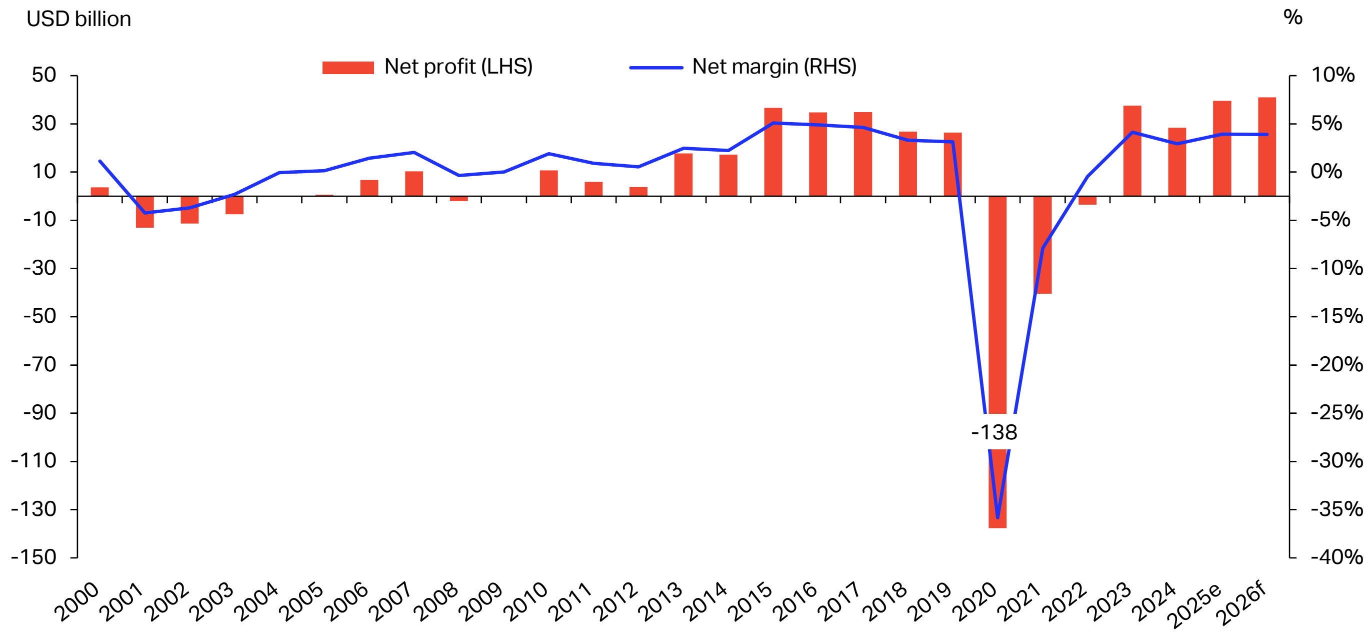
Chart of the Week

19 December 2025

Airline profits hit record high but margins stay thin

Airline industry net profit, USD billion, and net profit margin, %



Source: IATA Sustainability and Economics, using data from Airfinance Global

- Airlines are projected to deliver a combined net profit of USD 41 billion in 2026, up from USD 39.5 billion in 2025. This would mark a new record for the industry. Yet, the net profit margin remains unchanged at 3.9%. On the one hand, this is a rather stellar margin in an industry where it has never exceeded 5%. Moreover, it shows airlines' resilience in an environment characterized by persistent headwinds: supply chain bottlenecks, geopolitical tensions, sluggish trade, and mounting regulatory burdens. On the other hand, these low margins are wholly insufficient to be able to absorb the costs of the energy transition.
- Per passenger, the industry profit is forecast at USD 7.90 in 2026, less than Apple's profits on a single iPhone cover.
- Overall revenues are expected to grow by 4.5% to USD 1,053 trillion. Strong passenger demand remains the main driver, supported by record-high load factors and steady yields. Ancillary services are gaining on cargo's share of total revenue. Cargo revenue will be more subdued in 2026 as global trade slows, but e-commerce and time-sensitive shipments will likely sustain volumes.
- On the cost side, 2026 offers a mixed picture. Lower fuel prices will be offset by rising non-fuel expenses, though slowing inflation is helping to stabilize the cost base. Labor costs now account for 28% of total expenses, overtaking fuel as the largest cost category. Labor productivity gains have lagged workforce expansion, as operational and training challenges persist. Maintenance costs are climbing due to aging fleets and supply chain disruptions, while lease rates and airport charges continue to rise. A weaker US dollar will provide some relief for non-USD-based airlines by reducing dollar-denominated costs such as fuel and aircraft leases. Barring unexpected events, 2026 looks set to allow airlines to maintain cruising altitude, though it will likely take more than an autopilot system to counteract gravity.

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