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Commentary

# 2026 Global Aircraft Leasing Sector Outlook Favourable: Cruising Altitude Reached

**Morningstar DBRS**
December 9, 2025

**Key Highlights**

- Our view is for a favourable outlook for the global aircraft leasing sector in 2026. We anticipate good financial performance as aircraft lessors continue to benefit from the meaningful shortage of airworthy aircraft and engines relative to demand which should support improvement in lease yields and sound aircraft values.
- We expect global airline profitability to be solid in 2026 following forecasts for a good 2025, with improvement across all regions leading to favourable credit performance for lessors.
- Aircraft lessors we follow have a notable $19.3 billion of debt to refinance in 2026 as of their last reporting date, as well as the need to finance new aircraft deliveries from the OEMs. As a result, we anticipate lessors will continue to be active issuers in both the unsecured and ABS markets.


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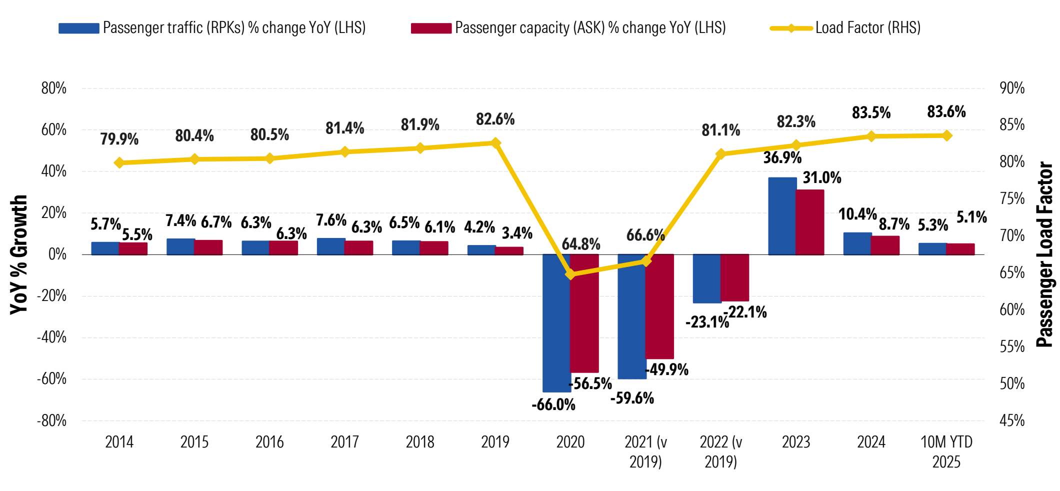
## Overview

Morningstar DBRS views the global aircraft leasing sector's operating environment outlook for 2026 as favourable, underpinned by expectations for solid but moderating global economic growth, continuing sound demand for air travel, and a meaningful shortage of airworthy aircraft and engines relative to demand. We see these dynamics as supportive of elevated aircraft lease volumes, improving lease yields and sound proceeds from the aircraft sales in the secondary market. Despite moderating economic growth in some key markets, growth in global passenger volumes remains in line with long-term averages, which combined with lower fuel costs and a weaker U.S. dollar is supporting profitability of the airline industry globally, limiting credit losses for lessors. Although the OEM (Airbus and Boeing) production rates are improving, new aircraft deliveries are not sufficient to meet demand. Additionally, ongoing issues with some newer technology engines are contributing to longer shop visits and grounding of the newer tech aircraft, both factors driving strong demand for existing in-fleet older aircraft across the industry. We expect these trends will continue in 2026, underpinning both higher lease rates and aircraft values, which along with sound access to the capital markets should support solid aircraft lessor operating and financial performance, as well as their credit ratings.

**Exhibit 1** Global Passenger Volumes - 2014 - 10M YTD 2025




Source: IATA, Morningstar, Inc.

Downside risks to the outlook that are not in our baseline scenario but warrant monitoring continue to be the willingness of the global consumer to travel in the face of weakening labour markets and other elevated economic uncertainties. Geopolitical risks are still a concern with the potential for trade disputes to intensify disrupting travel and/or leading to slower economic growth.

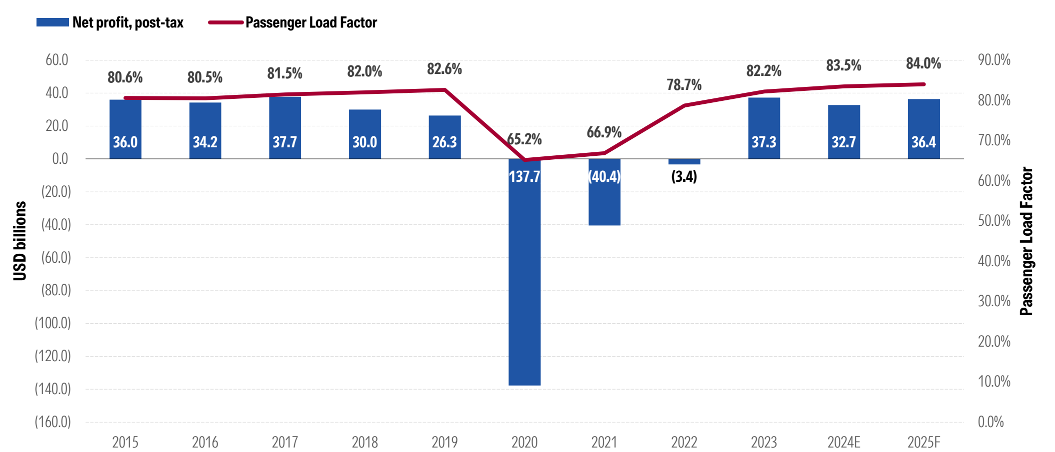
### Passenger Travel Volumes to Remain Resilient Despite Economic Uncertainties

Global passenger travel volume growth is settling into a more normalized growth rate following the strong growth seen in 2023 and 2024 as the industry recovered from COVID (see Exhibit 1). Through 9M 2025, global passenger travel volumes grew 5.3% YOY, which is line with the historical relationship of approximately 2x global GDP growth, which the IMF forecasts at 3.2x for 2025. For 2026, we expect global passenger travel volume growth to remain solid in the mid-single digit level despite continuing trade disputes and slowing economic growth in certain key aviation markets. Indeed, consumers still have a strong desire to travel, especially internationally.

### Airline Profitability

We expect global airline profitability to be solid in 2026 following forecasts for a good 2025 supported by strong demand for leisure travel and improved corporate travel volumes, lower fuel costs, generally declining interest rates, and a weakening U.S. dollar. Reflecting this strong operating environment, IATA forecasts that 2025 airlines' net profit will be approximately $36.4 billion, compared to an estimated net profit of $32.7 billion in 2024 (see Exhibit 2). All regions are expected to generate a net profit with only Africa and Latin America forecasted not to register year-on-year (YOY) growth. However, industry profitability is still primarily driven by North America followed by Europe.

**Exhibit 2** Global Airline Profitability and Passenger Load Factors - 2015 -2025 (Forecasted)



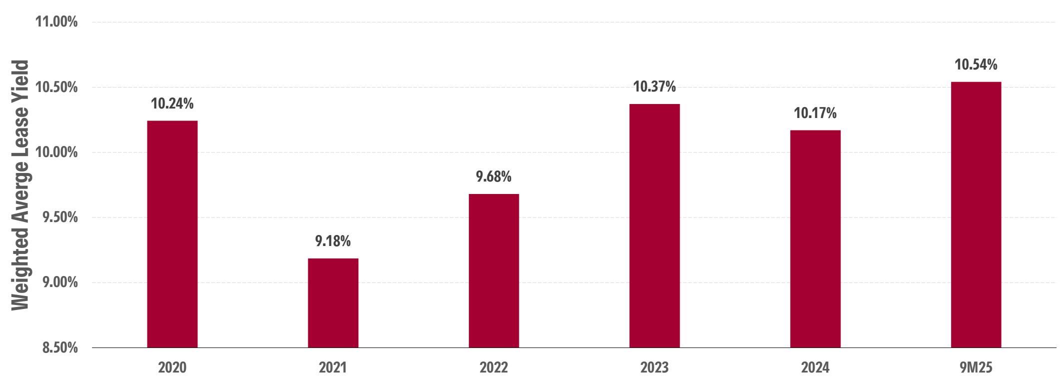

*Source: IATA, Morningstar, Inc.*

With a generally favourable operating environment, there have been just four airline failures during 2025, according to various industry sources, with the most notable being the second bankruptcy filing within a year by Spirit Airlines, Inc. in the U.S. Most of the other airline failures were small airlines with only a handful of aircraft and limited route networks demonstrating that airlines without necessary scale are susceptible to pressures from rising costs or an inability to respond to shifts in competitive dynamics. For aircraft lessors, bankruptcies were very manageable with a limited impact on earnings from a low level of impairments. Importantly, the relatively modest size of most of the fleets involved were easily absorbed by the industry. While aggregate global airline industry profitability is expected to remain sound in 2026, we expect moderately higher level of troubled credits for lessors, as start-up and ultra-low-cost carriers in emerging markets are strained by higher operating costs and significant competition. Nevertheless, we anticipate these issues to be manageable for the lessors.

### Strengthening Lease Yields to Drive Good Lessor Financial Performance in 2026

Improving lease yields (see Exhibit 3), strong gains on sale of aircraft and increasing sale activity, strong portfolio utilization rates and lower funding costs drove improving financial results for those lessors we follow through their most recent financial reporting date. Importantly, we see these dynamics continuing in 2026 benefiting aircraft lessors' financial performance. Lessors continue to experience lease extension rates that exceed historical trends which is keeping the transition of aircraft between airlines subdued leading to lower aircraft transition costs.

**Exhibit 3** Weighted Average Lease Yields 2020 - Most Recent Reporting Date




*Source: Company Filings, Morningstar, Inc.*

With strong demand for aircraft to meet passenger volume growth and new aircraft deliveries from OEMs improving but remaining below targeted production rates, aircraft lessors reported improving lease yields to date in 2025 across both narrowbody and widebody aircraft. Given that we expect these underlying trends to persist in 2026 we anticipate further improvement in lease yields.

Consistent airline operating results and strengthening aircraft values have kept impairments to aircraft values constrained benefiting lessor results, a trend we also expect to continue in 2026. Impairments for 9M25 across the Morningstar DBRS universe of lessors totalled just $139.1 million, more than double 9M24 levels, but just 4% of adjusted pre-tax and pre-impairment income (IBPT) generation. Adjusted IBPT generation, which excludes recoveries on Russian stranded aircraft from insurance settlements, continues to be sound at $3.5 billion for the most recent reporting periods. With lease yields remaining healthy, sound gains on asset disposals, and operating costs well controlled, we expect IBPT generation to remain healthy.

With the favourable aircraft supply/demand imbalance to continue, we expect lease yields to improve and gain on margins from secondary market sales to remain in line with historic averages. Further, we see potential impairments to aircraft values as remaining very modest given our view that aircraft values should remain firm.

Lessors have a notable level of financing requirements in 2026, including the financing of new aircraft deliveries as well as the refinancing of maturing debt. The asset-backed securities (ABS) markets were very active in 2025 with 15 deals totalling just over $10 billion of issuance, we expect this trend to continue in 2026 with lessors diversifying their funding, while obtaining lower cost financing and managing airline exposures.

Nonetheless, we anticipate that the large lessors will maintain their unsecured debt-oriented funding profiles and be active issuers in the capital markets while maintaining similar leverage levels. Aircraft lessors continue to access the unsecured markets to fund portfolio growth and refinance maturing debt. Lessors followed by Morningstar DBRS issued $14.4 billion of senior unsecured debt year-to-date, a 29% year-on-year reduction from the record issuance of $20.2 billion in 2024. Maintaining such access is important not only to fund potential future growth, but also to refinance existing debt. As of September 30, 2025, the lessors have $19.3 billion of senior corporate debt requiring refinancing in 2026, or about 18% of their outstanding senior unsecured debt and notably higher than the $11.2 billion of senior unsecured debt scheduled to mature entering 2025.

While we expect interest rates to moderate further in 2026, we anticipate that aircraft lessors we follow that new issue debt will be at rates or coupons higher than the cost of maturing debt. Nonetheless, we anticipate that the aforementioned strengthening lease yields will partially mitigate this headwind to 2026 earnings.

Balance sheet leverage across the aircraft lessors we follow remains steady providing an appropriate cushion for any unexpected choppiness in the operating environment and supportive of investment grade credit profiles of the large lessors. We expect the lessors will remain disciplined in their deployment of leverage in 2026, with debt issuance activity balanced by sound earning generation and reasonable capital payouts. Leverage (debt-to-equity), as of the lessors' most recent reporting date, was 3.2x, consistent with year-end 2024, and at the lowest level over the last 10 years.

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