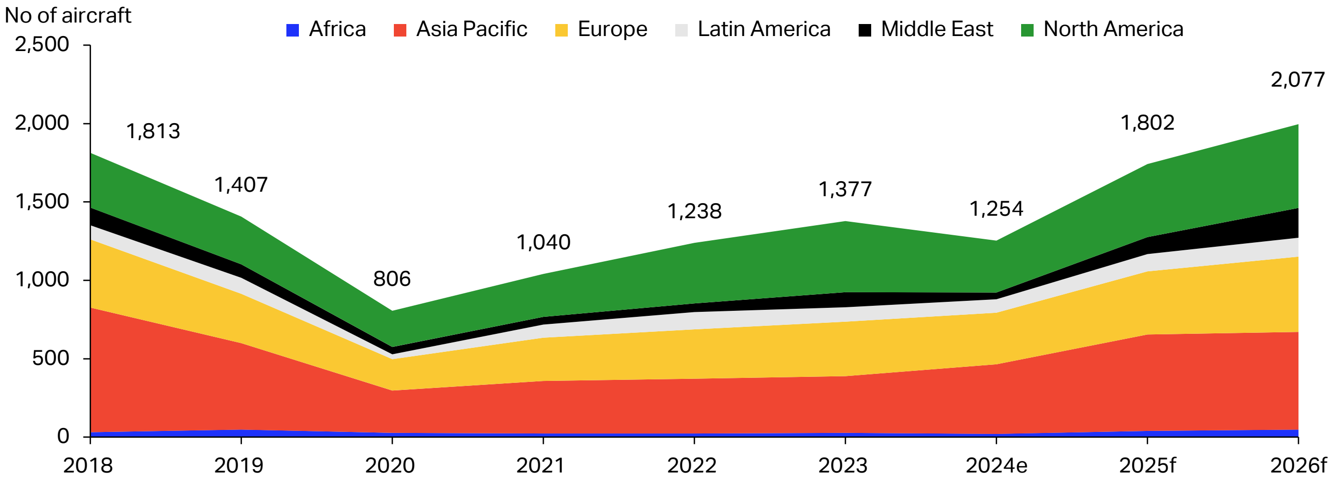
Chart of the Week

December 13 2024

Supply Chain Issues Continue to Impact the Industry in 2025

Aircraft deliveries by region (delivered and scheduled)



Source: IATA Sustainability and Economics, Cirium, Note: undisclosed transactions were assigned to regions on a pro-rata basis.

- Aircraft deliveries have fallen sharply from the peak of 1,813 aircraft in 2018. The estimate for deliveries in 2024 is 1,254 aircraft, 30% fewer than what was predicted at the start of the year. In 2025, deliveries are forecast to rise to 1,802, having been revised down from 2,293, and further cuts to this number are to be expected.
- The backlog (the cumulative number of unfulfilled orders) of new aircraft has reached 17,000 planes this year, a record high for the industry. At present delivery rates, it would take 14 years to clear the backlog, double the six-year average for the 2013-2019 period. However, the waiting time is expected to shorten as delivery rates increase.
- As a result of delayed deliveries, the average age of the global fleet has risen to a record 14.8 years, a significant increase from the 13.6 years average for the period 1990-2024. An older fleet translates into higher maintenance costs and higher fuel burn. Therefore, existing supply chain issues are at least partially responsible for the deceleration in fuel efficiency gain – in 2024 fuel efficiency (measured in liters per Available Tonne-Kilometers – "ATK") was broadly unchanged (declining a mere 0.1% YoY), which is a most regrettable departure from the long-term (1990-2019) trend of annual fuel efficiency improvements in the range of 1.5-2.0%. Had efficiency improvements continued in 2024 at 1.5%, the industry would have burnt 1.4 billion gallons less jet fuel and CO_2 emissions would have been 13.6 million tons lower, all things being equal.
- The supply chain issues have also boosted demand for used aircraft, leading to an increase of 20-30% in lease rates of narrowbody aircraft compared with 2019. This, together with higher interest rates, has impacted airlines' financing costs and bottom lines. Including the contraction in ticket yields, these factors have contributed to limiting the industry-wide net profit in 2024 to USD 31.5 billion (down 10% YoY from 2023). We estimate that if lease prices, interest rates, and unit maintenance costs had been unchanged compared with 2023, and if fuel efficiency had continued its downward trend, the net profit in 2024 could have been USD 7.5 billion higher – in that case it would have eliminated the drop from 2023 and left the net margin flat year-on-year.

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