

Boeing Forecasts Realignment, Balance for 2014 Airplane Financing

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Strong global demand, new-jet fuel efficiency drive expected \$112 billion in deliveries

Adequate financing, reasonable prices expected as export credit use declines, capital markets support expands

Aircraft assets represent good inflation hedge with financing rates at historic lows

CHICAGO, Dec. 10, 2013 /PRNewswire/ -- Boeing [NYSE: BA], which released its seventh annual aircraft finance market forecast today, projects that investors and financiers in the major aircraft finance markets will deliver balanced liquidity to fund what is expected to be another record global jetliner production year in 2014.

"Realignment and balance are the words that best describe 2014's aircraft financing environment," said Kostya Zolotusky, managing director of capital markets development and leasing at Boeing Capital Corp., the company's financing and leasing unit. "We anticipate adequate financing at reasonable prices as the industry works to respond to balanced global customer demand and an accelerated replacement cycle resulting from higher fuel prices."

Boeing forecasts industry jetliner deliveries in 2014 totaling \$112 billion, with 95 percent of that expected to be split between Boeing and Airbus.

The forecast noted the declining use by airlines of export credit agency (ECA) financing from the Export-Import Bank and the continued rapid expansion of commercial aircraft-backed bond issuances. According to the report, these factors contributed to the financing realignment and are expected to result in an almost even balance among primary aircraft financing sources, including aircraft leasing companies, commercial banks, the capital markets and ECAs.

Boeing sees many new bank participants complementing the established aircraft banks' space with globally balanced participation, said Zolotusky. The leasing market has evolved during the past decade from five equally competitive lessors to several times that many today. Capital markets are continuing to expand as a source of funding for both U.S. and international airlines as well as leasing companies. All of this is possible due to balanced global air travel demand and a replacement market driven by higher fuel costs and the attractiveness of new, fuel-efficient airplanes, Zolotusky said.

While the forecast deals primarily with new-aircraft financing, the report also noted signs of improvement in used aircraft financing after several years in which higher fuel prices and other economic factors disrupted the balance between the new and used jetliner markets.

"We continue to watch how global monetary policies could potentially impact aircraft finance," Zolotusky said. "However, we believe the industry is well positioned for the outcomes of inflation, higher interest rates or a combination of both. Asset portfolios are excellent inflation hedges and current all-in aircraft financing costs are at historical lows."

The 2014 aircraft finance market outlook is available at www.boeingcapital.com/cafm0.

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