



SIX FEARLESS FORECASTS SET FOR 2021 INCLUDING THE EXPECTED GROWTH IN AIRCRAFT LEASING TO FINANCE AIRLINE FLEET RENEWAL

News / Airlines, Finance



Avolon issued its 2021 outlook paper titled 'Looking to Recovery'. The paper reviews the key trends in the aviation industry for airlines, manufacturers, and lessors, identifying themes that are likely to shape the year ahead and setting out six 'Fearless Forecasts' for 2021.

Jim Morrison, Head of Portfolio Management at Avolon and author of the 2021 Outlook Paper, commented: "At the start of last year, no one could have foreseen the devastating impact that the COVID-19 pandemic was about to have across the world. 2020 became the most challenging year the commercial aviation industry has ever faced. In response, Governments and aircraft lessors stepped up to support airlines.

Commercial aviation has demonstrated its resilience repeatedly. It has managed through wars, terrorism, pandemics, oil spikes, and financial crises. Our fearless forecasts for 2021 published today are premised on this optimism but anchored by the realism that challenging months are ahead.

The initial economic recovery will be shaped by the authorisation and distribution of multiple vaccines, leading to the gradual re-opening of societies, economies, and borders. This will drive a rebound in air traffic, with the recovery likely to be gradual and uneven. While there will be a renewed focus on domestic travel creating opportunities for airlines in the short-term, many airlines will undoubtedly continue to struggle to survive, with IATA forecasting a US\$39 billion net loss for the industry in the year ahead. However, the

importance of air travel to society and the global economy over the long-term remains undiminished. Vaccines offer the spark that will reignite the recovery of the aviation industry. 2021 will be challenging but we are now looking to recovery."

2021 Fearless Forecasts

1. **Recovery will be quicker than currently anticipated:** Three forces will drive recovery in 2021: vaccines, fiscal stimulus, and monetary easing. Passengers will fly more than the 50% of 2019 RPKs that IATA currently projects in 2021.
2. **Major airlines survive, LCCs thrive:** Government support has assured survival for most flag carriers, but low-cost carriers are best positioned in most markets to thrive as the recovery takes shape.
3. **There will be more start-up airlines in 2021 than failures in 2020:** Not all will get off the ground but some of the highest growth airlines in the next decade will get their start this year and next, following the airline playbook of past downturns.
4. **Two-thirds of new passenger aircraft deliveries will be financed by lessors:** The airline funding gap will be closed through lessor placements and sale leasebacks. A structural shift in airline balance sheets is underway that will lead to continued growth of leasing.
5. **A decade without a new 'clean-sheet' aircraft.** Competitive dynamics between the manufacturers have changed. With no new programmes to obsolete existing types, aircraft residual values will be protected in the long-term.
6. **The environment re-surfaces as the major challenge of the decade.** Disruptive technology will play a key role in reducing aviation's carbon footprint, but the power of incremental improvement must not be overlooked. Lessors accelerate technology adoption. Air traffic management systems must be modernised, sustainable aviation fuels must build scale and new technologies must be developed. This is a global challenge in which all stakeholders will contribute to the solutions.

The full paper is available at: <https://www.avolon.aero/newsroom-and-thoughts>



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