

2026 OUTLOOK

UPNEXT

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INTRODUCTION

AVIATION CONTINUES TO SUPPORT GLOBAL CONNECTIVITY AND GROWTH

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Airlines generated a record \$1 trillion in revenues during 2025 but it remains a low margin business. Three consecutive years of profitability has enabled airlines to heal their balance sheets despite operational challenges and increasing non-fuel costs. In contrast, lower fuel prices have been a positive driver of financial returns in 2025 as \$8 billion lower fuel expenses compared to the prior year accounted for a fifth of the airline industry's net profits.

Aviation remains a growth industry. Demand for air travel increased by 5.2% in 2025, but the rate of growth is slowing to the long-term trend following the rapid rebound experienced from 2021 through 2024. New aircraft delivery delays and engine-driven groundings continue to constrain capacity increases, resulting in global demand exceeding supply, helping to increase yields.

Drivers of airline performance are bifurcating. Strong demand for premium and international travel is driving profitability at U.S. majors, while low-cost carriers in Europe now account for over half of all intra-regional capacity. Each country in Asia today has unique drivers leading to diverging outcomes. Airlines in the Middle East are experiencing strong growth despite geopolitical tensions.

The current aviation cycle is mature, but resilience is the industry's unique selling point. Industry revenues have rebounded, and passenger load factors have reached a record high of 84%. Air fares are flat year-over-year in nominal terms, but down a third over the past decade in real terms as airlines pass all productivity and efficiency savings through to passengers. The affordability of air travel continues to improve.

Aviation generates \$4.1 trillion in global economic impact supporting 86.5 million jobs while enabling a connected world. The aerospace industry exports \$75 billion of goods from the U.S. and €55 billion from Europe annually, indicative of their competitive advantage. Aviation connects people and cultures, families and businesses, accelerating social and economic development as a global force for good.

AIRLINE INDUSTRY ECONOMIC PERFORMANCE



Data source: IATA

MACRO

ECONOMIC TAILWINDS SUPPORT AIR TRAVEL GROWTH OFFSETTING GEOPOLITICAL HEADWINDS

Political risk was in sharp focus in 2025 as a transactional approach from the U.S. administration generated turbulence around the world. A new world order is being defined with implications for aerospace.

Following initial fears, civil aviation has been exempted from U.S. tariffs, with the exception of the non-U.S. manufactured portion of imported Embraer aircraft. Zero-for-zero has underpinned trade in aviation goods since the 1979 Agreement on Trade in Civil Aircraft, enabling innovative products developed in the U.S., Europe, UK, Canada, and Brazil to be sold to airlines globally.

While the aviation industry will continue to advocate for the status quo, tariffs will remain on watch in 2026. The U.S. Section 232 investigation is set to be released in the first quarter and should provide an insight on the outlook for tariffs, while the five-year World Trade Organization agreement between Europe and the U.S. expires in June potentially opening up a further round of negotiations.

Despite escalating trade tensions in the first half of 2025, economic growth in the second half proved resilient. The global economy is expected to have grown by 3.2%, with aviation returning to the long-term average of a 0.85% share of global GDP. In 2025, 80 of the largest economies grew by more than 1% and 90 are expected to do so in 2026 with none expected to shrink. This growth is being achieved despite consumer sentiment in the U.S. being at all-time lows, a depressed property market in China, and Europe's focus on competitiveness and defense against the backdrop of continued war in Ukraine.

The developed world has experienced a K-shaped recovery. The top 10% of earners in the U.S. are

responsible for nearly half of consumer spending, while lower and middle income households are concerned with affordability following the inflation surge of 2022-24. This dynamic is driving both increased demand for premium experiences and increased price sensitivity for basic service, favouring airlines with segmented products such as the large U.S. mainline carriers.

The world is awash with oil. Forecasts highlight an ample supply serving a slowing demand that will continue to depress pricing for the foreseeable future, although it is still unclear how recent events in Venezuela will impact the market. A 10% drop in fuel price and 10% drop in the U.S. dollar in 2025 offset a 0.9% drop in passenger fares despite a 7.4% labour cost increase and a 6.5% increase in other cost items. Jet fuel refining crack spreads rose during 2025 before dropping back at the end of the year. The risk of escalating conflicts is present in all regions, but the expected benign fuel price will support sustained airline profitability.

Relaxed regulations and declining interest rates promoted \$4.9 trillion of mergers and acquisitions globally across all industries in 2025 – the second highest of all time. The aviation industry is aligned with this trend. Consolidation is shaping airline, manufacturer, and leasing markets. Despite the uncertain macro backdrop, large investment decisions are being made. Over 2,000 orders for new aircraft were placed with Airbus, Boeing, and Embraer. These aircraft will deliver in 7-years' time and will on average fly for 25-years, indicative that confidence in the long-term demand for air travel remains strong.

LOWER FUEL IS OFFSETTING RISING COSTS

EBIT PER PASSENGER EVOLUTION 2024-26, USD



Data source: IATA

EBIT per Passenger Change

AIRLINES

ON-TRACK FOR FOURTH CONSECUTIVE YEAR OF PROFITS

Airlines are on track to generate \$41 billion net profit in 2026, the fourth consecutive profitable year, which is expected to be sufficient to offset over 80% of the \$182 billion pandemic losses incurred in 2020-22. Leverage is reducing as global airlines' net debt has dropped by more than \$100 billion since its peak in 2020. Deleveraging has led to credit upgrades, with several airlines achieving investment grade over the past year. From only a handful in 2022 there are now a dozen investment grade-rated airlines including Delta Air Lines, Southwest, IAG, Lufthansa, Etihad, Qantas, Air New Zealand, Ryanair and Indigo. Low fuel prices, constrained fleet growth, and strong demand for air transport will enable continued credit upgrades for airlines globally despite pockets of weakness.

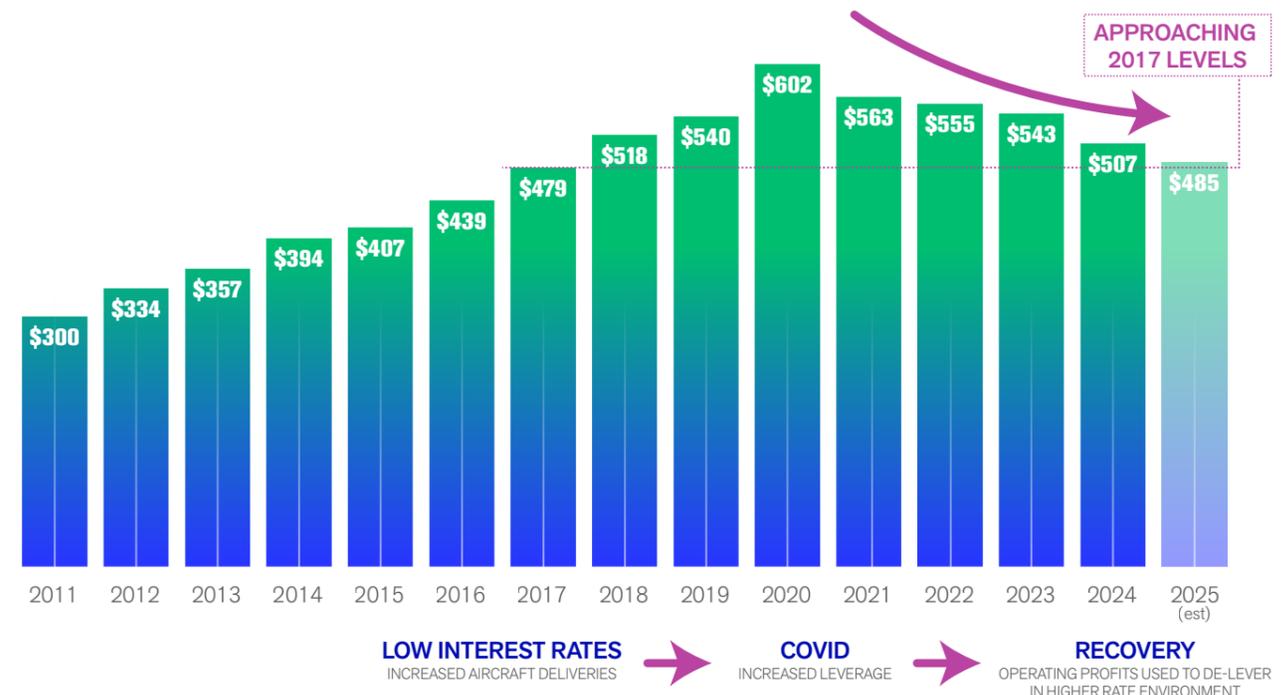
Fewer airlines started operations in 2025 than in any year in the 2010s. Airline failures remain low, with less than ten tracked in 2025 compared to 20 to 30 during a normal year in the 2010s. Limited supply of aircraft has increased barriers-to-entry for new airlines, which coupled with low fuel prices have acted as a hedge to support marginal incumbent airlines.

Airlines are flying older aircraft with more seats over longer distances as they await new aircraft deliveries and hence require greater economies of scale and higher productivity to offset operating cost escalation. Operational challenges are a major headwind for airlines

globally. Reduced time-on-wing of new-technology engines has resulted in over 900 Aircraft On Ground (AOGs), equivalent to 3.6% of the global fleet.

Capacity in the U.S. domestic market was flat, but demand shrank, with a corresponding drop in passenger load factor. Some of this can be attributed to the U.S. Government's shutdown in October and November, but the trend was engrained from earlier in the year. While low-cost carriers work to realign their networks and products to post-COVID demand, U.S. network carriers have transformed into lifestyle brands that run highly profitable loyalty and credit card businesses to offset loss-leader airline operations. For example, Delta Air Lines and United Airlines generated a combined \$5 billion of revenues from loyalty and credit cards in the first three quarters of 2025. A fifth of the global industry's aggregated \$41 billion in net profits will likely be generated by these two airlines alone.

AIRLINE NET DEBT BILLIONS USD



Source: The Airline Analyst. Cumulative position of >200 reporting airlines. "Net Debt" adjusted for capitalized aircraft operating leases.

European low-cost carriers are driving growth in the region as the majors focus on consolidation. Several transactions were announced in 2025, including Turkish Airlines' investment in Air Europa, Air France-KLM's expanded stake in SAS, and Lufthansa's increased stake in ITA alongside taking a minority stake in airBaltic. Europe remains a highly competitive market with the Top 4 carriers representing less than 20% of Available Seat Kilometres (ASKs) compared to nearly 50% in North America.

Passenger traffic growth in Asia Pacific slowed from 17.5% in 2024 to 8.0% in 2025 as fleets are nearly fully reactivated. A China resurgence is coming, which Asian airlines will rely on as a driver of further growth, but a lack of available aircraft to serve this opportunity will constrain the potential reward.

Management teams in North Asia are the first in the world to navigate declining populations and reducing workforces. Japan's population peaked in 2008 while South Korea peaked in 2020. Fleet growth is thus moderate and diverging, with smaller aircraft needed for regional services, yet larger gauge aircraft are still required for slot constrained trunk routes like Haneda to Fukuoka.

Varied outcomes are playing out in Southeast Asia. A stalled middle class in Indonesia has resulted in domestic capacity still being shy of 2019-levels by 27%. The major restructurings in Thailand throughout the first half of the decade have resulted in a narrow and widebody passenger fleet that is 15% smaller. Malaysia and Vietnam's fleets are returning to growth with 72 and 88 new aircraft deliveries expected over the next three years respectively, representing 28% and 47% of the current in-service fleets.

Carriers in the region that were recapitalized during the pandemic are performing relatively well, led by Thai Airways, Singapore Airlines, Cathay Pacific, and Malaysia Airlines. Those that did not are still working to repair their balance sheets.

Central Asia is leading global growth rates as Kazakhstan, Uzbekistan, and Azerbaijan open up to international traffic. Since 2019, these countries have led the world in capacity growth rates, requiring fleet expansion. The Middle East is thriving, with record airline profits reported alongside all-time high orderbooks.

China drove aviation's growth in the past decade, enlarging its fleet from 1,200 narrow and widebody passenger aircraft in 2009 to nearly 3,300 in 2019 – an increase from 9% of the total global fleet to 16%. In the next decade the baton will be passed to India, the United Arab Emirates, and Saudi Arabia to drive aviation's growth. With a combined backlog of almost 3,000, the aircraft on order represent close to double their current in-service fleet and close to 1,000 of which are scheduled to deliver in the next three years. China's international network is slowly being re-established, but capacity remains 18% below 2019-levels. Its fleet has aged by 3.5-years over the past 6-years, creating a near-term requirement for 1,000 new aircraft with scarce availability from the manufacturers until next decade.

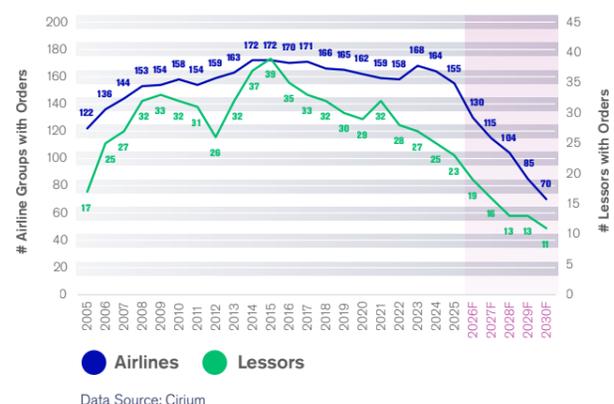
MANUFACTURERS

UNDERSUPPLY OF NEW AIRCRAFT WILL CONTINUE TO SUPPORT STRONG AIRCRAFT VALUES

Order backlogs at Airbus and Boeing now extend to over 11-years based on 2025 production rates, driving the manufacturers to ramp-up production, and incentivising airlines and lessors alike to reserve their place in the queue. Whereas nearly 200 airlines and lessors had slots reserved at the end of the last decade, the number today is only around half that total. The top 10 airlines now

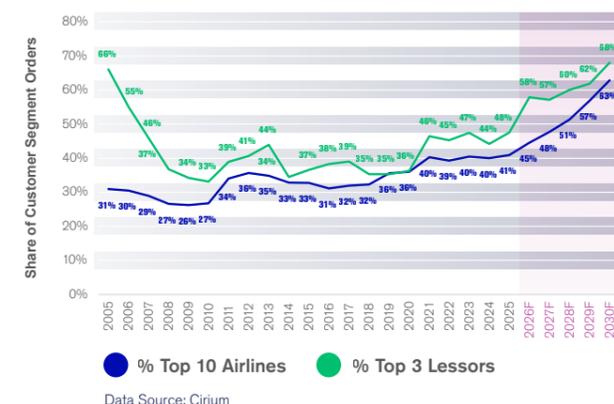
hold over half of the airline orderbook with Airbus and Boeing, while the top 3 lessors hold over half of the lessor orderbook. Fewer airlines and lessors have secured new aircraft into the next decade, consolidating orderbooks and moderating levels of competition for years to come. The limited availability of new aircraft this decade makes lessor slots highly valuable to under-ordered airlines.

NUMBER OF CUSTOMERS WITH ORDER BACKLOG



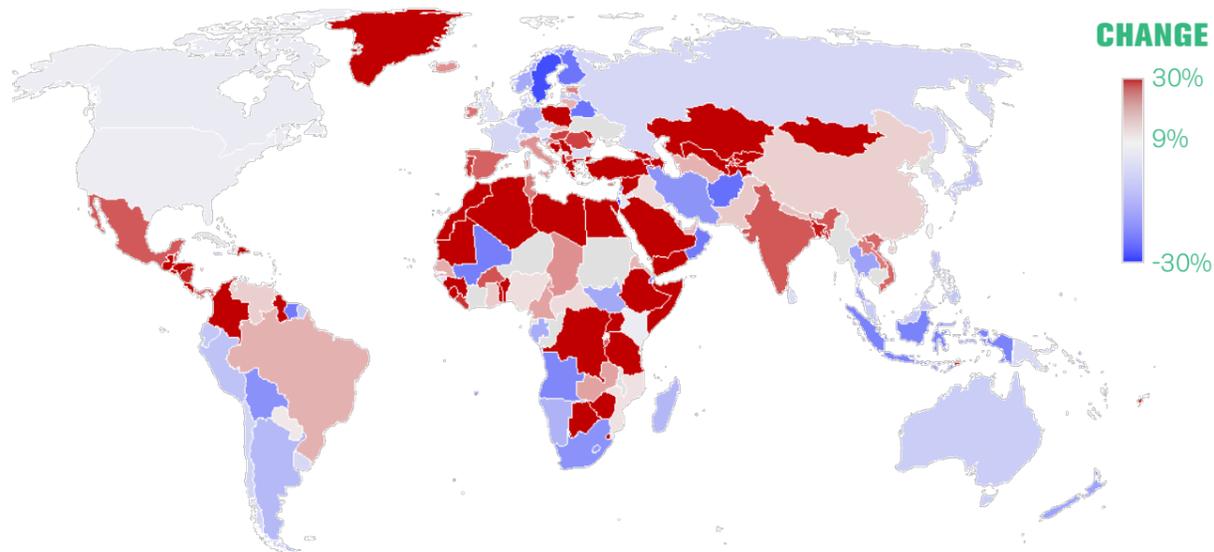
Data Source: Cirium

CONCENTRATION OF ORDER BACKLOG



Data Source: Cirium

ASK CAPACITY CHANGES
2025 VS 2019. GLOBAL AVERAGE = 9%.



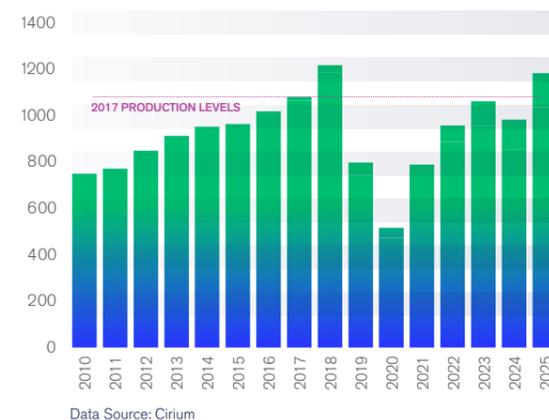
Data Source: Diio Mi
ASK – Available Seat Kilometres

As the world fleet continues to grow, it has also been ageing, with the average in-service fleet age now over 15-years old. Longer economic lives are positive for the residual values of delivered aircraft, but raise costs for operators due to fuel burn degradation and increased maintenance costs. The current maintenance, repair, and overhaul super-cycle is set to continue.

The aviation supply chain remains fragile, but it is strengthening as evidenced by Boeing ramping-up deliveries by an impressive 73% in 2025. While Boeing

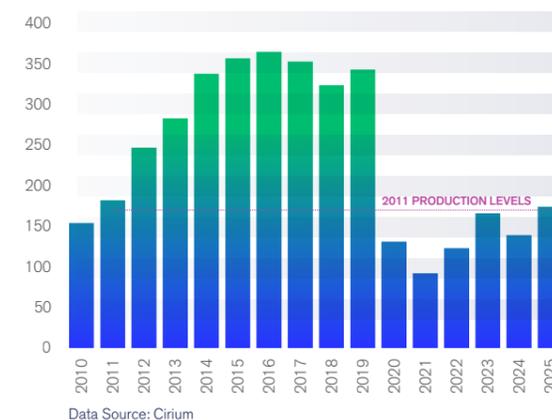
has faced increased scrutiny from regulators and customers across all its programs, Airbus is also feeling the pressure as delivery growth was modest (+3.5%) in 2025 compared to the prior year, and still lower than the European manufacturer's output in 2018. New narrowbody aircraft deliveries exceeded 2017-levels, but the widebody production ramp-up lags well behind and is currently only hitting levels seen in 2011. The structural undersupply of widebodies will last longer than the market anticipates and will be felt more acutely as international markets continue to drive traffic growth.

NARROWBODY DELIVERIES PER YEAR



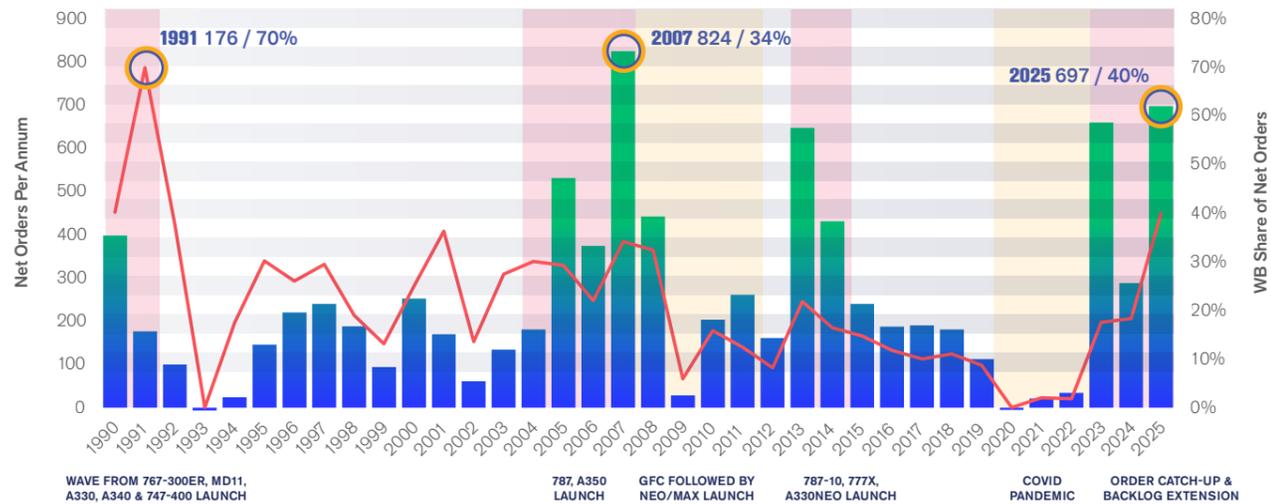
Data Source: Cirium

WIDEBODY DELIVERIES PER YEAR



Data Source: Cirium

WIDEBODY NET ORDER SUMMARY

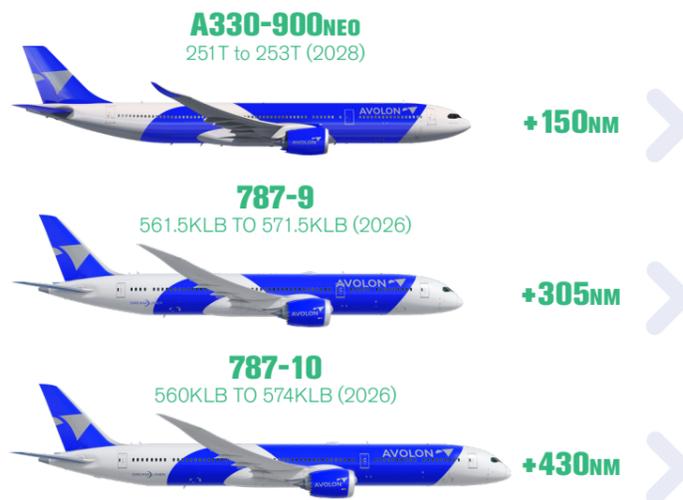


Data Source: Cirium

Widebody orders in 2025 were the second highest on record, and the highest share of total aircraft orders since 1991. Boeing sold 351 787s while the A330neo expanded its operator base with orders and placements at top-tier airlines including IAG and Etihad. 2025's 96 orders and 9 placements is the highest total in the A330neo program's history. The in-service A330neo fleet is approaching 15-years of age on average, with 150 aircraft now over 20-years old. Half of the A330neo operators have yet to make fleet replacement decisions, but will be swayed by the A330neo's earlier delivery slots and low transition costs from their incumbent fleet. The recent surge in A330neo demand is set to continue.

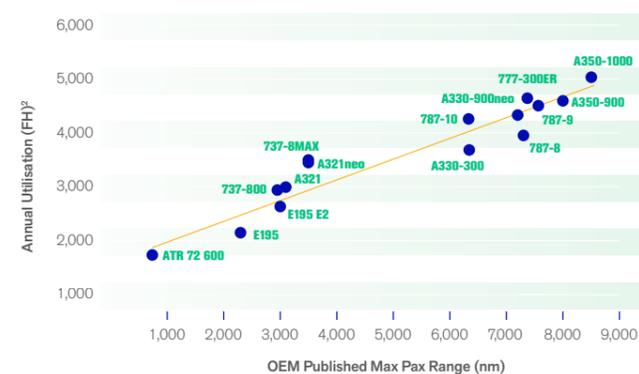
253-tonne A330neo option will be available from 2028, increasing range by 150nm. In 2026, 10,000lb and 14,000lb increased takeoff weight variants of the 787-9 and 787-10 will deliver, stretching the range by 305nm and 430nm, respectively.

MTOW INCREASES AUGMENT RANGE



1. MTOW - Maximum Take-Off Weight

RANGE CAPABILITY LINKED TO UTILISATION



2. Average flight hours per year as reported by Cirium

The certification challenges that have stalled the entry-into-service of new derivative aircraft appear to be reducing. In 2025, IAI achieved FAA-certification for the 777-300ERSF passenger-to-freighter conversion and Bombardier for the Global 8000 ultra-long-range business jet. Boeing is targeting 737-7 and 737-10 certification in 2026, completing a 15-year program cycle since the MAX family was launched in 2011. This prolonged development timeframe is similar to how long it has taken COMAC to achieve CAAC-certification for the C909 and C919. COMAC is progressing with EASA-certification of the C919 and is 3-years into a potentially 6-year program.

Both Boeing and Airbus have signaled an all-new narrowbody aircraft entry-into-service at the tail end of the 2030s. Despite the delay in product revolution, evolution continues. In 2025, Airbus announced a

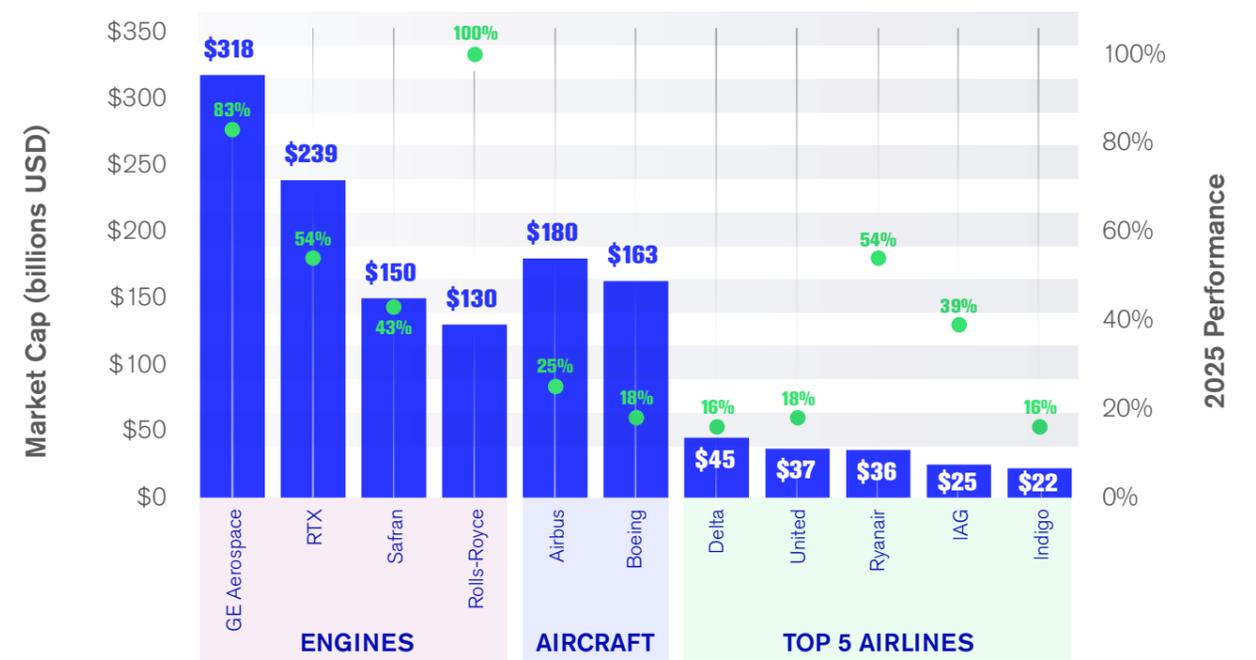
Engine manufacturers are increasing shop visit and spare part pricing at rates well above general inflation as they manage higher input costs and deliver rising shareholder returns. The market capitalisations of GE Aerospace and RTX now top the rankings of aerospace firms. Rolls-Royce's share price has increased over 1,000% in the past 3-years, outperforming market darling Nvidia. Equity value is accruing to services-oriented business models with locked-in customer bases.

The reduced time-on-wing of new-technology engines and increased shop visit turnaround times continue to cause airlines operational challenges. While Pratt & Whitney's Geared Turbo Fan (GTF) engine has caused the most prominent disruptions, the number of grounded

A220 and E2 aircraft is reducing. A320neo groundings are expected to lessen in 2026 as powdered metal issues with PW1000G engines are largely resolved and the GTF Advantage core enters service.

The market value of two full-life engines now represents approximately 80% of a new aircraft. By the time an aircraft reaches 6-years of age, two full-life engines are worth more off-wing than on-wing. The consequence of high engine cost escalation, excessive aircraft groundings, and a shortage of spare engines is the part-out of young aircraft. This dynamic will only act to prolong the undersupply of new aircraft.

AVIATION SHARE PERFORMANCE



Data source: Yahoo Finance

ROLLS-ROYCE HAS OUTPERFORMED NVIDIA



Data source: Yahoo Finance

LESSORS

INVESTMENT GRADE-RATED LESSORS WITH A LOCKED-IN PIPELINE OF AIRCRAFT ARE POSITIONED TO SUCCEED

A structural re-rating of the aircraft leasing business model has occurred with eleven lessors now achieving Investment Grade (IG) ratings from the major U.S. agencies. Three investment grade lessors received upgrades in 2025 while two new lessors joined the IG club. Lessors with diversified portfolios and global exposure to liquid asset types are well positioned to perform through the cycle.

Positive progress in adopting the Cape Town Convention (CTC) on Interests in Mobile Equipment has been made in recent years. Full adoption of the CTC enables airlines to access the lowest cost of financing for aircraft as it provides lessors and financiers with confidence in their ability to access their asset in the event of an airline default. Nigeria joined the CTC in 2024 while India made positive progress in 2025 to ensure that international law acceded local bankruptcy law. Vietnam is working to update its CTC implementation to ensure its fast-growing airlines have access to the latest technology aircraft at the most competitive costs.

Capital markets are awash with liquidity as the balance sheets of central banks globally remain \$5 trillion larger than before COVID. The U.S. investment grade market raised nearly \$1.7 trillion in 2025, with aircraft lessors accounting for just over \$14 billion, or 0.8% of the total. Airlines raised less than \$12 billion on U.S. primary markets, demonstrating the differentiated ability of lessors to access the deepest pools of capital.

\$10 billion of aviation Asset-Backed Securities (ABS) were issued in 2025, marking the market's reawakening. However, no equity notes were launched. Investors that held their notes through the cycle are achieving reasonable returns as the sharp dip in value witnessed in 2020-21 became a highly accretive buy from 2022 until now. Aviation's resilience protects long-term returns.

The secondary trading market rebounded strongly in 2024 and 2025 with over 1,450 narrow and widebody

aircraft trades tracked in each year, representing more than 10% of the delivered fleet changing ownership over the 2-year period. Airlines accounted for more than a quarter of acquisitions as operators have pivoted to acquiring aircraft on-lease to secure both capacity and engine green-time in a world in which both are in short supply.

The availability of capital, coupled with the shortage of new aircraft deliveries, means that the Sale and Lease-Back (SLB) market remains highly competitive. Lessors without orderbooks are reliant on primary SLB or secondary trading market transactions to achieve their growth targets. Lessors with orderbooks are better placed to drive outsized returns at this point in the cycle as aircraft values and lease rates continue to escalate above inflation. This strategic advantage is only amplified by the total lessor share of the manufacturers' backlog diminishing from now until the turn of the decade, creating a scarcity of supply.

Consolidation is continuing to play out in the leasing sector, but the fact remains that the top 3 lessors make up a lower share of the leased fleet today than they did 20-years ago. Even accounting for portfolio combinations to close in the year ahead, the top 3 lessors manage 15% of the world's fleet by value today versus 21% in 2005.

Hybrid capital is entering the industry, enabling large-scale acquisitions funded in part by financial instruments issued by insurance companies that combine characteristics of both debt and equity to meet rating agency investment grade requirements.

As the leasing industry matures, ongoing access to new sources of debt and equity capital will continue to be critical. Around \$100 billion of new aircraft were financed in 2025, with the capital required expected to grow by \$20 billion per year going forward. Lessors are expected to continue to provide around half of overall fleet financing in a competitive market.

UP NEXT

IN A WORLD IN TRANSITION, AVIATION IS COMPETING FOR ENERGY, CAPITAL, AND TALENT

There has been a recalibration of the global sustainability agenda that started in 2024 and strengthened in 2025, but the aviation industry remains committed to addressing its carbon emissions challenge.

An example of this recalibration has been the European Union's (EU) simplification agenda which reduced the administrative burden of the Corporate Sustainability Reporting Directive (CSRD) and other regulations. Airbus also delayed its ZEROe hydrogen-powered program from their previously targeted 2035 entry-into-service date, while Boeing paused its X-66 truss-braced, ultra-high aspect ratio wing demonstrator program.

While the increase in Sustainable Aviation Fuel (SAF) production has been exponential, volumes produced remain small in comparison to overall industry jet fuel requirements and the rate of capacity increase is predicted to slow in 2026.

The primary way for aviation to reduce its carbon impact is through the adoption of new-technology aircraft which bring up to 25% fuel burn savings compared to previous generation aircraft. Lessors are leading the fleet transition to new-technology aircraft with an average fleet share of 62% by value versus a global average of 56%. The time required to develop and certify new aircraft programs has reached almost ten years, whilst the time required to transition aviation's energy supply away from kerosene will be measured in decades.

The world's energy transition is progressing, with renewable sources now accounting for a higher share of growth in electricity generation capacity than all carbon emitting sources combined. Aviation is competing for its share. Large quantities of renewable energy are needed for the production of SAF required to reduce the carbon intensity of the sector. For aviation's transition to be a success, technology, policy, and economics will need to align globally. Today, regional policies are diverging - not converging.

Aviation today accounts for around 2.5% of global carbon emissions which is similar to the impact of data centres that are fueling the Artificial Intelligence (AI) revolution. The two sectors differ in that aviation's energy demand is growing at a rate of c.4% per annum whereas data centre demand for electricity is expected to double in the next five years. Applications of AI in operational research and revenue management offer tremendous opportunities in aviation, but the sectors are competing for talent, capital and carbon budgets.

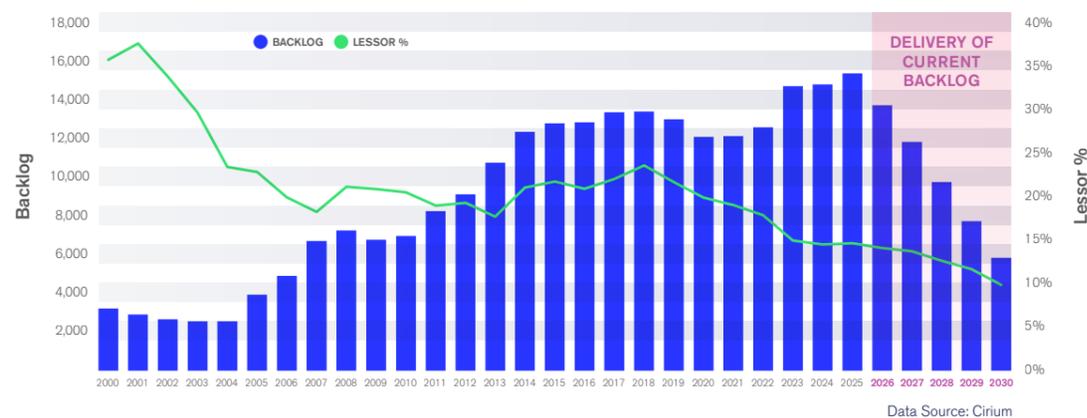
Talent is critical to aviation's future prosperity. Computer science programs in universities graduated over 350,000 students in 2024 compared to a tenth of that number of aerospace engineers. While the industry has sufficient pilots for its needs today, 660,000 are required to be recruited and trained over the next 20-years. The industry needs to attract the best and the brightest to power the next decade of innovation.

Over \$200 billion of bonds were issued in 2025 to fuel Big Tech's AI growth. McKinsey estimates that companies will need to invest over \$5 trillion into data centers by 2030 to meet worldwide demand for AI. Investment in new aircraft will be a fraction of that total. Aviation risks being crowded out, increasing its financing costs and delaying its energy and technology transition.

In 2010, Brent crude oil cost nearly \$120 per barrel (in today's dollar terms), 5-year U.S. treasuries traded below 2%, aircraft maintenance costs were stable, and Bombardier was entering the narrowbody market with the C Series. High fuel prices, low capital costs, mature maintenance programs, and increased competition motivated Airbus and Boeing to re-engine their most popular platforms, creating the A320neo and 737 MAX families. Today, fuel price is low, interest rates have normalised while maintenance costs have accelerated and competing products from COMAC are not yet certified by western authorities. Currently Airbus, Boeing and Embraer are focused on improving quality, ramping-up production, and harvesting their existing products.

The aviation innovation cycle will turn as conditions evolve. Following several start-up failures in 2024 and 2025, aerospace innovators such as Archer, Joby, Beta, and Vertical attracted \$3.4 billion in public equity capital last year. Venture capital is beginning to flow back into the sector, and innovative start-ups are once again entering the space, as incentives adapt to a world in transition.

LESSOR SHARE OF AIRBUS & BOEING BACKLOG



**FEAR
LESS**



FORECASTS

1. INTERNATIONAL MARKETS GLOBALLY DRIVE ALL AIR TRAVEL GROWTH

Growth of domestic air travel slowed in 2025 as U.S. passenger demand shrunk and other large markets completed their recovery from the pandemic period the prior year. In contrast, international markets fuelled 85% of aviation’s global capacity growth in 2025 and are set to drive an overweight share again in 2026, underlining the need for more widebody aircraft in a capacity constrained world.

2. U.S.-BASED LCCS MAKE MONEY

The past two years have been challenging for domestic-focused carriers that rely on revenues generated from price sensitive travellers. Nevertheless, the lowest cost producers will rebuild their market position as they adjust fleet, network and product to realign their business models with consumer trends. Spirit’s Chapter 22 process has resulted in a major pull-back in capacity, reducing the pricing pressures that have weakened U.S. LCCs, whilst GTF engine AOGs will decline, enabling higher utilisation of their assets.

3. MORE THAN 150 GTF-POWERED AIRCRAFT RETURN TO SERVICE

Aircraft groundings have stubbornly persisted, plateauing since the middle of 2024. Pratt & Whitney has largely resolved the powdered metal production quality escape while dramatically increasing shop visit capacity and spare engine availability. While the groundings are likely to persist through to 2028, the level of the stored fleet will start reducing in 2026.

4. AIRBUS AND BOEING > 150-SEAT NARROWBODY JETS ARE SOLD-OUT TO 2035

Qatar’s 787 and flyDubai’s A321neo delivery streams extend until 2040, indicative of the continued strong demand for new aircraft orders. With book-to-bills approaching 2x over the past three years, Airbus, Boeing and Embraer are selling nearly two years of production each year. While Embraer and Airbus have some production capacity remaining in this decade in the sub-150-seat segments, in 2026 the largest aircraft families will be sold out until 2035.

5. A330NEO MARKET LEASE RATES INCREASE BY MORE THAN 15%

The A330-900neo has now outsold the CF6 and PW4000-powered A330ceo platform. With up to 7,350nm of range and a seat capacity of up to 460, the A330neo is a versatile widebody that has attracted more than 30 operators spanning low-cost carriers to premium network airlines. As the only new widebody aircraft available before 2032, airlines globally are looking to adopt the type. Appraisers’ opinions of market lease rates have lagged reality with a strong catch-up to take place in the year to come.

6. AN AVIATION ABS E-NOTE IS ISSUED

Aviation’s last ABS equity note issued was Sapphire II in February 2020, just before the onset of COVID. Since that time, notes outstanding have remained constant at around \$23 billion, whereas data center ABS’ have increased from \$2 billion to \$34 billion. Over \$10 billion of aviation ABS debt notes issued in 2025 demonstrated investors’ appetite for increased supply. While one Y-note was launched, no E-notes were issued. That will change in 2026.

7. PREPARATIONS ARE MADE FOR A NEW COMMERCIAL AIRCRAFT PROGRAM LAUNCH IN 2027

A number of large commercial programs are in the works. Stretches include the A220-500, 777-10X, and A350-2000. CFM is developing its RISE open rotor engine, Rolls-Royce its UltraFan geared-turbofan, and Pratt & Whitney has further opportunity to develop its GTF. Embraer has studied various program concepts, including in the smaller turboprop and larger single-aisle segments. COMAC will eventually progress its widebody concepts while Boeing’s 737-10 is facing a market share gap to Airbus’ A321neo that will demand a response, eventually. 2026 feels too soon for a new programme launch, but 2027 may just be the year.

SCORECARD

	January 2020 Navigating Through Turbulence	January 2021 Looking to Recovery	January 2022 Rise Above	January 2023 Climb to Cruise	January 2024 New Horizons	January 2025 Fast Forward
1	The 737 is here to stay. ●	Recovery will be quicker than currently anticipated. ●	International air traffic recovery in 2022 will mirror domestic in 2021. ●	China drives global passenger traffic to 2019 levels by June. ●	Engine-related AOGs peak in June. ●	More seats are added by airlines in Asia-Pacific than all other regions combined. ●
2	No new major commercial aircraft programs will be launched. ●	Major airlines survive, LCCs thrive. ●	Operational challenges, not demand shortage, will limit aviation's growth. ●	Manufacturers struggle with production ramp-ups, delaying delivery rate targets by a year. ●	Four airline mergers close. Four don't pass regulatory approval. ●	A major airline merger on each continent is agreed. ●
3	The mid-life space will cool. ●	There will be more start-up airlines in 2021 than failures in 2020. ●	Cargo will drive airlines to profits. ●	A330ceo market lease rates to increase by 35%. ●	More new aircraft deliver to China than any year this decade. ●	New aircraft deliveries increase by 20%, not 30%. ●
4	Capital markets will remain open to established players. ●	Two-thirds of new passenger aircraft deliveries will be financed by lessors. ●	Lessors share of large commercial aircraft fleet surpasses 50%. ●	Airline consolidation to accelerate as new airline start-ups slow. ●	Widebody production skylines will sell out to end of the decade. ●	Narrowbody delivery slots in 2040 are sold. ●
5	Aviation gets serious about the environment. ●	A decade without a new clean-sheet aircraft. ●	Full-scale prototypes of ten all-electric aircraft will fly. ●	Two investment grade lessors will receive ratings upgrades. ●	At least two passenger aircraft variants are certified. ●	A330neo garners more new orders and placements than any other widebody. ●
6		The environment re-surfaces as the major challenge of the decade. ●	Outlook for 2030 SAF production quadruples as projects are funded in 2022. ●	Two electric aircraft manufacturers are acquired. ●	No new clean-sheet large commercial aircraft enter service before 2036. ●	Chinese companies order 800 aircraft. ●
7			The price of carbon credits doubles again. ●	The volume of Sustainable Aviation Fuel (SAF) under offtake agreements doubles. ●	Two investment grade lessors receive rating upgrades, again. ●	Two investment grade lessors are upgraded. Two more lessors are upgraded to investment grade. ●
8					A global framework for a SAF book-and-claim system is agreed. ●	

AUTHORS



Jim Morrison
Chief Risk Officer

Jim Morrison was appointed Avolon's Chief Risk Officer in October 2022. He is responsible for the continued development and oversight of Avolon's risk management strategy, ensuring that Avolon proactively addresses the immediate and future challenges faced by the aviation industry. Jim joined Avolon in 2017 as a member of the OEM Team and was most recently Head of Portfolio Management. Jim has over nineteen years of aviation industry experience with leasing, manufacturing, research, and technology organizations. Prior to joining Avolon, Jim held airline marketing, aircraft evaluation, market analysis, and product strategy roles with CIT Aerospace and Bombardier Commercial Aircraft. Jim is an ISTAT Certified Appraiser and a licensed Professional Engineer in Ontario. He holds a Master of Science in Technology and Policy from the Massachusetts Institute of Technology and a Bachelor of Applied Science in Engineering Physics from Queen's University, Kingston.



Ross McKeand
SVP Portfolio Strategy

Ross McKeand joined Avolon in September 2025 to lead the Portfolio Strategy team. He and his team are responsible for market analysis, aircraft evaluation and asset analysis, aircraft appraiser relationship management, and leading Avolon's clean-technology sustainability programme. Before joining Avolon Ross was Senior Vice President of Product Strategy and Sustainability in Nordic Aviation Capital (NAC). Prior to NAC, Ross held product strategy, market analysis, aircraft evaluation, pricing, and product/airline marketing roles in ICBC, GECAS, Bombardier and Airbus. Ross holds a Master of Business Administration from INSEAD, a Master of Science in Aerospace Vehicle Design from Cranfield University and a Master of Engineering in Aeronautical Engineering from the University of Glasgow.

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