



Avolon publishes analysis of China's Domestic Airline Industry

White Paper examines the development of China's domestic airline industry and opportunities for future growth

Dublin & Hong Kong | 3 March, 2017: Avolon, the international aircraft leasing company, today issues a White Paper titled *'The Land of Silk and Money'*. This paper, the first of a two-part series, looks at the development, growth and gradual maturing of China's domestic airline industry. The paper identifies key drivers of growth; and forecasts domestic air travel demand over the next decade. The paper examines the factors that influence the development of commercial aviation in China including: economic and demographic trends; aviation infrastructure; and the industry's regulatory framework.

The second paper in the series, to be published in May 2017, will focus on China's international inbound and outbound travel markets and the future fleet requirements of China's airline industry.

Key findings of the White Paper include:

- Domestic air passenger numbers are forecast to double over the coming decade, to reach 840 million by 2026, with growth averaging 6.8% per annum. During that time, low cost carriers ('LCC's) will continue to achieve the highest growth rates while the "Big 3" incumbent airlines will add the largest number of passengers to their networks.
- New LCC entrants to the market have stimulated domestic demand, with Chinese LCCs achieving the highest growth rates of any airline group in the market, increasing traffic volume by 38% *per annum* in the five years to 2015.
- Growth in China's domestic airline industry is influenced by a combination of economic growth, urbanisation, the rise of consumerism, increasing disposable income and the availability of more, and more affordable, low cost airline capacity.
- Chinese airlines continue to experience strong consumer demand which, together with a gradual relaxation in the regulatory environment, has fostered the development of a broad-based airline community, with multiple new entrants and a growing LCC sector.
- The Chinese Government has given a strong commitment to improving aviation infrastructure, with a current investment budget of \$11.7 billion. This budget has been allocated to upgrade current airports, improve ATC facilities and increase airline fleet growth. They also plan to complete the construction of 60 new airports by 2020.

Dick Forsberg, Avolon's Head of Strategy and author of the study, said:

"Avolon's Thought Leadership agenda is dedicated to sharing our analysis and insight on the fundamental issues facing the aviation industry. This paper, the first of a two part series, is a comprehensive analysis of the history of, and outlook for, the Chinese commercial aviation market. The analysis validates our view that, with China's economic development entering a new and critically important phase, the Chinese domestic aviation market will continue to experience strong and consistent growth for at least the next decade."

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About Avolon

Headquartered in Ireland, with offices in the United States, Dubai, Singapore, Hong Kong and Shanghai, Avolon provides aircraft leasing and lease management services. Avolon is a wholly-owned, indirect subsidiary of Bohai Capital Holding Co., Ltd., a Chinese public company listed on the Shenzhen Stock Exchange. On 6 October, 2016, Avolon announced an agreement to acquire the aircraft leasing business of CIT Group which will create a leading aircraft leasing business with an owned, managed and committed fleet, on a pro forma basis as of 30 September, 2016 of 868 aircraft valued at over US\$43 billion.

Website: www.avolon.aero

Twitter: [@avolon_aero](https://twitter.com/avolon_aero)

Jonathan Neilan	Europe & America	T: +353 1 663 3686	M:+353 8623 1415	avolon@fticonsulting.com
Sean Pattwell	Asia	T: +852 3768 4543	M:+852 9227 8321	avolon@fticonsulting.com

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