



## Avolon forecasts Chinese airlines will need 3,200 additional aircraft by 2026

### Second White Paper focuses on China's International Travel Markets and Forecasts China's 10 Year Fleet Requirements

**Dublin & Hong Kong | 8 May, 2017:** Avolon, the international aircraft leasing company, today issues the second part of its White Paper series, *'The Land of Silk and Money'*, analysing the Chinese aviation market. The first part of this series, issued in March 2017, looked at the development, growth and gradual maturing of China's domestic airline industry and the key drivers of growth over the next decade. In Part 2, China's international inbound and outbound travel markets are analysed and a forecast made of the future fleet requirements of China's airline industry.

#### Key findings of the Second White Paper include:

- China is the world's largest generator of outbound travel, with more than 120 million Chinese visiting international destinations in 2016. This still represents less than 10% of the population.
- The majority of inbound and outbound travel is undertaken by air, with 150 airlines providing international services from 82 Chinese airports, operating 800,000 flights annually.
- China's international air traffic has been growing at an annual rate of 14% since 2010 to reach 126 million one-way passengers in 2016.
- Chinese airlines have a 49% market share. In addition to the 'Big 3', 18 Chinese airlines now operate international routes and account for 30% of the overall Chinese share. However, the recent surge in new Chinese airlines entering international markets, particularly long-haul, may be unsustainable, especially as local government launch subsidies run out.
- 70% of international passengers are "point-to-point", making no domestic or international connections on their journey, a measurably higher proportion than the 60% global average. Only 15% of international passengers make international connections at one or both ends of their international flight.
- International passenger numbers are forecast to increase by 8.9% per annum over the next decade, with growth for Chinese airlines averaging 11.7% per annum.
- China's current in service passenger fleet of 2,800 aircraft, which represents 13% of the world fleet, has been growing by 11% a year since 2010. The fleet mix has a high narrowbody content compared to the average for the rest of the world and Chinese airlines are correspondingly under-resourced in widebody aircraft.
- 3,200 additional aircraft will be required by Chinese airlines over the next ten years. Over 50% of these have still to be ordered, including 1,150 narrowbody aircraft, 400 widebody aircraft and 150 regional jets.

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

*"This is the second part of our analysis of the Chinese aviation market, consistent with our Thought Leadership agenda which focuses on the fundamental issues facing the aviation industry. China offers an attractive long-term growth opportunity for domestic and international airlines, aircraft OEMs and aircraft leasing companies. Competition for airlines is likely to be intense as Chinese airlines focus on capturing their growth potential while being challenged by international carriers. There is also great potential for OEMs and lessors to capitalise on the under-ordered position of the Chinese industry, particularly in the widebody segment of the market."*

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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 (SLE: 000415). Avolon is the world's third largest aircraft leasing business with a pro-forma owned, managed and committed fleet, as of 31 March, 2017 of 850 aircraft valued at c. US\$43 billion.

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