

China, low-cost airlines seen leading aerospace rebound

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"While globally I think we're treading water at the moment, we are no longer declining," Klaus Heinemann said last Friday.

He said air carriers in China and Brazil were in growth mode, aided by those countries' improving economies; and low-cost carriers such as Ireland's Ryanair were seeing an uptick in passengers as travellers traded down from legacy airlines.

"We still expect the broader recovery to be underway in 2010, particularly if the possibility of seeing significant passenger growth in 2010 materialises," he said.

AerCap rents planes to air carriers and provides maintenance and repair services.

Heinemann said he was optimistic that airlines would make it through the coming winter, and added the 2009 recession will likely not see the bankruptcies that the industry saw earlier this decade.

He noted that cash positions for US airlines had improved in wake of recent stock and debt offerings.

"I'm much more optimistic now that we will be able to get through this recession with a significantly smaller number of bankruptcies than many people would have anticipated earlier this year," he said.

He said AerCap's merger with Genesis Lease, which is likely to close in early 2010, will increase the company's airline client base and enable it to gain more business as travel conditions improve. "The merger will add just over 20 airline clients around the globe to our existing client base." The combined firm is expected to have 116 airline customers in 50 countries.

Heinemann also said rising oil prices will likely keep older, less fuel-efficient airplanes that airlines have stopped operating in the current downturn out of the market, possibly providing a lift to newer aircraft when airlines look to raise seat capacity.

"Unless we see a major reduction of fuel costs, I anticipate that any rebuilding of capacity will be done almost exclusively through state-of-the-art new or near-new aircraft, where myself and most of my competitors are engaged," Heinemann said. - Reuters