

IATA forecasts record-breaking revenue amid industry challenges

The International Air Transport Association (IATA) projects airline industry profits will climb to US\$36.6 billion in 2025, up from US\$31.5 billion in 2024, marking a significant milestone as total revenues are set to exceed US\$1 trillion for the first time.

This robust performance comes despite ongoing supply chain disruptions and infrastructure constraints that continue to challenge the sector. IATA Director General Willie Walsh notes that airlines must maintain vigilant cost control and operational efficiency to protect their modest margins.

“A trillion dollars is a lot – almost 1% of the global economy. That makes airlines a strategically important industry,” says Walsh. “But remember that airlines carry US\$940 billion in costs, not to mention interest and taxes. They retain a net profit margin of just 3.6%.”

The thin margins – equivalent to just US\$7 per passenger – underscore the importance of maintaining operational discipline across the industry. Walsh emphasizes that airlines must insist on similar efficiency from monopoly infrastructure suppliers who “all too often let us down on performance and efficiency.”

Passenger demand shows strong momentum, with numbers expected to rise 6.7% to reach 5.2 billion in 2025. Cargo volumes are also projected to grow 5.8% to 72.5 million tonnes. The industry’s return on invested capital is strengthening at 6.8%.

Key revenue drivers include passenger revenues of US\$705 billion and ancillary services contributing US\$145 billion. Despite this growth, travel is becoming more affordable – the average airfare including ancillaries is expected to be US\$380 in 2025, representing a 44% drop in real terms compared to 2014.

IATA’s polling indicates sustained consumer confidence, with 41% of surveyed travelers planning to increase their travel frequency and 47% expecting to spend more on travel in the coming year.

In the cargo sector, revenues are projected to reach US\$157 billion, benefiting from ongoing geopolitical uncertainty affecting sea shipments through the Suez Canal and flourishing e-commerce from Asia. Though freight rates are declining, they remain above pre-pandemic levels.

The cost landscape shows some improvement, particularly in fuel expenses. Jet fuel prices are expected to average US\$87 per barrel in 2025, down from US\$99 in 2024. This decline, coupled with continued focus on operational efficiencies, helps offset rising costs in other areas including labor and maintenance.

Regional performance varies significantly, with Middle Eastern carriers projected to achieve the strongest net profit margin at 8.2%, while African airlines face continued challenges with an expected margin of 0.9%. North American carriers maintain their position as the largest absolute profit generators, though at levels below pre-pandemic performance.

The industry outlook faces several key risks, including potential impacts from ongoing conflicts in Europe and the Middle East, uncertainties surrounding US trade policies under the incoming Trump administration and volatile oil prices. However, the sector’s broader economic impact remains

substantial, supporting 86.5 million jobs globally and generating US\$4.1 trillion in economic activity.

Looking ahead, IATA's data shows the industry is poised for continued growth while navigating complex operational challenges. The focus remains on maintaining profitable operations while delivering value to consumers and supporting global economic development through enhanced connectivity.