HONEYWELL FORECASTS 9,200 NEW BIZJET DELIVERIES VALUED AT US$270 BILLION THROUGH 2025

News / Business aviation, Manufacturer

As a slow growth economic environment takes hold across many global markets, the business aviation industry is not immune to its impact. In its 24th annual Global Business Aviation Outlook released today, Honeywell Aerospace forecasts up to 9,200 new business jet deliveries worth US$270 billion from 2015 to 2025, with a 3 to 5 percent reduction over the value noted in the 2014 forecast.

"While emerging markets like Brazil continue to be a bright spot for business aviation over the medium term, we have seen weaker demand across other key growth markets, which may affect near-term order and delivery levels," said Brian Sill, president, Business and General Aviation, Honeywell Aerospace. "And while the sluggish economic growth and political tensions are driving a more reserved approach to purchasing, we are seeing operators invest in retrofits and upgrades for their existing aircraft, especially around connectivity, boosting aftermarket opportunities."

Key Global Findings in the 2015 Honeywell Outlook Include:

• Deliveries of approximately 675 to 725 new jets in 2015, a single-digit percentage growth year over year. The improvement in deliveries expected in 2015 is largely due to new model introductions and an increase in fractional-usage type of aircraft deliveries.

• 2016 deliveries are projected to be slightly lower reflecting weaker emerging market demand partially offset by deliveries to fractional operators.

• Operators surveyed plan to make new jet purchases equivalent to about 22 percent of their fleets over the next five years as replacements or additions to their current fleet.

• Of the total new business jet purchase plans, 19 percent are intended to occur by the end of 2016, while 17 and 20 percent are scheduled for 2017 and 2018, respectively.

• Operators continue to focus on larger-cabin aircraft classes, ranging from super mid-size through ultra long-range and business liner, which are expected to account for more than 80 percent of all expenditures on new business jets in the near term.

• The longer-range forecast through 2025 projects a 3 percent average annual growth rate despite the relatively flat near-term outlook as new models and improved economic performance contribute to industry growth.

Breakdown by Region

Brazil, Russia, India, China (BRIC) Slight improvements in Chinese and Russian purchase plans compared with last year are not enough to support an improved overall BRIC outlook.

• Since Honeywell first began spotlighting the BRIC countries in 2011, industry growth there has lost momentum, reaching just over 21 percent in this year's survey.

• Brazil remained a bright spot by recording the strongest new aircraft purchase plans in the survey, though overall buying plans fell year over year.

• The combined BRIC countries retain a very strong near-term demand profile with 48 percent of intended new jet purchases scheduled for the next two years.

Asia Pacific Disappointing growth figures from several major regional economies, ongoing regional tensions and government austerity initiatives dampen operator enthusiasm.

• Operators in Asia Pacific report new jet acquisition plans for 14 percent of their fleet, up 2 percent from 2014.

• Despite the below-average level, the improved purchase plans yield about a 4 percent share of global demand over the next five years for Asia Pacific.

• Nearly 40 percent of respondents are scheduling their new purchases within the first two years of the five-year horizon.

Middle East and Africa Slightly lowered purchase plans were reported, which is not surprising given another year of significant political upheaval and ongoing conflict in the region in tandem with low oil prices.

• The share of projected five-year global demand attributed to the Middle East and Africa remained below its historical range of 4 to 7 percent again this year.

• In the Middle East and Africa, 16 percent of respondents said they will replace or add to their fleet with a new jet purchase, down from 18 percent last year.

• Regional distress continues to weigh on operators, with potential buyers in the region scheduling their purchases later in the next five-year window compared with last year, with only 21 percent of purchases planned before 2018.

Latin America The 2015 results remain above the world average, and planned acquisitions remain more front-loaded than the world average.

• Twenty-nine percent of the Latin America sample fleet expects to be replaced or added to with new jet purchases, which is 1 point higher than last year's survey.

• Nearly 48 percent of this region's projected purchases are timed to happen between 2015 and 2017.

• Because of the current purchase plan levels, Latin America's 18 percent share of total projected demand grew slightly compared with a year ago.

North America New aircraft acquisition plans in North America are very important given the region's size and the unsettled conditions elsewhere around the world.

• An estimated 61 percent of projected demand comes from North American operators, up 2 points from the 2014 survey.

• New jet purchase plan levels slipped less than 1 point in North America, the industry's largest market, and stand just under the world average of 22 percent.

• Current plan levels are somewhat below the averages of the 2008?2012 period. Though buying plan levels are moderate, the fleet and operator base have expanded, supporting demand levels despite a slightly smaller purchase plan rate.

Europe Operators are still contending with sluggish growth and increased political tensions, a refugee and migrant surge, and depreciated currencies.

• Europe's purchase expectations retreated this year to 24 percent.

• The European share of estimated global five-year demand also receded compared with historical norms and is now at 14 percent in the 2015 survey.

• A comparison of the planned timing for European purchases indicates uneven proportions of demand in the next three years of the five-year window, with about 17 percent allocated through 2016 followed by a dip to 10 percent in 2017 and a strong rebound to over 26 percent in 2018.

Used Jets and Flight Activity

Turning to used jets and flight activity, over the course of the past year the pace of flight activity recovery has weakened somewhat. Ground lost by operators during the 2009 recession still remains to be recaptured. With respect to the used jet market:

• Just under 10 percent of today's fleet is up for resale, down from a high of nearly 16 percent in 2009. Current levels are normal in light of the past decade's history; meanwhile, asking prices continue to drift lower.

• In 2015, the total number of recent model jets (less than 10 years old) listed for resale has risen moderately to around 640 aircraft. However, in proportion to the decline in overall listings, the share of recent model jets for sale has crept up more noticeably.

• Operator respondents increased their used jet acquisition plans by about 4 points, equating to 32 percent of their fleets in the next five years. All regions' used jet purchase plans rose except the Middle East and Africa, which was flat.

• Strong used aircraft purchase plans boost potential cockpit and cabin upgrades.

Making an Impact on Business Decisions

This annual outlook reflects topical operator concerns but also identifies longer-cycle trends that Honeywell uses in its own product decision process. The survey has helped bring about investments such as designing and developing flight efficiency upgrades, optimized propulsion offerings, innovative safety products, and enhanced aircraft connectivity offerings. It also contributes to Honeywell's business pursuit strategy and helps position Honeywell consistently on high-value platforms in growth sectors.

Methodology

Honeywell's forecast methodology is based on multiple sources including, but not limited to, macroeconomic analyses, original equipment manufacturers' development plans shared with the company, and expert deliberations from aerospace industry experts. Honeywell also taps into information gathered from interviews conducted during the forecasting cycle with over 1,500 nonfractional business jet operators worldwide. The survey sample is representative of the entire industry in terms of geography, operation and fleet composition. This comprehensive approach provides Honeywell with unique insights into operator sentiments, preferences and concerns, and provides considerable insight into product development needs and opportunities.

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