December 2025

IATA Sustainability and Economics

Global Outlook for Air Transport

Trade, AI, and the energy transition

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1. Main takeaways

This semi-annual report takes a broad look at developments in the airline industry, the context in which it is operating, and the challenges it is facing

- Global trade has been surprisingly resilient, despite the volatile trade policy environment. Air cargo came to everybody's rescue as a critical enabler of rapid adaptation, ensuring that goods arrived ahead of announced tariff deadlines and facilitating the swift rerouting of China's exports to alternative markets. Air cargo is also playing an increasingly central role in the growing trade in AI-related goods. While trade growth may slow in 2026, air cargo is well-positioned to remain robust, benefiting from AI-driven investment, growing demand for high-value, time-sensitive goods, and the structural shift toward e-commerce. In times of uncertainty, when speed matters most, air freight remains the preferred option. As a result, air cargo traffic is projected to grow by 2.6% in 2026.

- While artificial intelligence and the associated trade flows are an opportunity for air cargo, it is much less helpful for the global energy transition. Growing electricity demand from data centers is increasing competition for limited renewable energy, making it harder to secure affordable inputs for Sustainable Aviation Fuel (SAF). Without coordinated policy to prioritize renewables and safeguard liquid fuel needs, this could delay aviation's decarbonization and divert investment away from critical climate solutions.

- For 2026, we forecast a 4.9% YoY growth in passenger traffic (measured in RPK), led by the Asia Pacific region's expansion by 7.3%. This marginal deceleration over 2025 is mainly because of persistent supply-side constraints, including limited aircraft availability, and labor shortages. Supply constraints continue to keep load factors at record highs, projected at 83.8%, which in turn supports yields and profits in an otherwise turbulent operating environment. Resilient traffic growth, together with stable yields should allow the industry to top the USD 1 trillion revenues for the first time in 2025.

- Record high load factors and fleet utilization, together with a rapid expansion of ancillary revenues, will allow airlines to maintain a relatively healthy profit amid the headwinds, with record high net profit of USD 41 billion in 2026, and a stable net margin of 3.9%. This impressive achievement should be possible despite softening fares and continuous cost pressure. It must be said, though, that the airline industry remains a low-margin industry. At the higher end of the spectrum, single companies can realize our entire industry's total annual profit in a single quarter.

- Regionally, Europe is set to deliver the highest net profit, very much thanks to Turkey's stellar performance. The Middle East is the region with the highest profit margins. Asia Pacific is where growth is the most rapid, and Latin America shows signs of structural improvement. North America faces new headwinds, including stagnating domestic demand and operational constraints, yet it remains a key contributor to industry profitability.

- Sustainability is a priority for the airline industry, which is firmly committed to achieving net zero CO_2 emissions by 2050. Key solutions for the industry's decarbonization are not coming to market fast enough. SAF is projected to cover less than 1% of total fuel consumption in 2026, in an unambiguous verdict on how ineffective the current policy environment is. This unfortunately extends to the lack of harmonization between CORSIA and a multitude of other regional and national initiatives that cause fragmentation, raise costs, and curtail actual emissions reductions. Policy makers must show the will to address the energy transition at the global level, allowing all industries to operate with both financial and environmental sustainability.

2. Trade, AI, and the Energy Transition

Trade, GDP, and growing financial risks

While artificial intelligence is very much the central theme of the global economy going into 2026, the return of more protectionist trade policies was a dominant concern at the start of 2025. The volatile trade-policy environment has turned out to be less detrimental to the global economy than what was feared earlier this year. However, 2025 would undoubtedly have been a much more stellar year in terms of economic performance had the previous trade policies remained in place. We have mostly the slow, intermittent, and partial implementation of such protectionist trade policies to thank for the "resilience" in GDP growth. The aggressive frontloading in the first and second quarters (Q1 and Q2) provided a major boost to economic activity with notably US imports soaring ahead of tariff hikes, driving much of this year's positive surprise. Air cargo was a key enabler in the front loading as shipments needed to arrive ahead of a deadline.

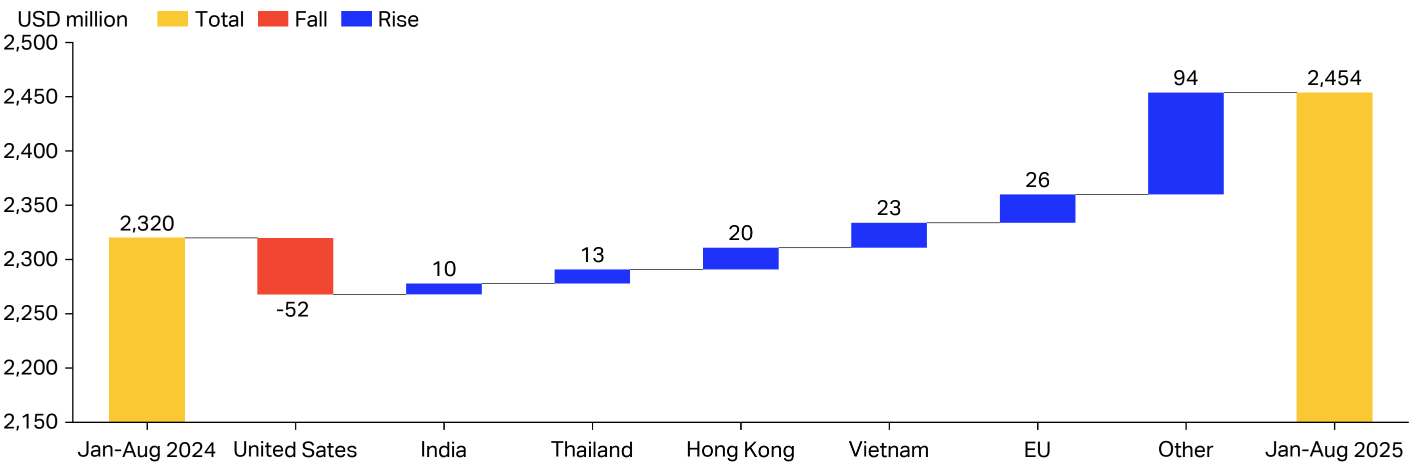
The value of trade transported by air rose by 25% year-on-year (YoY) in January to August 2025, based on data from 47 countries representing 39% of global trade.[1] In contrast, the value of trade across all transport modes increased by only 7%, with trade by sea growing by less than 1% YoY. The month of March 2025 marked the peak in frontloading, and trade shipped by air rose by as much as 43% YoY that month.

Unexpected agility was seen in how swiftly the rest of the world adapted to the new environment and how quickly notably China found new export markets.

China's exports rose from USD 2.3 trillion in the January to August months of 2024 to USD 2.45 trillion in the same period in 2025. Exports to the US fell by USD 52 billion on the same basis but were more than offset by the increase of USD 186 billion in exports to other countries (Chart 1).[2]

Merchandise trade can now be expected to expand by around 2.4% in 2025 (versus 2.8% in 2024),[3] while something much closer to zero growth in such trade was anticipated early in the year. However, this pace of growth in trade is unlikely to be repeated in 2026 as the one-off impact of frontloading fades, and the decelerating global business cycle, coupled with higher inventory levels, will likely limit trade growth to less than 1% next year.

Chart 1: Chinese exports by country, nominal change YoY, USD billion, January-August 2025



Source: IATA Sustainability and Economics, Global Trade Tracker.

1 Global Trade Tracker, GTT; ITC Trade Map.
2 Global Trade Tracker, GTT.
3 WTO.

Global GDP grew at a rate of 0.8% quarter-on-quarter (QoQ) in the first two quarters of 2025, of which Asia contributed 0.6 percentage points. Growth is likely to slow in the second half of 2025, and on an end-year basis we expect around 2.6% in Q4 2025 YoY, down from 3.6% on the same basis in 2024, capturing the slowing momentum. In full-year figures, the deceleration is less visible, going from 3.3% in 2024 to 3.2% in 2025, and 3.1% in 2026—all close to the long-term average growth rate of around 3%. That, in turn, masks some of the likely greater buoyancy in late 2026 when the Q4 YoY rate could recover to 3.3% (Chart 2).

Trade in AI-related goods also played a role in the better-than-expected economic performance in 2025. The WTO estimates this category to surge by 20% YoY in 2025. The goods concerned include semiconductors, servers, and telecommunications equipment and span the entire digital value chain from raw silicon to devices.[4] Sustained demand for such goods could provide some upside potential to both growth in trade and in GDP in 2026, barring any disorderly correction in the related stock markets.

The risk of correction in the stock markets is very much linked to the tech sector and to AI in particular. Markets that are excessively reliant on not-yet realized profits and productivity gains are vulnerable to de-rating which could trigger a broader correction. Further market vulnerability is apparent in the very high levels of debt carried by sovereigns, corporates, and households. While prime lending remains healthy, a number of sub-prime lenders have filed for bankruptcy in the US, and auto-loan delinquency has reached a historic high.

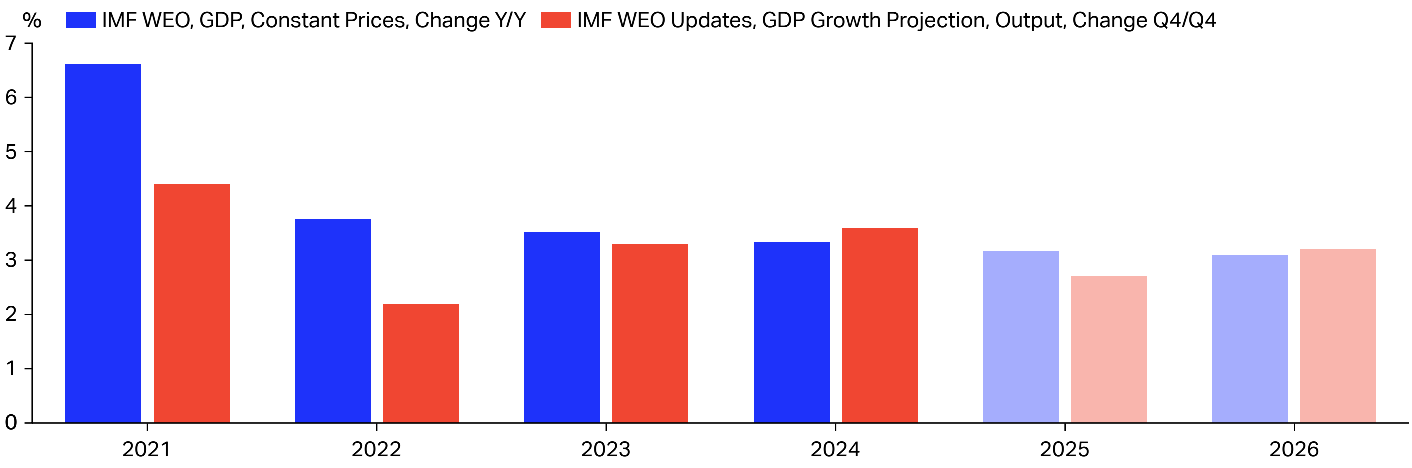
A weaker US dollar and the record-high price of gold also point to investors searching for safer havens. The space for monetary policy easing in the US and elsewhere is limited in this context, highlighting the tension between loose fiscal policies and still rather restrictive monetary policy globally. While these factors do not point to an imminent risk of a financial crisis, their combined effect in 2026 is still to be reckoned with because the margin for error is thinner than in recent years.

AI and productivity

The impact of AI on the global economy in 2025 can be summed up as follows:

- Supported merchandise trade in the face of increased protectionism.
- Generated some USD 200-400 billion in global investments in 2025 (chips, computing power, data centers, etc.), and investments could reach USD 500 billion in 2026.
- Added little so far in terms of productivity gains.
- Caused a massive increase in demand for electricity.

Chart 2: Global GDP growth, % YoY and Q4 to Q4 % YoY



Source: IATA Sustainability and Economics, IMF World Economic Outlook, Macrobond.

4 WTO, International Trade Statistics, 7 October 2025.

A key question regarding AI is whether it can lift the global potential growth rate through structural productivity gains, or whether its contribution to GDP growth is more cyclical. The direct trade in AI-related goods and the associated investments have certainly helped bolster global GDP in 2025, but the visible effects on productivity are hard to come by at the macro-economic level. Any such gains will likely depend on complementary investments and institutional adaptation to come, and it might appear in official data only over time. Analyses of potential AI-driven productivity gains vary over a broad spectrum from some 0.1% to close to 3.5% annually over 10 years. Little can therefore be said for sure at this stage as to whether reality will catch up with the hype. Nevertheless, the dot.com boom of the 1990s added between 1% and 1.5% to productivity growth on average per year, and this could be a pointer also regarding the plausible impact of AI on such growth. The associated gain in global GDP growth could therefore be up to half a percentage points, as per the IMF (Chart 3).[5]

Air transport's contribution to the total economy's multifactor productivity growth is substantial. The US Bureau of Labor Statistics found that air transport's multifactor productivity growth was the second highest among 63 industries over the period 1997-2014. This allowed the airline industry to rank 9th in terms of its contribution to total multifactor productivity growth in the whole economy on the same basis.[6] Since then, the data has been very volatile, notably because of the covid pandemic. However, the industry continues to have a material catalytic multiplier effect on total economic activity (Table 1).[7]

AI, investments, and the energy transition

If AI-driven productivity growth were indeed able to lift Global GDP by around 0.5% per year, it would be a material structural change. Barring any such technological breakthrough, the trend in global potential growth is declining and looks set to drop to around 2% by 2050. Under that assumption, it would seem warranted that much investment capital is being directed to this area.

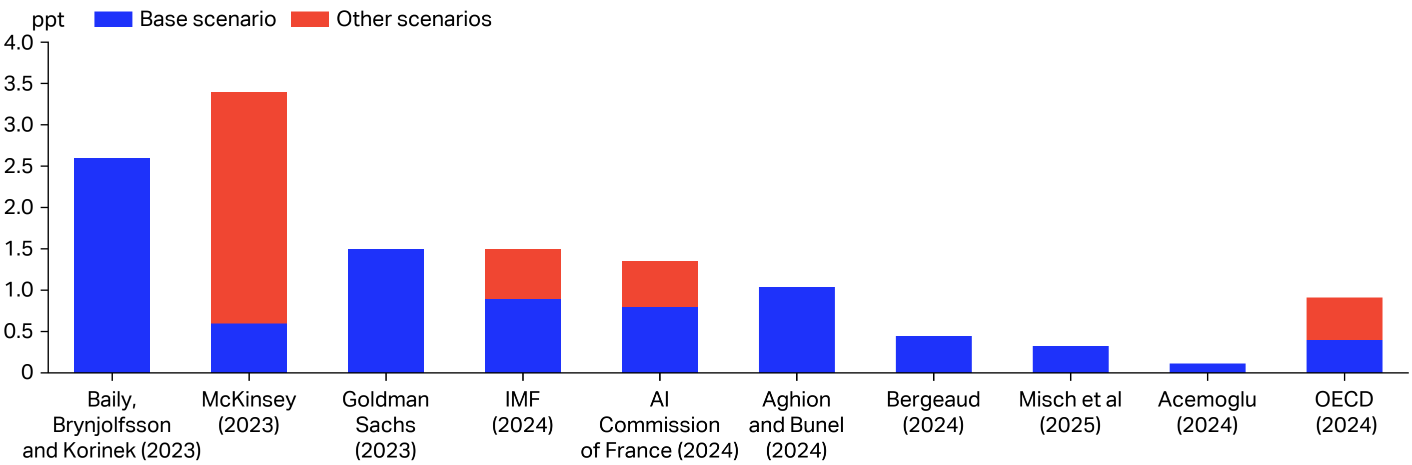
While estimates of the investments in AI can be quoted as global-venture capital, global private-sector investment, and worldwide AI spending, all numbers are rather staggering, ranging from over USD 110 billion in the first case, to some USD 200-400 billion in the second instance, to nearly USD 1 trillion in the latter.

Table 1: Top 10 industries' contributions to US multifactor productivity growth, 1997-2014

Industry	% contribution
Computer and electronic products	0.213
Real estate	0.061
Broadcasting and telecommunications	0.049
Wholesale trade	0.048
Administrative and support services	0.039
Oil and gas extraction	0.038
Motor vehicles, and trailers, and parts	0.037
Retail trade	0.034
Air transportation	0.033

Source: Federal Aviation Administration, Bureau of Economic Analysis.

Chart 3: AI's predicted increase in annual labor productivity growth over a 10-year horizon, percentage points



Source: IATA Sustainability and Economics, Francesco Filippucci, Peter Gal, Katharina Laengle and Matthias Schief, "Macroeconomic productivity gains from Artificial Intelligence in G7 economies", OECD Artificial Intelligence Papers Series, June 2025.

5 Eugenio Cerutti, et. al., "The Global Impact of AI: Mind the Gap", WP/25/76, IMF, April 2025.
6 Matthew Russell, "Economic productivity in the air transportation industry: multifactor and labor productivity trends, 1990-2014", Monthly Labor Review, US Bureau of Labor Statistics, March 2017.
7 José Manuel Carbo and Daniel Graham, "Quantifying the impacts of air transportation on economic productivity: a quasi-experimental causal analysis", December 2020.

How does this compare with another global priority—that of gradually replacing the use of fossil energy with renewable alternatives? The International Energy Agency (IEA) estimates that as much as USD 3.3 trillion worth of capital will be allocated to the global energy sector in 2025 (Chart 4). Two-thirds of this amount will benefit renewable energy, nuclear, grids, storage, low-emissions fuels, efficiency and electrification, while one-third will go to oil, natural gas, and coal, according to the Agency. Energy-related venture capital has been declining over the past two years to around USD 28 billion, a third of the capital allocated to AI in 2024, at 84 billion.

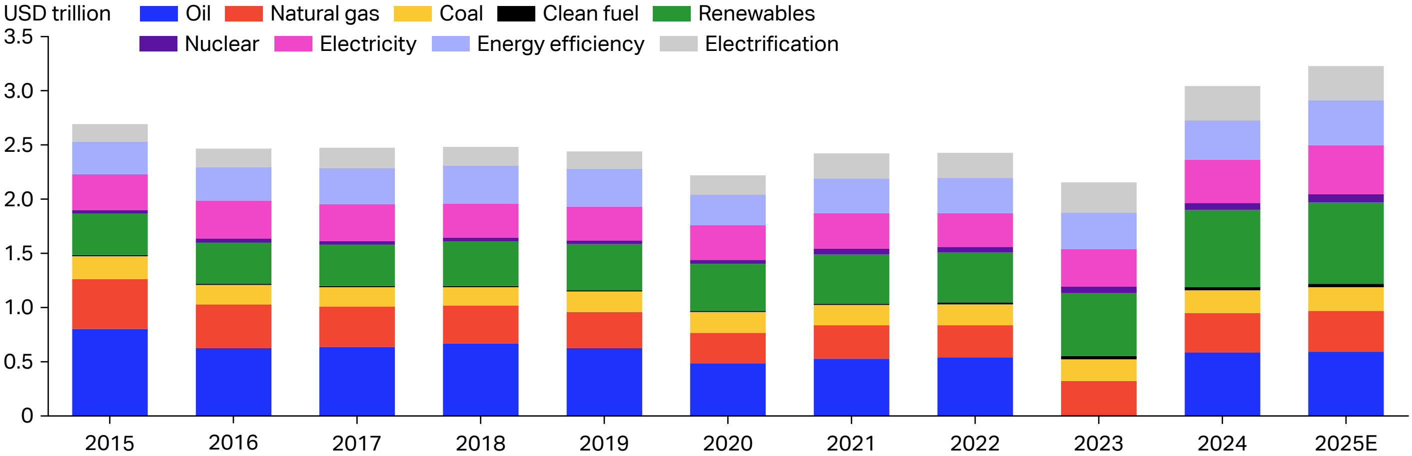
Renewable power looks set to attract investments to the height of USD 780 billion in 2025, which is 68% of the investments in the oil and gas sector. Investments in low-emissions fuels are likely to be limited to USD 30 billion. For some perspective, IATA estimates that the average yearly investment that would be needed to secure airlines' use of SAF and meet most of the industry's decarbonization needs is USD 174 billion over the 2024-2050 horizon.[8]

Oil and gas companies allocated around USD 30 billion of their own money to clean energy in 2023, representing less than 4% of such investments globally. Oil companies' investments in low-emissions fuels is a mere 1.4% of the amount they spend on fossil fuels, although this is up from the token 0.5% invested a decade ago.

Clearly the reallocation of capital to renewable energy in general, and to renewable fuels and SAF in particular, is not happening at the scale that is commensurate with its standing as a global priority. Why is this the case, and why does it matter? Starting with the first of those two questions, the main driver of investments in general are the returns that they can be expected to generate. It is difficult to know what they are in the AI space, but the billions it attracts suggest very elevated expectations in this regard. A study by MIT from July 2025 found, however, that most such expectations are not realistic.[9] Of the 300 AI projects covered in the study, 95% generated zero return on investment. What this tells us, though, is that there is no shortage of capital that could be allocated to the renewable energy sector, just a shortage of expected returns.

Net profit margins in oil and gas exploration and development are volatile but exceeded 30% in 2021. Today they are likely impaired by Brent crude oil price being as low as USD 64.4 per barrel (on 15 November 2025). Even so, there is a substantial expected return handicap for renewables and SAF to overcome if they are to attract the sums that are being allocated to the fossil fuel sector, and to AI. Net margins in the renewable energy space are estimated to be limited to between 3% and 6% (though sometimes above 10% in solar),[10] and those in the production of SAF are most likely in the low single digits between 0% and 5%.

Chart 4: Global investment in energy, 2015-2025, USD trillion at 2024 exchange rates



Source: IATA Sustainability and Economics, IEA, World Energy Investment 2025.

8 IATA, "Net Zero Transition Finance Roadmap", 2024.
9 MIT, "The GenAI Divide: State of AI in Business in 2025", MIT Project NANDA.
10 Thunder Said Energy, "Renewables returns: what IRR for wind and solar?", September 2025.

The gap in expected returns between different energy investments can be bridged by policy measures including incentives, tax exemptions and credits, price-certainty mechanisms, and others. Under the Inflation Reduction Act in the US, net profit margins of many SAF producers were in the 5% to 20% range. In the most favorable cases with efficient technology, low feedstock cost, high sale price, full credits, and good infrastructure, margins could reach 25% to 40% or more.

Turning to the question of why it matters how capital is allocated, the answer lies very much in what type of economic growth we want in the future. If growth is to decouple from CO_2 emissions, it must become less reliant on fossil fuels which still represent 82% of global energy consumption.[11]

AI and notably the associated data storage and processing centers already account for 2.5-3.7% of global greenhouse gas emissions.[12] The energy is used predominantly for operating processors and chips, and for cooling servers. Data centers are poised to become one of the fastest-growing sources of emissions of any sector.[13] Hence, this sector is causing double trouble. Firstly, by adding strong and rising demand for electricity, both renewable and other, to the already supply-constrained electricity and renewable-energy markets, pushing up prices, and secondly by increasing CO_2 emissions as it expands faster than renewable-energy supply, given the time needed to add capacity to national grids. In Ireland, grid congestion has led the regulator to pause new grid connection approvals, and in Germany wait times for new data centers' grid connections can reportedly exceed 7 years. Data centers' demand for electricity account for 18% of Ireland's national power demand, while in Germany it is still a more modest 5%.[14] The International Energy Agency (IEA) reports that global investment in grids has reached USD 400 billion annually worldwide and that this amount needs to grow to match the USD 1 trillion in investment in generation assets in order to maintain electricity security. [15]

As demand for AI computing and data centers grows, it will become an ever more formidable competitor for renewable energy resources. While electrification in general, and of road transport in particular, should free up production time at bio-refineries in favor of other refined products, including SAF, many renewable fuel technologies will also need renewable electricity as input. This means that air transport will compete for a sufficient share of total renewables to be allocated to fuel production rather than to direct power, in addition to aiming for its share of refined output.

Optimal public policy should view these matters in the context of the global energy transition, and not in terms of industrial policy. Policy should prioritize renewable energy production in general, in the interest of decarbonizing all industries. Within the renewable energy mix, policy must also safeguard the needs of all industries that require liquid fuels. Of these, SAF production is evidently not a global policy priority, judging by the low production volumes and the multiple project closures. This will delay decarbonization in air transport and keep its costs higher for longer. Surely this is a poor policy choice given air transport's direct contribution to global GDP of around 4%, the 65 million jobs supported, and the multiplier effect it has on all industries that use its services—all way in excess of what AI, for instance, is generating at present.

11 IEA, "World Energy Outlook 2023", October 2023.
12 Columbia Climate School.
13 IEA, "Energy and AI", 2025.
14 ICIS "Data centers: Hungry for power", 2025.
15 IEA, "Building the Future Transmission Grid: Strategies to navigate supply chain challenges", February 2025, and IEA, "World Energy Investment 2025", 10th Edition, June 2025

3. Resilience amid headwinds: Navigating global shocks

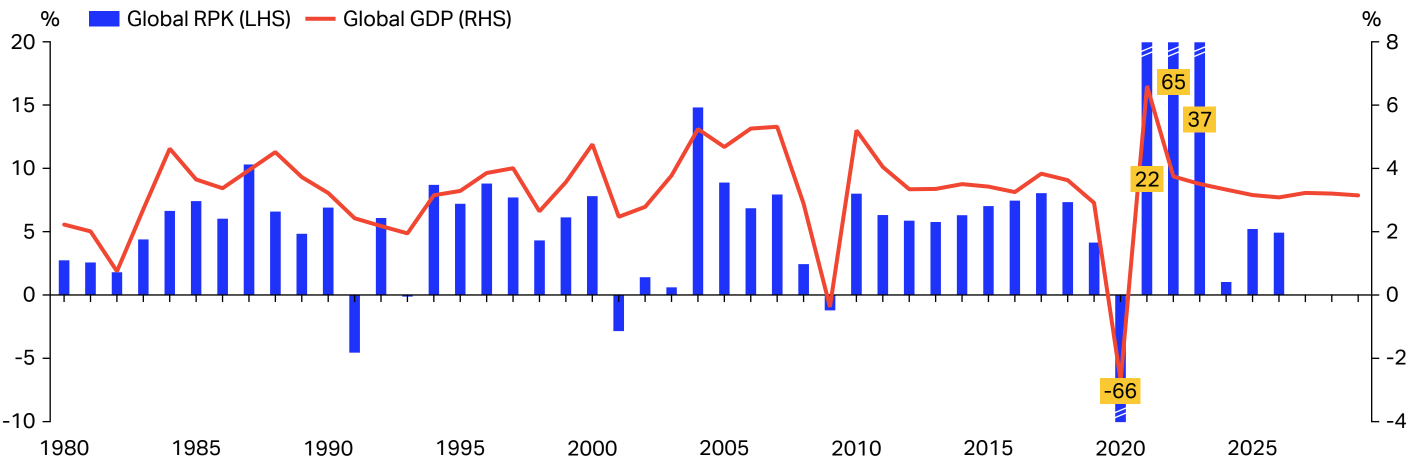
3.1 Air passenger traffic

Over the past three decades, global air travel, measured in Revenue Passenger Kilometers (RPK), has consistently outpaced economic growth, expanding at approximately 2.3 times the rate of global GDP (Chart 5). However, this trend has moderated in recent years. For the 2024–2026 period, RPK growth is expected to align more closely with GDP, at roughly 1.5 times. This shift is largely attributed to persistent capacity constraints, including delays in aircraft deliveries, maintenance backlogs, and labor shortages, all of which have limited airlines' ability to scale operations in response to demand.

As of the year-to-date (YTD) period ending October 2025, global passenger traffic has increased by 5.3% YoY, a figure that remains broadly consistent with the long-term historical average of 5%. However, this performance is weaker than expected and hence the full-year forecast for passenger traffic has been revised downward slightly to 5.2% YoY compared to the 5.8% projected in our June version of the global outlook.

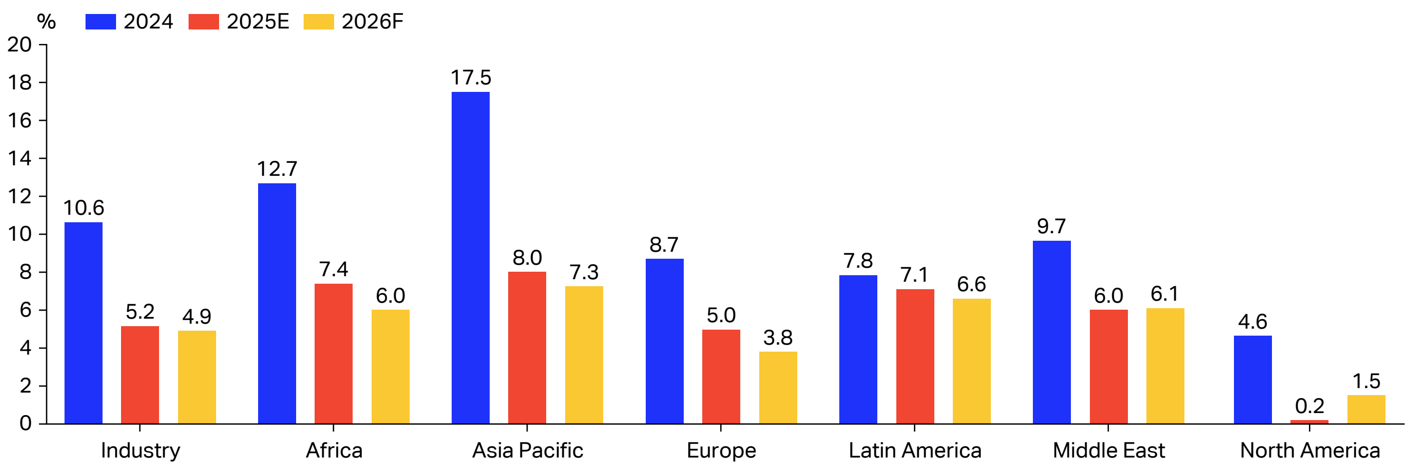
Regionally, airlines based in Asia Pacific are expected to lead global passenger growth in 2025, with an anticipated increase of 8.0% YoY in RPK (Chart 6). Although this figure remains robust, it marks a slight decline from the 9.0% YoY forecast in our June report. The revision is primarily due to ongoing supply chain disruptions. Meanwhile, carriers in Africa and Latin America are also projected to show strong growth, with RPK expected to increase by 7.4% and 7.1% YoY, respectively. Notably, the forecast for Latin America has been revised up from 5.8% YoY, supported by stronger-than-anticipated performance in both the international segment and in large domestic markets, particularly Brazil.

Chart 5: World RPK and GDP growth, % YoY



Source: IATA Sustainability and Economics, IMF World Economic Outlook, October 2025.

Chart 6: Passenger traffic growth by region, % YoY



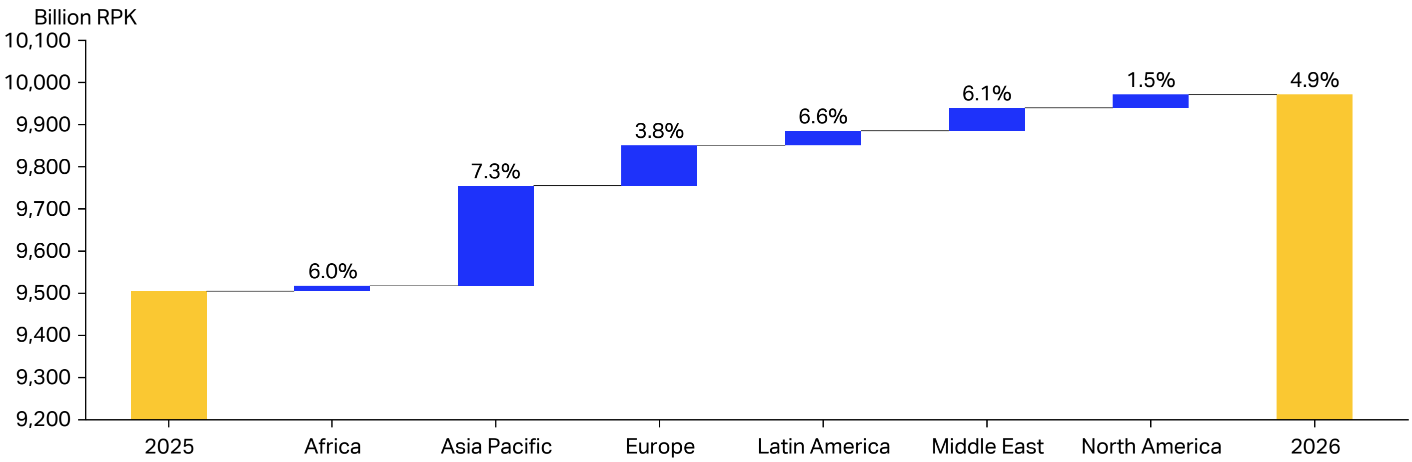
Source: IATA Sustainability and Economics using data from IATA Information and Data – Monthly Statistics.

In contrast, North America is stagnating, with traffic projected to increase by just 0.2% YoY in 2025, down from the 0.4% forecast in June. This is a result of continued weakness in the US domestic market, which accounted for over 60% of North American RPK in 2024. Domestic traffic in the US contracted by 0.5% YTD as of October 2025.

Looking ahead to 2026, global passenger traffic is expected to grow by 4.9% YoY, reflecting a modest improvement in global GDP growth (Chart 7). While this represents a slight deceleration from 2025, growth is likely to remain near the long-term average. Asia Pacific is the leading region in terms of traffic growth, with a projected increase of 7.3% YoY. This is supported by the strong economic momentum in markets such as China, India, and Vietnam, driving both domestic and international travel, particularly within the region. The North American region will likely lag other regions with growth of just 1.5% YoY, which is nevertheless an improvement from the low base set in 2025.

The global passenger load factor (PLF) has reached record highs, peaking at 86% in August 2025, the highest monthly figure on record. For the full year, the PLF is expected to average 83.7%, a notch above 2024 levels. This performance is supported by tight capacity management, strong demand, and high fleet utilization. The PLF is projected to increase slightly to 83.8% in 2026, as airlines continue to face aircraft shortages limiting seat supply.

Chart 7: Contribution to passenger traffic growth by region, billion RPK, and annual growth, % YoY

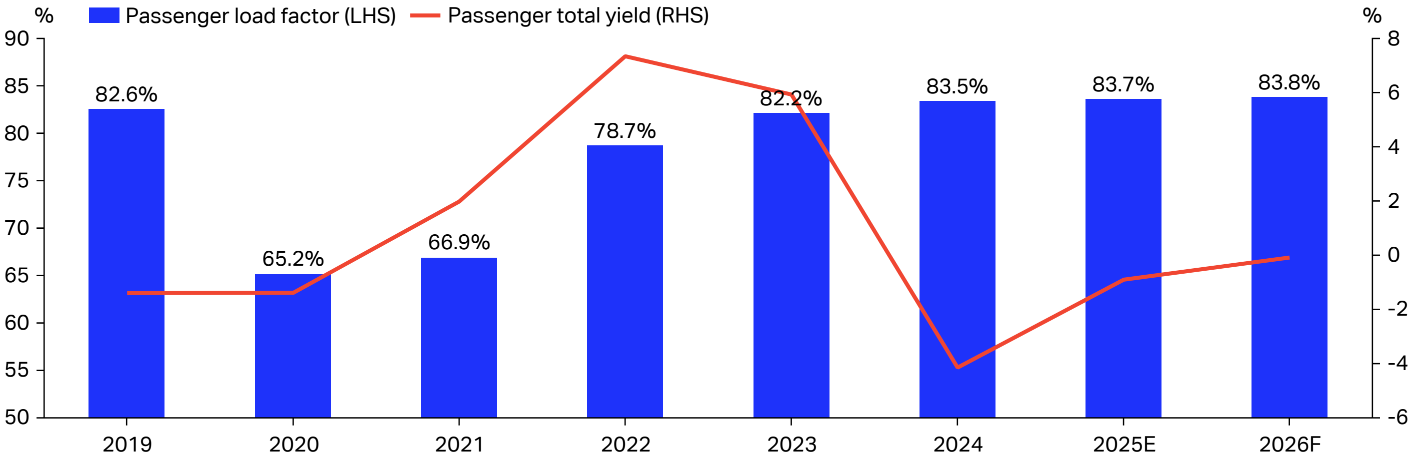


Source: IATA Sustainability and Economics using data from IATA Information and Data – Monthly Statistics.

Passenger yields are expected to decline by 0.7% YoY in 2025, which is an upward revision from the 4.1% drop in our June forecast. Yields have been supported by a combination of slightly higher-than-expected jet fuel prices and ongoing aircraft supply constraints. These factors have enabled airlines to maintain some pricing power, particularly on high-demand routes. The weaker US dollar has supported yields in non-USD markets. Robust demand for premium cabin seats and reduced yield pressure in Asia have contributed to the overall improvement, with North America and Europe recording the strongest yield performance.

In 2026, global passenger yields are projected to remain flat compared to 2025 levels (Chart 8). This is anticipated due to the expected stabilization in jet fuel prices.

Chart 8: Passenger load factor, %, and passenger total yield, % YoY



Source: IATA Sustainability and Economics using data from IATA Information and Data – Monthly Statistics.

Table 2: Summary of key passenger traffic metrics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
RPK, billion	**8,688**	**2,974**	**3,623**	**5,973**	**8,171**	**9,039**	**9,505**	**9,971**
% change YoY	4.1%	-65.8%	21.8%	64.9%	36.8%	10.6%	5.2%	4.9%
Segment passengers	**4,560**	**1,779**	**2,304**	**3,452**	**4,414**	**4,774**	**4,982**	**5,202**
% change YoY	2.1%	-61.0%	29.5%	49.9%	27.8%	8.2%	4.3%	4.4%
O&D passengers	**3,974**	**1,570**	**2,017**	**2,960**	**3,793**	**4,097**	**4,269**	**4,458**
% change YoY	2.2%	-60.5%	28.5%	46.7%	28.1%	8.0%	4.2%	4.4%
Aircraft departures, million	**37.5**	**19.7**	**24.2**	**29.5**	**35.3**	**37.3**	**38.9**	**40.3**
% change YoY	-0.8%	-47.5%	22.8%	21.9%	19.8%	5.7%	4.1%	3.6%
ASK, % change YoY	**3.4%**	**-56.6%**	**18.7%**	**40.1%**	**31.1%**	**8.9%**	**4.9%**	**4.7%**
Passenger load factor, % ASK	**82.6%**	**65.2%**	**66.9%**	**78.7%**	**82.2%**	**83.5%**	**83.7%**	**83.8%**
Total load factor, % ATK	**70.1%**	**59.8%**	**61.9%**	**67.2%**	**68.7%**	**70.1%**	**70.4%**	**70.8%**
Passenger ticket yield, % YoY	**-3.7%**	**-9.1%**	**4.9%**	**9.7%**	**8.5%**	**-4.2%**	**-0.9%**	**-0.1%**
Passenger total yield, % YoY	**-1.4%**	**-1.4%**	**2.0%**	**7.4%**	**5.9%**	**-4.1%**	**-0.7%**	**0.0%**
Average nominal one-way fare, USD/PAX	**153**	**120**	**120**	**148**	**171**	**168**	**168**	**168**
% change YoY	-1.9%	-21.3%	-0.5%	23.3%	15.8%	-1.9%	0.0%	0.4%
Average nominal return fare*, USD	**361**	**308**	**298**	**359**	**407**	**399**	**400**	**402**
% change YoY	0.4%	-14.6%	-3.3%	20.6%	13.1%	-1.8%	0.2%	0.5%
Average real return fare*, 2025 USD/PAX	**496**	**409**	**383**	**441**	**459**	**422**	**400**	**387**
compared to 2015	-17.5%	-32.0%	-36.4%	-26.7%	-23.7%	-29.8%	-33.6%	-35.6%

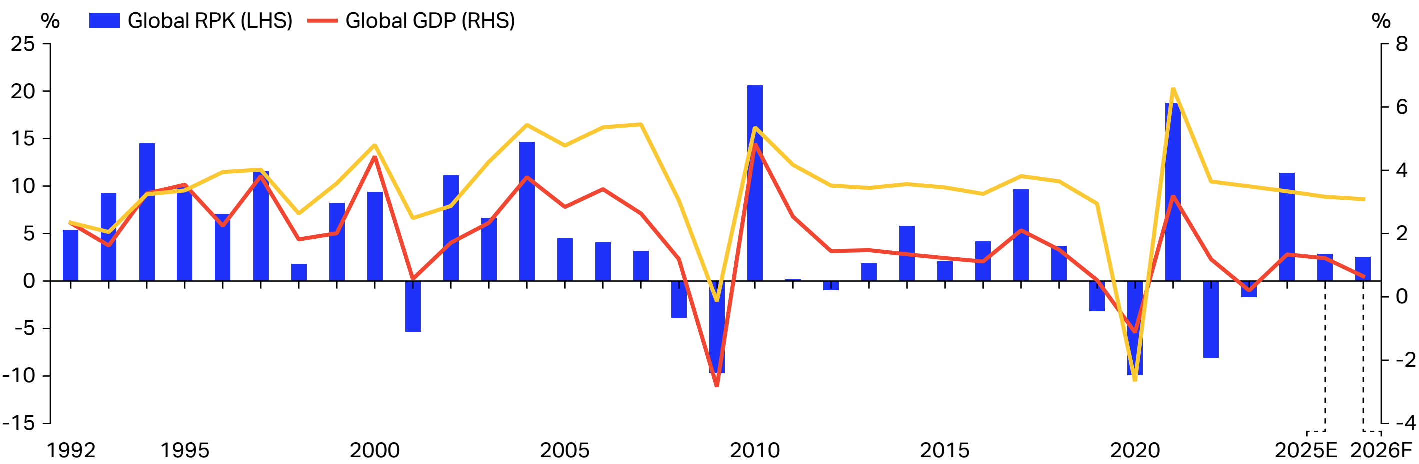
Source: IATA Sustainability and Economics. * Including ancillary fees.

3.2 Air cargo traffic

Air cargo has once again demonstrated its unique stabilizing role in the global economy, helping to blunt the impact of the 2025 tariff cycle much as it softened the blow of the covid pandemic (Chart 9). Global air cargo demand, measured in cargo tonne-kilometers (CTK), rose 3.3% YoY as of October year-to-date. Activity was surprisingly strong as importers front-loaded shipments ahead of tariff changes. Demand has remained firm since, though growth is expected to moderate later in the year. For 2025, we now project 3.1% YoY growth, an upward revision from 0.7% in our June forecast.

Cargo traffic in Asia-Pacific is expected to grow by 8.5% YoY this year. Year-to-date (January-October) data shows broad-based strength across nearly all routes, led by the Europe corridor, which expanded by 10.6%. Chinese exporters diverted shipments affected by US tariffs to other trading partners and adopted strategies such as adding intermediate stops or shifting production to countries outside the tariff lists. While this substitution effect materialized quickly, it might not be sustainable if future tariffs target rerouting practices. The low pricing that supported inventory reductions might not persist, reinforcing our more cautious outlook for 2026. Europe is forecast to grow by 2.5% in 2025. Among Europe's international routes, only those with Asia (+10.6%) and North America (+7.1%) expanded, as per October YTD data. Africa and Latin America are expected to grow by 3.0% and 4.0%, respectively. In contrast, the Middle East and North America are likely to contract by 1.5% and 1.2%, driven by tariffs in North America and geopolitical tensions combined with easing ocean freight disruptions in the Red Sea for the Middle East.

Chart 9: World CTK and GDP growth, and merchandise trade volume growth, % YoY

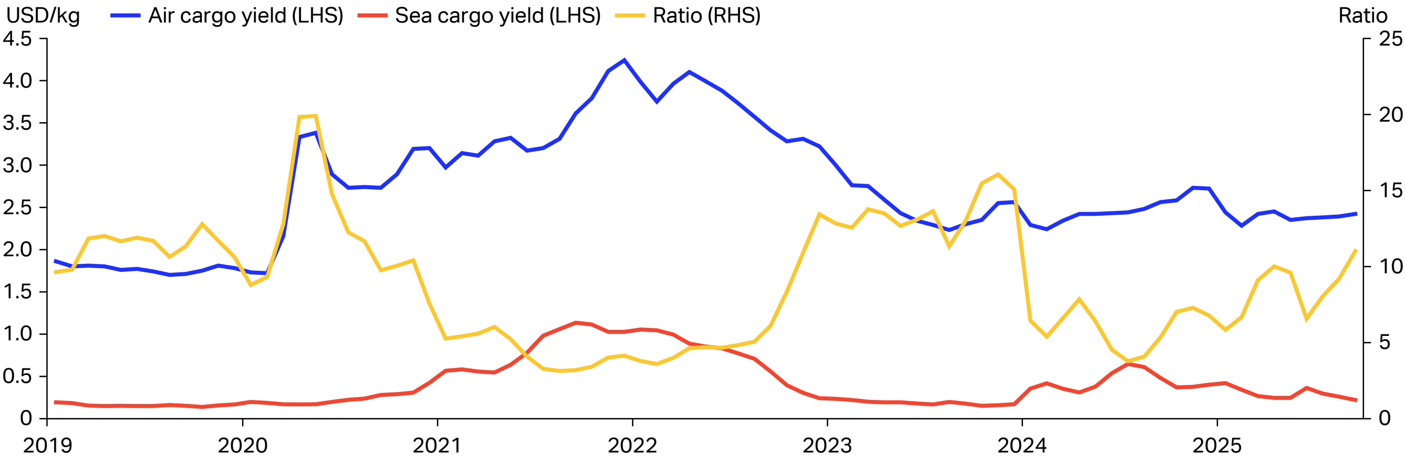


Source: IATA Sustainability and Economics using data from IATA Information and Data – Monthly Statistics, WTO, IMF.

Global air freight yields averaged USD 2.4/kg YTD through October, about 30% above 2019 levels. Yields were slightly stronger in the first quarter, growing by approximately 4% YoY, supported by front-loading and a high base from early 2024. However, momentum weakened from the second quarter onward, with average YoY declines of 2.6%, reaching a low of -5.4% in September, but improving again in October to -4.0% YoY. In contrast, sea freight rates fell sharply in both monthly and yearly terms, making ocean shipping more attractive and reducing air cargo's relative price competitiveness (Chart 10).

Demand growth by cargo hold type shows a clear divergence: dedicated freighters' CTK rose by mer 1.4%, reflecting limited expansion on the freighter side due to persistent supply chain bottlenecks, while belly cargo surged by 7.8% YTD through October. Aircraft delivery delays continue to hamper fleet expansion, also on the cargo side. Delays in widebody freighter deliveries, with the Boeing 777X-F pushed to 2028 and Airbus A350F to late 2027, are leading operators to stretch existing fleets and rely on passenger aircraft conversions. However, the pool of suitable passenger aircraft is shrinking due to limited availability of new passenger aircraft. This sustained supply shortfall is driving up air freight rates, particularly for dedicated freighters, and is likely to take years to unwind. Medium widebodies, notably the Airbus A330 and Boeing 767, dominate the conversion market as immediate, though costlier, substitutes for delayed next-generation freighters.

Chart 10: Global air cargo and sea cargo yields, USD/kg, and the ratio of air cargo to sea cargo yields



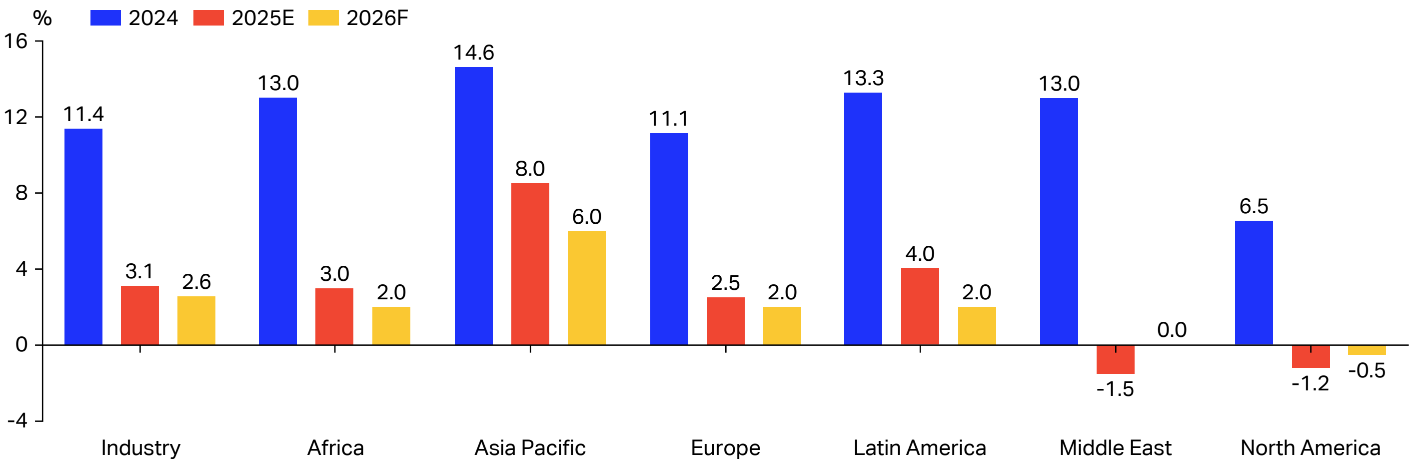
Source: IATA Sustainability and Economics, CargoIS, Bloomberg.

The global cargo load factor reached 45.3% in October 2025 YTD, broadly unchanged from 2024. While demand growth is expected to slow in 2026, steady air cargo demand amid global uncertainties and persistent capacity constraints should keep load factors broadly flat.

For 2026, we expect air cargo demand to continue to expand, albeit at a slower pace than in 2025, in line with softening global trade. The slowdown is unlikely to be as pronounced as the general trade deceleration, as air cargo continues to benefit from rising demand for high-value, time-sensitive goods, particularly driven by e-commerce and semiconductors.

Persistent global uncertainties around tariffs and supply chain disruptions will reinforce air transport's role as the most reliable mode of delivery. Overall, we forecast 2.6% growth for the industry in 2026, led by Asia-Pacific at 6%. Other regions should grow around 2%, while the Middle East will stagnate, and North America will edge down by 0.5% (Chart 11).

Chart 11: Cargo traffic growth by region, % YoY



Source: IATA Sustainability and Economics.

Table 3: Summary of key cargo metrics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
CTK, billion	**254.3**	**229.1**	**272.1**	**250.1**	**245.8**	**273.8**	**282.3**	**289.5**
% change YoY	-3.2%	-9.9%	18.8%	-8.1%	-1.7%	11.4%	3.1%	2.6%
Freight carried by air, million tonnes	**62.7**	**56.5**	**65.0**	**60.9**	**61.4**	**67.5**	**70.0**	**71.6**
% change YoY	-0.2%	-9.8%	15.1%	-6.3%	0.7%	9.9%	3.6%	2.4%
Cargo load factor, % CTK	**46.8%**	**53.8%**	**56.1%**	**50.0%**	**44.3%**	**45.9%**	**45.8%**	**46.0%**
Total load factor, % ATK	**70.1%**	**59.8%**	**61.9%**	**67.2%**	**68.7%**	**70.1%**	**70.4%**	**70.8%**
Nominal freight rate, USD cents/CTK	**39.6**	**61.3**	**77.2**	**82.6**	**56.4**	**55.3**	**55.0**	**54.7**
% change YoY	-8.2%	54.7%	25.9%	7.0%	-31.7%	-2.0%	-0.5%	-0.5%
Real freight rate, 2025 USD cents/CTK	**54.5**	**81.4**	**99.2**	**101.3**	**63.6**	**58.5**	**55.0**	**52.7**
compared to 2015	92.8%	138.6%	168.9%	172.5%	108.4%	99.5%	93.6%	89.8%
World merchandise trade, volume, % YoY	**0.1 %**	**-5.4 %**	**9.0 %**	**2.3 %**	**-1.0 %**	**2.8 %**	**2.4 %**	**0.5 %**
World real GDP, % YoY	**2.9 %**	**-2.7 %**	**6.6 %**	**3.6 %**	**3.5 %**	**3.3 %**	**3.2 %**	**3.1 %**
CPI, global, % YoY	**3.6 %**	**3.3 %**	**4.7 %**	**8.7 %**	**6.7 %**	**5.8 %**	**4.2 %**	**3.7 %**

Source: IATA Sustainability and Economics.

4. Airline financial performance

The air transport industry continues to demonstrate resilience amid persistent non-fuel cost pressures and operational constraints. Although the pace of recovery is moderating, demand has remained relatively strong in 2025 across both the passenger and cargo segments, supported by robust consumer appetite and front-loading in anticipation of tariffs. Airlines are adapting to a softer yield environment by diversifying revenue streams, expanding ancillary services, and maintaining high load factors with record fleet utilization. These strategies are helping carriers preserve margins and remain competitive.

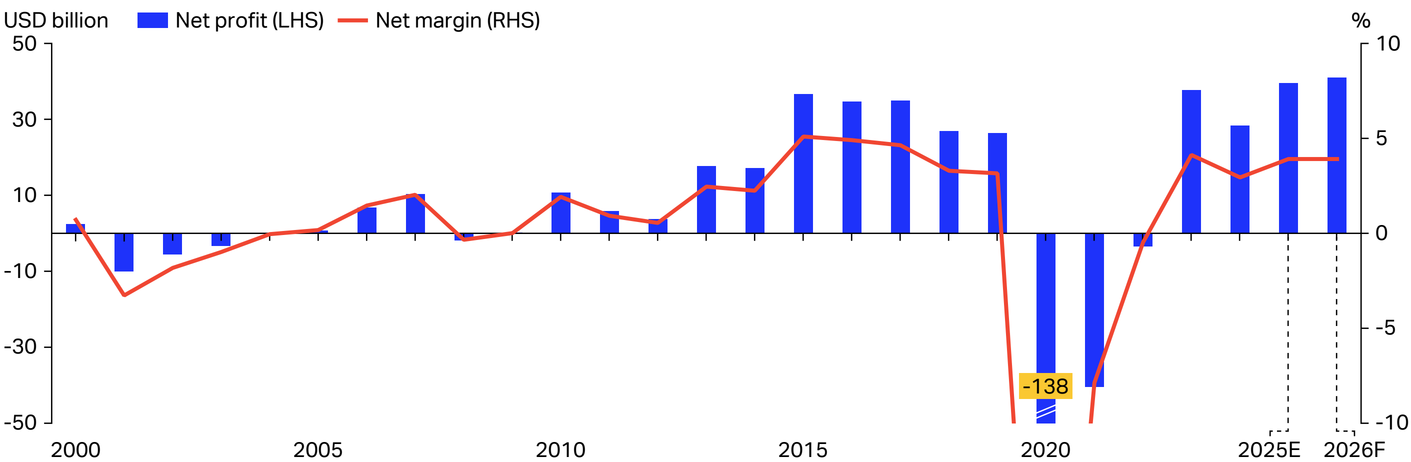
Cost discipline is central to sustaining profitability in this low-margin business. While fuel prices have stabilized, non-fuel costs, particularly labor and maintenance, are rising due to pilot shortages, wage inflation, and aging fleets. Strategic fleet planning and operational efficiency are helping airlines manage these pressures, even as supply chain disruptions and aircraft delivery delays persist.

Revenue growth is expected to accelerate in 2026 compared to 2025, though not at the post-covid pace as the rebound matures and yields ease. Airlines are responding to fare pressure by expanding ancillary offerings and supporting customer segmentation. Cargo remains a vital contributor, helped by e-commerce, with yields still above pre-covid levels.

Interim results for 2025 point to continued improvement in industry profitability, and the outlook for 2026 is positive. Fuel prices are expected to decline further, offsetting softer yields, while inflation-driven increases in non-fuel costs are beginning to moderate. At the same time, supply chain constraints and aircraft shortages are driving record fleet utilization and load factors, supporting cost efficiency and helping airlines maintain profitability (although capping growth). Industry operating profits are forecast at USD 67 billion in 2025, representing a 6.6% operating margin. The net profit should reach USD 39.5 billion with a corresponding 3.9% margin. In 2026, operating margins are expected to edge up to 6.9%, while net margins should be stable at 3.9% (Chart 12).

The global aircraft shortage is one of industry's most persistent challenges. Limited fleet availability slows capacity growth and delays renewal plans. This constraint supports yields in a high-demand environment but also forces airlines to operate older, less efficient aircraft, raising costs, and delaying progress on decarbonization. The situation is expected to last until the next decade. Pandemic-era disruptions, compounded by supply chain bottlenecks and labor shortages, have created a "missing fleet" equivalent to several years of lost production. Despite a gradual recovery in deliveries, normalization is unlikely before the early 2030s.

Chart 12: Global airline net profit, USD billion, and net margin, % of revenue



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

Table 4: Summary of key air transport industry finance metrics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
Passenger revenue, USD billion	**607**	**189**	**242**	**437**	**648**	**687**	**716**	**751**
% change YoY	0.3%	-68.9%	27.9%	80.9%	48.4%	6.0%	4.2%	4.8%
Cargo revenue, USD billion	**101**	**140**	**210**	**206**	**139**	**151**	**155**	**158**
compared to 2014	-11.1%	39.3%	49.6%	-1.7%	-32.9%	9.2%	2.6%	2.1%
Ancillary and other revenue, USD billion	**130**	**55**	**61**	**95**	**122**	**130**	**137**	**145**
% change YoY	38.9%	-57.6%	10.9%	55.7%	28.9%	6.3%	5.3%	5.5%
EBIT (operating profit), USD billion	**43.1**	**-110.9**	**-43.5**	**11.3**	**63.3**	**63.6**	**67.0**	**72.8**
% margin	5.1%	-28.8%	-8.5%	1.5%	7.0%	6.6%	6.6%	6.9%
Net profit, USD billion	**26.4**	**-137.7**	**-40.4**	**-3.5**	**37.6**	**28.3**	**39.5**	**41.0**
% margin	3.1%	-35.8%	-7.9%	-0.5%	4.1%	2.9%	3.9%	3.9%

Source: IATA Sustainability and Economics.

The key assumptions underpinning the 2025 financial forecast:

- Global GDP in 2026 is forecast to grow 3.1%, a full year figure that masks a weak first half of the year with the unwinding the front-loading effect from early 2025. Momentum should improve in the second half of 2026.
- Inflation is expected to moderate to 3.7%, easing pressure on input costs and consumer pricing. While inflation should continue to decelerate, delayed tariff impacts will likely keep core inflation (excluding food and energy prices) stubbornly elevated.
- That creates a conflict between still restrictive monetary policies and loose fiscal policies with high debt and deficit levels, with limited room to lower interest rates.
- The average price of Brent crude oil is assumed to be USD 62 per barrel in 2026. The jet fuel crack spread is anticipated at USD 26 per barrel. This yields an average jet fuel price of USD 88 per barrel in 2026, broadly flat YoY. Average realized price for airlines will nevertheless ease thanks to the delayed impact of hedging.
- We assume the price of SAF at USD 2,490 per tonne in 2025 and 2026. This estimate reflects both a lower global market price of SAF and a higher price paid in the EU and in the UK where mandates add to oligopolistic pricing behavior.
- Obligations under CORSIA are projected to cost airlines USD 1.7 billion for emissions relating to 2026.
- We assume US tariffs will remain near the current average of 17%, with electronics, pharmaceuticals, and crude oil continuing to be exempt. We also expect that low-value parcels will continue to be subject to tariffs, affecting all such imports to the US.

4.1 Revenue developments

The airline industry is well on track to surpass the psychological threshold of USD 1 trillion in total revenue in 2025 thanks to expected revenue growth of 4.1%. In 2026, revenue is projected to accelerate further by 4.5%. Both years show evidence of a maturing recovery following the double-digit growth seen in the wake of the pandemic.

Passenger ticket revenues are expected to reach USD 751 billion, up 4.8% YoY. This growth is primarily driven by higher traffic volumes, with global RPK projected to increase by 4.9% in 2026. On the flipside, yields should stabilize in 2026. Fares in 2026 will be supported by strong load factors, which are expected to reach 83.8% in 2026.

Yields are also impacted by jet fuel prices in a somewhat counterintuitive manner. Lower fuel prices do reduce the total fuel bill for airlines but also tend to lower the ticket price (Chart 13).

In 2026, we will continue to see a shift toward unbundled pricing, where airlines increasingly separate core fares from optional services. Ancillary and other revenues are projected to rise by 5.5%, reaching USD 145 billion. While the pace of this growth slowed slightly in 2024, it has regained momentum in 2025. Ancillary services now account for nearly 14% of total revenue, up from 12-13% pre-pandemic.

It is interesting to note that unbundled pricing of airline services is drawing criticism from some regulators. This is surprising given regulations such as Europe's MiFID II, which requires brokers to charge separately for research and execution of financial services, a change with is thought to improve cost transparency and accountability for clients. Other European regulation, such as PSD2, also push for unbundling in payments and banking services to foster competition. Surely what helps consumers of financial services is also beneficial to consumers of air transport services, and to all consumers.

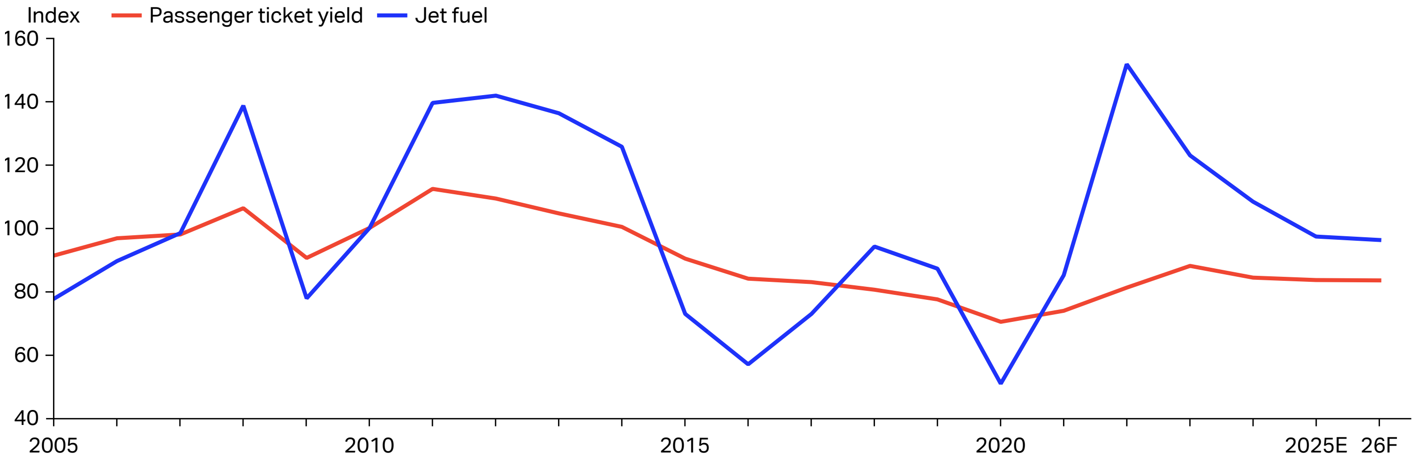
Cargo revenue is forecast to reach USD 158 billion in 2026, a 2.1% YoY increase. This moderate expansion is driven by continued growth in cargo volumes, particularly in time-sensitive shipments and e-commerce. Coupled with tight capacity, these factors are expected to keep yields elevated, despite a broader slowdown in global trade. While cargo yields have eased from pandemic highs, they remain approximately 30% above pre-covid levels. Air cargo is nevertheless benefiting from improved belly hold capacity as passenger networks expand, especially in Asia Pacific and the Middle East.

Air cargo remains essential for high-value and time-critical shipments although it faces increased competitive pressure from maritime as Red Sea issues ease. The 2026 outlook reflects a more balanced market, with growth increasingly driven by volume rather than price, particularly in Asia and Europe, where traffic remains strong in the wake of tariffs.

Total revenue per ATK in 2026 is expected to increase a notch, compared with a minor decline seen over 2024 and 2025. This is a result of the combined impact of stable ticket prices and growing load factors.

Cargo's share of total revenue has declined from its pandemic peak but remains above historical norms, reflecting the structural shift in the market.
Looking ahead, revenue growth will depend on the industry's ability to manage capacity constraints, maintain high load factors and fleet utilization, as well as stabilize yields. The lower fuel prices offers some relief, but macro-economic uncertainty and geopolitical risks remain key variables.

Chart 13: Global airline passenger ticket yield (revenue in USD per RPK) and jet fuel price, index, 2010 = 100



Source: IATA Sustainability and Economics, DDS, Platts – Global Commodity Insights.

4.2 Cost developments

Total airline industry costs are projected to reach USD 981 billion in 2026, a 4.2% increase YoY. This modest rise benefits from the lower fuel prices and a weaker US dollar (in non-dollar markets), but is hampered by continued pressure on non-fuel expenses, particularly labor, maintenance, and ownership. Faced with this challenging cost environment, airlines focus on efficiency gains and disciplined capacity management.

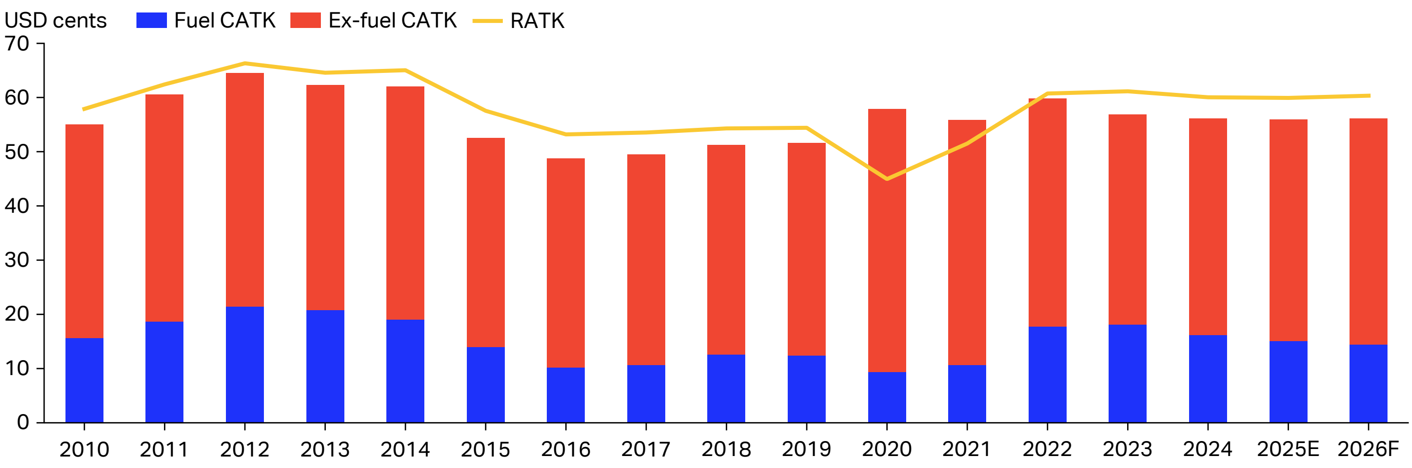
Fuel costs are expected to decline slightly. Although jet fuel prices are forecast to remain broadly flat, the expiration of higher-cost hedges from 2025 should allow airlines to realize lower average prices, bringing them closer to market levels. Fuel is set to account for 25.7% of total operating expenses, down from 26.8% in 2025, with total spend projected at USD 252 billion.

However, fuel efficiency gains have stalled. Average fuel burn per available tonne kilometer (ATK) is now nearly flat, diverging from the long-term trend of 2.2% annual improvement. The slowdown is driven by aircraft delivery delays and aging fleets, which are limiting the pace of renewal. A slight uptick in deliveries expected in 2026 might allow for marginal improvement compared with 2024 and 2025.

Non-fuel costs are forecast to rise by 5.8%, reaching USD 729 billion. Labor remains the largest component, with wage growth continuing to outpace inflation. Employment growth is also exceeding traffic growth, driven by pilot shortages and union negotiations, particularly in North America and Europe. Labor now accounts for 28% of total airline costs. Maintenance costs are climbing due to the aging fleet and supply chain disruptions that affect the availability of parts. Lease rates have reached record highs, pushing up ownership costs, and airport and en-route charges continue to rise as well.

Unit costs per ATK excluding fuel are expected to increase by 2.0% in 2026, compared to a 2.5% rise in 2025. The 2025 increase is slightly elevated due to weakening USD and would have been much lower assuming no impact of exchange rates. The further slowdown in 2026 is consistent with easing global inflation. Record-high fleet utilization and load factors are also helping to dilute unit costs (Chart 14).

Chart 14: Global airline unit cost breakdown and unit revenue, USD cents per ATK



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

A weaker US dollar tends to benefit non-USD-based airlines' profitability and margins by reducing costs such as fuel, aircraft leases, and maintenance, typically denominated in USD. This effect is the strongest for airlines focused on domestic and local markets. At the same time, dollar depreciation boosts travel demand by increasing the purchasing power of non-US travelers, encouraging outbound tourism and raising international yields when local currency revenues are converted into USD.

We estimate that approximately 55–60% of global airline costs are denominated in USD, compared to 50–55% on the revenue side. Based on this, a 1% weakening of the USD against global currencies may lift global airline profits by 1% and improve operating margins by around 0.05 ppt.

Beyond operating effects, currency movements also impact the profit and loss account via foreign-exchange gains and losses. When the USD weakens, non-US carriers often record revaluation gains on lease or debt liabilities financed in USD. These effects improve reported earnings and balance-sheet leverage ratios, amplifying the operating benefit and reducing financial risk. For 2025, we estimate that USD depreciation likely added USD 2 billion to airline profits and increased operating margins by more than 0.15 ppt.

Overall, the 2026 cost outlook points to a more balanced environment. Fuel relief is offset by rising non-fuel pressures, but the broader slowdown in inflation is helping to stabilize the cost base. The industry's ability to maintain profitability will depend on continued efficiency gains, stable yields, and careful management of labor and fleet costs.

Table 5: Summary of key profitability metrics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
ROIC, % invested capital	**5.8%**	**-19.3%**	**-8.0%**	**2.0%**	**6.9%**	**6.5%**	**6.8%**	**6.8%**
EBIT (operating profit), USD billion	**43.1**	**-110.9**	**-43.5**	**11.3**	**63.3**	**63.6**	**67.0**	**72.8**
% margin	5.1%	-28.8%	-8.5%	1.5%	7.0%	6.6%	6.6%	6.9%
EBITDAR, USD billion	**148.1**	**-27.8**	**37.3**	**105.8**	**160.9**	**158.5**	**161.9**	**173.5**
% margin	17.7%	-7.2%	7.3%	14.3%	17.7%	16.4%	16.1%	16.5%
Net profit, USD billion	**26.4**	**-137.7**	**-40.4**	**-3.5**	**37.6**	**28.3**	**39.5**	**41.0**
% margin	3.1%	-35.8%	-7.9%	-0.5%	4.1%	2.9%	3.9%	3.9%
Net profit per passenger, USD	**5.8**	**-77.4**	**-17.5**	**-1.0**	**8.5**	**5.9**	**7.9**	**7.9**

Source: IATA Sustainability and Economics.

Cost of capital

The airline industry continues to operate under one of the most challenging capital structures among global sectors. Despite recent improvements in profitability, the return on invested capital (ROIC) remains below the weighted average cost of capital (WACC), highlighting the persistent challenge of generating investor-grade returns in a high-fixed-cost, low-margin business.

In 2026, ROIC is estimated to reach 6.8%, one of the highest values in the history of the airline industry, supported by continued deleveraging and improved operating margins. Despite the increase, ROIC fails to cover the WACC, which is expected at 8.2% in 2026 (Chart 15). We estimate that the WACC will ease slightly in 2026, driven by the assumed lower cost of debt resulting from lower interest rates. On the other hand, airlines keep rebuilding their equity positions after the pandemic, which share in the funding mix is rising, leading to a higher cost of capital.

The stubborn gap between ROIC and WACC highlights the structural challenge facing the industry: even in years of strong operating performance, the cost of capital often exceeds the returns generated. This is compounded by the sector's high fixed—cost base and reliance on financial leverage to fund the fleet investments. Roughly half of airline operating costs are fixed, amplifying profit volatility and making it harder to outperform the cost of capital.

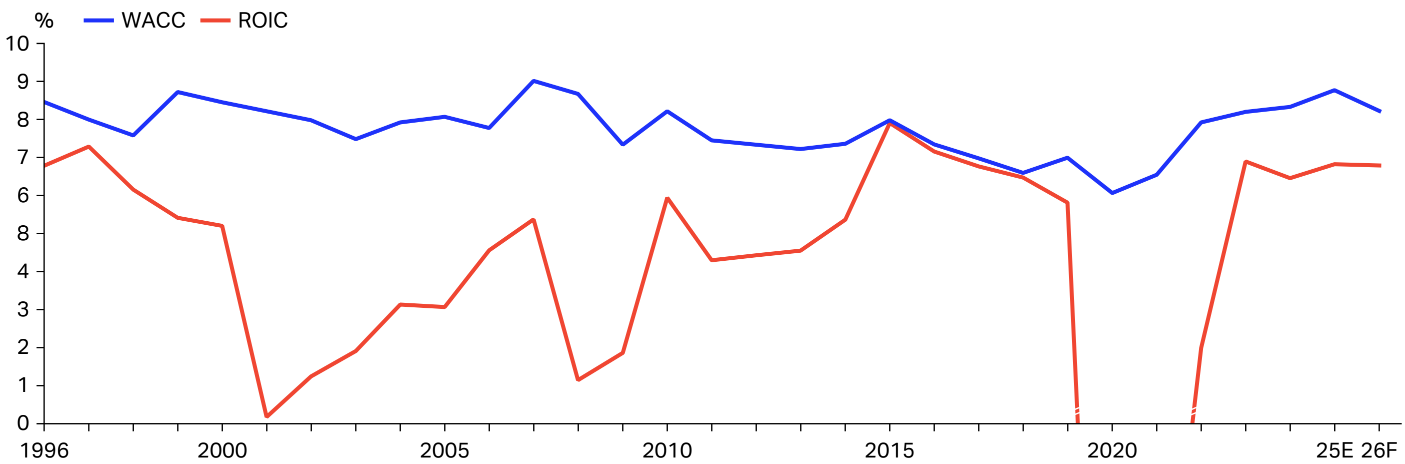
While the current phase of deleveraging is a positive development, it does not fully resolve the industry's capital efficiency problem. The shift toward equity financing improves balance sheet resilience and could lead to a decrease in debt financing cost but raises the hurdle for value creation.

Looking ahead, narrowing the ROIC-WACC gap will depend on maintaining margin discipline. Airlines continue to underperform in terms of profitability, with net margins hovering around 4%, roughly half the average across the aviation value chain.

Maintaining high fleet utilization and load factors will be critical. Higher aircraft productivity reduces capital intensity and supports greater returns on invested capital. At the same time, lowering the cost of capital requires improved credit ratings, which can be achieved through more stable and diversified cash flows, such as from loyalty programs, cargo, and ancillary revenue. Airlines are also engaging in more vertical integration, allowing them to own and control different stages of the value chain. This can improve efficiency and performance and ensure a steady stream of revenue from aftermarket services.

Reducing financial leverage, maintaining robust liquidity buffers, and improving unit cost efficiency through fleet renewal all contribute to a stronger financial risk profile and consequently lower WACC.

Chart 15: Global airline industry return on capital, and the weighted average cost of capital, % of invested capital, 1996-2026



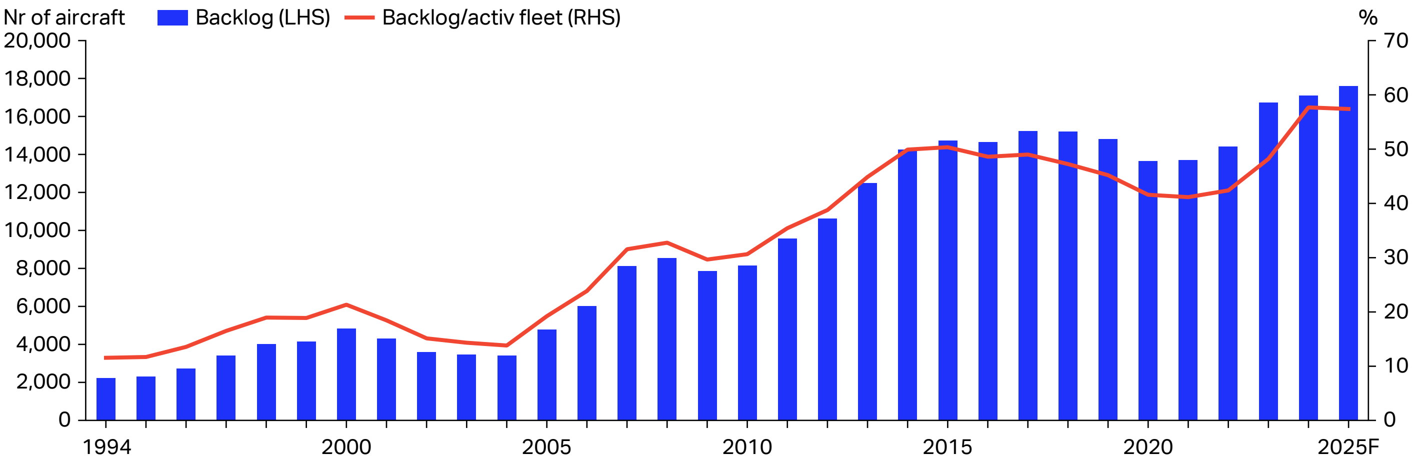
Source: IATA Sustainability and Economics using data from Airfinance Global.

Aircraft and ownership

Aircraft availability remains one of the most significant constraints on industry growth. What began in 2019 as a temporary disruption has evolved into a persistent structural shortage. Delivery shortfalls now exceed 5,000 aircraft (Chart 16). Although production is recovering, output remains well below historical norms, while demand continues to rise. The order backlog has surpassed 17,000 aircraft, equal to almost 60% of the active fleet. Prior to 2019, this ratio had held steady at around 30-40% (Chart 17).

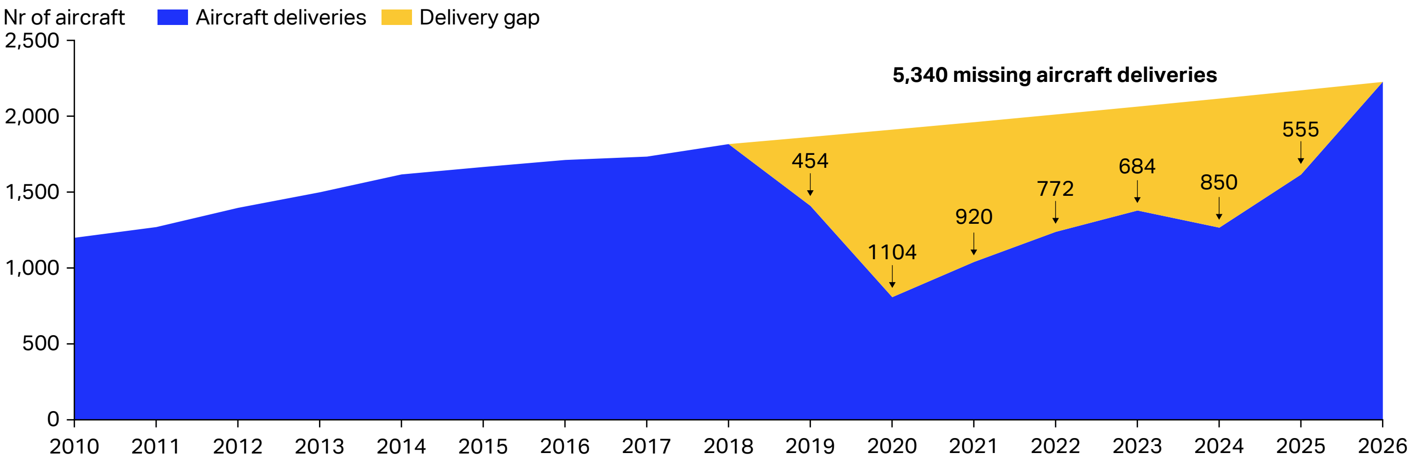
Engine availability has become a critical bottleneck in aircraft production. A record number of engines are undergoing maintenance, driving up demand for replacements and spares. Meanwhile, supply chain disruptions continue to limit production rates. As a result, OEMs are increasingly assembling aircraft without engines and placing them in storage until powerplants become available. This mismatch between airframe and engine readiness is compounding delivery delays and tightening fleet availability.

Chart 16: Aircraft order backlog and its relation to the active fleet



Source: IATA Sustainability and Economics, Cirium Fleets Analyzer.

Chart 17: Aircraft deliveries (including 2025-2026 forecast) compared with theoretical pre-pandemic trend



Source: IATA Sustainability and Economics, Cirium Fleets Analyzer.

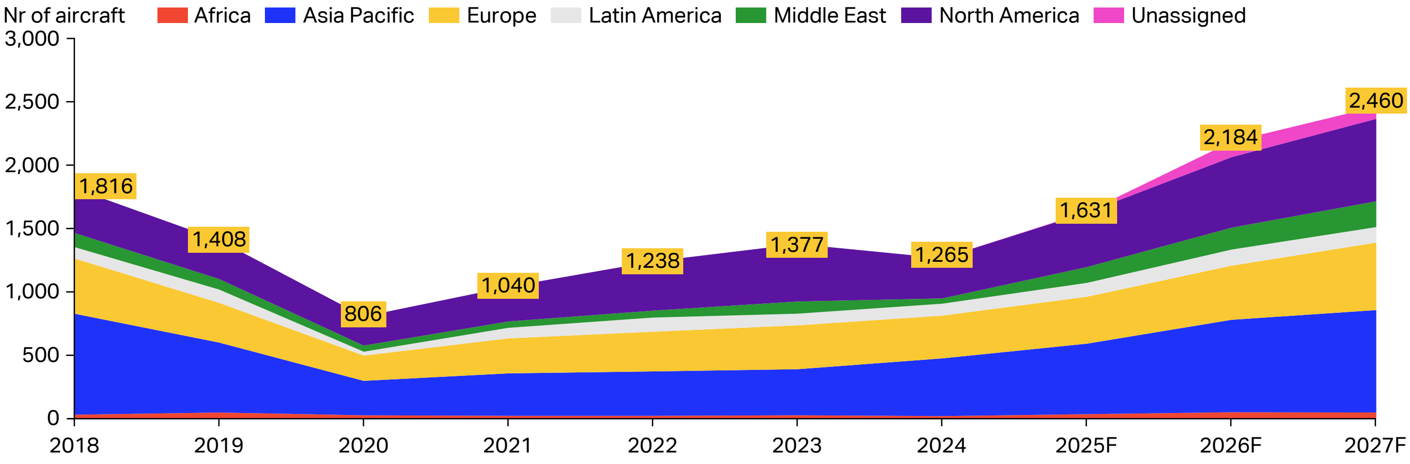
Deliveries began to pick up in late 2025, partly thanks to the release of stored aircraft which had been awaiting engines or rework. The outlook for 2026 is optimistic, with production expected to accelerate as supply chain issues ease and coordination improves across OEMs and suppliers (Chart 18).

However, as demand outstrips even this higher output, the backlog is projected to grow further. There is a structural mismatch between production capacity and airline requirements and normalization is unlikely before 2031 to 2034.

The shortage of aircraft has forced airlines to retain older aircraft longer than planned, delaying retirements and slowing fleet renewal. This has direct implications for fuel efficiency, maintenance costs, and sustainability targets. The average fleet age is rising, currently at 15.1 years, and the share of aircraft in long-term storage has reached unprecedented levels, mostly due to forced groundings caused by engine issues and uncertainty over future aircraft availability. Airlines are forced to keep older aircraft in storage instead of retiring them. Mid-life aircraft have seen a surge in their values and lease rates because of the limited availability of new units.

Delivery delays in the widebody segment are a critical bottleneck, driven primarily by extended certification cycles for new aircraft models. While certification previously took one to two years, recent programs have entered their fourth or even fifth year before approval. This prolonged process has slowed the introduction of more efficient widebodies, exacerbating existing production backlogs. As a result, airlines have been compelled to retain older aircraft in service, undermining fuel efficiency gains and inflating maintenance costs. The average age of widebody aircraft rose to 14.5 years in 2025, compared to under 12 years in 2019. However, when broken down by usage type, cargo aircraft average 19.6 years, while passenger aircraft average 12.8 years. Meanwhile, the backlog of aircraft orders has climbed to the equivalent of nearly 12 years of production.

Chart 18: Aircraft deliveries by region (placed and scheduled)



Source: IATA Sustainability and Economics based on Cirium estimate, October 2025.

The impact extends to the global air cargo sector, which is entering a phase of tighter capacity. The freighter fleet is aging, with many retirements postponed during the pandemic, stretching aircraft lifespans beyond planned thresholds. The typical life cycle conversion of passenger aircraft into freighters is disrupted, as airplanes keep flying passengers for longer. At the same time, new-build, next-generation widebody freighter programs face delays, while older freighters are nearing the end of their production cycles (Chart 19).

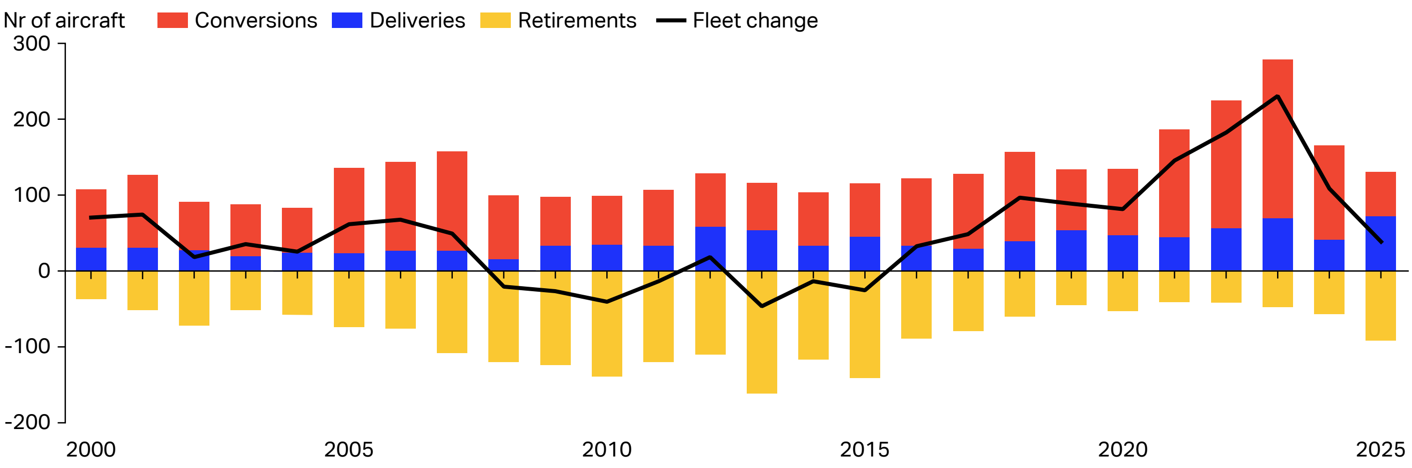
To compensate, airlines have raised fleet utilization to historic highs. This may have temporarily masked the supply gap, but there are physical limits to how much more can be extracted from aging aircraft. Once those limits are reached, the shortage may become even more acute.

Delayed deliveries are affecting network planning, fleet harmonization, and cost structures. Airlines face higher leasing costs, reduced scheduling flexibility, and increased reliance on suboptimal aircraft types. Resolving the aircraft shortage will require a sustained increase in production rates, regulatory clarity, and long-term investment in aerospace supply chains. Until then, the industry will continue to operate under tight fleet constraints, with implications for growth, efficiency, and profitability.

After more than four decades of tariff-free trade under the 1979 Agreement on Trade in Civil Aircraft, which eliminated customs duties on aircraft, engines, and parts among major economies, 2025 marked a significant reversal of that liberal regime, with tariffs being imposed on imports of aircraft parts to US and reciprocal tariffs imposed by several other countries. On the positive side the re-establishment of a "zero-for-zero" framework between the United States and the European Union restores duty-free access for transatlantic aerospace trade and reaffirms the commitment to open markets. Furthermore, parts traded between the US, Canada and Mexico remain broadly exempted under USMCA.

Tensions with China remain unresolved. Although a 25% retaliatory tariff on certain US built aircraft technically remains in place, Chinese airlines have often received waivers in practice. Most aircraft parts continue to be exempt, though uncertainty persists around broader US–China trade and export control dynamics. At the same time, tariffs on metals, electronics, and SAF feedstocks indirectly raise production and maintenance costs across the supply chain. These protectionist policies amplify aircraft shortages, delay fleet renewal, and undermine global cost efficiency in the aviation sector.

Chart 19: Cargo fleet size change by event type



Source: IATA Sustainability and Economics based on Cirium estimate, October 2025.

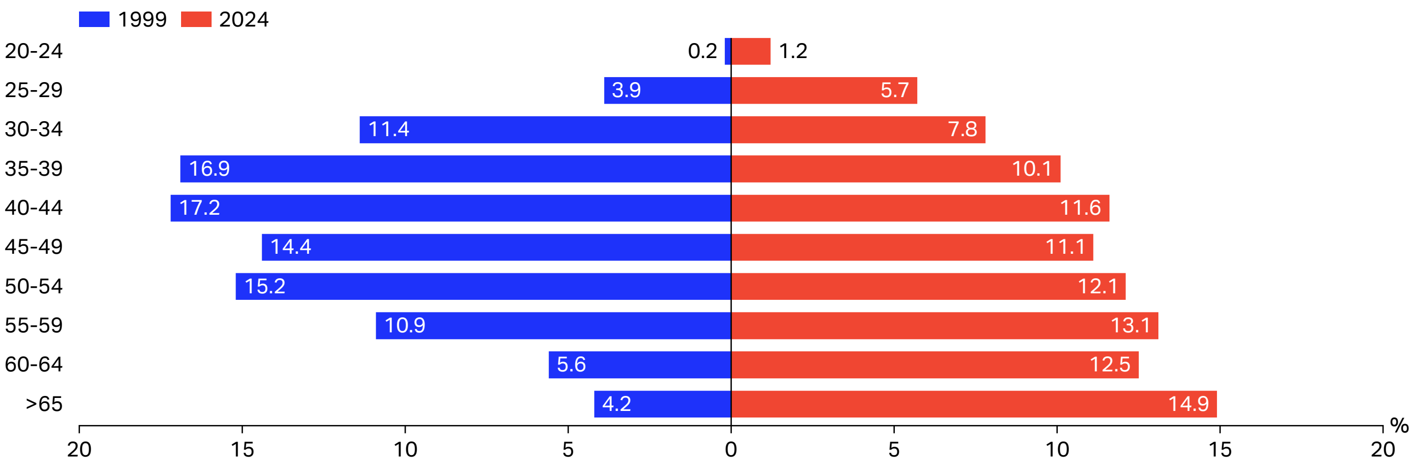
Labor

By the end of 2025, airline labor costs are estimated to reach USD 260 billion, a 7.6% increase from 2024. With real wage growth and declining fuel costs, labor became the largest cost category, accounting for 28% of the airlines' operational expenses. These costs encompass wages, benefits, and training, all of which directly influence airlines' profitability and competitiveness.[16]

Labor shortages in aviation are intensifying as a growing share of skilled professionals, particularly pilots and maintenance technicians, approach retirement age. Early retirements during covid exacerbated the trend, and the pipeline of new entrants remains constrained by the high cost and long duration of training and certification. In the US, the median age of active air transport pilot license (ATPL) holders rose from 45–49 in 1999 to 50–54 in 2024, and the share of those aged 60–64 who are nearing mandatory retirement, more than doubled from 6% to 13% (Chart 20). Meanwhile, younger cohorts (30–39) have shrunk, pointing to a weak replenishment rate. Similar dynamics are emerging in Europe and in parts of Asia.

Over the past three years, labor-related disruptions have intensified across the air transport ecosystem. These affect Europe and North America disproportionately across airlines, airports, air traffic control, and original equipment manufacturers (OEMs). Strikes by airline staff and ground handlers repeatedly disrupted operations at major European hubs, while French air traffic controller walkouts triggered cascading delays across the continent. In North America, machinists at Boeing went on strike for seven weeks in 2024 (Chart 21). The action halted aircraft production, delayed deliveries, and impacted global fleet planning. These disruptions highlight the inherent vulnerability of network industries such as air transport, where any single disruption, no matter how local it might appear, has cascading effects across the global network, hurting passenger connectivity worldwide and causing financial losses that are difficult to absorb given the low margins.

Chart 20: Age distribution of total US active air transport pilot license (ATPL) holders in 1999 and 2024

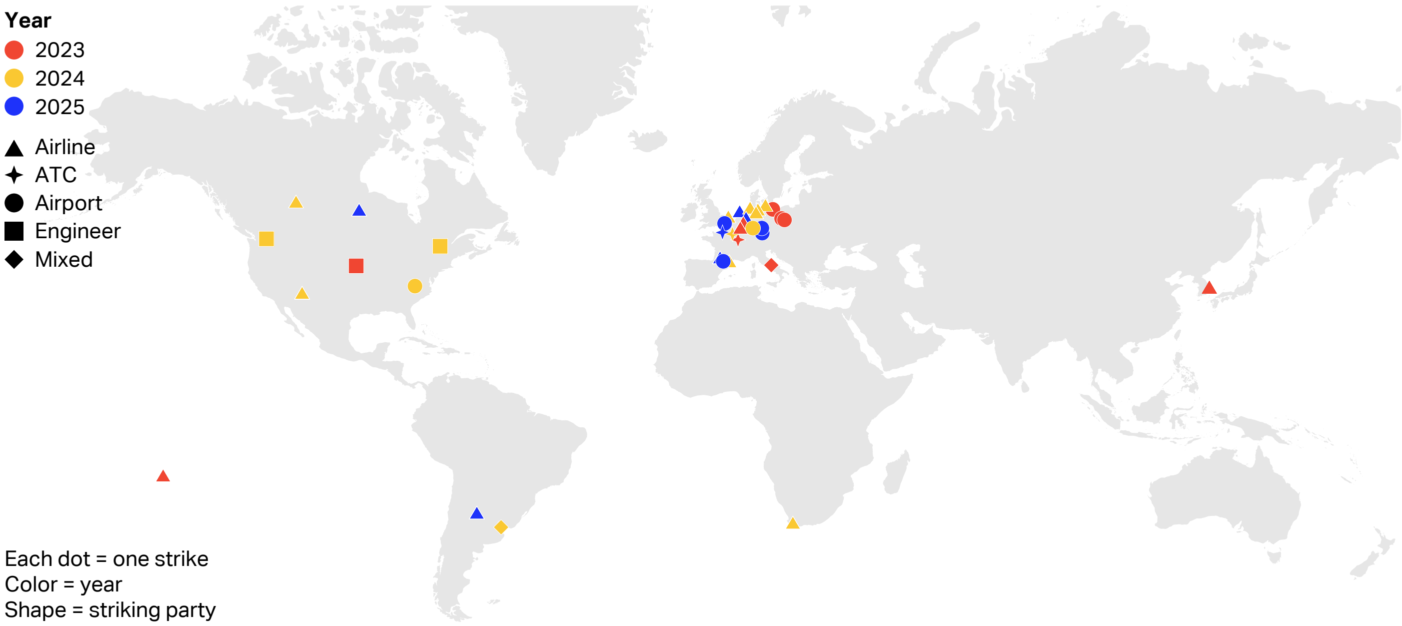


Source: IATA Sustainability and Economics, FAA. * Data from tables with estimated active pilot certificates held by category and age group of holders. US Civil Airmen Statistics | Federal Aviation Administration.

16 These only consider airlines' financial statements and excludes costs from external contractors, which represent also important contributions when outsourcing labor supply.

Employment in the air transport industry is estimated to surpass pre-pandemic levels at the end of 2025, reaching approximately 3.3 million workers. Labor productivity, measured in thousand ATK per employee, is also projected to return close to pre-pandemic levels by the end of 2025. However, both the growth in employment and in labor productivity are slowing, the former to 2.0% YoY and the latter to 1.7% in 2026. This is likely a consequence of the broad challenges that the industry is facing. However, it will turn into a constraint on the industry in its own right and risks becoming structural without policy or industry intervention. One partial solution could be to lift the global retirement age for commercial pilots which is 65 for international, multi-pilot flights, as set by the International Civil Aviation Organization (ICAO).

Chart 21: Major employee strikes affecting the airline industry, 2023-2025



Source: IATA Sustainability and Economics.

Table 6: Summary of key industry labor metrics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
Labor costs, USD billion	**180**	**141**	**150**	**178**	**215**	**242**	**260**	**272**
% change YoY	3.5%	-21.5%	6.5%	18.5%	21.0%	12.4%	7.6%	4.6%
Employment, million	**2.9**	**2.8**	**2.6**	**2.8**	**3.0**	**3.19**	**3.30**	**3.37**
% change YoY	0.3%	-6.2%	-5.5%	7.1%	8.0%	6.0%	3.5%	2.0%
Productivity, thousand ATK/employee	**525**	**311**	**383**	**437**	**495**	**506**	**510**	**519**
% change YoY	2.6%	-40.8%	23.1%	14.0%	13.4%	2.3%	0.7%	1.7%
Unit labor costs, USD cents/ATK	**11.7**	**16.5**	**15.1**	**14.6**	**14.5**	**15.0**	**15.5**	**15.6**
% change YoY	0.6%	41.4%	-8.5%	-3.0%	-1.2%	3.6%	3.2%	0.8%
Average cost per employee, USD	**61,254**	**51,300**	**57,770**	**63,933**	**71,605**	**75,902**	**78,938**	**80,911**
% change YoY	3.2%	-16.3%	12.6%	10.7%	12.0%	6.0%	4.0%	2.5%

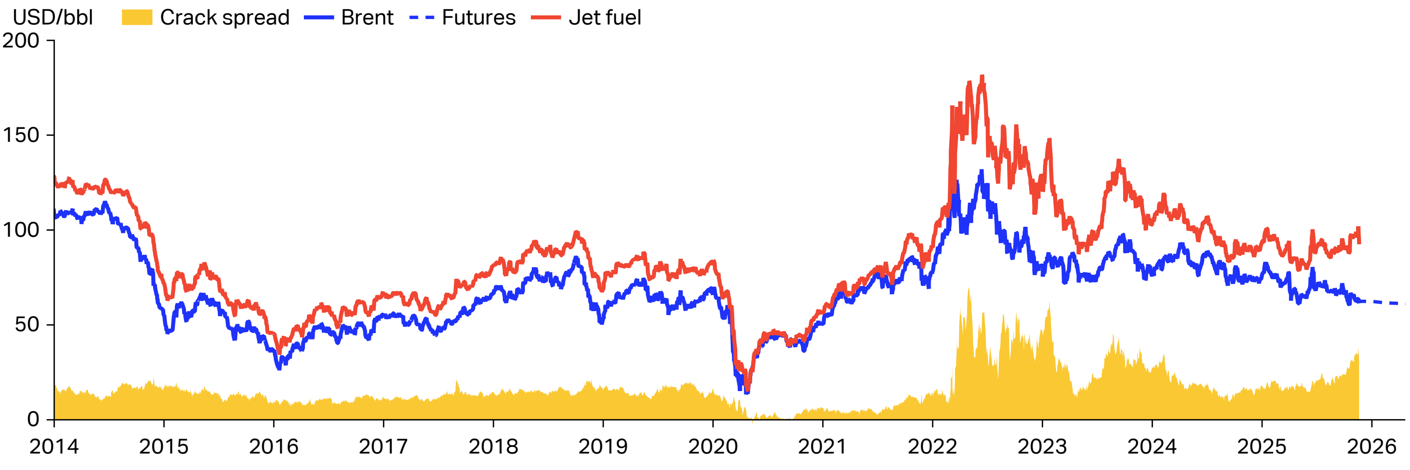
Source: IATA Sustainability and Economics.

Jet Fuel

Jet fuel prices eased in 2025, in line with broader shifts in the oil market. Brent crude fell sharply, down 14.5% YoY over January to October, sliding into the low USD 60s per barrel by June 2025 (Chart 22). This decline pulled jet fuel prices down to an average of USD 89 per barrel in the first half of 2025, compared to USD 106 per barrel in early 2024. For the full year of 2025, jet fuel is on the trajectory to decline by 9% YoY to USD 90 per barrel. However, the premium paid for jet fuel over Brent has risen, reaching USD 30 per barrel, up from USD 14 in August 2024, and compared to the historical range of up to 20 per barrel (Chart 23). This premium, the crack spread, is a function not only of the price of Brent, but also of competition for production space at the refineries.

Demand for jet fuel is projected to grow by nearly 4% in 2025 and 3% in 2026. Nevertheless, jet fuel represents a mere 9% of total global refined output and is not a priority for refineries. Instead, refineries optimize their product mix by prioritizing the production of other refined products, notably diesel and gasoline, due to higher demand and profit margins. Diesel production, in turn, competes with (non-refined) LNG (liquified natural gas) and its price developments. These factors, along with strong freight activity, seasonal heating demand, and a significant decrease in Russian refinery activity, have tightened middle distillate balances.

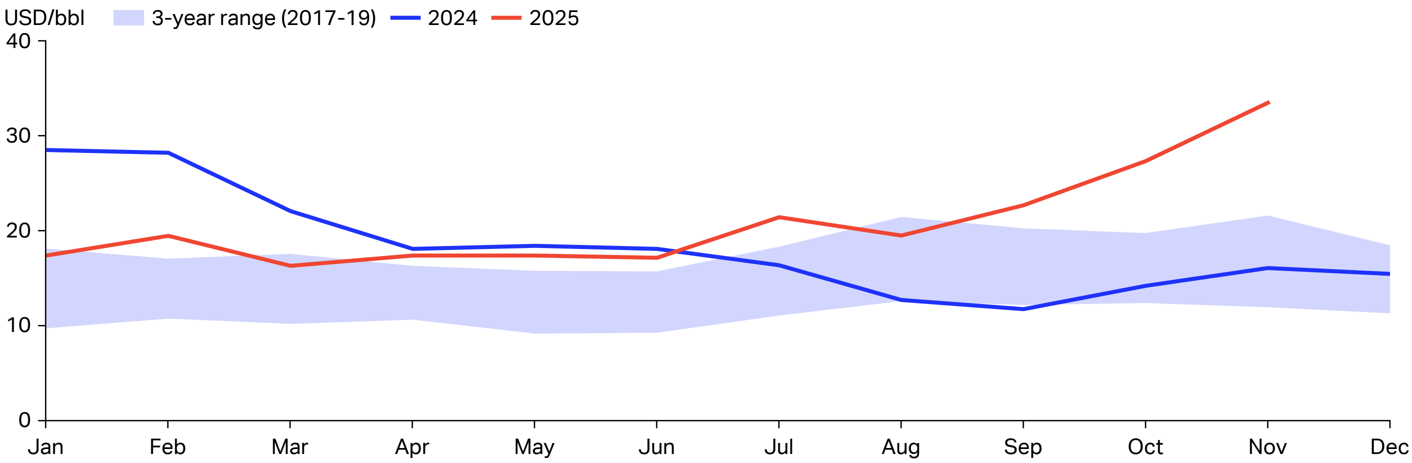
Chart 22: Brent crude oil price with futures curve, jet fuel price, and jet crack spread, USD per barrel



Source: IATA Sustainability and Economics, Platts – Global Commodity Insights.

Looking ahead to 2026, we assume a jet fuel price of USD 88 per barrel, and an average Brent price of USD 62, with a crack spread of USD 26. Airlines are expected to see further relief in fuel costs in 2026 thanks to hedging delays and the high volatility in early 2025, when jet fuel briefly fell below USD 80 per barrel for the first time in four years.

Chart 23: Jet fuel crack spread (global jet fuel price minus dated Brent), USD per barrel



Source: IATA Sustainability and Economics, Platts – Global Commodity Insights.

Table 7: Summary of key industry fuel metrics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
Fuel spend, USD billion	**190**	**80**	**106**	**215**	**269**	**261**	**253**	**252**
% change YoY	1.5%	-58.0%	32.3%	103.6%	25.2%	-3.2%	-3.1%	-0.3%
% of operating costs	23.9%	16.1%	19.0%	29.6%	31.8%	28.8%	26.8%	25.7%
Fuel use, billion gallon	**96**	**52**	**62**	**76**	**92**	**99**	**103**	**106**
% change YoY	2.2%	-45.9%	19.9%	22.9%	19.9%	8.2%	4.0%	2.7%
Fuel efficiency, liter/100 ATK	**23.6**	**23.0**	**23.7**	**23.8**	**23.3**	**23.2**	**23.2**	**22.9**
% change YoY	-0.6%	-2.7%	3.0%	0.7%	-2.1%	-0.3%	-0.3%	-1.0%
Fuel consumption, liter per 100 km/passenger	**4.2**	**6.6**	**6.5**	**4.8**	**4.2**	**4.2**	**4.1**	**4.0**
% change YoY	-1.8%	58.0%	-1.6%	-25.4%	-12.4%	-2.2%	-1.1%	-2.1%
Fuel market price, USD/barrel	**80**	**47**	**78**	**139**	**112**	**99**	**90**	**88**
% change YoY	-7.4%	-41.5%	67.0%	78.1%	-18.9%	-11.8%	-8.9%	-2.4%
Spread over crude oil price, USD/barrel	**15**	**5**	**7**	**38**	**30**	**18**	**21**	**26**
SAF price, USD / tonne	**-**	**-**	**-**	**2,500**	**2,500**	**2,316**	**2,492**	**2,490**
% change YoY	-	-	-	0.0%	0.0%	-7.4%	7.6%	-0.1%
x jet fuel price	-	-	-	2.4	2.9	3.1	3.6	3.7
CORSIA cost, USD million	**-**	**-**	**-**	**-**	**-**	**1,000**	**1,300**	**1,700**

Source: IATA Sustainability and Economics.

Sustainable Aviation Fuel, CORSIA, and EU ETS

Sustainable Aviation Fuel (SAF) is the most important lever in the airline industry's decarbonization efforts. Yet, its future share in global renewable energy production will hinge on how refineries balance their output mix, the production pathways chosen, and the strength of policy incentives.

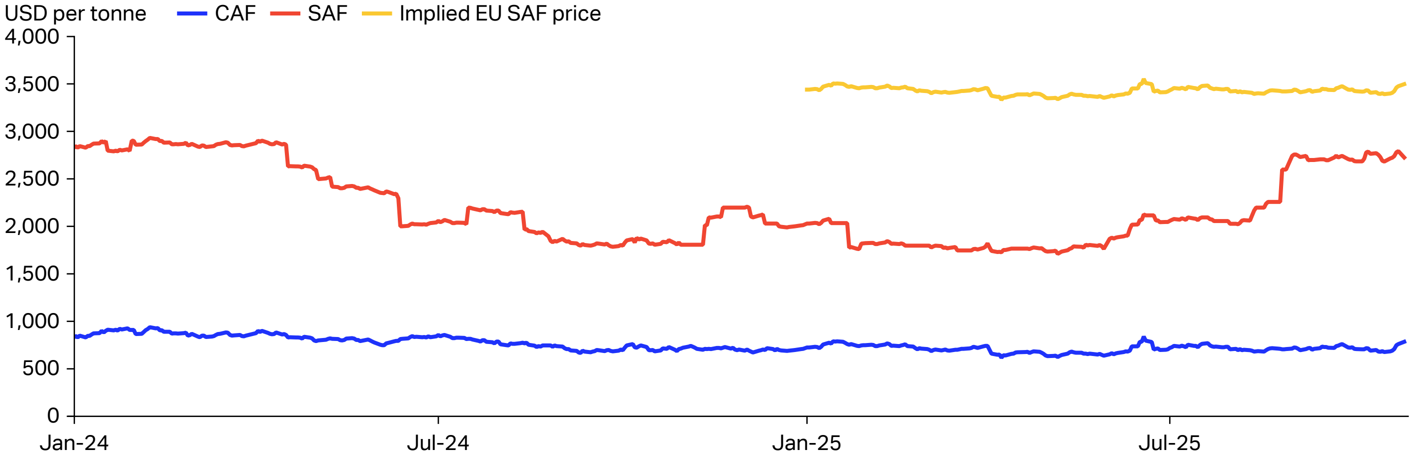
In 2025, SAF output is expected to reach 1.9 million tonnes, representing just 0.6% of total jet fuel consumption. This is a downward revision from our earlier forecasts as planned production has faltered. Mandates have pushed prices higher, discouraging voluntary demand and reducing output. SAF prices exceed fossil-based jet fuel by a factor of two, and by up to a factor of 4 in mandated markets.

Recent SAF price volatility has been shaped by a series of supply-side constraints. European producers, having overcommitted to renewable diesel contracts, now face limited flexibility to pivot back to SAF. In parallel, uncertainty around Chinese export licensing has held back production and constrained expected import volumes. Planned maintenance at major refineries, including Neste's Rotterdam and Singapore facilities, is also temporarily reducing available supply. Meanwhile, obligated suppliers in the UK and in the EU under the ReFuelEU Aviation mandate are racing to secure SAF volumes before year-end, adding further pressure to the market.

The ReFuelEU Aviation legislation, which came into force in January 2025, requires that 2% of jet fuel uplifted at EU airports must be SAF. Rather than contracting directly with airlines, most suppliers have imposed a surcharge on airlines' fossil jet fuel purchases. According to IATA survey data, these extra profit margins charged by the oil suppliers average around USD 54 per tonne, more than double the prevailing SAF market premium. When attributed to the mandated 2% SAF share, it implies a SAF price that widely exceeds the market price, crystallizing the distortionary impact of mandates in young, immature, and supply-constrained markets (Chart 24).

Looking ahead to 2026, SAF production is projected to rise to 2.4 million tonnes, covering 0.8% of total fuel consumption. At current price levels, the SAF premium translates into an additional USD 4.5 billion in fuel costs for the industry next year.

Chart 24: Implied EU SAF[17], traded SAF and Conventional Aviation Fuel Prices, USD/tonne



Source: IATA Sustainability and Economics, S&P Global Platts Airline survey.

17 Disclaimer: The SAF compliance fees as shown reflect the aggregated levels across several EU airports.
The data is obtained from a sample of airlines operating at these EU airports.
The sample may not be representative. Further, compliance fees vary significantly across different airports. In addition, airlines may have different fuel supply models, so not every airline will have the same fuel cost structure or exposure to the SAF compliance fees.

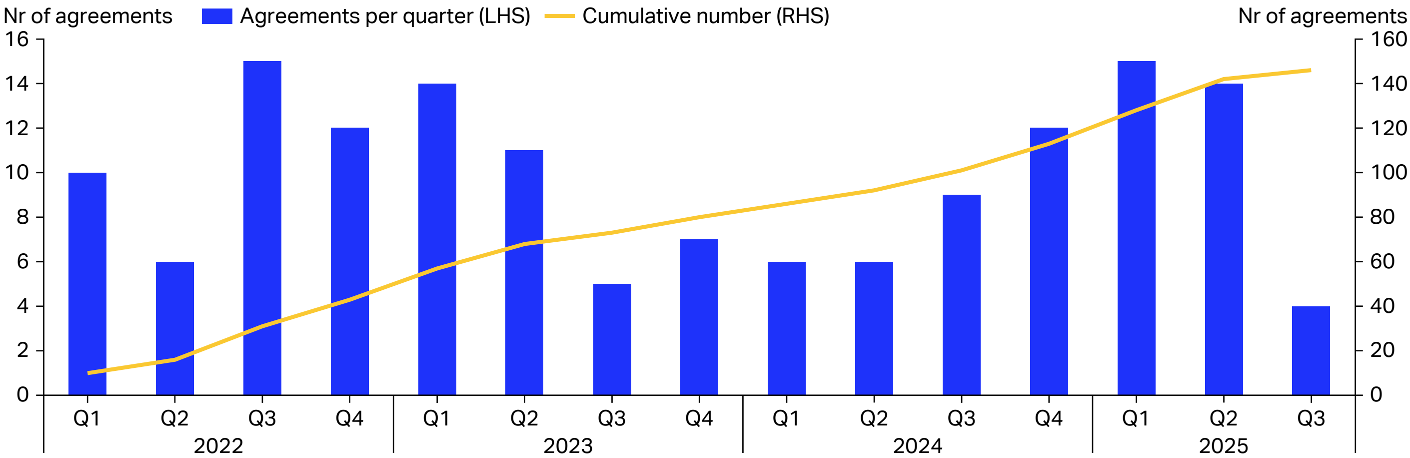
Since January 2022, the air transport industry has announced 146 SAF purchase agreements to accelerate production and ensure future supply (Chart 25). Of these, 33 were signed in the first three quarters of 2025, a record number of deals compared to the same period in previous years. However, the duration of new SAF agreements has shortened, given the elevated project and price risks for buyers.

HEFA SAF dominates production and accounts for 64% of all signed deals, while interest in alternative production pathways is still significant. Power-to-Liquid SAF leads among novel technologies and represents 10% of total agreements, despite there being only one industrial-scale project under construction (with a 20 kt plant capacity). Other agreements include co-processing (8%), Alcohol-to-Jet (8%), and Fischer-Tropsch synthesis (7%). The remaining 3% involve multiple or undisclosed production technologies.

Airlines are also obliged to purchase credits (Eligible Emissions Units, EEUs) under Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), the only global market-based carbon offsetting mechanism that addresses CO_2 emissions from international air transport. We currently estimate that the air transport industry will offset between 56 and 99 million tonnes of CO_2 in 2026 under CORSIA (Chart 26). This will cost the airlines, depending on the unit price of EEU, between USD 1.1 billion and USD 2.0 billion.

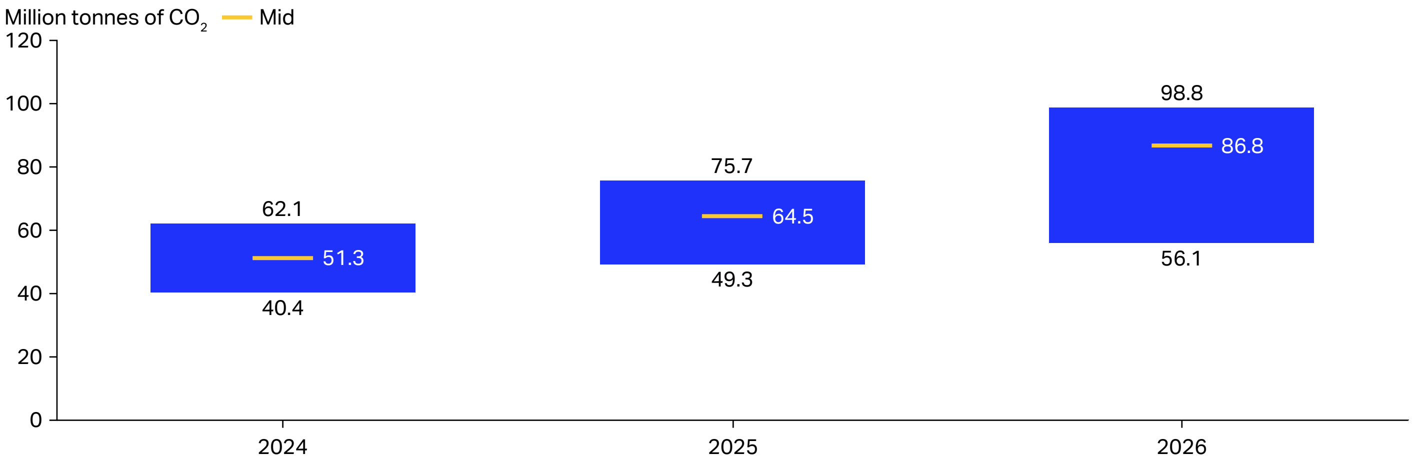
The offsetting requirements for the first phase (from 2024 to 2026) are expected to lie between 146 and 236 million tonnes of CO_2. Most of these offsetting requirements are expected to be satisfied through CORSIA EEUs. Airlines can also meet requirements by purchasing SAF. However, the production and certification forecasts for CORSIA Eligible Fuels (CEFs) during the first phase is likely to mean that less than 5 million tonnes of CO_2 reduction will be claimed through the purchase of SAF. Based on current market prices for CORSIA EEUs, airlines could incur costs ranging from USD 3.7 to 5.9 billion to comply with CORSIA during the first phase (2024–2026), and USD 30 to 60 billion on the 2035 horizon.

Chart 25: Number of new and cumulative SAF purchase agreements



Source: IATA Sustainability and Economics.

Chart 26: IATA CORSIA offsetting requirements forecast during the first phase, Mt CO_2, range, 2024–2026

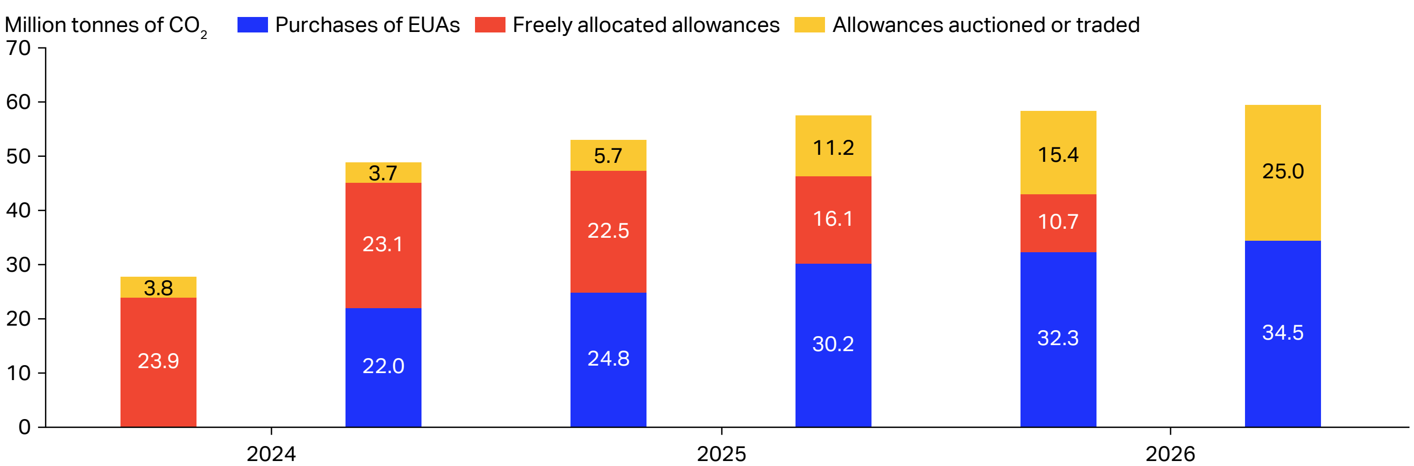


Source: IATA Sustainability and Economics, updated August 2025.

As of late 2025, airlines have only secured a small portion of the EEUs required for CORSIA compliance in 2024 and 2025. This means that these obligations will be carried forward to the next year, or the next phase of CORSIA beyond 2026. This is primarily because of an administrative process that manages the transfer of credits between what countries report under the Paris Agreement, and what airlines report under CORSIA, guaranteeing that double-counting cannot occur. The transfer of credits for use under CORSIA requires an authorization which countries have so far been reluctant or otherwise unable to deliver, resulting in an acutely supply-constrained market.

Airlines operating within the European Economic Area (EEA) are subject to the EU Emissions Trading System (EU ETS), which requires carriers to surrender allowances (EUAAs) for their CO_2 emissions generated within the EEA. The policy support for airlines that was provided in the form of a portion of free allowances will cease in 2026. This will increase the cost for airlines operating in this market. Airlines are expected to purchase 47.7 million EUAAs at an average price of EUR 75 in 2025, resulting in an estimated cost of EUR 3.6 billion. In 2026, without the previous policy support and with a price potentially climbing to EUR 80, the annual costs might exceed EUR 4.7 billion (Chart 27).

Chart 27: Aviation CO_2 emissions under the EU ETS



Source: IATA Sustainability and Economics, European Aviation Environmental Report, 2025.

Regions

Africa

Africa's airline industry is expected to post a net profit of around USD 0.2 billion in 2026, translating into a modest margin of approximately 1%. Passenger traffic continues to grow at roughly 6% in terms of revenue passenger kilometers, outpacing the global average, although growth is expected to moderate toward long-term trends. Low GDP per capita across much of the continent limits discretionary spending, making air travel highly price-sensitive and restricting its growth potential.

Structural disadvantages weigh heavily on performance. African carriers face the highest unit costs globally, with average cost per almost double the industry average. Fuel costs are a major contributor, with in-wing prices among the highest worldwide due to limited supplier competition, high logistics costs, and low purchasing leverage. Non-fuel costs are also elevated, driven by smaller-scale operations, fragmented markets, and older fleets. Aircraft operated in Africa are on average five years older than the global norm, a gap that continues to widen amid delivery delays. Older airframes consume more fuel and require more frequent maintenance, while sourcing parts remains costly and subject to long lead times. These factors reduce utilization and increase downtime, further inflating per-unit costs.

The market structure compounds these challenges. Many African carriers operate in thin, fragmented markets with limited traffic volumes and frequencies, restricting their ability to spread fixed costs across larger networks. Currency volatility and blocked funds add financial strain, while high statutory corporate tax rates, averaging close to 28%, the highest among all regions, erode profitability and limit reinvestment capacity. Taxes and charges on passenger tickets also account for a significant share of final fares, reducing demand and constraining efforts to stimulate traffic.

Underlying demand fundamentals remain positive, supported by demographics and trade integration, but structural barriers continue to limit the region's potential. Visa restrictions persist, with nearly half of intra-African travelers still requiring a visa before departure, dampening connectivity and intra-regional flows. While initiatives such as the Single African Air Transport Market and the African Continental Free Trade Area hold promise for improving access and stimulating growth, progress has been slow. Until these constraints ease, Africa's airline industry will operate with thin margins and limited resilience, even as traffic expands faster than the global average.

Asia Pacific

Asia Pacific is projected to deliver a net profit of USD 6.6 billion in 2026, with a net margin of 2.3%. Passenger demand remains robust, with RPK growth forecast at 7.3%. China and India continue to lead regional expansion, driven by rising tourism activity and the growing middle classes. With GDP forecasts for 2026 at 4.2% for China and 6.2% for India, there is scope for continued passenger traffic momentum.

However, restrictions on flights between the United States and China continue to limit market access. Scheduled passenger services remain subject to bilateral frequency caps, currently allowing approximately 100 weekly round-trip flights, down from over 150 prior to 2020. Further adjustments will depend on regulatory negotiations, geopolitical developments, and the pace of demand recovery.

A noteworthy development in regional connectivity is the resumption of direct flights between China and India, after a five-year suspension. The restoration of services which halted in early 2020 is a significant step toward renewed cooperation between the world's most populous nations and Asia's largest economies. Direct flights will reduce travel time and costs for business travelers, students, and tourists, supporting broader socioeconomic integration. Given that this corridor carried nearly 1 million passengers in 2019, its resumption is a modest yet significant step forward.

Further supporting regional tourism, South Korea has temporarily introduced a visa-free entry policy for Chinese group tourists. China is also expanding visa-free access in its latest opening-up move. These measures are expected to stimulate short-term inbound demand, particularly during peak holiday periods.

Despite positive demand trends, competitive pressures and overcapacity continue to weigh on yields in China, which declined 3.5% in 2025. Overcapacity is a challenge amid a slower recovery in international traffic. Deflationary pressures are also driving yields lower in China. Nevertheless, Asia Pacific remains the largest contributor to global traffic growth, with load factors projected to reach 84.4% in 2026, an all-time high for the region.

On the cost side, the appreciating renminbi against the US dollar is helping to offset US-denominated expenses, providing some relief to Chinese carriers.

In the cargo segment, China has emerged as a relative winner amid ongoing global trade tensions. While exports to the US have declined, substitution effects have helped offset the impact, as Chinese goods have found alternative markets. This diversification has supported stable cargo volumes and reinforced China's role as a central node in global supply chains. The resilience of Chinese air cargo highlights the adaptability of trade flows and the strategic importance of maintaining broad market access in a fragmented geopolitical landscape.

Europe

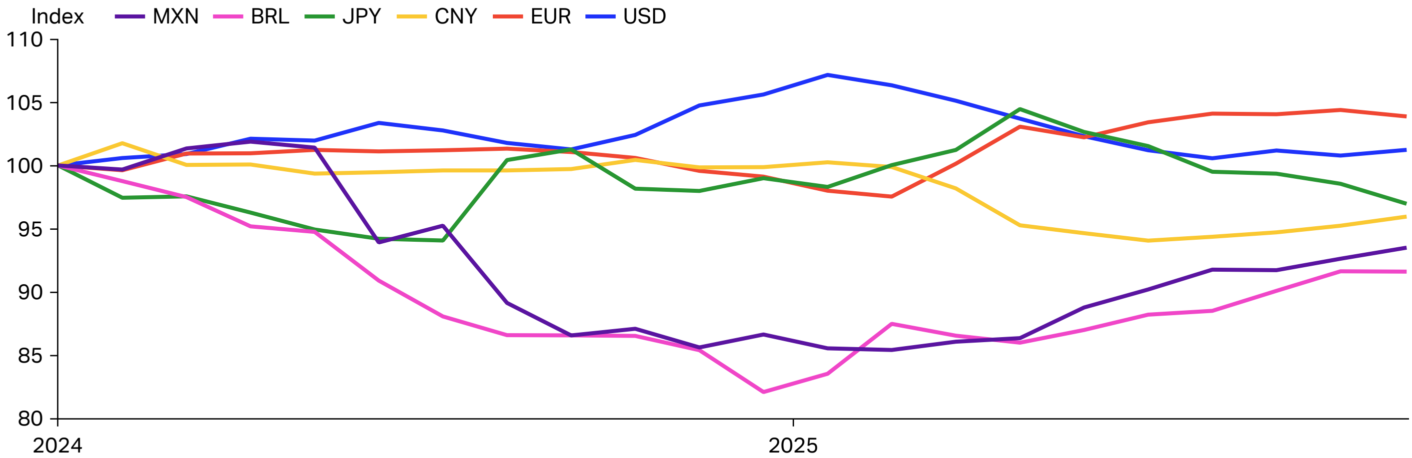
Europe is projected to deliver the strongest financial performance in absolute terms among all regions, with net profits forecast at USD 14.0 billion and a margin of 4.9%, broadly unchanged from 2025. European airlines show disciplined capacity management and strong load factors, currently at 84.7% though still shy of the 2019 peak of 85.2% leaving some room for further efficiency gains. Low cost carriers are performing particularly well, expanding at double-digit rates and outperforming full service carriers on net profit margin.

Traffic growth is moderating as the market matures. RPK expansion is expected to reach 3.8%, amid tepid economic conditions in the euro area with GDP growth likely limited to 1.1%.

The regulatory landscape is shifting with sustainability mandates. The ReFuelEU initiative came into force, requiring a 2% SAF blend at EU airports from 2025. This coincides with mounting operational headwinds: widespread strikes across airports and airlines, drone disruptions, and persistent air traffic control bottlenecks, which led to significant delays during the summer peak as a saturated airspace and uneven flight distribution strained the system.

On the cost side, the strength of the euro has provided a partial offset to inflationary pressures, particularly in fuel and leasing expenses, helping carriers maintain margins despite volatility in input costs (Chart 28).

Chart 28: Real Effective Exchange Rates (REER) for selected countries, index, January 2024 = 100*



Source: IATA Sustainability and Economics, Macrobond. * REER are trade-weighted and inflation-adjusted exchange rates encompassing each countries' trading partners.

Table 8: Regional financial performance

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
AFRICA								
EBIT, USD billion	**0.1**	**-1.0**	**-0.5**	**-0.4**	**0.5**	**0.6**	**0.6**	**0.7**
EBIT margin	1.0%	-16.9%	-6.8%	-3.1%	3.5%	3.7%	3.7%	3.7%
Net profit, USD billion	**-0.3**	**-1.8**	**-1.1**	**-0.8**	**0.1**	**0.1**	**0.2**	**0.2**
Net profit margin	-1.8%	-30.0%	-14.6%	-7.0%	0.5%	0.4%	1.1%	1.0%
Per passenger, USD	**-2.2**	**-48.9**	**-20.5**	**-8.2**	**0.6**	**0.4**	**1.4**	**1.3**
RPK growth, %	**4.7%**	**-68.2%**	**17.0%**	**84.3%**	**36.5%**	**12.7%**	**7.4%**	**6.0%**
ASK growth, %	**4.5%**	**-62.1%**	**18.5%**	**51.4%**	**35.6%**	**10.0%**	**5.3%**	**5.7%**
Load factor, % ASK	**71.8%**	**60.2%**	**59.4%**	**72.3%**	**72.8%**	**74.6%**	**76.1%**	**76.3%**
Load factor, % ATK	**56.6%**	**48.8%**	**50.5%**	**60.0%**	**61.4%**	**62.1%**	**62.8%**	**63.3%**
ASIA PACIFIC								
EBIT, USD billion	**8.4**	**-33.9**	**-12.7**	**-11.6**	**11.3**	**11.0**	**12.6**	**13.9**
EBIT margin	3.3%	-29.6%	-9.7%	-7.2%	4.8%	4.4%	4.7%	4.9%
Net profit, USD billion	**4.9**	**-45.0**	**-13.4**	**-13.8**	**4.9**	**2.9**	**6.2**	**6.6**
Net profit margin	1.9%	-39.3%	-10.2%	-8.6%	2.1%	1.2%	2.3%	2.3%
Per passenger, USD	**2.9**	**-58.2**	**-16.9**	**-14.1**	**3.1**	**1.7**	**3.3**	**3.2**
RPK growth, %	**4.7%**	**-62.0%**	**-12.8%**	**32.3%**	**95.9%**	**17.5%**	**8.0%**	**7.3%**
ASK growth, %	**4.4%**	**-53.8%**	**-6.1%**	**15.5%**	**75.0%**	**13.2%**	**6.6%**	**7.1%**
Load factor, % ASK	**81.9%**	**67.4%**	**62.5%**	**71.6%**	**80.2%**	**83.2%**	**84.3%**	**84.4%**
Load factor, % ATK	**73.4%**	**65.0%**	**64.5%**	**66.2%**	**68.7%**	**71.1%**	**71.7%**	**71.9%**
EUROPE								
EBIT, USD billion	**10.0**	**-25.4**	**-11.2**	**7.6**	**16.1**	**15.8**	**18.7**	**19.9**
EBIT margin	4.8%	-31.2%	-10.4%	3.9%	6.8%	6.2%	6.8%	6.9%
Net profit, USD billion	**6.1**	**-34.2**	**-12.5**	**5.2**	**11.5**	**8.9**	**13.2**	**14.0**
Net profit margin	2.9%	-42.0%	-11.6%	2.7%	4.9%	3.5%	4.8%	4.9%
Per passenger, USD	**5.1**	**-88.5**	**-24.1**	**5.5**	**10.3**	**7.4**	**10.6**	**10.9**
RPK growth, %	**4.2%**	**-69.5%**	**27.5%**	**103.9%**	**20.3%**	**8.7%**	**5.0%**	**3.8%**
ASK growth, %	**3.5%**	**-62.3%**	**29.8%**	**69.6%**	**16.0%**	**8.1%**	**5.1%**	**3.8%**
Load factor, % ASK	**85.2%**	**68.8%**	**67.6%**	**81.3%**	**84.3%**	**84.8%**	**84.7%**	**84.7%**
Load factor, % ATK	**74.0%**	**64.4%**	**65.7%**	**74.3%**	**76.0%**	**76.8%**	**76.9%**	**77.0%**

Source: IATA Sustainability and Economics.

Latin America

Latin America is projected to generate USD 2.0 billion in net profit in 2026, with a margin of 3.8%, down from 5.2% in 2025.

Traffic growth remains robust, with RPK expected to increase by 6.6%, driven by economic stabilization and enhanced intra-regional connectivity. For South America, Brazil and Argentina are leading this expansion, mainly thanks to Brazil's southern domestic market recovery following the flooding of 2024. Argentina's positive market evolution has its roots in the improved macro-economic situation, market deregulation, and specific industry measures such as "open skies". Panama has led the growth in Central America thanks to its strategic location and connecting capabilities, and the Caribbean markets have been setting all-time highs, very much on the back of the Dominican Republic's resilient tourism. Demand between the Americas has softened, though this has been offset by increased regional flows and a solid transatlantic performance, highlighting the adaptability of carriers in the face of shifting travel patterns.

Operating profitability has improved compared to previous years and is anticipated to rebound again in 2026, benefitting from the gradual strengthening of the region's fundamentals. However, currency fluctuations remain a critical headwind. Although 2025 saw temporary relief with local currencies appreciating, volatility continues to challenge cost management and profitability (Chart 28).

Several major carriers in the region have turned to Chapter 11 restructuring in recent years to address pandemic-exacerbated debt burdens, renegotiate fleet commitments, and stabilize liquidity. While some have already emerged with leaner balance sheets and more flexible cost structures, others remain in restructuring, using the process to secure financing and renegotiate leases. Overall, the environment has shifted from crisis-driven survival to cautious, efficiency-focused rebuilding

Middle East

The Middle East is the most profitable region in terms of net profit margin and profit per passenger. Airlines are forecast to deliver USD 6.8 billion in net profit in 2026, translating into a net margin of 9.3%, well ahead of other regions, where margins average just 3–4%. This performance attests to the difference a positive regulatory operating environment can make, and to the region's strategic position as a global connecting hub.

Passenger demand continues to be robust, driven by long-haul traffic and the expansion of hub carriers. Governments and airlines are doubling down on infrastructure investments to secure long-term growth.

The region is engaged in a multi-billion-dollar airport development program through 2035, featuring mega-projects such as King Salman International Airport in Riyadh and the expansion of Dubai World Central.

Geopolitical tensions, including conflicts and airspace closures, disrupted operations throughout 2025. However, with ongoing efforts to achieve lasting peace, the region is expected to stay on its growth trajectory. Middle Eastern carriers are mitigating aircraft delivery delays through retrofit programs and fleet life extensions, though capacity growth will remain constrained in the near term.

North America

North America is set to lose its position as the most profitable region in absolute terms, with net profits projected at USD 10.8 billion in 2025 and USD 11.3 billion in 2026, as Europe takes the lead. Profitability remains stable, with net margins expected at 3.3% this year and 3.4% next year, as the region faces many ongoing challenges.

The year proved difficult for aviation in North America, particularly in the United States, where RPK growth stagnated, and the domestic market contracted. A series of headwinds weighed on demand: policy uncertainty around tariffs, and tighter immigration rules dampened both inbound and domestic travel. The situation worsened with the longest government shutdown in history, which amplified air traffic controller shortages. The FAA was forced to reduce flight volumes to maintain safety, amid a nationwide shortfall of roughly 2,000 controllers. While the newly introduced USD 100,000 H1B visa application fee is unlikely to affect traffic directly, it adds to negative business sentiment.

Capacity constraints, pilot shortages, engine reliability issues, and rising labor costs continue to restrict expansion. Despite these hurdles, airlines managed to protect margins in 2025, supported by stable yields and lower fuel prices.

Performance varies by business model. Low-cost carriers are under pressure, heavily exposed to the shrinking US domestic segment and slow to adapt to evolving passenger preferences for more premium experiences. Their reliance on single-type fleets, while efficient, has proven inflexible amid supply chain disruptions.

Looking ahead, 2026 offers cause for more optimism. Starting from a subdued 2025 base, 2026 will likely benefit from easing operational difficulties and a gradual increase in demand.

Table 9: Regional financial performance

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
LATIN AMERICA								
EBIT, USD billion	**1.1**	**-4.6**	**-2.4**	**-0.7**	**5.4**	**6.2**	**6.6**	**7.8**
EBIT margin	2.9%	-30.0%	-11.0%	-1.9%	12.8%	13.8%	13.7%	14.6%
Net profit, USD billion	**-0.7**	**-12.3**	**-7.0**	**-3.5**	**1.1**	**-0.1**	**2.5**	**2.0**
Net profit margin	-1.8%	-80.2%	-32.0%	-9.5%	2.6%	-0.2%	5.2%	3.8%
Per passenger, USD	**-2.4**	**-114.5**	**-43.7**	**-13.1**	**3.7**	**-0.4**	**7.3**	**5.7**
RPK growth, %	**4.2%**	**-62.5%**	**40.5%**	**62.9%**	**16.8%**	**7.8%**	**7.1%**	**6.6%**
ASK growth, %	**3.0%**	**-59.0%**	**37.3%**	**54.4%**	**14.4%**	**7.2%**	**7.0%**	**6.5%**
Load factor, % ASK	**82.6%**	**75.5%**	**77.2%**	**81.5%**	**83.2%**	**83.7%**	**83.8%**	**83.9%**
Load factor, % ATK	**68.8%**	**65.1%**	**67.4%**	**68.9%**	**69.4%**	**70.2%**	**70.6%**	**71.0%**
MIDDLE EAST								
EBIT, USD billion	**-1.9**	**-7.2**	**-6.8**	**3.9**	**8.5**	**9.4**	**9.4**	**9.8**
EBIT margin	-3.2%	-25.9%	-20.7%	7.2%	13.0%	13.4%	13.3%	13.3%
Net profit, USD billion	**-1.5**	**-9.6**	**-4.4**	**2.4**	**6.1**	**6.0**	**6.6**	**6.8**
Net profit margin	-2.6%	-34.7%	-13.4%	4.4%	9.3%	8.6%	9.3%	9.3%
Per passenger, USD	**-7.9**	**-163.4**	**-58.9**	**14.6**	**30.3**	**28.0**	**28.9**	**28.6**
RPK growth, %	**2.3%**	**-72.1%**	**8.5%**	**144.4%**	**32.4%**	**9.7%**	**6.0%**	**6.1%**
ASK growth, %	**0.1%**	**-63.0%**	**21.2%**	**67.2%**	**24.7%**	**8.5%**	**5.9%**	**5.4%**
Load factor, % ASK	**76.2%**	**57.6%**	**51.5%**	**75.3%**	**79.9%**	**80.8%**	**80.9%**	**81.4%**
Load factor, % ATK	**63.9%**	**54.9%**	**54.9%**	**62.7%**	**63.3%**	**65.5%**	**65.2%**	**66.5%**
NORTH AMERICA								
EBIT, USD billion	**25.4**	**-38.8**	**-9.9**	**12.6**	**21.5**	**20.4**	**19.2**	**20.5**
EBIT margin	9.6%	-27.9%	-4.7%	4.5%	6.8%	6.2%	5.9%	6.1%
Net profit, USD billion	**17.9**	**-34.7**	**-1.9**	**7.2**	**14.1**	**10.5**	**10.8**	**11.3**
Net profit margin	6.8%	-24.9%	-0.9%	2.6%	4.4%	3.2%	3.3%	3.4%
Per passenger, USD	**16.5**	**-83.5**	**-2.7**	**7.2**	**12.9**	**9.2**	**9.5**	**9.8**
RPK growth, %	**4.0%**	**-65.1%**	**74.6%**	**45.7%**	**15.1%**	**4.6%**	**0.2%**	**1.5%**
ASK growth, %	**2.9%**	**-50.3%**	**41.1%**	**28.7%**	**14.0%**	**4.7%**	**1.2%**	**1.0%**
Load factor, % ASK	**84.8%**	**59.6%**	**73.7%**	**83.5%**	**84.3%**	**84.3%**	**83.4%**	**83.9%**
Load factor, % ATK	**66.1%**	**52.4%**	**59.3%**	**64.2%**	**65.0%**	**65.6%**	**65.4%**	**65.9%**

Source: IATA Sustainability and Economics.

5. Appendix: Industry statistics

Table 10: Key industry statistics

Global airline industry	2019	2020	2021	2022	2023	2024	2025E	2026F
Segment passengers, million	**4,560**	**1,779**	**2,304**	**3,452**	**4,414**	**4,774**	**4,982**	**5,202**
O-D passengers, million	3,974	1,570	2,017	2,960	3,793	4,097	4,269	4,458
Flights, million	37.5	19.7	24.2	29.5	35.3	37.3	38.9	40.3
Passenger growth, RPK, % YoY	4.1%	-65.8%	21.8%	64.9%	36.8%	10.6%	5.2%	4.9%
Cargo growth, CTK, % YoY	-3.2%	-9.9%	18.8%	-8.1%	-1.7%	11.4%	3.1%	2.6%
Capacity growth, ATK, % YoY	2.9%	-44.5%	16.4%	22.1%	22.4%	8.5%	4.3%	3.7%
Total load factor, % ATK	70.1%	59.8%	61.9%	67.2%	68.7%	70.1%	70.4%	70.8%
Passenger load factor, % ASK	82.6%	65.2%	66.9%	78.7%	82.2%	83.5%	83.7%	83.8%
World economic growth, real, % YoY	2.9%	-2.7%	6.6%	3.6%	3.5%	3.3%	3.2%	3.1%
World trade volume, %	0.1%	-5.4%	9.0%	2.3%	-1.0%	2.8%	2.4%	0.5%
CPI, world, % YoY	3.6%	3.3%	4.7%	8.7%	6.7%	5.8%	4.2%	3.7%
Revenues, USD billion	**838**	**384**	**513**	**738**	**909**	**969**	**1,008**	**1,053**
% change YoY	3.2%	-54.1%	33.4%	44.1%	23.2%	6.5%	4.1%	4.5%
Passenger, USD billion	607	189	242	437	648	687	716	751
Cargo, USD billion	101	140	210	206	139	151	155	158
Ancillary and other, USD billion	130	55	61	95	122	130	137	145
Passenger ticket yield, % YoY	-3.7%	-9.1%	4.9%	9.7%	8.5%	-4.2%	-0.9%	-0.1%
Passenger total yield, % YoY	-1.4%	-1.4%	2.0%	7.4%	5.9%	-4.1%	-0.7%	0.0%
Cargo yield, % YoY	-8.2%	54.7%	25.9%	7.0%	-31.7%	-2.0%	-0.5%	-0.5%
Revenue per ATK, USD cents	54	45	51	61	61	60	60	60
% change YoY	0.3%	-17.4%	14.6%	18.0%	0.6%	-1.8%	-0.2%	0.7%
Expenses, USD billion	**-795**	**-495**	**-556**	**-727**	**-846**	**-905**	**-941**	**-981**
% change YoY	3.8%	-37.7%	12.3%	30.8%	16.4%	7.0%	4.0%	4.2%
Fuel, USD billion	-190	-80	-106	-215	-269	-261	-253	-252
% of expenses	23.9%	16.1%	19.0%	29.6%	31.8%	28.8%	26.8%	25.7%
Labor, USD billion	-180	-141	-150	-178	-215	-242	-260	-272
% of expenses	22.6%	28.5%	27.0%	24.5%	25.5%	26.7%	27.7%	27.8%
Crude oil price, Brent, USD/barrel	65	42	71	101	83	81	70	62
Jet fuel price, USD/barrel	80	47	78	139	112	99	90	88
Fuel consumption, billion gallons	96	52	62	76	92	99	103	106
Non-fuel, USD billion	-605	-415	-450	-512	-577	-645	-689	-729
Cost per ATK excl. fuel, USD cents	39	49	45	42	39	40	41	42
% change YoY	1.6%	23.7%	-6.8%	-6.9%	-8.0%	3.0%	2.5%	2.0%
EBITDAR, USD billion	**148.1**	**-27.8**	**37.3**	**105.8**	**160.9**	**158.5**	**161.9**	**173.5**
% EBITDAR margin	17.7%	-7.2%	7.3%	14.3%	17.7%	16.4%	16.1%	16.5%
EBIT, USD billion	**43.1**	**-110.9**	**-43.5**	**11.3**	**63.3**	**63.6**	**67.0**	**72.8**
% EBIT margin	5.1%	-28.8%	-8.5%	1.5%	7.0%	6.6%	6.6%	6.9%
Net profit, USD billion	**26.4**	**-137.7**	**-40.4**	**-3.5**	**37.6**	**28.3**	**39.5**	**41.0**
% net profit margin	3.1%	-35.8%	-7.9%	-0.5%	4.1%	2.9%	3.9%	3.9%
per departing passenger, USD	5.8	-77.4	-17.5	-1.0	8.5	5.9	7.9	7.9
Return on invested capital, %	**5.8%**	**-19.3%**	**-8.0%**	**2.0%**	**6.9%**	**6.5%**	**6.8%**	**6.8%**

Source: IATA Sustainability and Economics.

Note: Bankruptcy reorganization and large non-cash one-off costs are excluded. Includes all commercial airlines. Historical data are subject to revision

Updated: 12/2025 – Next update: 6/2026.

Table 11: Regional financial results

Global airline industry	EBIT margin, % of revenue					EBIT, USD billion				
	2022	2023	2024	2025E	2026F	2022	2023	2024	2025E	2026F
Global	**1.5%**	**7.0%**	**6.6%**	**6.6%**	**6.9%**	**11.3**	**63.3**	**63.6**	**67.0**	**72.8**
Regions										
Africa	-3.1%	3.5%	3.7%	3.7%	3.7%	-0.4	0.5	0.6	0.6	0.7
Asia Pacific	-7.2%	4.8%	4.4%	4.7%	4.9%	-11.6	11.3	11.0	12.6	13.9
Europe	3.9%	6.8%	6.2%	6.8%	6.9%	7.6	16.1	15.8	18.7	19.9
Latin America	-1.9%	12.8%	13.8%	13.7%	14.6%	-0.7	5.4	6.2	6.6	7.8
Middle East	7.2%	13.0%	13.4%	13.3%	13.3%	2.4	6.1	6.0	6.6	6.8
North America	4.5%	6.8%	6.2%	5.9%	6.1%	12.6	21.5	20.4	19.2	20.5

Source: IATA Sustainability and Economics.

Table 12: Regional financial results

Global airline industry	Net margin, % of revenue					Net profit, USD billion				
	2022	2023	2024	2025E	2026F	2022	2023	2024	2025E	2026F
Global	**-0.5%**	**4.1%**	**2.9%**	**3.9%**	**3.9%**	**-3.5**	**37.6**	**28.3**	**39.5**	**41.0**
Regions										
Africa	-7.0%	0.5%	0.4%	1.1%	1.0%	-0.8	0.1	0.1	0.2	0.2
Asia Pacific	-8.6%	2.1%	1.2%	2.3%	2.3%	-13.8	4.9	2.9	6.2	6.6
Europe	2.7%	4.9%	3.5%	4.8%	4.9%	5.2	11.5	8.9	13.2	14.0
Latin America	-9.5%	2.6%	-0.2%	5.2%	3.8%	-3.5	1.1	-0.1	2.5	2.0
Middle East	4.4%	9.3%	8.6%	9.3%	9.3%	2.4	6.1	6.0	6.6	6.8
North America	2.6%	4.4%	3.2%	3.3%	3.4%	7.2	14.1	10.5	10.8	11.3

Source: IATA Sustainability and Economics.

Table 13: Regional traffic results

Global airline industry	Passenger traffic (RPK)					Passenger capacity (ASK)				
	% change versus previous year					% change versus previous year				
	2022	2023	2024	2025E	2026F	2022	2023	2024	2025E	2026F
Global	**64.9%**	**36.8%**	**10.6%**	**5.2%**	**4.9%**	**40.1%**	**31.1%**	**8.9%**	**4.9%**	**4.7%**
Regions										
Africa	84.3%	36.5%	12.7%	7.4%	6.0%	51.4%	35.6%	10.0%	5.3%	5.7%
Asia Pacific	32.3%	95.9%	17.5%	8.0%	7.3%	15.5%	75.0%	13.2%	6.6%	7.1%
Europe	103.9%	20.3%	8.7%	5.0%	3.8%	69.6%	16.0%	8.1%	5.1%	3.8%
Latin America	62.9%	16.8%	7.8%	7.1%	6.6%	54.4%	14.4%	7.2%	7.0%	6.5%
Middle East	144.4%	32.4%	9.7%	6.0%	6.1%	67.2%	24.7%	8.5%	5.9%	5.4%
North America	45.7%	15.1%	4.6%	0.2%	1.5%	28.7%	14.0%	4.7%	1.2%	1.0%

Source: IATA Sustainability and Economics.

Note: Bankruptcy reorganization and large non-cash one-off costs are excluded. Includes all commercial airlines. Historical data are subject to revision

Updated: 12/2025 – Next update: 6/2026.

Glossary

ACTK	Available Cargo Tonne-Kilometers
ATK	Available Tonne-Kilometers (passenger and cargo)
ASK	Available Seat-Kilometers
ATJ	Alcohol-To-Jet
ATK	Available Tonne-Kilometers
BBL	Barrel
BLF	Breakeven Load Factor
CAGR	Compound Average Growth Rate
CLF	Cargo Load Factor
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CPI	Consumer Price Inflation
CTK	Cargo Tonne-Kilometers
EBIT	Earnings Before Interest and Taxes
GDP	Gross Domestic Product
HEFA	Hydro-processed Esters and Fatty Acids
LCC	Low-Cost Carriers
LF	Load Factor
MoM	Month-on-Month
NGL	Natural Gas Liquids
OEM	Original Equipment Manufacturer
OPEC	Organization of the Petroleum Exporting Countries
O-D	Origin-Destination
PAX	Passengers
PLF	Passenger Load Factor
PMI	Purchasing Managers' Index
PtL	Power-to-Liquid
PPI	Producer Price Inflation
ppt	Percentage points
REER	Real Effective Exchange Rate
RPK	Revenue Passenger-Kilometers
RATK	Revenue per ATK
RTK	Revenue Tonne-Kilometers
SA	Seasonally Adjusted
SAF	Sustainable Aviation Fuel
QoQ	Quarter-on-Quarter
USD	United States Dollar
YoY	Year-on-Year
YTD	Year-To-Date

Region definitions

North America: Bermuda, Canada, St. Pierre and Miquelon, United States including Alaska and Hawaii, but excluding Puerto Rico and United States Virgin Islands.

Central America/Caribbean: Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Granada, Guadeloupe, Guatemala, Haiti, Honduras, Jamaica, Martinique, Mexico, Monserrat, Netherlands Antilles, Nicaragua, Panama, Puerto Rico, St. Kitts-Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad & Tobago, Turks and Caicos Islands, United States Virgin Islands.

South America: Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela.

Europe: Albania, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Faeroe Islands, Finland, France, Georgia, Germany, Greece, Greenland, Hungary, Iceland, Ireland (Republic of), Israel, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia (former Republic of Yugoslavia), Malta, Moldova, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Serbia and Montenegro, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom.

Middle East: Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen.

Northern Africa: Algeria, Egypt, Libya, Morocco, Sudan, Tunisia.

Southern Africa: Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Cote d'Ivoire, Democratic Republic of the Congo, Djibouti, Eritrea, Equatorial Guinea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Mozambique, Namibia, Niger, Nigeria, Reunion, Rwanda, Sao Tome & Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe.

Far East: Afghanistan, Bangladesh, Bhutan, Brunei Darussalam, Cambodia, People's Republic of China, Hong Kong (SAR, China), India, Indonesia, Japan, Kazakhstan, Korea (Democratic People's Republic of), Korea (Republic of), Kyrgyzstan, Lao People's Democratic Republic, Macao (SAR, China), Malaysia, Maldives, Mongolia, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Chinese Taipei, Tajikistan, Thailand, Timor Leste, Turkmenistan, Uzbekistan, Vietnam.

Southwest Pacific: American Samoa, Australia, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, New Zealand, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, United States Minor Outlying Islands, Vanuatu, Wallis & Futuna Islands.

List of charts

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