

In July 2021 there are 910 737NGs and 1,636 A320ceo family of aircraft in storage. Many of these aircraft are on lease. Depending on aircraft age and the status of passenger demand by region, a number of these aircraft may not have their leases renewed. Stored 737NG and A320ceo, lease type, and passenger markets are analysed.

Analysis of stored 737NG & A320ceo family of aircraft, traffic & leases

About 50% of large transport aircraft operating with commercial airlines are leased. High capital investment means that leasing assets is an attractive option for many start-up airlines, including those with limited access to credit funds.

Numerous aircraft with leases attached have been placed into storage by their airlines because of low passenger traffic volumes caused by the Covid-19 pandemic.

In addition, many new aircraft types are being delivered to airlines because of commitments and orders agreed with the manufacturers before the pandemic. In order to minimise excess capacity, operators are likely to choose new aircraft types before re-activating stored aircraft, thereby putting many older types at risk because they are becoming increasingly difficult to place.

Identifying the number of stored A320ceo family and 737NG aircraft with operating leases attached, as well as their age, passenger traffic and demand, will help determine the re-marketability of these types by global region.

Leases

The advantage of leasing rather than buying aircraft is the requirement for zero upfront payment, and the opportunity to operate the latest generation aircraft at a low direct operating cost compared to legacy equipment. Finance leasing and operating leasing are the two main types of leases that carriers use to finance their fleets.

Finance or capital leases are structures similar to loans. The equipment is considered to be an asset on the lessee's

inventory, and once the lease term is completed the aircraft is fully owned by the airline. Equipment on finance leases can be liable to several accounting treatments and tax benefits that favour the operator.

Aircraft that are rented on an operating lease basis are not owned by the airline. The lessor accepts the risk of its residual value after the lease term, and the lessor is entitled to any tax relief that is afforded by government institutions. Operating leases are typically underwritten against new aircraft for a duration of 10 years or less.

Ultimately, leasing aircraft is more expensive in the long term than a cash purchase because of the interest and financial charges applied. Depending on the initial agreement, equipment can be difficult to return to the lessor if it is no longer needed.

The possibility of excess supply and the firm control of capacity, means lessors must collaborate with carriers to ensure terms are favourable and their assets continue to be placed in a saturated market.

737NG

In July 2021 there are a total of 6,357 737NGs in the fleet. Of this number 76% are 737-800s (4,807 aircraft) and 15% are 737-700s (964). The remaining sub-series comprise 555 737-900s with a 9% market share, and 31 767-600s with a 0.5% market share. In July 2021, 5,447 737NGs are in service, and 910 (14%) are in storage.

There are 3,082 737NGs on operating lease, of which 571 (23%) are parked or in storage, 348 are on financial

lease, and the remainder are owned by the operator.

A320ceo family

In July 2021 there are a total of 7,047 A320ceo family of aircraft in the passenger fleet. Of this number 59% are A320s (4,154), 24% are A321s (1,674), 17% are A319s (1,222) and 0.3% are A318s (24). In July 2021, 5,411 aircraft are in service, and 23%, (1,636) are in storage.

There are currently 3,987 A320ceo family aircraft on operating lease, and 28% (1,114) of these are parked or in storage.

North America

The continuing passenger recovery in the US domestic market means that much of its narrowbody fleet is in service.

American Airlines has more 737-800s (303) in its fleet than any other type. Other narrowbodies in its fleet include A319 (133), A320ceo (48) and A321-200ceo (218) aircraft. Recent data shows that American Airlines is the biggest airline globally, and in July 2021 it operated 179,798 flights; 13.9% down on July 2019 levels.

Recovery within the US domestic market means that during the second quarter (Q2) 2021, American reported a net profit of \$19 million, and revenue of \$7.5 billion, up 87% sequentially from 1Q21.

American Airlines has introduced its 737 MAX 8 (41) and plans to operate more than 150 new routes this summer, and add capacity in Miami, Austin and Orlando. The airline has forecasted that



during the summer season it will be operating 90% of its domestic capacity.

American Airlines has a total of 36 737-800s in storage. All these aircraft are between 21.6 and 22.5 years of age and owned by the airline. The airline has 169 aircraft on operating leases in service. American has two -800s on financial leases in service. All of the -800s (36) in storage are owned by the airline.

Of its 399 Airbus A320 family aircraft, American Airlines has seven in storage. Three of these are on operating leases, and four are owned by the airline.

Spirit Airlines has a total fleet of 125 A320 family aircraft, and out of this number it has five A319s in storage. The parked aircraft are owned by the airline and are between 15.4 and 16.1 years of age.

Alaska Airlines operates 163 737NGs and owns 149 of them. All of its parked (4) 737NGs are owned by the airline. The airline operates 10 A319s and 45 A320s, with 34 in storage, including all the A319s and 24 A320s, all but one of these aircraft is on operating lease.

Three of the A320 operating leases are due to expire in 2021; 10 in 2022; and five in 2023.

Air Canada has 17 A320ceo family aircraft in storage, including three A319s, 11 A320s and three A321s. Of this number, 16 are on operating leases, and seven of these will expire in 2021.

Of 37 A320ceo family aircraft in storage, Air Canada Rouge has 11 A319s, four A320s and nine A321s that are currently on operating leases.

South America

There is 14.1% less scheduled capacity in the Central American market in July 2021 compared to 2019.

COPA Airlines reported a 41.4% reduction in available seat miles (ASMs) in June 2021 compared to 2,064 million ASMs in June 2019. COPA revenue passenger miles (RPMs) in June 2021 were 45.6% lower compared to 2019. The airline recorded load factors of 78.9% in June 2021, which is 6.2% down on 2019 figures. In September 2019 COPA had a 3.5% share of the capacity provided by airlines servicing Latin America.

Of COPA's fleet of 62 737-800s, 12 are in storage, including 12 -700s. Of the -800s in storage, six are on an operating lease, and six are owned by the airline.

In 2019 Brazilian carrier GOL Airlines provided 9.3% of capacity servicing Latin America. In 2Q 2021 the airline reported load factors of 85.1% against 81.9% in 2019. Available seat kilometres (ASK) capacity fell 65% from 11,365 ASK in 2Q19 to 4,033 ASK in 2Q21.

Total revenue passenger kilometres (RPK) per million in 2Q19 were 11,365 and had dropped to 3,432 in 2Q21.

The airline operates 23 737-700s and 92 737-800s. Of this number, nine -700s and 23 -800s are parked or stored. All the -800s and -700s that are parked are on operating leases. The aircraft are between seven and 21.7 years of age. COPA recently entered into an agreement

Copa Holdings ended its second quarter 2021 with a consolidated fleet of 81 aircraft including 68 Boeing 737NGs and 13 Boeing 737 MAX 9s. This compared to a total fleet of 102 aircraft at the end of the first quarter of 2020. The Company entered into an agreement for the sale of 6 737-700s and is keeping the remaining 6 737-700s.

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From June to July 2021, the LATAM Airlines Group operated 32.9% more flights. In July many of the LATAM Group's A319ceo (6), A320ceo (62) and A321ceo (6) aircraft remain parked.

The Latin American carrier owns all its A319s (6), which are aged between 12.5 and 19 years. 18 of its parked A320s are aged between 8.7 and 21.7 years old and are owned by the carrier. The 44 remaining parked A320s are on operating leases, and of these 24 have lease expiry dates in August and September 2021. These aircraft are between 7.9 and 17.3 years old.

Of 47 A321ceos on LATAM's inventory, 41 are in service. Five of the parked A321s are on operating leases that began in June and July 2021, while one aircraft is on a finance lease that began in 2014. The stored A321ceos are between 5.2 and 6.7 years old.

Seat capacity in lower South America in July 2021 was 41.5% lower than in 2019, yet the region saw capacity growth of 37.8% compared to June 2021.

Aerolíneas Argentinas operates the 737-700 (6), 737-800 (29) and 737-MAX 8 (5). The airline has three 737-700s in storage, which are between 14.8 and 15.3 years old and are on an operating lease. The airline has 11 737-800s on lease that are between 5.2 and 10.1 years old, and are in storage. Five of the operating leases are due to expire in 2027 and 2028.

Asia Southeast

In July 2021, Southeast Asia's total seat capacity improved by 10.7% to 16.73 million seats, but it is still more than 62% lower than 2019 levels.

Garuda Indonesia has 140 aircraft of all types in its fleet and of this number 47% are parked. The carrier leases 95% of its fleet and it has been reported that it is negotiating terms to return as many of these aircraft as possible to cut back on expenditure.

In May 2021 the airline carried 39.6% of the number of passengers that it carried in May 2019. This represents a month-on-month (MoM) improvement compared to April, when traffic was 21.6% lower than 2019 levels due to the Indonesian Government's Eid homecoming ban.

Air Asia has reported that it expects to return a total of 14 aircraft in 2021. This is part of Air Asia's operational network plans that are revised and updated to reflecting its recovery following the pandemic.

Before the pandemic, total ASKs in November 2019 were 4.43 billion and RPKs were 3.56 billion. In May 2021 ASKs had fallen to 1.90 billion and RPKs were at 825 million.

Garuda Indonesia operates 68 737-800s, and of this number 67% (40) are parked. The parked aircraft are 8.1 to 20.6 years old, and are all on operating leases. Six of these aircraft have sub-leases that expire in 2021 and 2022. None of the parked aircraft are owned by the carrier, and a number have lease commitments up to 2027 and 2028.

It has been reported that Garuda will return nine leased 737-800s ahead of schedule as part of an agreement to end a bankruptcy lawsuit. The aircraft are leased from AerCap and the details of the hand-over are being discussed.

As of June 2021, the flag carrier has returned 20 aircraft back to lessors and is negotiating to return more.

Indonesian start-up Super Air Jet is due to begin flight operations in August despite restrictions caused by Covid-19. The LCC is financed by Lion Air Group founder, Rusdi Kirana and is focusing on routes between Indonesian islands, and targeting the 'millennial' market. The airline will begin with four A320ceo.

Passenger movements at all Malaysian airports fell from 105 million in 2019 to 25.8 million in 2020. In 2020 46.2% of international passenger movements at Kuala Lumpur International Airport were to Southeast Asia destinations, while 2.7% was to European destinations, and 0.1% was to North American destinations. Other international destinations include North East Asia (19.6%), the Middle East (9.2%) and Africa (0.3%).

In its 2Q21 results published in April 2021, the AirAsia Group (Malaysia, Indonesia and Philippines) recorded an annual improvement in passenger load factor of nine percentage points, from 59% to 68%.

The number of seats flown has also improved by 222% from 345,970 in 2Q20 to 1.11 million in 2Q21. Year-on-year ASK growth rates increased by 194% to 1,149 per million in 2Q21, and RPKs increased by 234% to 775 million.

In July 2021, Air Asia Group CEO Tony Fernandes is on record saying, "I will not forget the lessors who have treated us so badly after we have treated them so well."



AirAsia has 64 A320ceo on its books, and 53 of these are parked or in storage. Of this number, 40 are on an operating lease and are aged between 2.2 and 13.5 years old. A number of the older parked aircraft have lease expiry dates in 2022 and 2023. The remaining 13 parked A320s are owned by AirAsia.

AirAsia India currently has nine parked A320ceo on operating lease, out of a fleet total of 30. Thai Air Asia has 47 A320ceo, of which 33 are parked. The parked aircraft include 29 that are leased, and four that are owned by the carrier.

It has been reported that Malaysian Airlines is committed to a five-year turnaround plan that is halfway through the process of making it cashflow positive by 2023. Since warning it was at risk of closure in 2020, the airline has completed a RM15 billion debt restructuring exercise that eliminated RM10 billion of debt from its balance sheet.

Of a fleet of 44 737-800s, Malaysian Airlines has 16 parked. All of its parked aircraft are sub-leased, or on an operating lease.

Lion Air has 40 737-800s and 76 737-900s. The airline has seven 737-800s and 40 737-900s in storage. The parked 737-800s are between 5.4 and 9.4 years old, and all are currently on operating leases. The parked 737-900s include 11 owned by the airline, three that are finance-leased, and 26 that are on operating leases. The latter aircraft are 2.6 to 11.6 years old.

Bangkok Airways has nine A320s and 10 A319s in storage that are on operating lease. Five of the A319 leases end in 2021.

VietJet Air has 57 A320 family aircraft, of which 37 are parked. The parked aircraft include its entire fleet of 18 A320s and 21 A321s. Of the parked A320s, the airline owns one and has outstanding operating leases on the remainder. Two of VietJet Air's parked A321 aircraft are owned by the airline, and 19 are on operating leases.

Indian sub-continent

Most Indian states were under lockdown in April and May 2021, and it has been reported that the Indian government has restricted airlines to fly only 50% of their total potential capacity. Just as air travel in India was beginning to recover earlier in 2021, a second wave of the pandemic hit the nation.

There were 12.67 million available seats on the Indian sub-continent in July 2021, representing a 22% increase since June 2021, and a 40% fall compared to July 2019.

India's domestic market is supplied by IndiGO (54.7%), SpiceJet (13%), Air India (10%), GoAir (9%) and Vistara (6.3%). A number of smaller operators make up the remainder.

In its FY21Q3 results published in December 2020, SpiceJet reported passenger growth had fallen by 60% over the year. 3Q20 passenger load factors had fallen from 90% to 77% over the same period. This was also compounded by a 3.5% drop in domestic market share.

SpiceJet operates a fleet of eight 737-700s, 39 738-800s, and four 737-900s.



Of this number 19 737-800s, and one 737-900 are in storage, while SpiceJet's 737-700s remain operational. The parked 737-800s are aged between 5.2 and 17.6 years, and at least 10 have lease renewals due in 2021 and 2022.

SpiceJet's stored 737-900 is 13.6 years old with a lease expiry date of August 2021. Vistara has five 737-800s in service, seven A320neos in service, and one parked 737-800.

IndiGo is one of India's largest carriers with a market share of 54.7% as of June 2021. The airline primarily operates across India's domestic market. The operator has a fleet of 275 aircraft including 122 new engine option (neo) A320neo and 40 A321neo types. —

IndiGo's 1Q results for the financial year ending 2022 results published in June 2021 indicate a net loss of 11.47 billion Indian rupees (\$157.4 million), compared with a year-on-year loss of 8.71 billion rupees (\$117.4 million). During July 2021, the LCC increased the number of available flights by 55.4%, placing it among the top 20 global airlines on an operational level.

The IndiGO fleet includes 87 A320ceo aircraft, of which it owns 16. IndiGo has 36 aircraft in storage, and all are on operating leases and are between 7.9 and 17.3 years of age. 24 have lease expiry dates in August and September 2021.

The Air India narrowbody ceo fleet includes 20 A319, nine A320, and 20 A321 aircraft. All six parked A319s are owned by the airline, and all of its A320s are currently in service. Air India's A321 aircraft are owned by the airline, and six are currently stored.

Air India Express is a subsidiary

wholly owned by the national flag carrier Air India. The LCC has 24 737-800s in its inventory, all of which are currently in service. Of this number, 16 are owned by the airline and eight are on lease.

Northeast Asia: South Korea

Established in 2005 Jeju Air became South Korea's first LCC. Published in May 2021, revenue had fallen from 193.6 billion KRW (\$166 million) in 1Q20 to 34.4 billion KRW (\$29.2 million) in 1Q21, and aircraft utilisation fell from 9.9 hours to 3.7 hours. 1Q21 year-on-year results show the number of flights had fallen by 47%, the number of passengers by 38%, and the number of available seats by 47%.

The airline reduced its fleet size from 45 in 1Q20 to 41 737-800s in July 2021, and 11 of its aircraft are in storage. The airline owns three aircraft, while the remainder, including all its parked aircraft are on operating leases. The parked aircraft are between 9 and 15.5 years old.

In 2019 Asiana Airlines accounted for 20% of South Korea's domestic market and 25% of its international market. The airlines' narrowbody fleet includes three A320s and 14 A321s. Of this number, one A320 and two A321s are parked. All of Asiana's narrowbodies are on operating lease, including two A321 8-year leases that are due to expire in 2022.

Africa & South Africa

Seating capacity in South Africa was down by 55.7% in July 2021 compared to 2019. This is the only global region reporting a fall in capacity compared to

Jeju air is reducing its fixed costs and has reduced its fleet by four aircraft since the first quarter of 2020. Jeju air has 11 stored 737-800s out of its current fleet of 41 aircraft. In 1Q21 year on year results show the number of seats had fallen by 47%.

June 2021.

In July, Mango's acting chief executive officer William Ndlovu confirmed that the airline was temporarily suspending operations until further notice because of outstanding payments for air traffic navigational services (ATNS).

The low-cost subsidiary of South African Airways (SAA) has 11 737-800s on lease with Macquarie Air Finance (8), GE Capital Aviation Services (GECAS) (2), and unknown (1). The aircraft are between 20 and 21.2 years old. All Mango's aircraft are supplied on operating leases.

SAA announced its decision to suspend all domestic flights from March 2020. The airline has three A319s and two A320s in storage. Built in 2015, the two A320s have an initial lease duration of 144 months and are expected to expire in 2027. The A319s were built in 2005 and have 215-month leases that are due to expire in 2023. The airline recently reported that it wants to resume operations with an initial focus on cargo flights before re-introducing passenger operations.

Central and West African year-on-year seat capacity levels are 18% lower than in July 2019, which have also improved by 9.2% since June 2020. Of its fleet of 12 737NGs, Nigerian carrier Arik Air has six 737-700s and four 737-800s in storage. The aircraft are 11.8 to 20.4 years old, and are owned by the airline.

Middle East

The Middle East increased total monthly seating capacity by 23.3% in July 2021, which was still 44.7% lower than 2019 levels. Seat capacity at Dubai International Airport is 49.9% lower than July 2019 levels, but 31.7% higher than June 2020. Compared to other international hubs, traffic at Dubai remains low, because of ongoing travel restrictions, a depressed long-haul market, and passengers' unwillingness to travel indirectly.

Saudi Arabian low-cost carrier Flynas has a total of 23 A319s and A320s, aged between 11.9 and 18.7 years old. Of its 10 parked aircraft, two A319s and eight A320s are on operating leases, and eight of these leases expire in 2021.

easyJet passenger numbers for the quarter ending 30 June 2021 increased to 3 million, in line with an increase in capacity to 4.5 million seats, representing 17% of the quarter ending June 2019.

Etihad Airways had 39% lower capacity than in 2019, while Qatar Airways' capacity was reduced by 70% and Emirates' by 45%.

Of 30 Airbus narrowbodies, Etihad Airways has 12 A320s and four A321s in storage. Five of the stored A320s are owned by the airline, while the remaining 11 have operating leases attached.

Europe

In July 2021 total seat capacity in western Europe was down by 40.7% compared to July 2019. A 58.9% increase compared to June 2021 meant that Europe achieved the highest regional increase in seat capacity.

Many European countries remain closed for international travel in an attempt to mitigate the spread of the virulent Delta variant. Despite an expansion in capacity, both Lufthansa and easyJet are about 50% below 2019 levels.

During 2Q21, Scandinavian Airlines (SAS) was further adversely by the health-crisis, compared to the previous quarter. During 1Q21 it recorded traffic levels of 1.0 million passengers, but only 858,000 in 2Q21. 2Q21 results illustrate that total ASKs had fallen by 59% and revenue had fallen by 3.3%.

SAS has 21 737NGs in service, and 16 are parked. The parked aircraft include 13 737-800s and one 737-700, of which seven -800s and the -700 are leased. Six of the parked 737-800s are owned by the carrier.

The International Airlines Group (IAG) reported that group traffic in 2Q21 was almost 11 times higher at 5.47 million passengers compared to 2Q20. During this period RPKs increased by a factor of 8.6 to 9.97 million, and ASKs increased by a factor of 4.7 to 19.2 million. Average passenger load factors have increased by 23.6 percentage points to 51.8%.

British Airways has 11 A319ceos, 21 A320ceos, and 18 A321ceos aircraft in storage. Of this number, seven A319s, 10 A320s and five A321s are on operating leases. Two parked A320s are on financial leases, and the remainder are owned by the airline.

In a report published in July 2021, easyJet is focusing on growing its fleet to meet pent-up passenger demand once



travel restrictions are eased. To match forecast demand the airline is continuing commitments to take delivery of 101 new A320neo aircraft.

The intra-European schedule is forecast to account for 60% of easyJet's market share in 4Q21, and another 13% will be UK domestic.

Lack of transparency around the decisions relating to UK restrictions means the UK and France account for 2.5% of easyJet's summer schedule.

During 3Q2021 easyJet announced an improvement in load factors from 66% to 89% over the year. Available capacity has increased from 132,000 seats to 4,495,000 over the same period.

easyJet has 38 A319s and 10 A320s parked out of its fleet of 130 units. Of the number of parked aircraft, the airline owns five A319s and four A320s. It has 33 A319s and six A320s in storage; and the leases of 14 of its parked A319s are due to expire in 2021.

Seat capacity between Germany and Spain increased by 56.9% in July compared to June, but is down 32.2% compared to June 2019. Capacity between Germany and Turkey made gains of 120% in July compared to June, but is currently 14.8% lower than July 2019. Germany and Greece capacity levels improved by 84.3% in July compared to June. This is a 13.4% improvement compared to 2019 figures.

In 2Q21, the Lufthansa Group reported that the number of corporate ticket sales increased by 220% compared to 2020 levels. In 2Q21, its capacity measured in ASKs gradually increased to

40% of its 2019 levels.

Lufthansa operates 27 Airbus narrowbodies, including 24 A319s, 71 A320s and 44 A321s. Of this number a total of 43 are parked, of which 35 are owned by the airline. The remaining eight parked aircraft are on operating leases, and include two A320 and six A321s.

Lufthansa's low-cost subsidiary Eurowings, including Eurowings Europe, has a total of 109 Airbus narrowbodies in its inventory: 20 A319s, 22 A320s and one A321. They are on operating leases and are parked. Financial reports indicate fleet streamlining and reduction of complexity. The airline currently has three 737-800s on wet lease.

In 2Q21 Finnair continued to operate a limited network, and a gradual recovery of demand is expected in 3Q21. The airline cites the slow lifting of travel restrictions as a fundamental cause of delay. Finnair estimates that monthly operating cashflow will turn positive by the end of 2021.

New entry models and eased travel restrictions allow travel to and from Finland, and those who are fully vaccinated and those under the age of 16 can enter the country freely.

Finnair has three A319s, 10 A320s and 11 A321s parked and in storage out of a total of 36 aircraft. The parked aircraft include 15 on financial leases, and two A320s and seven A321s on operating lease. **AC**

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