experienced in 2023 and early 2024. The charts below are an average of four appraisal firms and reflect a new aircraft for the New-Generation aircraft and a 10-year-old for Current-Generation aircraft, all delivering in 2025.

The spread between the appraisers on the neo and MAX is quite tight with a value gap of \$20k between the highest and the lowest. As both lines merge on the chart, it is evident that across the past six quarters appraisers see no difference between both types in terms of lease rates.

Figure 12. Single-Aisle Current Market Lease Rates



Source: Average of Cirium Ascend, IBA, mba & Avitas

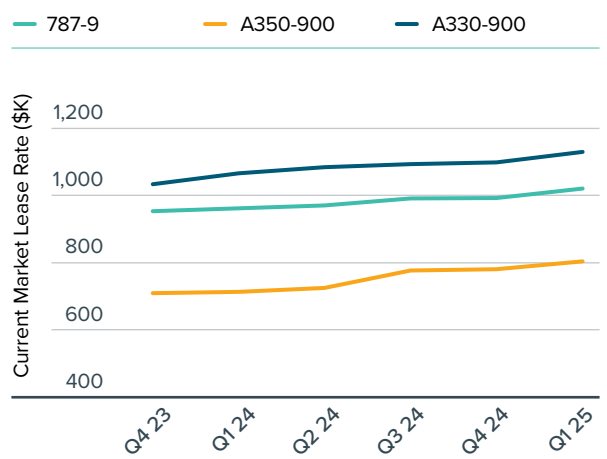
Appraisers seem in broad agreement on the 737-800 with only a \$5k variance, however, this stands at \$45k on the A320-200, a substantial spread on a 10-year-old aircraft.

On the twin-aisle side, there has been a stronger increase in Market Lease Rates – possibly due to the recovery on Single-Aisles occurring earlier.

The three New-Gen types tracked, the A330-900, 787-9 and A350-900 saw an increase of 7-12% since Q4 2023 with further increases expected.

This trend is consistent to what we are seeing in the market.

Figure 13. Twin-Aisle Current Market Lease Rates



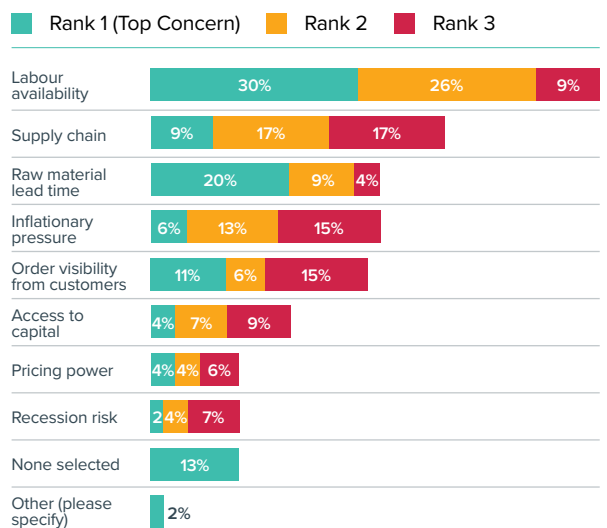
Source: Average of Cirium Ascend, IBA, mba & Avitas

# Supply Chain

While supply chain issues seem to have stabilised, the recovery will be slow and will impact the supply of both new aircraft and parts for maintenance events. To give an idea of the scale involved, RTX, maker of the PW1000G engine has 14,000 suppliers. Issues persist across all tiers from raw materials all the way up to engines and seats but here we will just focus on the lower tiered suppliers (Tiers 3&4 in Figure 16) and the labour shortage.

Experienced labour shortages continue to be an issue throughout the supply chain stemming from a considerable number of retirements and redundancies during Covid.

Figure 14. Top Concerns for Aerospace Sector (24)



Source: Morgan Stanley Survey

# Supply Chain (continued)

Compounding this issue at lower tier (Tiers 3&4 in Figure 16) suppliers is the migration of experienced staff to larger suppliers downstream to backfill some of these roles. Airbus have recently commented that they have stepped in to work with its supply chain to address staffing issues. There also remains a significant talent gap as a sizeable portion of the employee base is approaching retirement while at the opposite side of the spectrum aircraft manufacturing no longer holds the same appeal as it once did for graduates.

We are also aware that a number of US based supply chain manufacturers have moved labour intensive manufacturing to Mexico, so tariffs constitute a clear and present issue.

Along with labour issues, the lower tiers are experiencing a higher cost of capital and debt repayments meanwhile payment terms for their products have increased from a month at the turn of the century up to 3-4 months currently restricting their working capital. These compounding issues result in lower tier suppliers struggling to deliver their product at current production rates, which also impacts the necessary capex required to ramp up production to meet OEM desired future production rates. In a production chain where a particular part can have a sole supplier, the failure of a single small shop can have an oversized impact on the whole supply chain. An example of this is the fire that occurred in March of this year at a US fastener facility (which manufactures

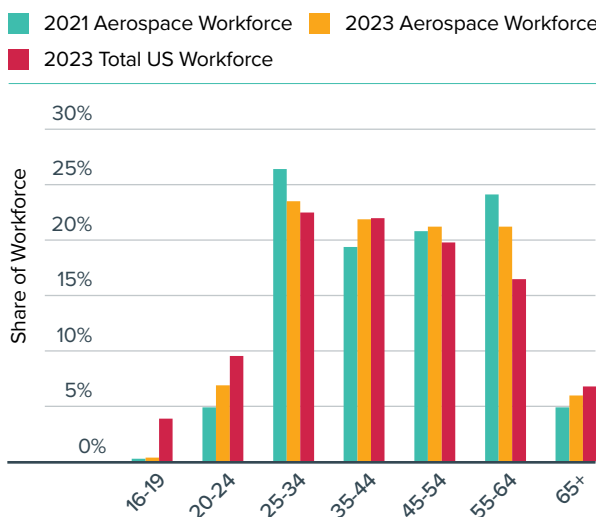
nuts and bolts), and which led Boeing to warn customers of potential supply-chain delays.

Raw materials along with castings and forgings remain on watch. Titanium is a chief concern; while there is currently enough in the supply chain there are indications that supply will continue to tighten, particularly as Russia is a key provider. Aluminium which accounts for almost 40% of aerospace raw material by weight is under watch following tariffs implemented by the Trump administration. But when President Trump implemented similar restrictions in 2018, both Boeing and Spirit AeroSystems said the effects were limited. Demand for raw materials by weight is expected to exceed pre-Covid levels by 2028.

Finally touching on castings and forgings, forging demand is set to increase by a fifth by the middle of the decade but about 45% of capacity is within Russia and China, with Russian production declining. On the casting side, we are seeing a surge in aftermarket demand which the fragmented supplier base is struggling to meet, with differences in quality noted between suppliers.

All this evidence does suggest that any solution to the current supply chain issues is not just about reducing the material blockages but requires some financial reset which will see increased profitability and stability at the lower tier companies. This should make them more attractive as employers, which will in turn allow them to address the very real skill shortage they face.

Figure 15. Aerospace Workforce by Age



Source: AeroDynamic Advisory analysis of US Bureau of Labor Statistics

Figure 16. Supply Chain and Segment Health

		2022	2023	2024
Tier 4	Small Business	Red	Red	Red
	Casting & Forging	Orange	Red	Red
Tier 3	Metal Parts	Orange	Red	Red
	Composites	Orange	Orange	Orange
Tier 2	Sub Assemblies	Red	Orange	Red
	Sub Systems	Orange	Green	Green
Tier 1	Structures	Red	Red	Red
	Systems	Orange	Green	Green
	Engines	Orange	Orange	Red

Source: Patriot Industrial Partners

# China Orderbook

The orderbook, or to be more specific, the insufficient orderbook for Chinese airlines remains a key topic in the industry. Between 2015 and 2018 deliveries into China averaged a quarter of all global deliveries but since the onset of Covid, deliveries dropped progressively and now sit at 10-12%. Meanwhile, Airbus, Boeing and Cirium all forecast that a fifth of deliveries across the next twenty years will be into China. Evidently there is a dislocation here which will need resolution to prevent a significant supply-demand imbalance. This is in an environment where Chinese domestic traffic has recovered strongly and sits 30% above 2019 levels.

With this reduction in deliveries, we have seen the average age trend upwards as Chinese airlines retain their aircraft for longer and extend leases. While the average age was just over five years of age, it has been steadily increasing from 2019 and now sits at just over nine years of age.

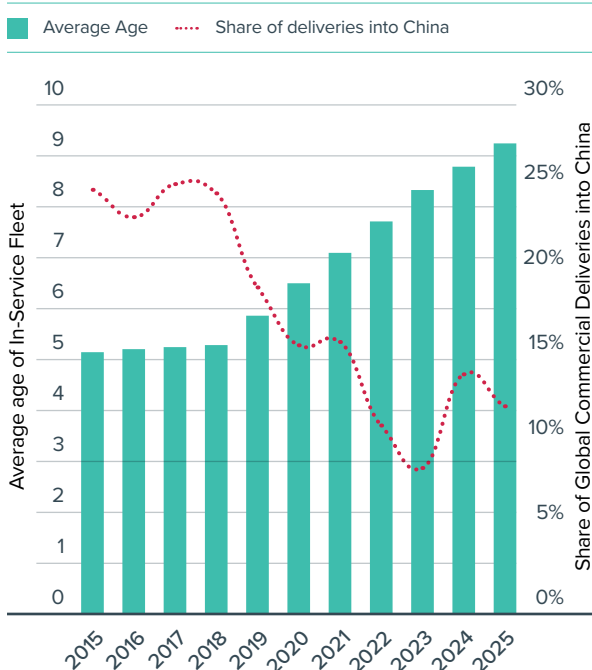
On a positive note, from the beginning of 2019 through 2025, there is an estimated 5,000 single and twin-aisle aircraft that were scheduled but not built, with China taking less aircraft than forecast; this has prevented an extreme supply shortage of new aircraft.

One useful metric for analysing the orderbook is the Backlog to Fleet ratio where a ratio of 1:1 illustrates a rapidly growing airline or a complete fleet rollover. For the top ten Chinese airlines, all aside from one have a ratio of 0.4 or below illustrating a lack of future capacity to meet growth targets.

There are over 1,000 orders at Airbus and Boeing with unannounced customers, some of which are ultimately from Chinese airlines and lessors. But even considering this, and allowing for deliveries from COMAC, there remains a significant shortfall which will need to be addressed by lessors in the 2025-2030 period as both Boeing and Airbus are sold out. Taking a snapshot of the current fleet in China just under 60% are on lease and we expect that number to tick upwards in the coming years.

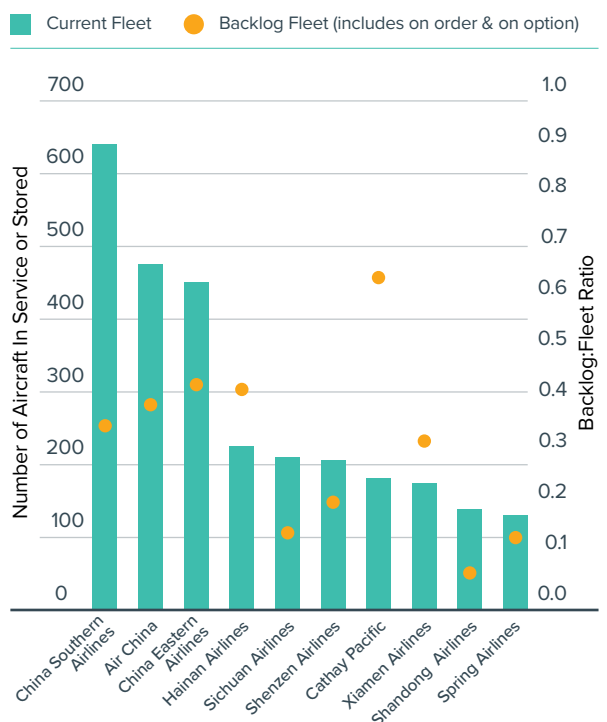
While international traffic from China has been slower to recover than most observers expected, the market continues to show growth and any move by the Chinese government to stimulate consumer spending could see Chinese carriers re-enter the leasing market in a more aggressive manner. This would put some further upward pressure on lease rates.

Figure 17. China Deliveries and Average Age



Source: Cirium Fleets Analyzer, SMBC AC analysis

Figure 18. Top 10 Chinese Airlines Fleet Status



Source: Cirium Fleets Analyzer, SMBC AC analysis.

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# About the authors

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## **Shane Matthews**

Shane is Head of the Strategic and Market Analysis Team leading a team of six analysts who have responsibility for SMBC Aviation Capital's proprietary models, databases and market analysis. He joined the company in 2005 as a credit risk analyst covering customers in Asia Pacific. Shane spent 10 years as an equity analyst covering airlines with NCB Stockbrokers and HSBC Securities in Singapore. He holds a Bachelor of Commerce Degree and a Masters in Business Studies in Banking and Finance from University College Dublin.

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Darren is SVP Strategic and Market Analysis. He joined SMBC Aviation Capital in 2004 as a Residual Value Risk Analyst before joining the credit risk team covering airlines in Europe and North Africa. In 2014 he joined the Strategic and Market Analysis team with responsibility for industry analysis, forecasting and portfolio risk management. Prior to joining SMBC Aviation Capital, Darren worked in the semiconductor industry and has an Engineering Degree and an MBA from Trinity College Dublin.

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David is VP Strategic and Market Analysis. He initially joined SMBC Aviation Capital in 2021 as a member of the Commercial Analysis team, with responsibility for assessment and evaluation of all company transactions including asset acquisitions, placements and trading before joining the SMA team in March 2023. Prior to joining SMBC Aviation Capital, David was a Valuation Consultant with Ascend by Cirium. David holds a Bachelor's Degree in Aeronautical Engineering and a Master's in Business Management, both from the University of Limerick. He is also an ISTAT Certified Appraiser.

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## Queries

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