

Q3 2025

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# Plane insights

Commercial Aviation Market Intelligence

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Strategic and Market Analysis

## Summary

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As we publish our third edition of Plane Insights in 2025, we do so in a volatile world. There are multiple conflicts ongoing ranging from Gaza and the wider Middle East, to Ukraine, South Sudan, Kashmir and now along the Thailand – Cambodia border. Escalating this volatility further is US trade and immigration policies which have led to a downward revision to global economic growth. Inflation remains sticky, and although the EU has cut interest rates, the US Fed has elected to keep them stable once again, despite increasing pressure from the US president to slash them. Once considered the safe haven in times of conflict, even the US dollar is suffering as it is no longer seen as a safe home while elevated yields in the bond market persist.

This uncertainty has moved into the oil market, a key cost for airlines. While the underlying Brent price and the crack spread has declined up until recently, the attacks involving Israel, the US and Iran has led to some choppiness in the price as the markets price in risk, and the possibility of a closure of the Strait of Hormuz. Tariff news continues to change daily, but we are seeing some aviation specific impact ranging from a hold on engine deliveries to COMAC, to an increase in aluminium tariffs to some clarity from engine OEMs on how they plan to pass across tariff driven cost increases.

The commercial aviation world is in a more positive place. With no slots available from Airbus or Boeing until the early 2030s airlines requiring lift before then will need to turn to lessors. The number of lessors with an orderbook continues to trend downwards, with only a small number having the ability to deliver with scale. In a high demand environment, airlines will need to lock in positions with the lessors further in advance. We are seeing positive moves at Boeing as they progressively ramp up production of the MAX, while simultaneously closing their ‘shadow factories’ as rework on previously built MAXs and 787s concludes. Airbus, meanwhile, lags a little compared to prior years but expects to reach their target by year end.

Despite very high demand for used aircraft, it was interesting to note that storage rates for 737NGs and A320s remain elevated compared to pre-Covid levels. Taking a deep dive into this revealed three key reasons, engine performance restorations, distressed airlines and lessor operations.

Finally, turning to appraiser values, they see stability on the current tech narrowbodies, with a slight upward trajectory for new-tech. However, there is a significant spread between them on used assets which we hope to see tighten.

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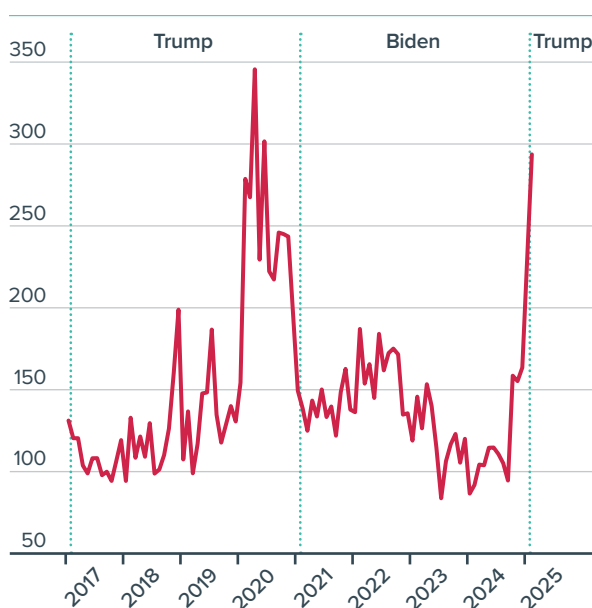
## Macro Environment

Last quarter we referenced the Atlanta Feds GDP model which forecasted a -2.8% growth in the US for Q1, thankfully they were overly pessimistic, and the actual data showed a 0.2% contraction. The underlying data for Q1 was somewhat distorted as companies fears of tariffs led to a surge in imports but were not offset by an increase in consumer expenditure or business investment in inventories. The IMF has however reduced its full-year outlook for US GDP growth from 2.7% to 1.8%.

The UK economy expanded by 0.7% in Q1, the highest in the year spurred by a boost in investment and the services sector but also propped up by some trade activity brought forward in anticipation of higher tariffs. The latter point is also applicable to China which saw robust growth of 5.4% in Q1. However, if Q1 results for those areas were boosted by frontloading trade, then we can expect a drop off in growth in Q2 due to that same reason.

The Economic Policy Uncertainty Index from the Economist tracks media coverage, tax policies and disagreements among economic forecasters. It spiked during the first Trump presidency and is once again heading to a peak during his second term. Uncertainty impedes business and investment decisions with some investors opting for a “wait and see” approach.

**Figure 1. Economic Policy Uncertainty Index**



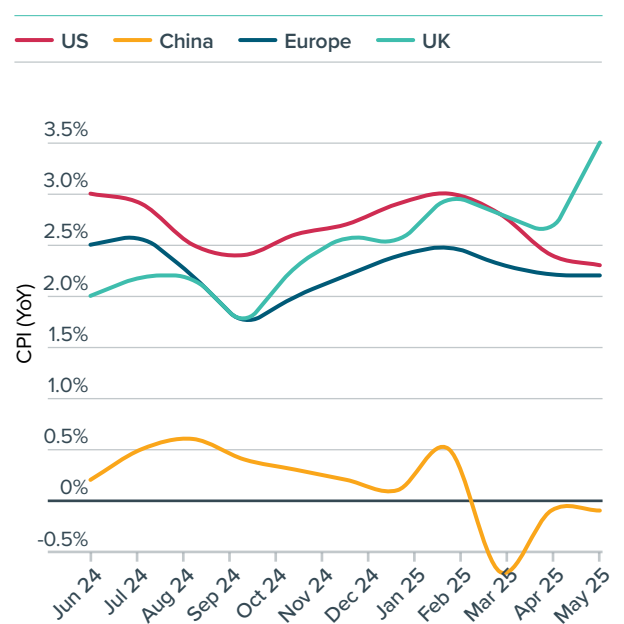
Source: The Economist. Economic Policy Uncertainty

While tariff related news changes by the day, the major story from this quarter is the US Court of International Trade found that President Trump did not have the authority to use the emergency economic powers legislation that he cited when he imposed sweeping global tariffs. Under the US constitution, Congress has the power to set tariffs, so Trumps attempt to circumvent this has backfired for now. The ruling affects the levies imposed at the start of April including the baseline 10% and the higher reciprocal duties, but not certain sectoral tariffs such as the aluminium tariffs.

The US agreed with China to slash tariffs in early May but later in the month the US threatened a 50% tariff on imports from the EU. In response to the threat, unsurprisingly, European and US stocks fell, while safer assets such as gold and sovereign debt rallied. It is, of course, difficult to understand the strategy, but could be similar to the ‘escalate to deescalate’ strategy employed with China. Meanwhile, the US has also increased tariffs on steel and aluminium from 25% to 50%, applying to all trading partners aside from Britain.

Sticking with tariffs, the major news story in the world of aviation is the US Department of Commerce suspending export licenses of engines for China. This not only impacts the LEAP-1C for the C919, but also GE’s CF34 engine on the C909.

**Figure 2. Inflation Rates**



Source: Bloomberg. CPI YoY

## Macro Environment (continued)

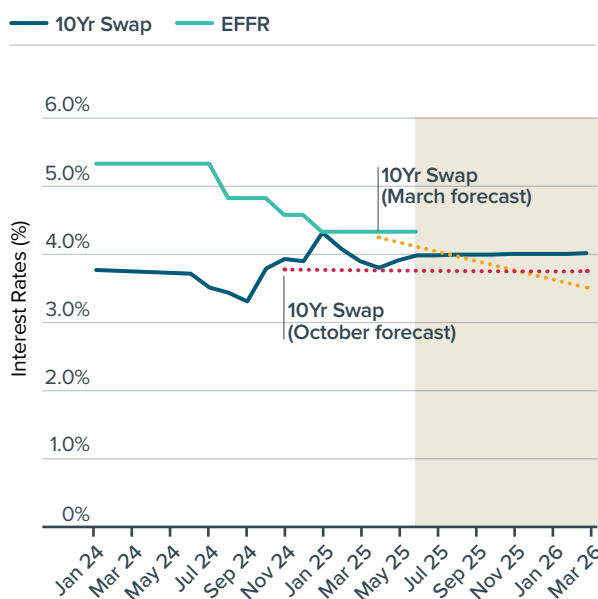
Clearance for other key components from major US suppliers has also been restricted. While China manufactures aerostructures for the C909 and C919, it is overwhelmingly reliant on western suppliers for propulsion, avionics, many flight systems and landing gear components, amongst others. These suppliers are currently evaluating whether these restrictions are a temporary move, or a permanent one to inhibit China's commercial aerospace goals.

We are seeing some cost clarity from some of the engine OEMs. GE stated they have incurred \$500m in residual costs due to tariffs and are looking to exercise a tariff duty to pass along some of the cost. CFM meanwhile have equated their additional costs to an increase of 1.5% or more on all engines and parts.

Inflation in the EU has bumped around the 2.4% mark over the past number of months while in the UK inflation has been trending up since September. China is experiencing the opposite, with three consecutive months of deflation.

Meanwhile, CPI in the US rose 2.3% in April, the slowest rate increase since 2021. However, forecasters do not expect this reprieve to last, with expectations that inflation will accelerate in the coming months when import taxes start to bite. The US Fed have raised their forecast for inflation believing that tariffs will markedly increase inflation through 2026 before returning to the 2% target sometime in 2027.

**Figure 3. Interest Rates**



Source: Bloomberg. Forecast 10Yr swap as of June 2025

A record of the US Fed's May meeting indicated overwhelming support among officials to hold off on cutting rates, citing a need for clarity around President Trump's policies including tariffs, tax cuts and immigration.

Financial markets in the US are currently pricing in two interest rate cuts by the end of 2025, but this could be overly optimistic if the forecast for inflation remains elevated.

In early June the ECB cut rates for the eighth time in a year to the lowest level in two and a half years, the decision reflects a divergence between the European and US central banks. The key rate sits at 2% with the president of the bank stating that the bank's policy was now in "a good position" which dampened traders' opinions on further rate cuts.

The bond market has shown to be a key player in the current environment and how this market responds to President Trump's policies will determine their success, or lack thereof. US government bonds are considered the safest bet in finance and in times of volatility there is generally a flight of capital to these bonds. It is a multi-trillion-dollar market that is both deep and highly liquid with investors including foreign nations, pension funds and private investors. Yields have increased as the USD declines, reflecting investors' concerns that lending to the government is increasingly risky. Typically government borrowing costs and the value of the currency move in step with each other. Financial markets are looking for more fiscal discipline from the US government and should they hold onto these assets they demand higher yields. Some US businesses have turned to the European debt market taking advantage of lower interest rates on offer.

On the horizon is Donald Trump's 'Big Beautiful Bill' which has a deadline of July 4th to reach the president's desk. The act only passed the House by a single vote, and it is estimated that the act will cause the federal debt to increase by nearly \$1 trillion over the next decade.

The U.S. Dollar Index (DXY), which represents the relative value of USD against a basket of US trade partners' currencies continues to decline. From sitting at just over 109 at the beginning of the year, under the Trump administration it has continuously declined, and currently for only the second time since early 2022 it has fallen below the 100 mark.

The dominance of the dollar is declining, particularly due to the US's unsustainable debt trajectory. Already under strain from the ending of very low interest rates, the dollar's "exorbitant privilege" – its borrowing discount it enjoys because of the dollar's dominance – is being undermined by the current administration and rates will continue to increase.

## Fuel & SAF

Year to date oil prices have averaged around \$10 less than the 2024 average with a consistent downward trend since the start of the year. In fact, Brent slipped below the significant \$60 per barrel mark for a day at the end of April and has remained in the low-mid \$60s p/b across the past two months. Refining costs have also declined through the first half of the year resulting in the crack spread settling at around \$18p/b.

If prices fall further, to around \$50p/b, U.S. oil production could decline by about 8 percent in a year, according to S&P Global Commodity Insights. Shale driller Pioneer Natural Resources have a similar view stating that if crude oil drops to this price US production could reduce by 300,000 per day – more than the total output of some smaller OPEC members.

Almost two thirds of American shale output is concentrated with only three firms meaning that the smaller more independent firms will have higher breakeven costs and less productive wells. In May Diamondback Energy, a shale firm, said that it was slashing its production target for the year and cutting capital spending by \$400m. Others, including Coterra Energy, EOG Resources and Matador, have also announced plans to reduce drilling.

Tariffs on steel products such as drilling pipes and tanks are also a concern for the industry, particularly for the smaller firms who have less bargaining power with suppliers.

Somewhat surprisingly, demand for oil has not yet weakened significantly. Oil consumption increased by 1.2 million barrels a day in the first quarter of 2025, the most since 2023, according to the

International Energy Agency. However, they have also cut their growth expectations for the full year by a third.

Oil forecasters have revised their forecasts downwards, S&P Global Ratings now forecast Brent at \$65p/b due to lower oil demand growth from economic and trade uncertainty.

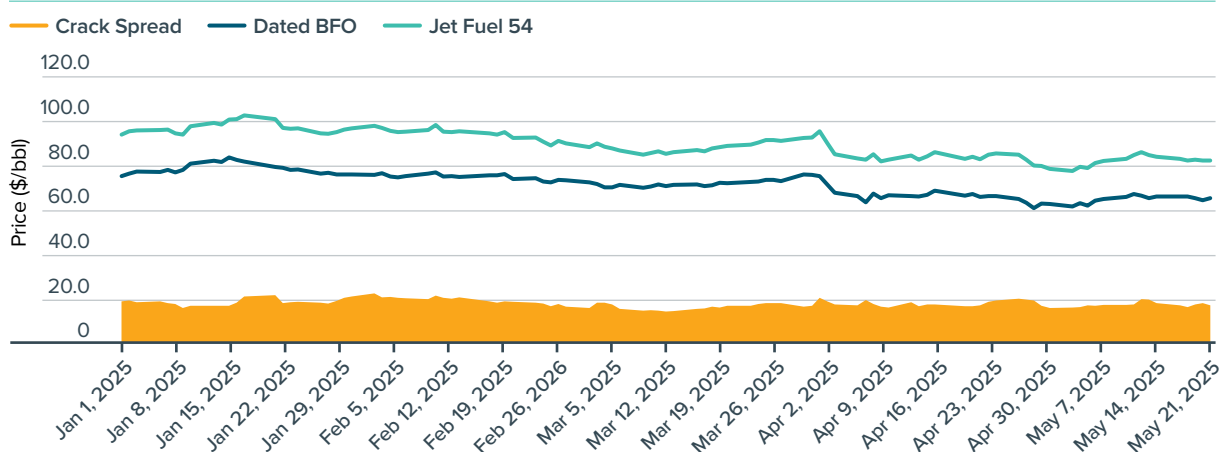
Despite this challenging environment, the cartel known as OPEC Plus has announced that they will add over 400,000 barrels of oil per day from June onwards. Saudi Arabia, the de facto leader is reluctant to hold back production, especially when other members such as Iraq and Kazakhstan are not observing agreed-upon production ceilings.

The drop in price and overall volatility is sending a strong signal that the global economy is going to be in flux this year and that will translate into lower demand for oil.

However, declining oil prices are a positive for airlines with some looking to lock in hedges for the coming year or two at attractive rates. Ryanair, for example, have locked in 40% of its requirement for summer 2026 at \$66p/b, a 13% saving versus 2025.

Just prior to publication, Israel and Iran have exchanged dozens of air strikes throwing the region into further turmoil. This was followed by US strikes on Iranian nuclear facilities. During this period the oil price spiked. However, a ceasefire is now in place at the time of writing. If hostiles restart and Iran loses some oil supply prices might increase by \$5-\$10p/b, if it loses all supply oil prices might hit \$90p/b. If Iran tries to close the Strait of Hormuz, then oil prices can exceed \$100 p/b or more.

**Figure 4. Oil & Jet Fuel Costs**



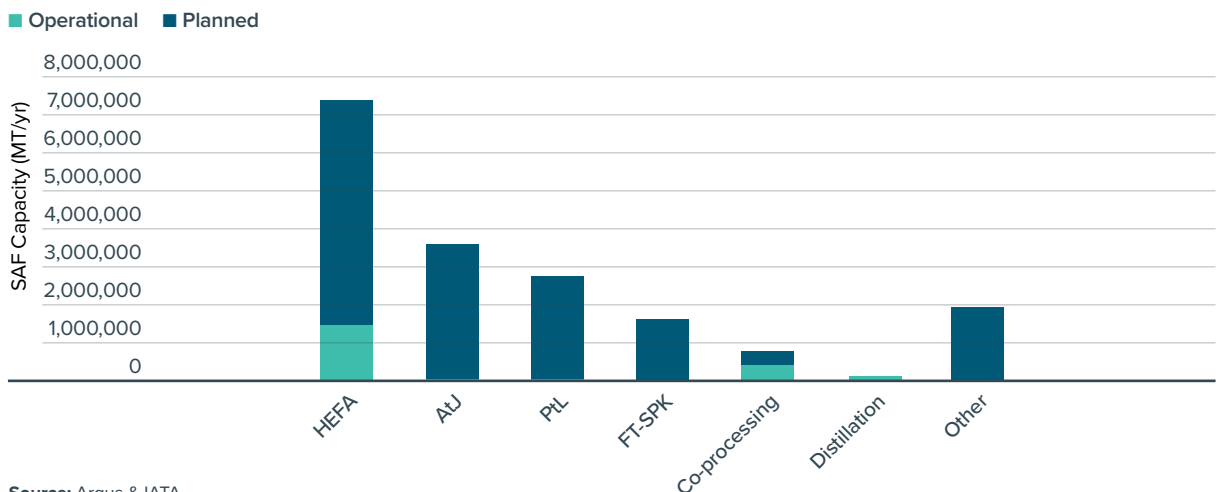
Source: BFO Brent & Jet Fuel 54 as of June 2025

## Fuel & SAF (continued)

On the SAF side, here are some key updates across the prior quarter:

- In March 2025, Airbus announced the launch of a Book and Claim pilot programme which will run throughout 2025. The MoU for the initiative was initially subscribed by SMBC AC, followed by AerCap, Comlux, Luxaviation, Rive Private Investment and SAF Aerogroup. The parties confirmed their interest in joining a pilot programme running throughout 2025.
- The European Commission adopted a delegated regulation setting out the EU rules for a SAF price support system established under EU ETS. The rules cover the yearly calculation of the price difference between eligible aviation fuels and fossil kerosene as well as the rules for allocating the resulting ETS allowances.
- The EU SAF mandate is set to add €6.2bn in costs to European airlines by 2030. Major European airlines estimate that regulatory costs, including those by legislation to decarbonise the sector, resulted in more than €15.5 billion in additional costs in 2024, with expectations for them to reach €27.6 billion by 2030.
- The recent geopolitical conflicts have resulted in a slowdown in trade activity, prompting a decline in SAF feedstock prices. US tariffs and friction in global trade have reportedly led to some UCO shipments being diverted from US ports to Europe. While investments for new SAF capacity in Asia are still being announced, the market has been bearish about the overall outlook lately.

**Figure 5. SAF Capacity by Source**



Source: Argus & IATA

## Air Travel

We previously commented that IATAs forecast of 8% growth in traffic would be difficult to achieve, and indeed they have now haircut their expectations to sub 6% which we believe is more reasonable. Over half of this growth will be from Asia-Pacific, with Europe contributing under a third. Interestingly, Africa will add more RPKs than North America this year. Low unemployment and moderating inflation in western nations are expected to continue to drive traffic demand, even if at a lower rate than previously expected.

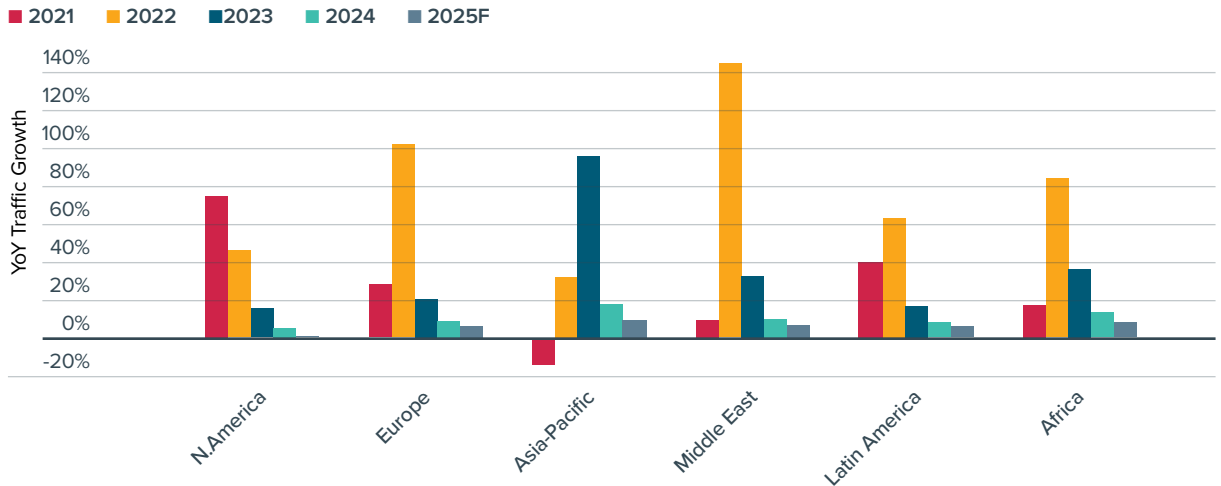
However, IATA forecast traveller numbers to fall just shy of 5 billion in 2025, around 200 million less than forecasted at the beginning of the year.

Asia-Pacific international traffic is now above pre-Covid levels and continues to see c.10% growth. Within this market Indonesia remains the weakest performer, with traffic still down a third versus 2019. India has seen the strongest RPK growth this year amongst other comparable regions, and benchmarked against 2019 it has grown by a very significant 33%.

In response to the president's trade and immigration policies US international arrivals, a lagging indicator, fell by more than 10% in March of this year. Their nearest neighbours Canada and Mexico were down 9% and 23% respectively.

## Air Travel (continued)

Figure 6. Traffic Growth



Source: IATA

Looking ahead, published schedules still show robust growth indicating a 5% increase in capacity in the first half of the year, and 6% in the second half. There is some downward pressure here as these numbers were both previously 1% higher. Several US carriers have commented on domestic weakness, particularly in economy class and leisure markets and have stripped back some capacity.

Supply chain issues and aircraft delivery delays have stimulated airline efficiency as airline planners maximise utilization of their capacity. This has led to

Load Factors reaching an all-time high of 84% across the year.

Cargo traffic growth in 2025 will be sub 1%, considerably down on the 11% experienced in 2024. While air cargo is broadly split 50:50 between main deck freighters and belly capacity, we are now seeing that split tilt in favour of belly capacity. The removal of the de minimis exemption, which allowed parcels worth less than \$800USD to enter the US free of customs procedures will reduce trade into the US.

## Airline Profitability

IATAs updated airline financial forecast for 2025 shows some ups and downs versus their December 2024 forecast. The Net Profit forecast has slipped from \$36.6 billion to \$36.0 billion, but still an increase on the \$32.4b earned in 2024. Net Profit margin has ticked up by 10 basis points following downward revisions to revenue but even more so to expenses. The driver behind this improved margin is the drop in fuel price down 13% on 2024 and lower than prior forecasts.

While \$36b is a big number, on a passenger basis this only generates just over \$7 profit per passenger. For comparison, this will just about cover the cost of a Big Mac in Dublin, not even the Big Mac Meal.

As we saw in 2024, yields continue to slip driven by lower costs but also robust competition. Good news for the travelling community, as after adjusting for inflation air fares are 40% below 2014 levels.

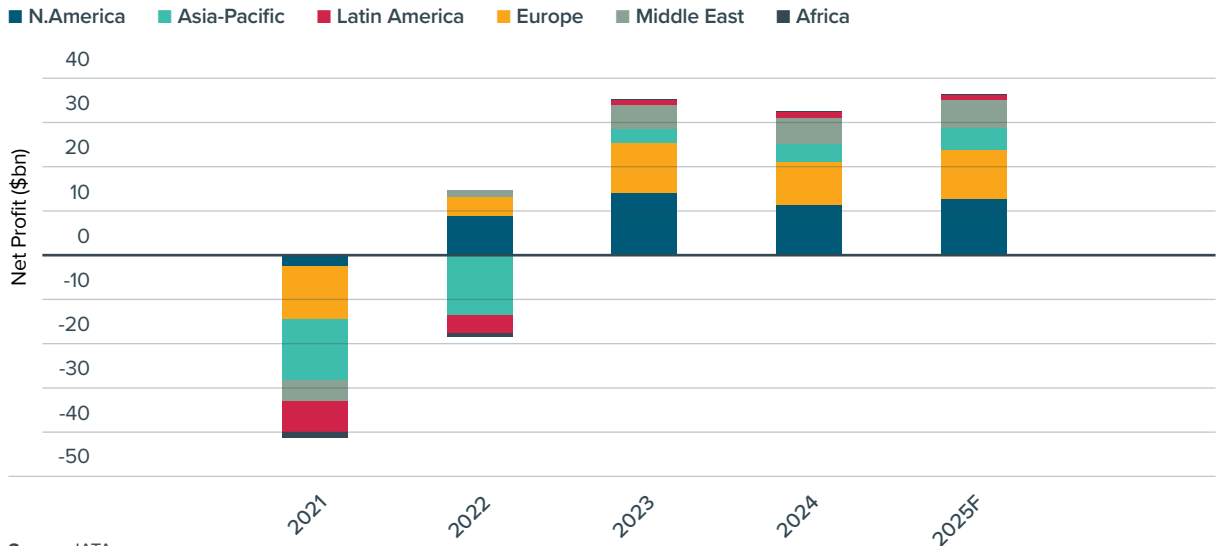
Consumer sentiment is strong, according to a poll conducted by IATA in early Q2, only 6% of respondents stated they plan on travelling less and only 8% expected to spend less on travel. Meanwhile a silver lining to tariff issues is that over two thirds of business travellers surveyed commented that they will increase their business travel to visit customers amid tariff uncertainty.

Air cargo yields were expected to be stable through 2025 at the start of the year, but midway through the year the expectation is now a 5% drop on 2024 levels. Cargo whether carried by sea, air or land is one of the first victims of government protectionist measures and revenues are also expected to decline by 5% across the whole year.

The stubbornly high level of stored A320neo family aircraft due to the PW1100G issue is also impacting some airline's financials.

## Airline Profitability (continued)

Figure 7. Airline Profitability



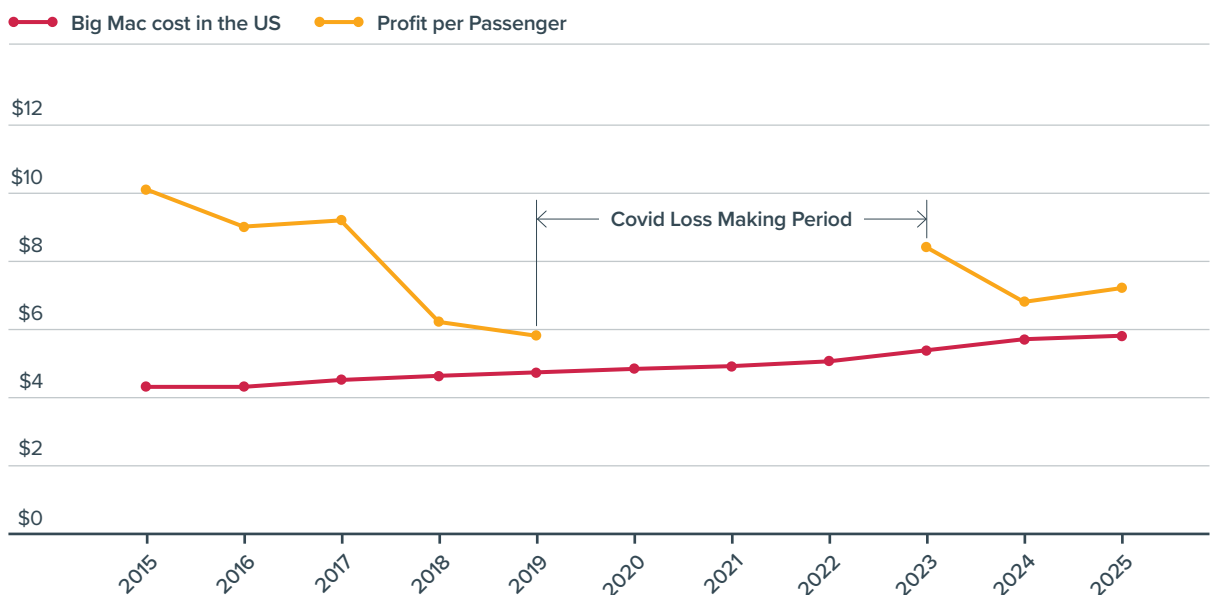
Source: IATA

A central European carrier recently commented that despite receiving compensation from Pratt & Whitney, they have absorbed two-thirds of the extra costs itself.

A 7% decline in air fares pushed down Ryanair's full-year profit but see peak fares for 2025 modestly ahead of where they were this time last year. Meanwhile, a number of other airlines have pulled their profit forecasts due to tariff driven uncertainty.

We touched on the USD market earlier, and if it continues to weaken it will support the profitability of airlines outside the US who generate revenues in local currency, but major expenses remain in USD.

Figure 8. Airline Returns Vs Big Mac



Source: IATA & The Economist



## Storage & Retirements

This quarter we are focusing on current tech narrowbody aircraft split out by engine type. The CFM56-7B solely powers the 737NG family while the CFM56-5B and V2500 are options on the A320ceo family. Pre-Covid the storage rate for these types were very tight averaging 2-4%, driven mainly by aircraft transitions and scheduled maintenance.

Post Covid we saw a gradual decline until the end of 2023 but since then the storage rate has remained sticky at high single-digits. This is somewhat surprising as these three engine types are mature designs with stable time-on-wing combined with a high demand for their host aircraft as flyers. Careful examination suggests three factors at play.

Firstly, We are seeing supply chain issues causing elevated Turn Around Times (TAT) as parts are delayed to the MROs. Looking at the production cycle of the aforementioned engines shows a consistent ramp up in the number of Shop Visits completed, with the peak expected to occur in the coming two-three years. 40% of the -5B and -7B engines in service have not yet had their first overhaul, but are approaching it now.

Looking at the current stored fleet, about a fifth of stored aircraft are with lessors without an airline operator. While some of these are undergoing transition between operators, the lessors with most stored aircraft are in one case a Russian lessor, and the next three are all Mid to End-of-Life lessors where their stored aircraft will most likely be parted-out or converted to freighter.

On an operator basis the five airlines that have the most stored aircraft are actively restructuring or in some level of distress. As their issues get resolved we

expect storage numbers to decline, while as we enter high season in the Northern Hemisphere we expect further activation of stored aircraft.

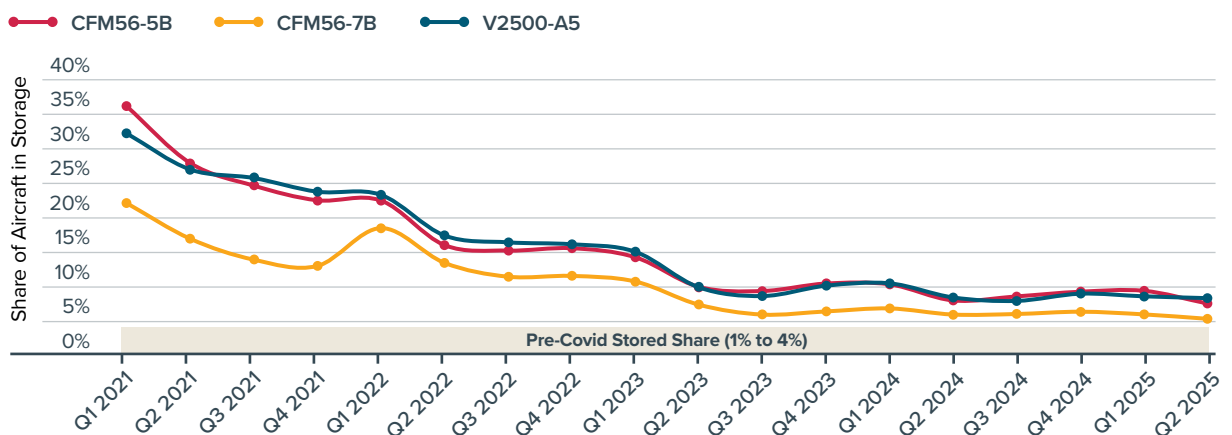
Previously we looked at retirement trends for commercial aircraft, along with a deeper dive into asset types and ownership in the Q2 edition. This time we look at the Passenger to Freight (P2F) market, while not a retirement per-se it is a removal of capacity from the marketplace. From 2015 up until June of this year we estimate that just over 200,000 seats have been removed from the market as the asset gets converted to a freighter.

There are no factory build narrowbody aircraft so all freighter supply must come through a conversion house. On the widebody side one can purchase factory build 767s and 777s, with the 777-8F and A350F to enter service in the future. There are also conversion programs for the A330, 767 and 777 passenger versions.

In the five years leading up to Covid-19 there were an average of just over 35 aircraft conversions but this rapidly increased until reaching a peak of over 180 in 2023. The reason behind this was an increase in idle aircraft as government lockdowns commenced and airlines cancelled much of their operations. In tandem, personal consumption rose as people stuck at home spent money on products they otherwise would have spent on travel, restaurants and concerts.

This surge in cargo demand led first to the concept of a 'preighter' which is a passenger aircraft temporarily modified to carry some cargo, and then in cargo conversions. As investors saw declining passenger rentals, decreasing feedstock values and increased freighter rentals many jumped into the space.

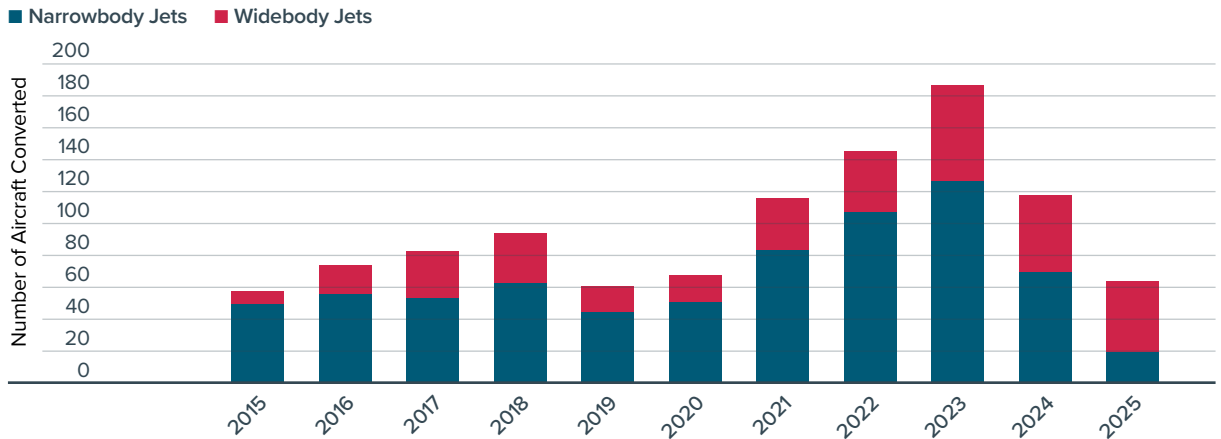
**Figure 9. Stored Aircraft by Engine Type**



Source: Cirium Fleets Analyzer, SMBC AC analysis

## Storage & Retirements (continued)

Figure 10. Passenger to Freighter Conversions (Class)



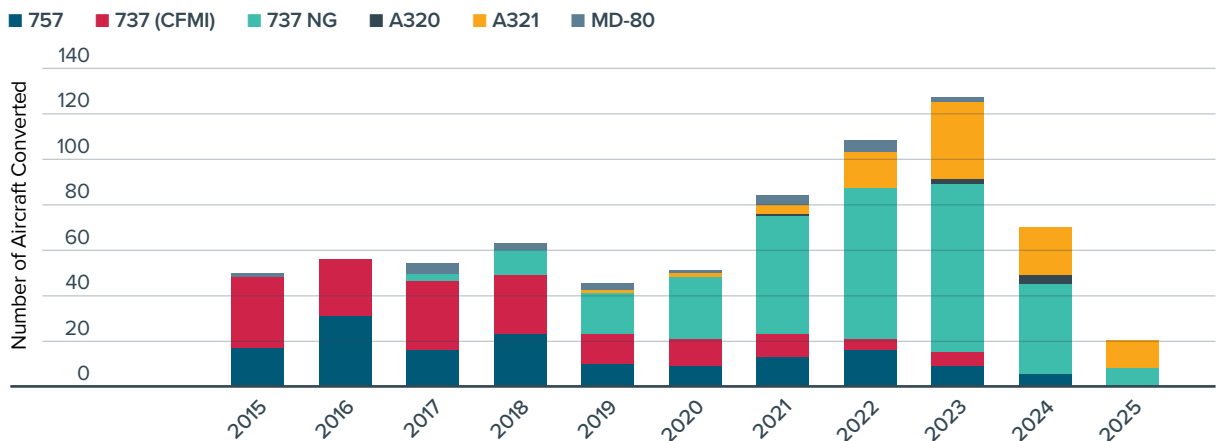
Source: Cirium Fleets Analyzer, SMBC AC analysis

Arguably too many investors made this decision as currently over 50 737-800 freighters are in storage due to a weakening cargo environment. The current strong demand for passenger lift has led to some cancellations of conversions and we expect a similar number of conversions to occur in 2025 as in 2024. While this may be a product of the move to produce more products closer to the consumer, the

oversupply condition will take a number of years to play out.

Looking at the narrowbodies we can see a cutover in asset around the time of Covid-19 as feedstock of 737 classics and 757s declined being replaced by the 737-800 and A321, respectively. These two types will dominate the narrowbody freighter space for the next two decades.

Figure 11. Passenger to Freighter Conversions (Asset)



Source: Cirium Fleets Analyzer, SMBC AC analysis

## Aircraft Supply

Airbus have maintained their expectation to deliver around 820 aircraft this year while Boeing will most likely not provide a hard target as it works to stabilise production. However, deliveries from Airbus through the first five months of the year are down on both 2024

and 2023 primarily due to a reduced supply of LEAP-1A engines so it will be tough for Airbus to reach this target unless we see a strong ramp up in the back half of the year. Our own forecast has softened a little, but we still expect 150-200 more deliveries in 2025 versus 2024.

## Aircraft Supply (continued)

Boeing rolled out a MAX at rate 38 per month in May, the first time they have achieved this level since late 2020. They now must ensure they can maintain this level consistently without derailing the six KPIs for safety and quality determined by the FAA. Increasing production beyond rate 38 will require approval from the FAA based on their performance against these KPIs.

However, looking at it from a strictly production basis and the time taken from factory load until roll-out, we believe it will be late Q3 or early Q4 before we see deliveries at a constant rate 38.

Further positive news for Boeing, they are set to close their 737 'shadow factory' by the end of the summer. This shadow factory is where rework activities were completed for the fleet of 737s that were built pre-2023 but could not be delivered due to manufacturing issues. The 787 shadow factory in Everett has already been shut down but deliveries of reworked 787s are ongoing and will continue into early 2026.

The delivery of heat exchangers and seats were two key production restraints in 2024 and early 2025 for the 787 but those constraints have alleviated. Boeing now expect to get to a stable delivery rate of 7 per month later in the year.

Boeing have stated that they have 50 deliveries to China in their plan from May through December but that is highly dependent on negotiations over tariffs between the US and Chinese governments. In April two MAX aircraft which were scheduled for delivery to Xiamen Airlines were instead flown back to the US with an uncertain future.

Complaints from airlines about slower than desired deliveries of new aircraft lately have been superseded by threats of refusal of deliveries in reaction to newly imposed US tariffs and to the inevitable countermeasures. Ed Bastian, CEO of Delta stated in April that they will not pay tariffs on deliveries and will defer them instead.

COMACs trade related issues were touched on previously, but even prior to that they have had a quiet start to the year delivering four aircraft in the first half of the year to date.

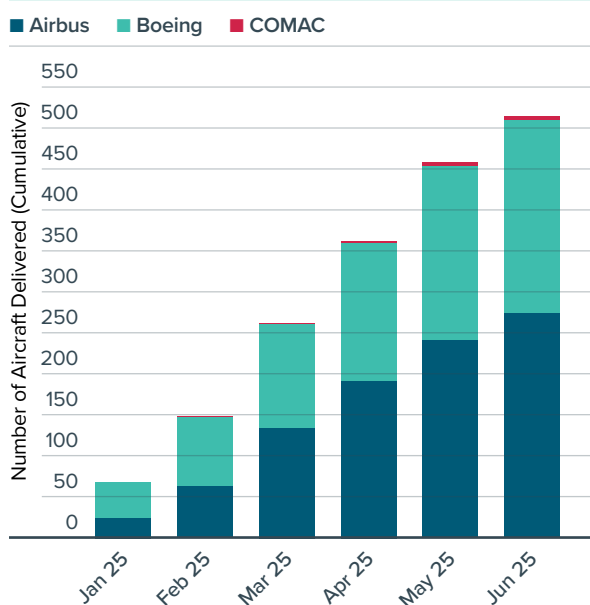
Through 2025 to date orders have more than doubled the number of deliveries further stretching backlogs into the 2030s with Airbus ahead on the order front by 732 to 553 following a decent Paris Air Show.

Of course, the mega order so far this year is Qatar Airways ordering 210 (160 firm and 50 options) Boeing aircraft. The order, which is Boeings largest ever widebody order, is split between the 787 (130) and 777X (50).

It has certainly been a good start to 2025 for the 777X program which also saw orders from Korean Air for 20, China Airlines for 14 and British Airways for 6.

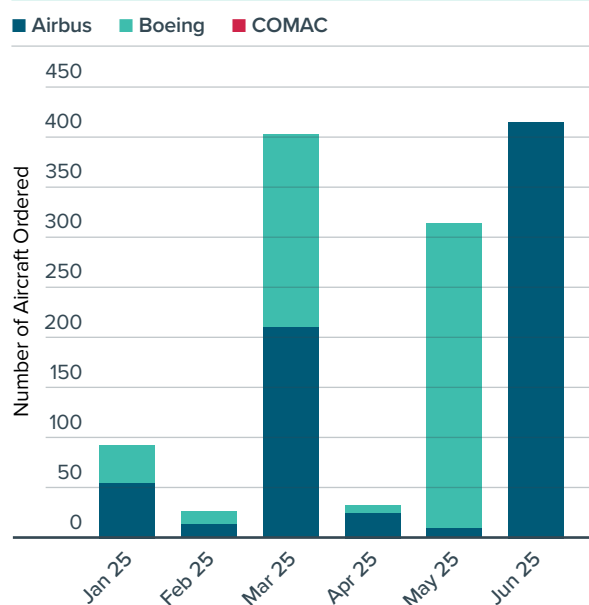
While Boeing did not record any sales at the Paris Air Show, Airbus announced orders and commitments with eight counterparts. Two interesting orders were Riyadh Air opting for the A350-1000 and Airbus flipping LOT Polish Airlines from being an E2 operator to a future A220 operator.

**Figure 12. Cumulative Deliveries**



Source: Cirium Fleets Analyzer

**Figure 13. Commercial Aircraft orders**



Source: Cirium Fleets Analyzer

## Appraiser Market Values

In previous editions of Plane Insights, we looked at the average appraiser values or lease rates across a range of asset types. However, looking at averages' alone disguises the spreads between appraisers which is significant, particularly on used aircraft.

We have focused on the MAX 8 and 737-800, but if we selected the A320neo and A320ceo the same issue is observed.

On the MAX 8 we expect a tight spread as appraiser values will be informed by delivery pricing and SLBs of new aircraft. The spread between the lowest and highest appraiser has increased from \$1.8m in Q4 2023 to \$3m in Q2 2025. This \$3m represents 5% of the average CMV so an acceptable spread.

However, on the used side we see a vast spread between the lowest and highest appraiser. The

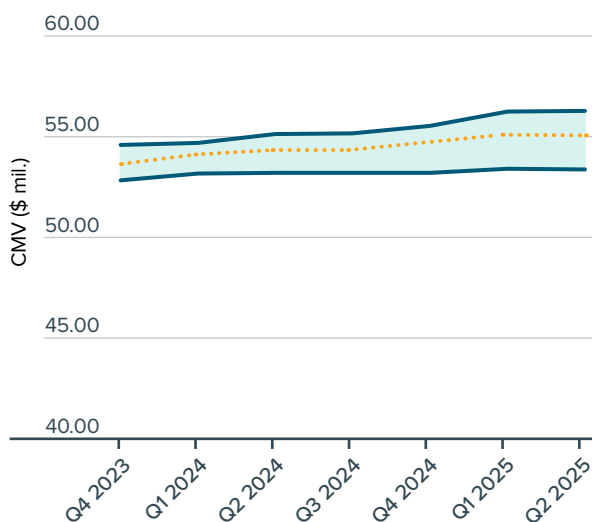
normalisation of captured data points is more convoluted for appraisers as aircraft will be in different maintenance conditions, may have a lease attached or be naked, and have different airline creditworthiness if there is a lease attached.

That said, the spread continues to widen significantly from \$5m in Q4 2023 to \$9m a year later and currently sits at almost \$12m. This \$12m represents 43% of the average appraiser Current Market Value. The drop off in the lower bound is from a single appraiser, the other three have slightly increased their values.

In our opinion, despite the caveats above, this spread is too wide and expect it to tighten.

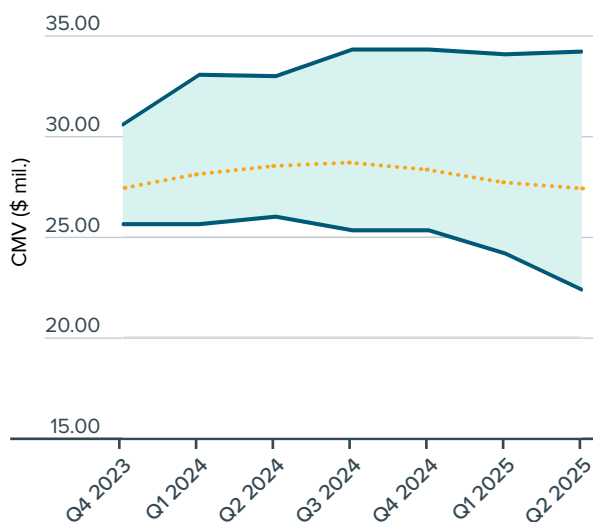
Not shown here, but the spreads on the new-tech widebody aircraft are quite tight ranging from \$5m to \$13m for the 787-9, A350-900 and A330-900.

**Figure 14. Appraiser CMV – Boeing 737 MAX 8**



Source: Cirium Ascend, IBA, mba & Avitas. Age 0

**Figure 15. Appraiser CMV - Boeing 737-800**



Source: Cirium Ascend, IBA, mba & Avitas. Age 10.

## Age Evolution

With new aircraft deliveries yet to recover to 2018 levels airlines had to increasingly turn to the used aircraft space to replace this lost capacity. This came in various forms including deferred retirements, reactivated stored aircraft and a high number of longer-term extensions.

This has resulted in the gradual increase in the average age of the commercial in-service fleet.

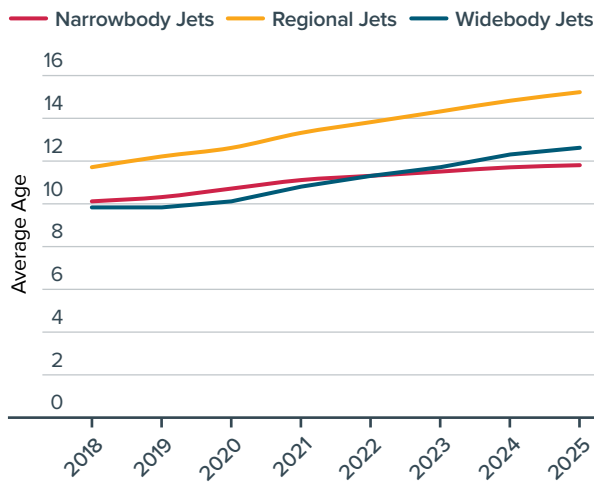
Comparing 2025 to 2018 the average narrowbody aircraft is now 1.7 years older, the average widebody is 2.8 years older while regional jets are 3.5 years older.

While on the surface this is indeed a significant increase, the timeline is key. If we take this same chart and extend the timeline back 25 years to 2000, we see a narrow band for both narrowbody and widebody aircraft.



## Age Evolution (continued)

**Figure 16. Average Age Evolution (2018-2025)**

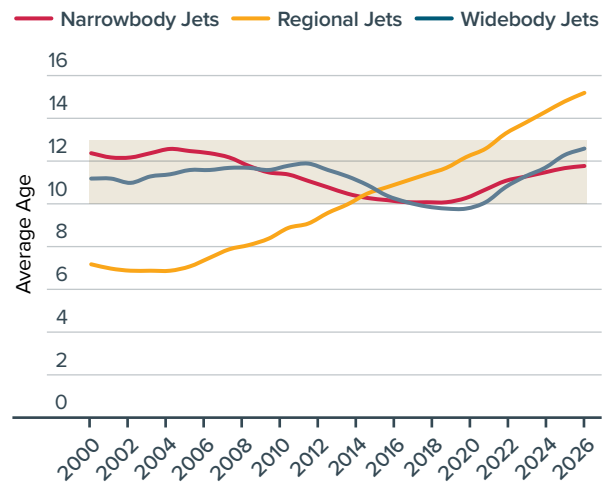


Source: Cirium Fleets Analyzer

Both types follow similar paths within a three-year band and what is particularly interesting is that across this timeline three downturns have occurred without a significant change in average age. In fact, what is most noticeable is the ramp-up in production by the OEMs until 2018, particularly we saw overproduction in the widebody space.

Looking forward, as deliveries ramp up and retirements increase, we expect to see this trend to flatten out.

**Figure 17. Average Age Evolution (2000-2025)**

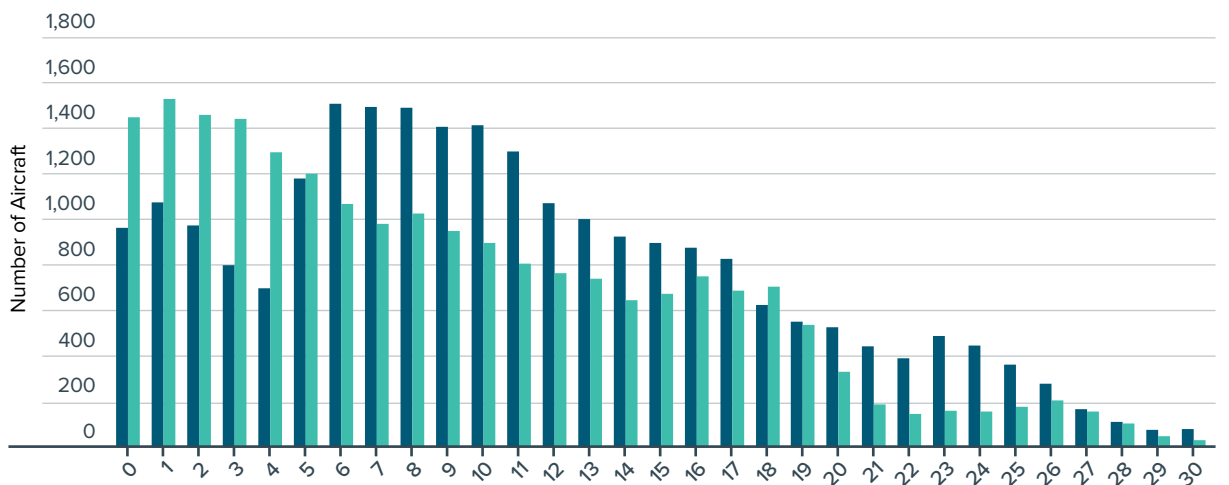


Source: Cirium Fleets Analyzer

Looking at this a different way we compare the current fleet with year-end 2017 by age profile. We can see the effect of reduced production since the MAX grounding where there were significantly more aircraft aged 0-4 in 2017 than currently. Similarly, there are far more aircraft aged 6-15 in 2025 than in 2017. Overall commercial aircraft in service are now two years older than in 2017.

**Figure 18. Age Profile 2025 vs 2017**

■ May 2025 ■ December 2017



Source: Cirium Fleets Analyzer, SMBC AC analysis

## Lessor Backlogs

The availability of aircraft directly from the OEMs for airlines continues to shift to the right. For an Airbus product it is 2031 at the earliest while for Boeing it is 2031 for the 737 MAX and 2030 for the 787, although with recent orders the 787 is probably pushed out another year or two.

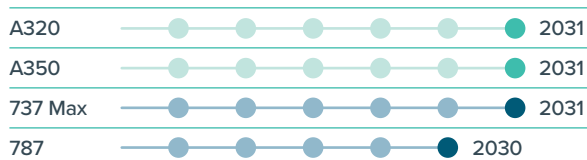
This means that if an airline wants an aircraft before the end of the decade it needs to turn to an operating lessor with open positions.

Driving further demand for lessor positions is some mega orders placed by airlines which have hoovered up significant OEM capacity in the short-medium term. This results in airlines who intended on placing direct orders with the OEMs either turning directly to the lessors or have accepted longer timelines to delivery but require lessor aircraft as bridge capacity.

Over the past decade lessors delivered on average 290 single and widebody aircraft per year provided by between 14 and 25 different lessors depending on the year. As a share of total deliveries it represents approximately a quarter, on average. However, that share is declining, from its peak of 30% in 2018 it now sits at 24%.

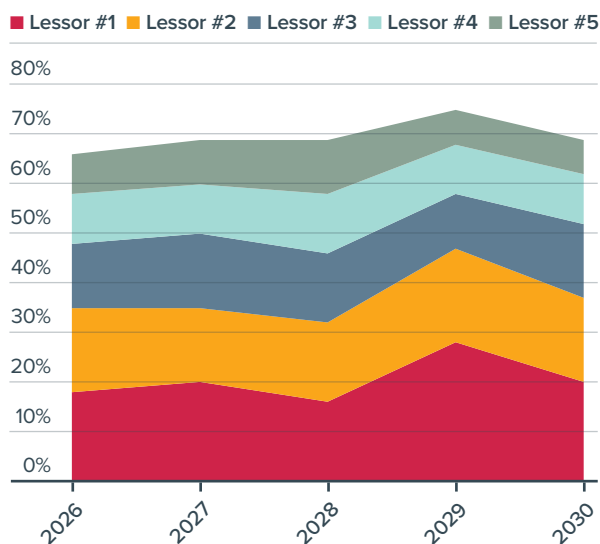
Looking forward, while on a unit basis lessor deliveries will increase in the short term, the share of overall deliveries will not. The overall share will gradually decline to around 15-16% by 2030. Not only will the share decline, but so will the number of lessors with positions, between now and 2030 at least one lessor will drop out per year.

**Figure 19. Aircraft Availability from OEMs**



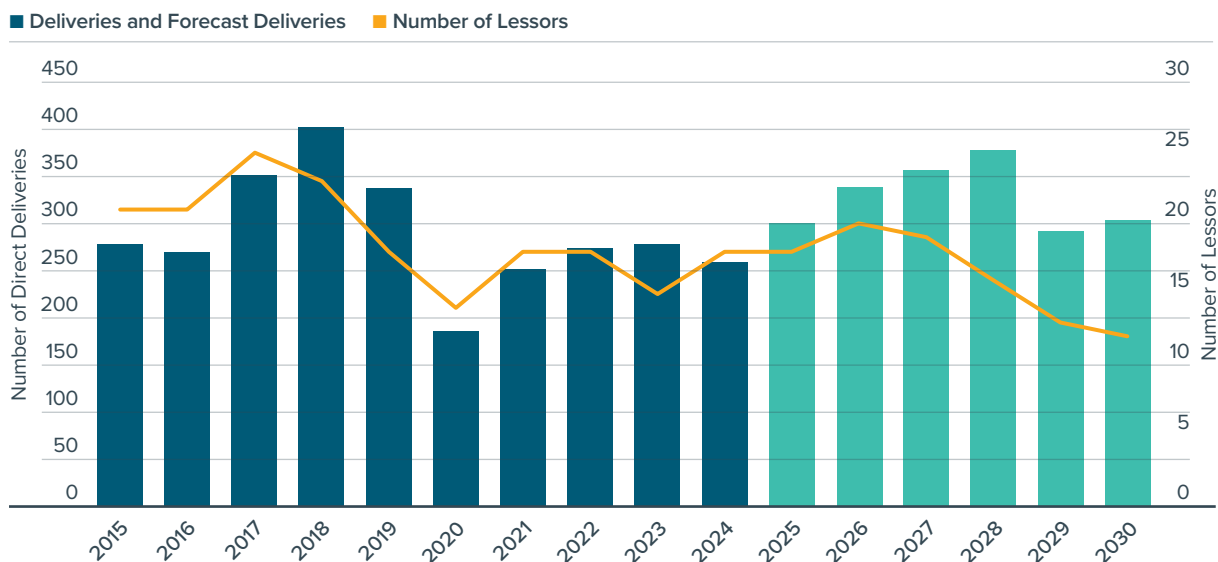
Source: SMBC AC analysis

**Figure 20. Lessor Orderbook Concentration**



Source: Cirium Fleets Analyzer

**Figure 21. Lessor Direct Deliveries**



Source: Cirium Fleets Analyzer

## Lessor Backlogs (continued)

Just to note these delivery schedules are based on Cirium data so may not be fully accurate, lessor positions may be delayed or deferred.

While the number of lessors with positions by the end of the decade will drop to around ten, it is important to note that there is a considerable difference between orderbook sizes. For deliveries of scale there are only

a handful of lessors who can supply airlines. As shown in the chart below the top five lessors will account for 70% of the lessor orderbook in each year.

With lessor backlogs being placed out until late 2027 and no direct availability until 2030 or 2031 at best, airlines will need to lock in their placements from lessors further in advance to meet capacity plans.

## OEM Outlooks

Amid the fanfare of the Paris air show both Boeing and Airbus announced their annual 20-year outlooks for the industry. Both forecasts predict a near doubling of the fleet over the next 20 years highlighting significant growth in emerging markets and emphasizing the importance of sustainability, with a substantial portion of new deliveries aimed at replacing older, less fuel-efficient aircraft.

Boeing point out that despite airline consolidation in the US and Europe the Top10 airlines globally account for 30% of capacity compared to 45% in 2000 as growth in emerging economics have outpaced these more mature markets.

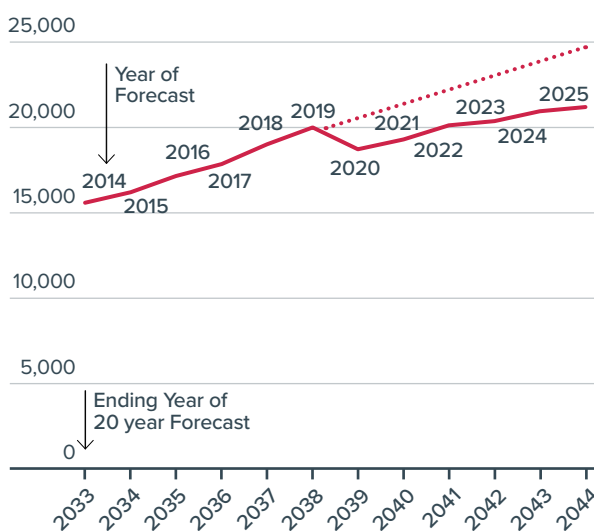
Boeing claim that it will take at least until the end of this decade for airplane supply to catch up with market demand, at which point commercial aviation will align with its pre-pandemic growth trajectory.

It's often difficult to compare forecasts given the ever

changing 20-year outlook window, but if we examine how Boeing's forecasts have evolved over time there is a clear step-down post covid with subsequent traffic forecasts down 12-15% on their pre-covid trajectory. Overall fleet deliveries have abandoned their continued incremental increase. In fact, Boeing are forecasting just over 300 less deliveries than in their last CMO, primarily driven by a lower GDP growth outlook. However, with traffic growth continuing to outpace fleet growth airlines will continue to squeeze out efficiency with denser cabins, higher utilisation and load factors

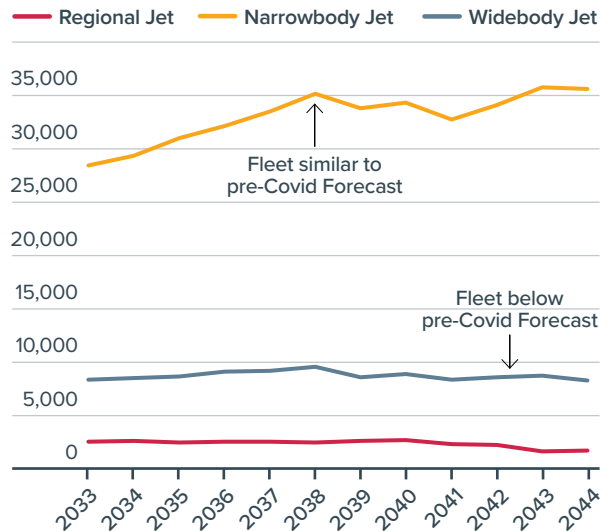
Commercial aviation remains a growth industry with proven resilience as the fleet is set to grow between 3.1% and 3.6% over the next 20 year and commercial deliveries hit 42-43k aircraft. Replacement demand will become a larger share of deliveries as more markets mature, especially in the regions that had high growth rates over the last two decades.

**Figure 22. Boeing CMO Traffic Forecasts**



Source: Boeing

**Figure 23. Boeing CMO Fleet Forecasts**



Source: Boeing

# SMBC Aviation Capital Macro Monitor

For the first time we have included the SMBC AC Macro Monitor. Within this we track over 30 key indicators which directly or indirectly impact the aviation ecosphere. These indicators are updated on a quarterly basis with green indicating a positive movement quarter-on-quarter while red indicates the opposite.

|                                    | Q2 2024 | Q3 2024 | Q4 2024 | Q1 2025 |
|------------------------------------|---------|---------|---------|---------|
| <b>Economic Growth</b>             |         |         |         |         |
| US GDP                             | Green   | Green   | Yellow  | Red     |
| China GDP                          | Red     | Yellow  | Green   | Yellow  |
| Euro Area GDP                      | Orange  | Green   | Red     | Green   |
| <b>Economic Expansion</b>          |         |         |         |         |
| PMI – Manufacturing                | Green   | Red     | Orange  | Yellow  |
| PMI – Exports                      | Green   | Green   | Green   | Green   |
| Money Supply (M2)                  | Red     | Orange  | Green   | Green   |
| New House Starts (US)              | Yellow  | Red     | Yellow  | Green   |
| Global Supply Chain Pressure Index | Red     | Green   | Orange  | Green   |
| <b>Stocks</b>                      |         |         |         |         |
| S&P 500                            | Red     | Orange  | Green   | Green   |
| <b>Inflation</b>                   |         |         |         |         |
| US CPI                             | Green   | Green   | Yellow  | Red     |
| Euro Area CPI                      | Green   | Yellow  | Yellow  | Red     |
| <b>Oil</b>                         |         |         |         |         |
| Brent Price                        | Orange  | Green   | Green   | Red     |
| Crack Spread                       | Yellow  | Green   | Yellow  | Red     |
| <b>Commodities</b>                 |         |         |         |         |
| Aluminium                          | Green   | Green   | Yellow  | Red     |
| Gold                               | Green   | Green   | Yellow  | Red     |
| Titanium                           | Red     | Orange  | Green   | Green   |
| <b>Interest rates</b>              |         |         |         |         |
| 10 Yr Swap                         | Yellow  | Green   | Green   | Red     |
| 10 Yr T                            | Red     | Red     | Red     | Red     |
| Yield Curve                        | Red     | Red     | Green   | Green   |
| EFFR                               | Red     | Red     | Green   | Green   |
| ECB Rate                           | Red     | Red     | Green   | Green   |
| <b>Currency</b>                    |         |         |         |         |
| DXY/Dollar                         | Yellow  | Yellow  | Green   | Red     |
| Euro/Dollar                        | Orange  | Red     | Green   | Green   |
| Yen/Dollar                         | Yellow  | Red     | Green   | Yellow  |
| <b>Air Traffic</b>                 |         |         |         |         |
| Air Traffic (YoY)                  | Green   | Red     | Red     | Green   |
| Air Cargo (YoY)                    | Green   | Green   | Orange  | Red     |
| <b>Market Values</b>               |         |         |         |         |
| SA Current Tech MV                 | Yellow  | Yellow  | Green   | Red     |
| SA New Tech MV                     | Red     | Red     | Green   | Green   |
| TA New Tech MV                     | Red     | Orange  | Yellow  | Green   |
| <b>Market Lease Rates</b>          |         |         |         |         |
| SA Current Tech MLR                | Red     | Red     | Green   | Green   |
| SA New Tech MLR                    | Red     | Yellow  | Yellow  | Green   |
| TA New Tech MLR                    | Red     | Yellow  | Yellow  | Green   |

Sources: Bloomberg, Market Watch, Trading Economics, IATA, Cirium, IBA, mba, Avitas



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## About the authors

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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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David is SVP 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 company transactions. In 2023 he joined the SMA team where he covers market and asset analysis along with broader industry research. Prior to joining SMBC Aviation Capital, David was a Valuation Consultant with Cirium Ascend. 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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