OliverWyman

State of the Industry: 3Q 2025

AIRLINE ECONOMIC ANALYSIS

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Andy Buchanan, and Aaron Taylor

A business of Marsh McLennan

CONTENTS

1 **Introduction**

2 **Global overview**

3 **Airline performance by region**

- North America (US/Canada)
- Europe
- Latin America
- Asia/Pacific
- Africa/Middle East/India

4 **Special topic:** US DOT Form 41 Year-End 2024 Analysis

5 **Appendix**

WELCOME TO THE NEW
AIRLINE ECONOMIC ANALYSIS REPORT

What is the Airline Economic Analysis (AEA) and what is changing?

- The Airline Economic Analysis is Oliver Wyman's report on the financial state of the airline industry
- We have published the AEA annually for the past 15 years as a written report, heavily focused on the US sector
- We are transitioning to a quarterly release with a more global focus and a lighter, more visually driven style
- The AEA will continue to include traditional in-depth analyses, including US industry financial deep dives and global capacity trends
- We also will continue to publish features on emerging trends and their implications for the industry and its ecosystem

Comparison of features

	Prior version	New version
Release schedule	Annual	Quarterly
Coverage	US emphasis	Global
Scope	Airline industry and macroeconomics	Additional granularity using proprietary tools
Format	Traditional written report	Slideshow style
Deep-dive topics	Typically, four areas of deeper analysis	Retained and spread throughout the year
Special topics	Typically, 3–4 articles on trending topics	Retained, released as merited

We will publish quarterly reports and other updates on oliverwyman.com, so be sure to check back regularly.

NOTES ON APPROACH AND METHODOLOGY

Results for each region are presented in three sections, using the following approach:

	1. Financial results summary	2. Results by business model	3. Production review
What we report	• Operating revenue, expense, earnings, margin • Capacity as available seat-miles (ASMs) • Revenue and cost per available seat-mile (RASM, CASM) • Other metrics as listed/applicable	• Same information as for the regional financial summary section, spilt by business model • Carriers categorized as full-service or lower-cost (which includes ultra-low cost and value models)	• Capacity includes available seat-miles, seats (gauge), distance (stage), fleet size, and utilization metrics
Scope of reporting	• Index[1] of select carriers based in each region (see appendix for additional detail) • NOTE: Africa/Middle East/India region does not have enough carrier data to create an accurate comparable index. This quarter, we have included IMEA airlines with available data in the appendix of this report	• Index[1] of select carriers based in each region (see appendix for additional detail)	• All carriers based in each region that publish schedules
Where we get data	• CapIQ, carrier earnings releases, OAG • Macroeconomic data from Oxford Economics and US Energy Information Administration • Any other sources are noted as applicable	• CapIQ, carrier earnings releases, OAG • Macroeconomic data from Oxford Economics and US Energy Information Administration • Any other sources are noted as applicable	• Capacity: OAG, AWIN

Note: 1. We create regional indices because timely and accurate reporting is not available for all carriers. We strive to make each regional index representative of the region broadly, by including the most relevant carriers from a mix of business models whose data is regularly available. The appendix includes a list of carriers we use in each index

FOREWORD
THIRD QUARTER 2025 INDUSTRY REVIEW

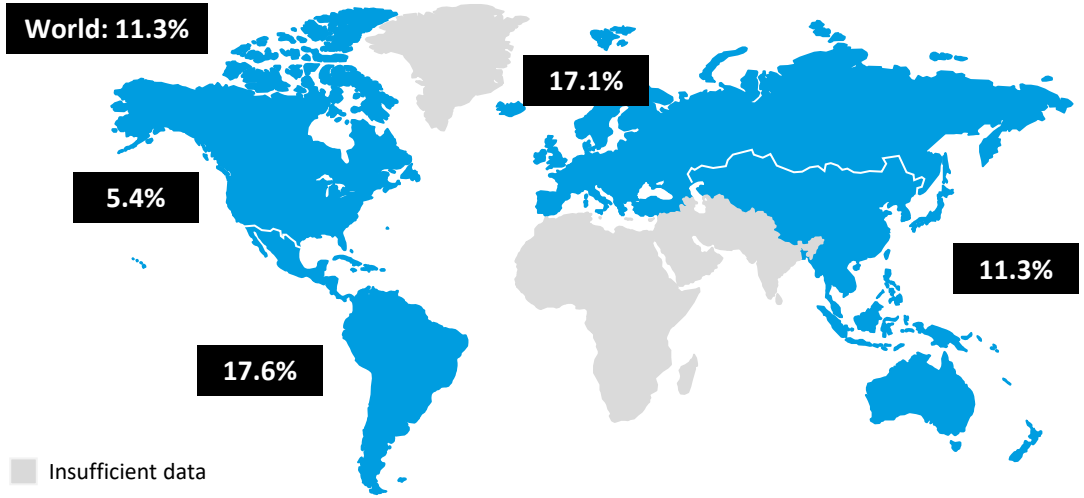
In this installment (subscribe here), we review third quarter 2025 results for the airline industry worldwide

- Worldwide real GDP grew 3.1% year-over-year, with most regional economies growing during the third quarter compared to the beginning of 2025
- The airline industry[1] grew capacity globally by 3.8%, realized 4.6% revenue growth, and produced an operating margin of 11.3%
- Operating costs increased by 1.4% (CASM), much higher than revenue growth of 0.7% (RASM)
- As the world experiences economic and trade uncertainty, we more closely examine recent trends across markets

Very best,
Tom Stalnaker, Khalid Usman, Grant Alport, Andy Buchanan, Aaron Taylor

Worldwide airline industry economic results

Operating margin 3Q 2025
For carriers in our global index



Q3 year-over-year
For carriers in our global index

Region	RASM	CASM	Op Margin (pts)
North America	0.2%	2.5%	-2.16
Europe	5.8%	4.5%	1.03
Latin America	1.9%	0.5%	1.13
Asia/Pacific	-4.0%	-3.8%	-0.13
World	0.7%	1.4%	-0.61

Note: 1. As measured by our global index of airlines, see appendix for details; All earnings are reported in USD

2

GLOBAL OVERVIEW

INDUSTRY FINANCIAL RESULTS: GLOBAL AIRLINE INDEX

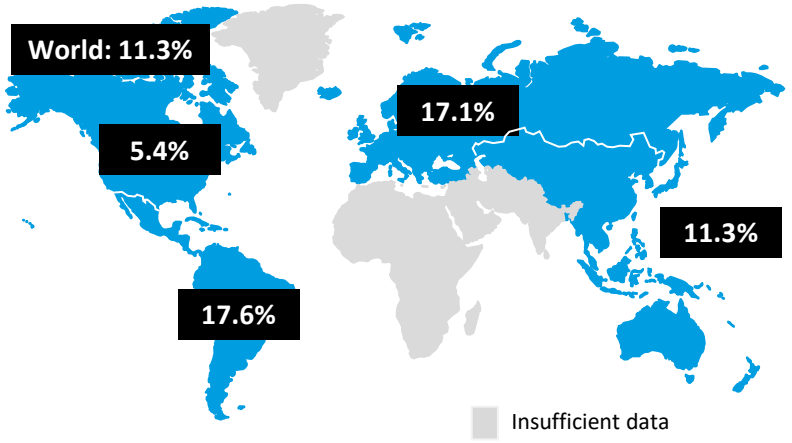
11% MARGIN ON 4% CAPACITY GROWTH; RASM GROWTH OUTPACED BY CASM GROWTH

Airlines in our worldwide index produced an operating margin of 11.3%, down slightly from the third quarter of 2024, though an improvement over second quarter of 2025. Expenses grew slightly faster than revenue, resulting in modestly lower margin

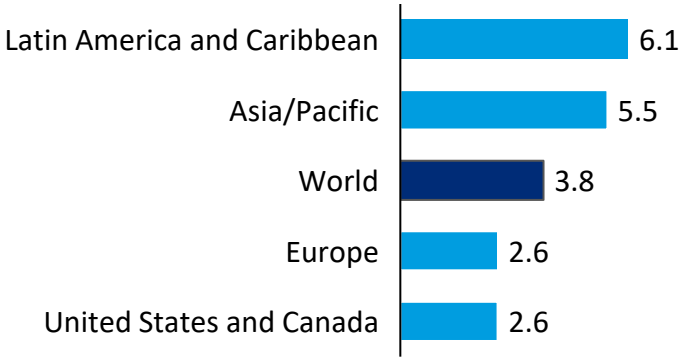
- All regions in our index were profitable
- Latin America and Europe experienced increased margins, while North America and Asia/Pacific experienced declining margins
- Europe saw the largest RASM increase, partly impacted by a 4% increase in the USD to EUR exchange rate; Asia/Pacific saw the largest RASM decrease
- Asia/Pacific was the only region with decreasing CASM and RASM
- Latin America led the index with the highest margins and capacity growth, while North America experienced the largest contraction in margin

Q3 financial and capacity growth statistics for the global industry

Operating margin



YOY capacity change (ASMs)



Summary of YoY change in financial metrics

Q3 2025 vs. Q3 2024

Region	Revenue	Expense	RASM	CASM	Op Margin (pts)
North America	2.8%	5.2%	0.2%	2.5%	-2.16
Europe	8.5%	7.2%	5.8%	4.5%	1.03
Latin America	8.1%	6.6%	1.9%	0.5%	1.13
Asia/Pacific	1.4%	1.5%	-4.0%	-3.8%	-0.13
World	4.6%	5.3%	0.7%	1.4%	-0.61

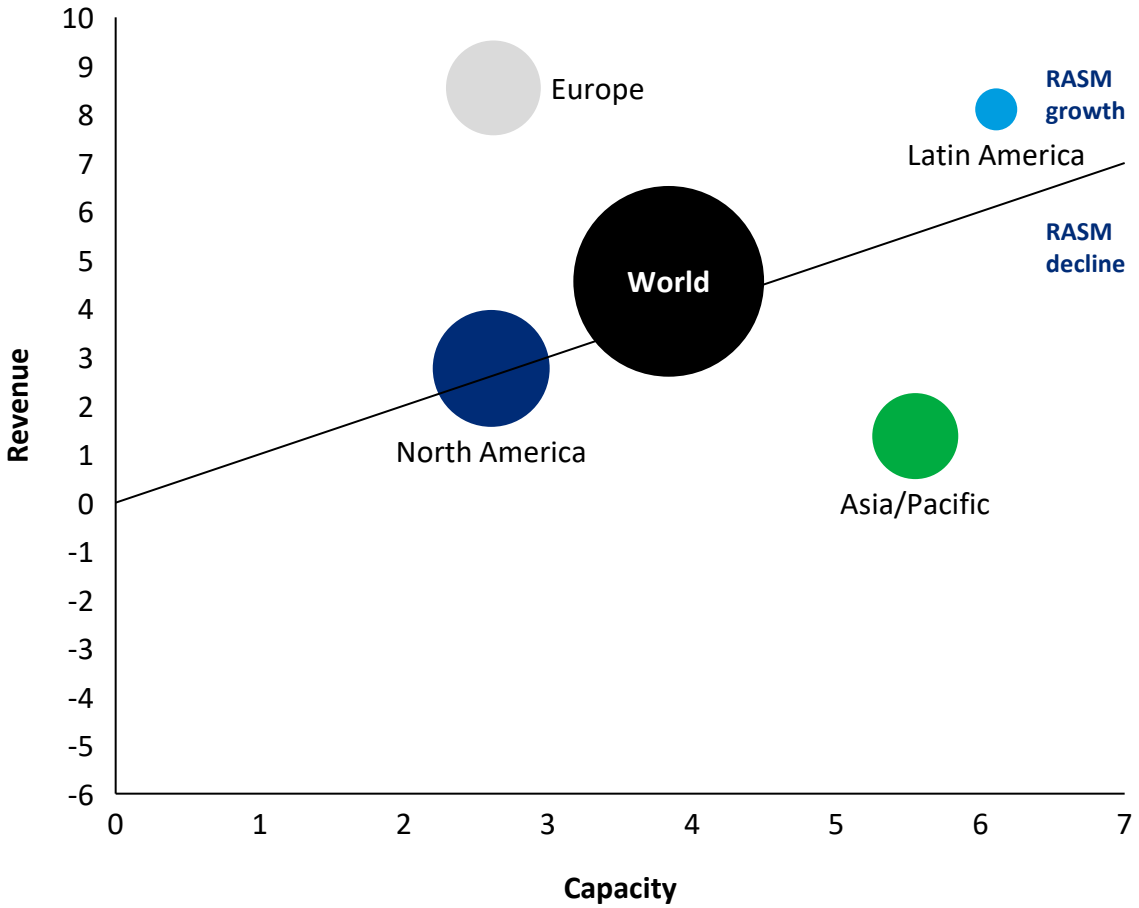
Source: CapIQ and carrier earnings releases;. capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

INDUSTRY UNIT ECONOMIC DRIVERS: GLOBAL AIRLINE INDEX

ASIA/PACIFIC THE ONLY REGION WITH DECREASED CASM – BUT RASM DECREASED MORE

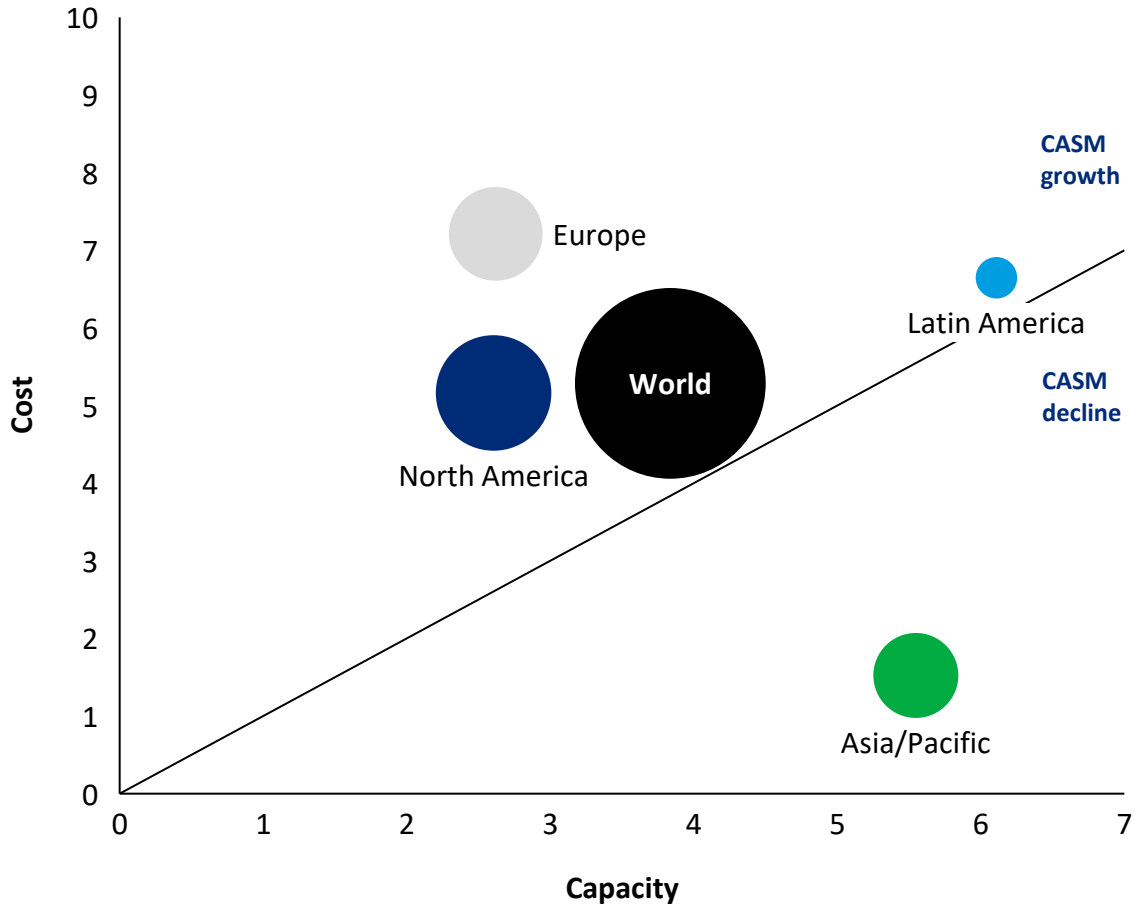
Unit revenue (RASM) growth

Year-over-year growth in %, bubble size denotes capacity



Unit cost (CASM) growth

Year-over-year growth in %, bubble size denotes capacity



Source: CapIQ and carrier earnings releases;. capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

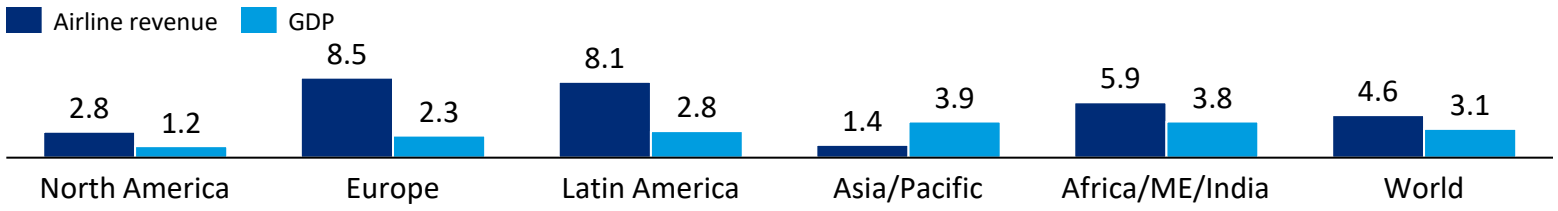
MACROECONOMIC INDICATORS: WORLDWIDE

REVENUE GROWTH, SLIGHT RISE IN FUEL COSTS, AND POSITIVE ECONOMIC OUTLOOK

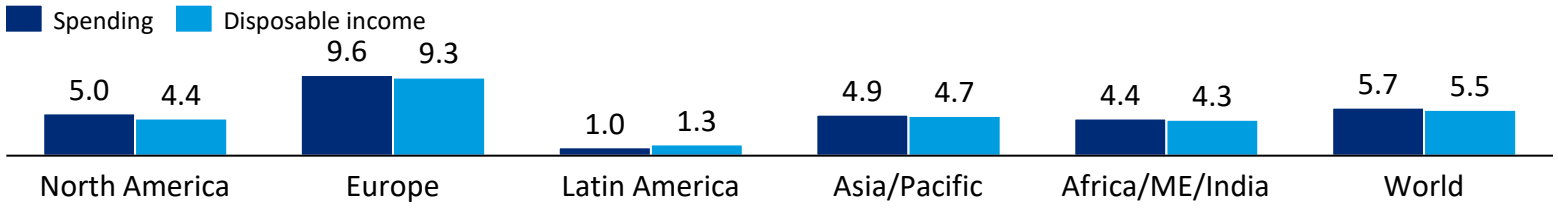
Global GDP grew by 3.1% and airline revenue grew by 4.6%, while fuel costs increased slightly

- Real GDP grew 3.1% YOY worldwide
- Consumer spending and disposable income increased across all regions, with worldwide growth of 5.7% in consumer spending
  - Latin America continued to experience the slowest growth (around 1%)
- Q3 saw a 1% increase in jet fuel costs, bringing average cost per gallon to $2.09; this increase contributed to increases in operating expenses for airlines in all regions

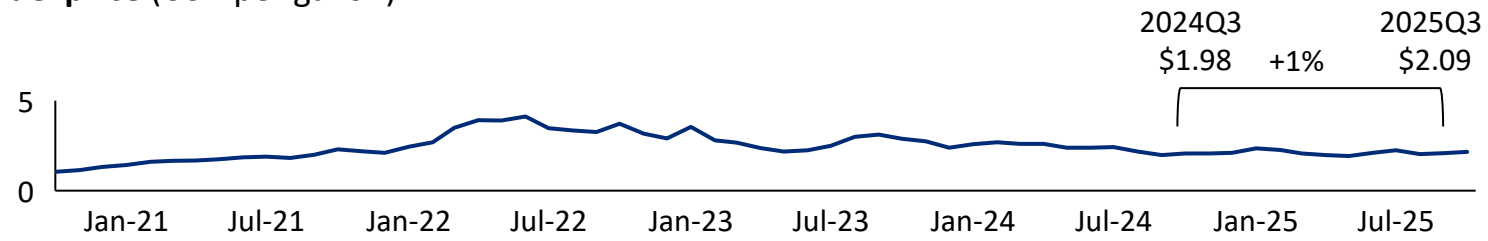
Year-over-year percent change in total airline revenue and real GDP (2025Q2 versus 2024Q2)



Year-over-year percent change in personal spending and income (2025Q2 versus 2024Q2)



Fuel price (USD per gallon)

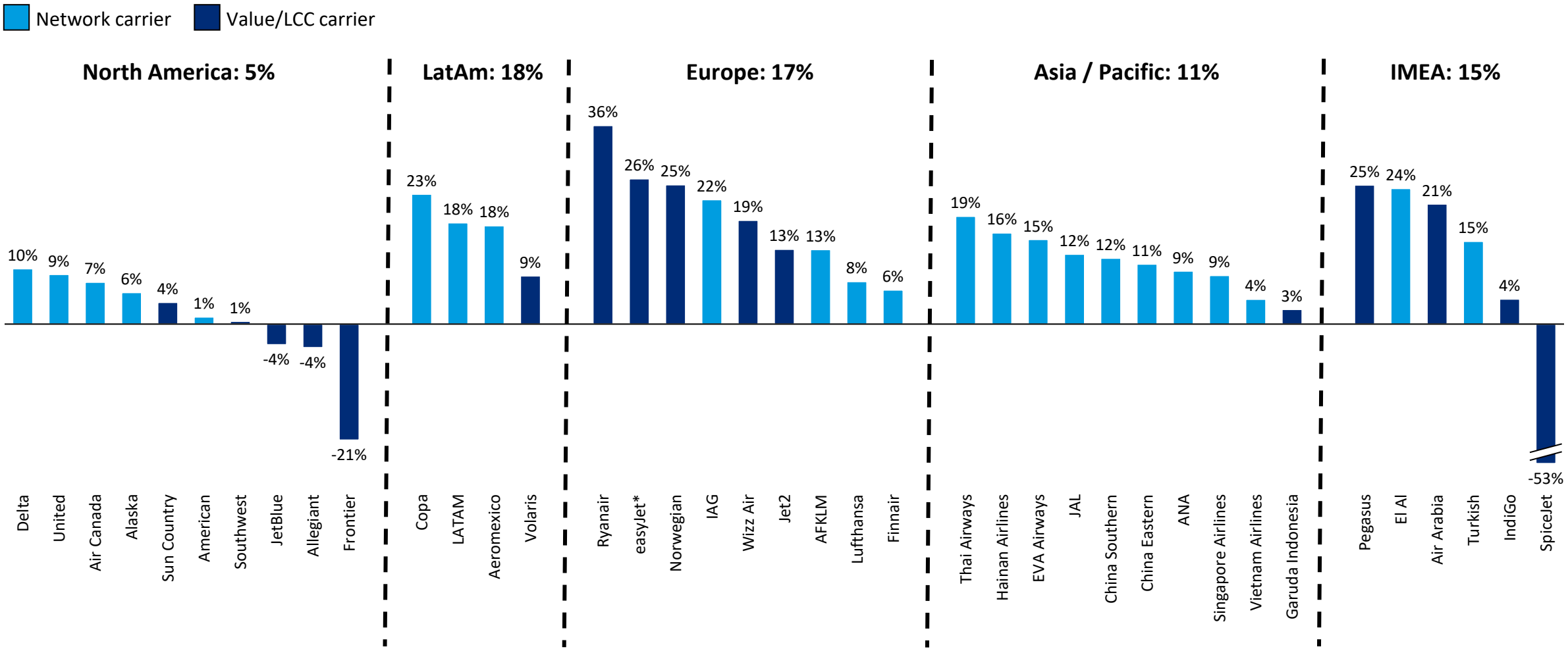


Source: Oxford, CapIQ and US Energy Information Administration data. Financial figures unadjusted (nominal). Africa/ME/India excludes Emirates/Qatar/Etihad as these carriers do not report at quarterly level

GLOBAL OPERATING MARGINS BY AIRLINE

GLOBAL MARGIN AT 11%, STRENGTH IN LATAM AND EUROPE, NORTH AMERICA LAGS OTHERS

Airline operating margins – Q3 2025



Note: Regional margins weighted by total operating revenue and expenses; not all IMEA carriers report quarterly
*easyJet margin data was obtained directly from company earnings reports rather than S&P Capital IQ and is not included in broader global/regional analyses

3

AIRLINE PERFORMANCE BY REGION

NORTH AMERICA

Overview of regional trends for US/Canada

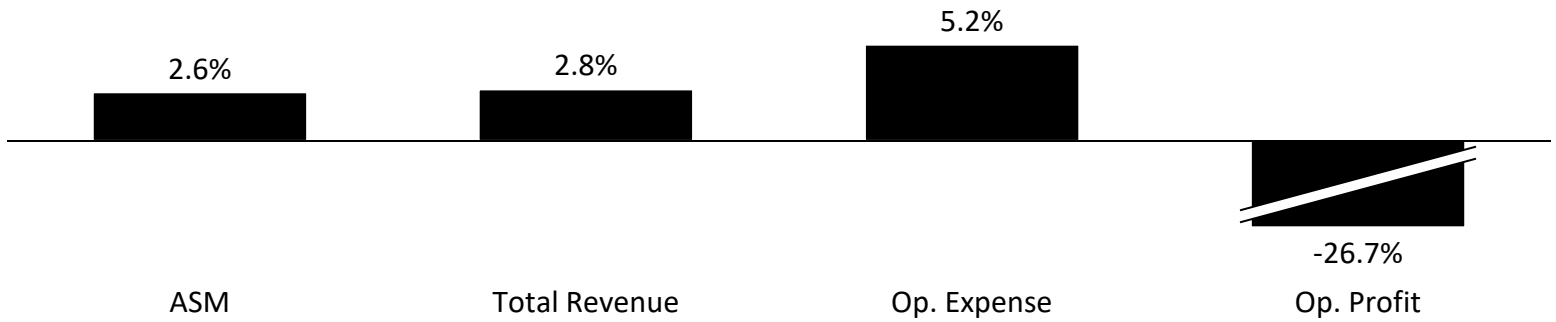
INDUSTRY FINANCIAL RESULTS: NORTH AMERICA INDEX

COSTS OUTPACED CAPACITY AND REVENUE GROWTH, CONTRIBUTING TO LOWER PROFITS

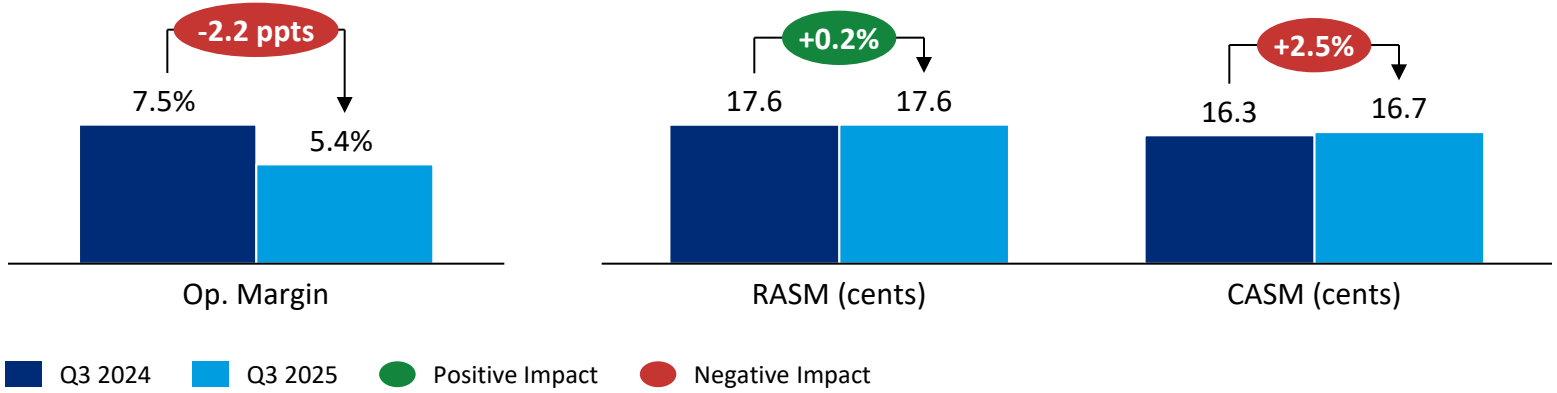
North American airline profit dropped by nearly 27% (2.2 ppts), as cost growth outpaced revenue growth

- Revenue growth of 2.8% was outpaced by cost growth of 5.2%
- Cost growth also outpaced capacity growth, resulting in a CASM increase (+2.5%)
- Revenue grew slightly more compared to capacity, resulting in a RASM increase (+0.2%)
- A slight increase in YoY fuel costs since Q3 2024 contributed to overall cost growth

YoY change in financial statistics for the North American industry
2025Q3 vs. 2024Q3



Financial statistics for the North American industry
2025Q3 vs. 2024Q3



Source: CapIQ and carrier earnings releases;.some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

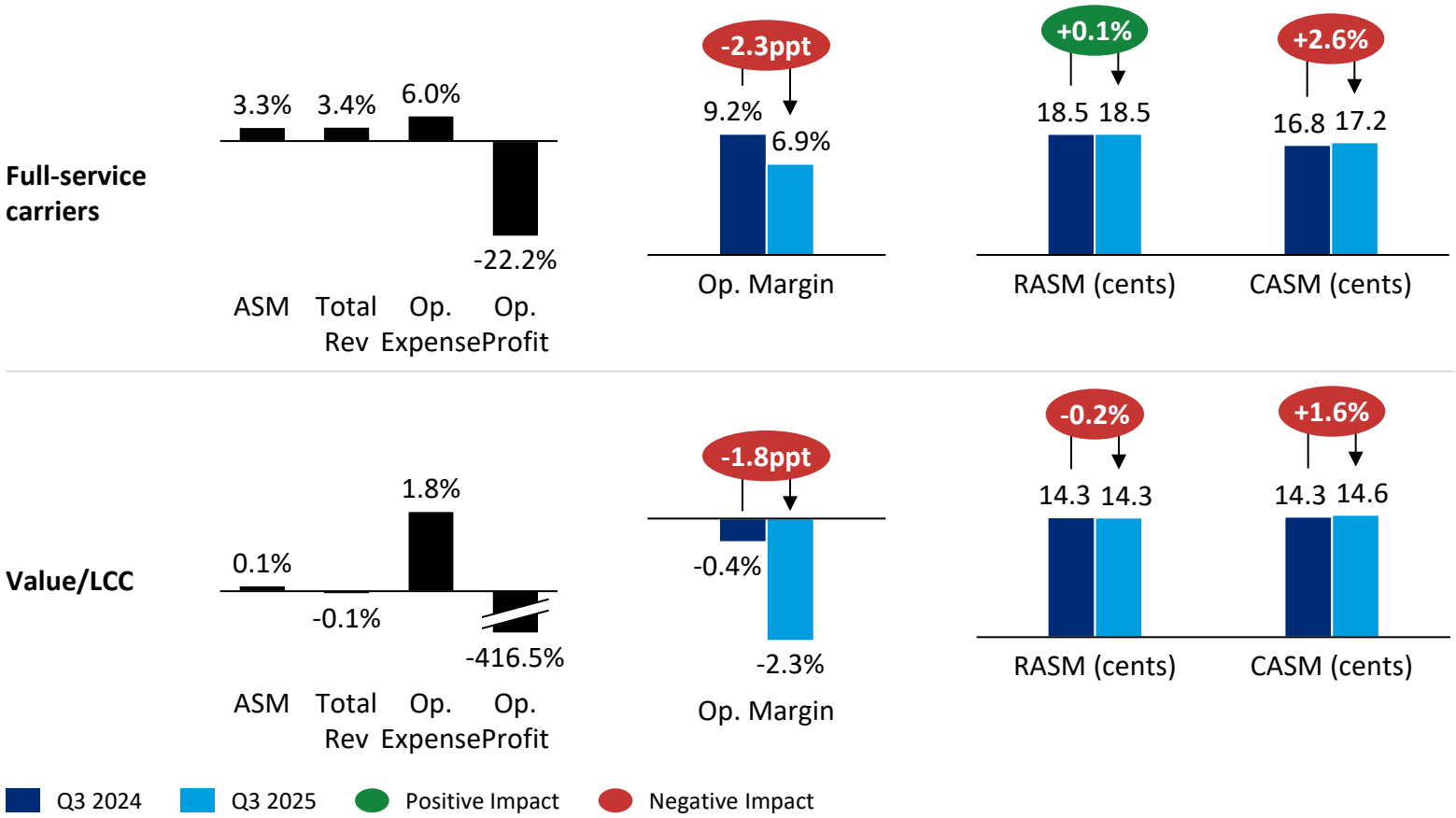
FINANCIAL RESULTS BY BUSINESS MODEL: NORTH AMERICA INDEX

FSC MARGIN REMAINED POSITIVE, WHILE VALUE/LCC MARGIN DECLINED FURTHER

Full-service carriers continued to post positive margins, while value carriers' already negative margins continued to decline

- Operating margin was 6.9% for full-service carriers, considerably high compared to -2.3% for value carriers, though both margins decreased YoY
- Value/LCC carriers' revenue decreased (-0.1%), while costs grew (1.8%), contributing to decreases in margin and RASM
- Full-service carriers experienced revenue growth (3.4%), but cost growth overtook revenue growth (6.0%), contributing to CASM growth
- Value/LCC carriers experienced nearly flat capacity (+0.1%), while full-service carriers saw an increase (+3.3%)

Financial statistics for the North American industry
2025Q3 vs. 2024Q3



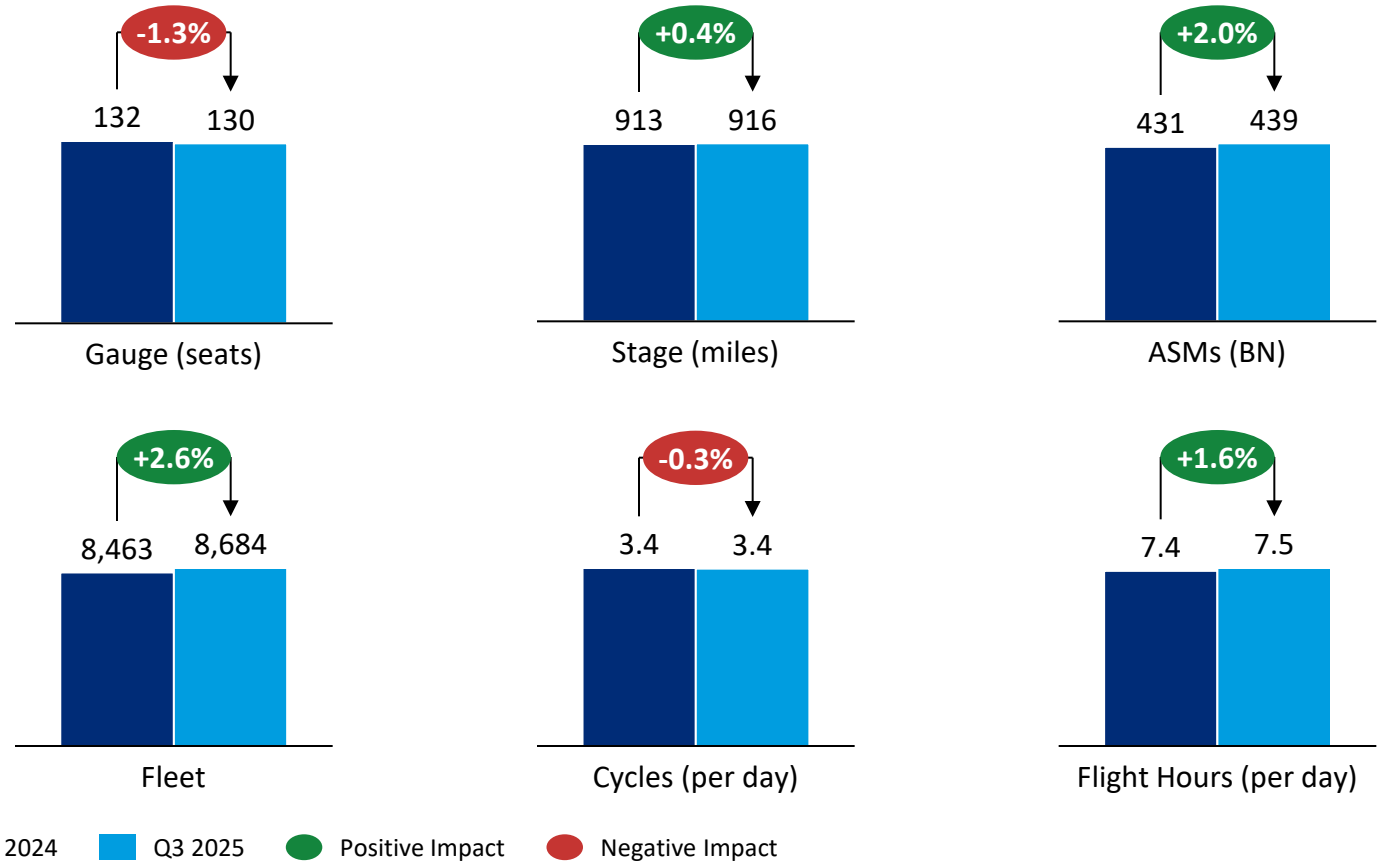
Source: CapIQ and carrier earnings releases; some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

PRODUCTION REVIEW: NORTH AMERICA TOTAL INDUSTRY
CAPACITY GROWTH DRIVEN BY FLEET EXPANSION

Fleet growth was the core driver of capacity growth, as average seats declined

- Capacity grew by 2.0% overall, with sequential monthly year-over-year rates falling from late Q1 through Q2
- Fleet size grew by 2.6%
- Flight hours per aircraft-day increased by 1.6% on slightly declining cycle utilization and slightly longer stage length (distance flown)
- Gauge (average seats per flight) declined by 1.3%

Q3 capacity production for all scheduled airlines in region
Mainline



Source: Capacity figures based on OAG schedule data via PlaneStats.com and include all scheduled airlines in region (not limited to carriers in study). Fleet data based on Oliver Wyman Vector data. Network data based on Oliver Wyman's NetPlan model

LATIN AMERICA

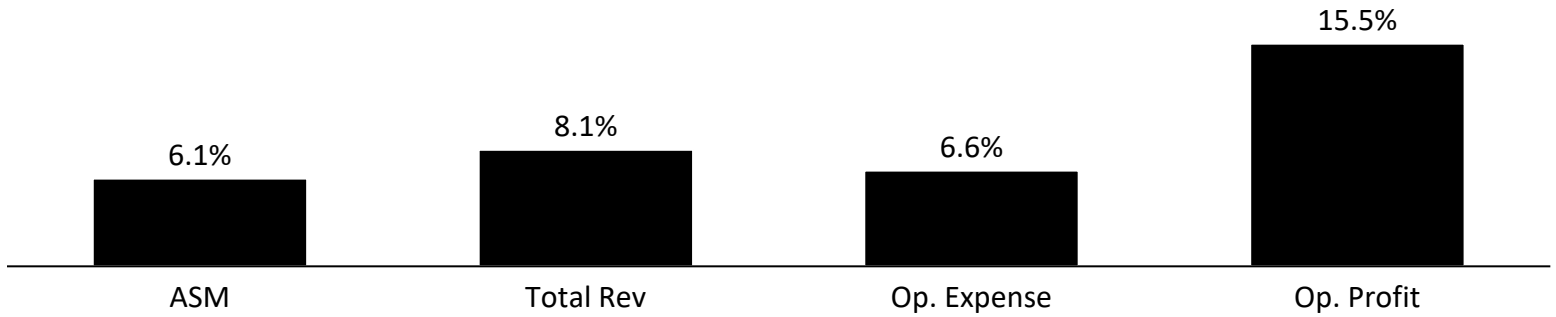
Overview of regional trends
for Central/South America

INDUSTRY FINANCIAL RESULTS: LATIN AMERICA INDEX
IMPROVED MARGINS ON MODERATE CAPACITY GROWTH

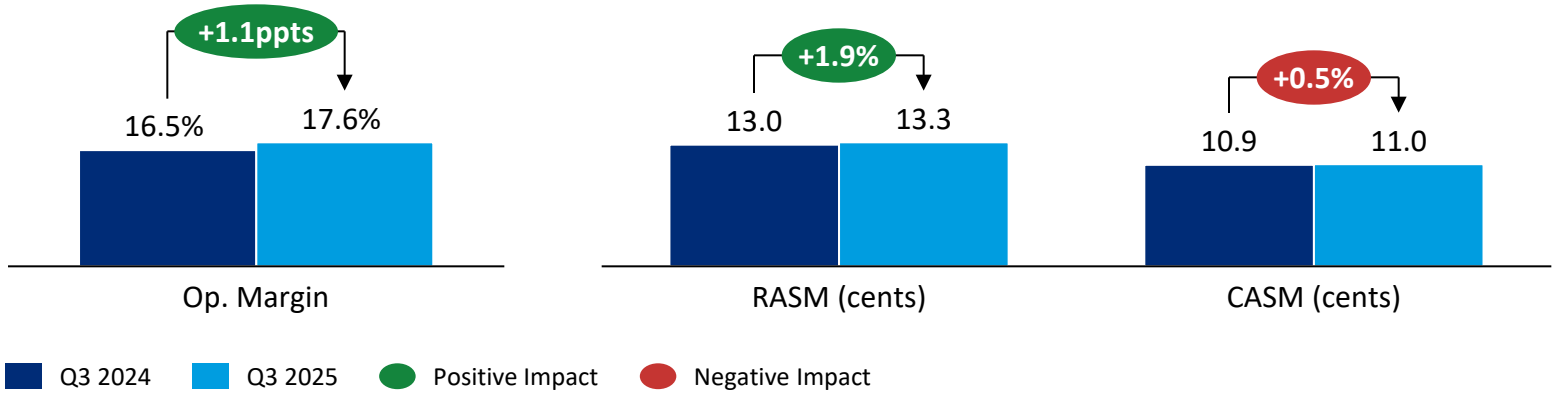
Operating margin grew by 1.1ppts to 17.6%, driven by larger increases in revenue than operating expenses

- While operating expenses grew by 6.6% YoY, revenue grew by 8.1%, contributing to margin increases
- RASM increased by 1.9% to 13.3 cents, while CASM increased by 0.5% to 11.0 cents
- Despite operating expenses increasing by 6.6% YoY, the CASM increase was relatively small (0.5%), aided by 6.1% growth in capacity

YoY change in financial statistics for the Latin American and Caribbean industry
2025Q3 vs. 2024Q3



Financial statistics for the Latin America and Caribbean industry[1]
2025Q3 vs. 2024Q3



Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

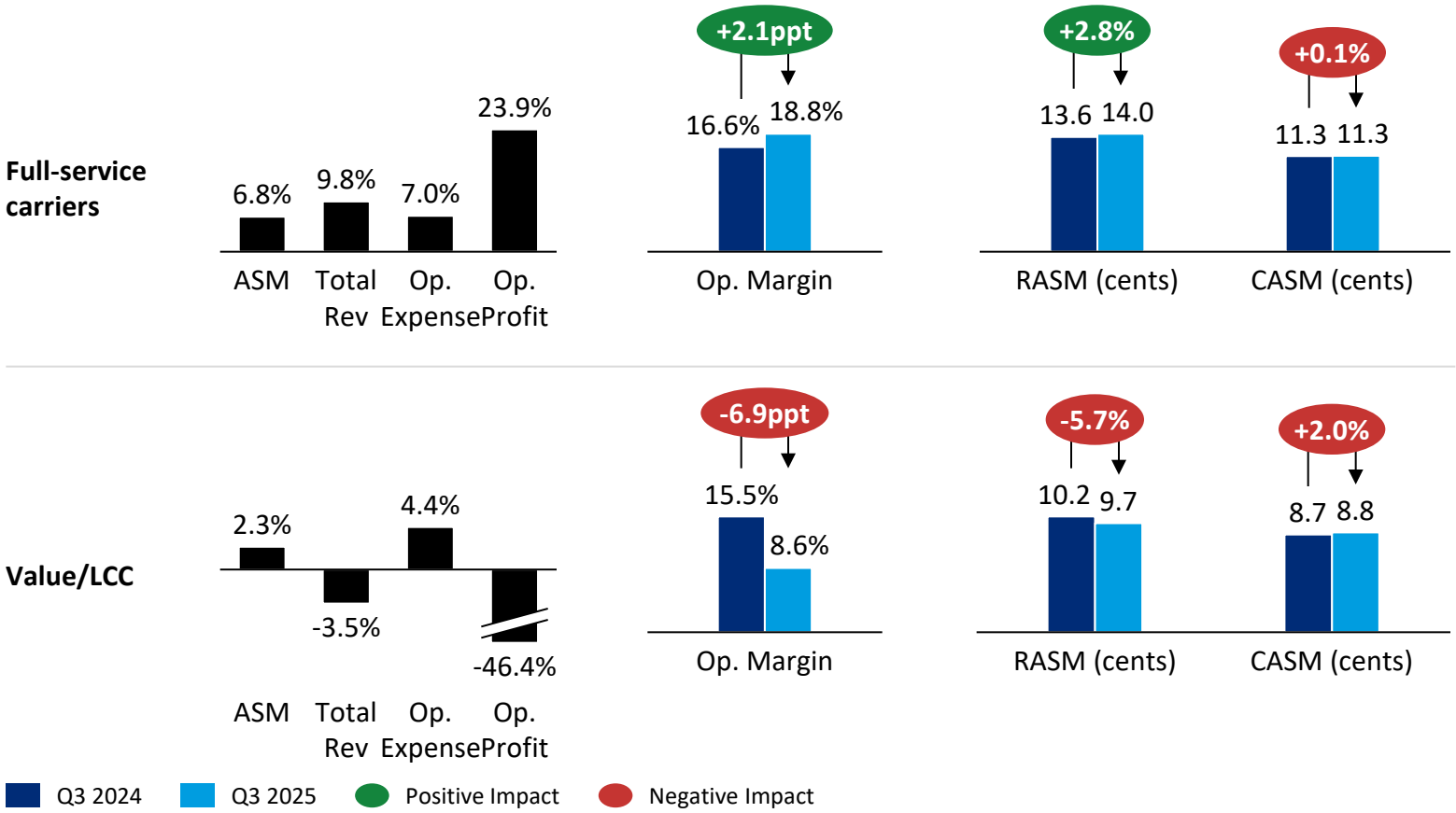
FINANCIAL RESULTS BY BUSINESS MODEL: LATIN AMERICA INDEX

FSC PROFITABILITY IMPROVED, WHILE LCC PROFITABILITY DOWN SIGNIFICANTLY

While FSCs and Value/LCCs were both profitable in Q3, FSCs showed much stronger margins (18.8%) than Value/LCCs (8.6%)

- FSC operating margin grew 2.1ppt YoY, driven by a 9.8% increase in revenue on a 7.0% increase in operating expenses
- RASM for Value/LCCs decreased by 5.7% compared to 2024, contributing to a significant decrease in operating margin of 6.9ppt
- CASM for FSCs remained relatively flat while CASM increased by 2.0% for Value/LCCs
- Capacity for FSCs grew faster than Value/LCCs, at 6.8% (vs. 2.3% for lower-cost)

Financial statistics for the Latin American and Caribbean industry
2025Q3 vs. 2024Q3



Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

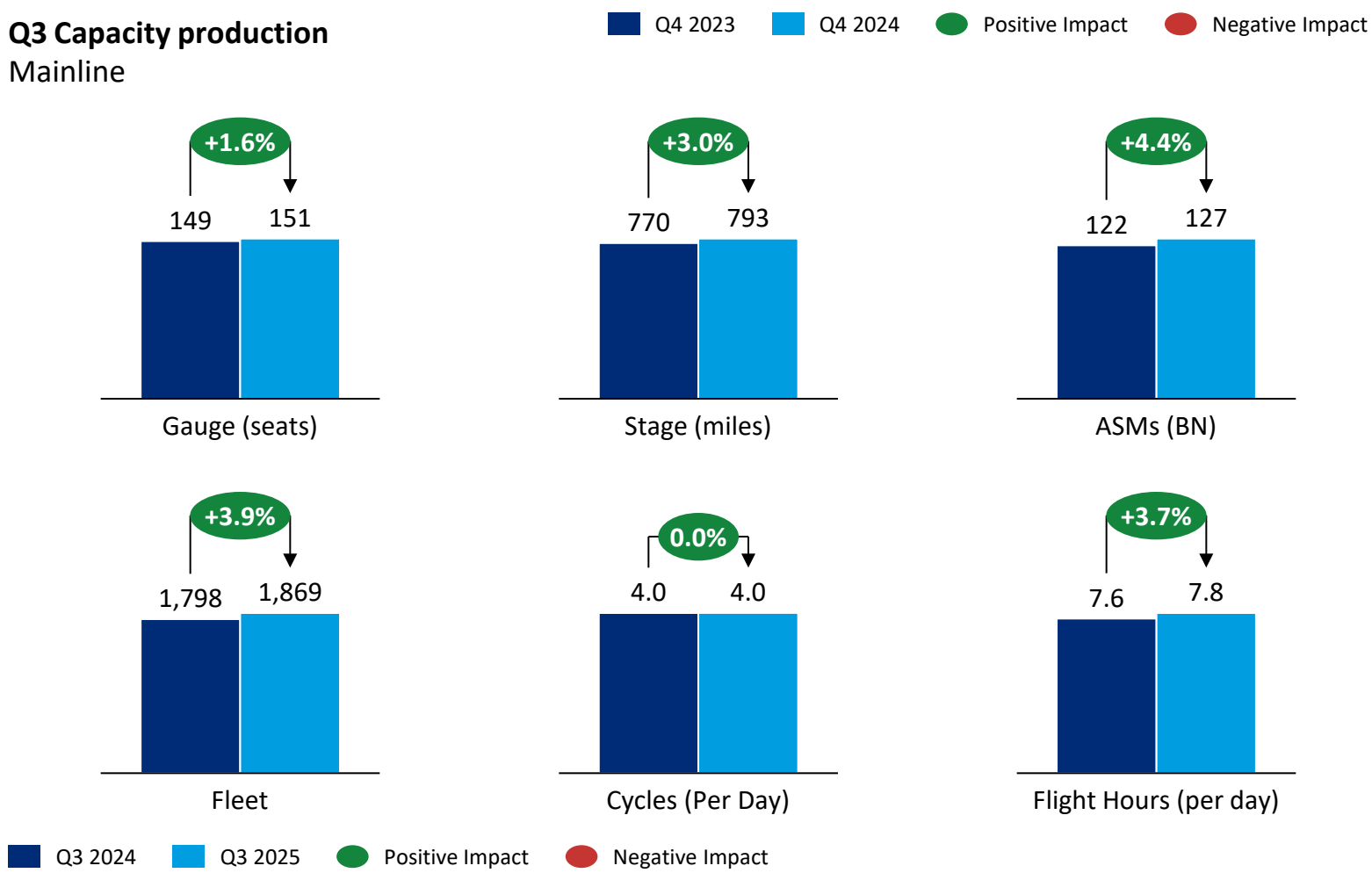
PRODUCTION REVIEW: LATIN AMERICA TOTAL INDUSTRY

CAPACITY GROWTH DRIVEN BY BOTH FLEET GROWTH AND PRODUCTIVITY IMPROVEMENTS

Capacity growth achieved through fleet growth and increased efficiency, notably flight hours per aircraft-day

- Carriers in Latin America grew ASMs 4.4%
- Fleet grew by 3.9%
- Increasing efficiency drove the remaining 0.5ppts of growth:
  - Flight hours per aircraft-day up 3.7%
  - Stage (distance flown) up 3.0%
  - Guage up 1.6%
- Increased flight hours on flat nominal departures suggests longer flight blocks

Q3 Capacity production
Mainline



Source: Capacity figures based on OAG schedule data via PlaneStats.com and include all scheduled airlines in region (not limited to carriers in study). Fleet data based on Oliver Wyman Vector data. Network data based on Oliver Wyman's NetPlan model

EUROPE

Overview of regional trends for Europe

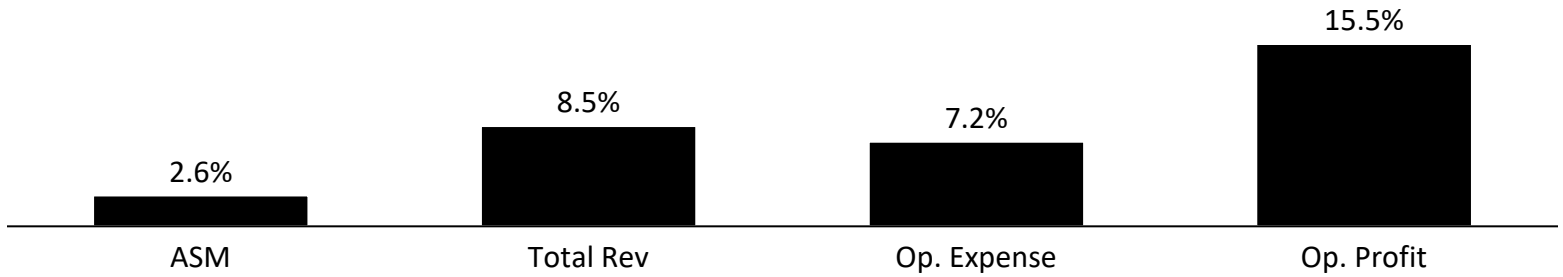
INDUSTRY FINANCIAL RESULTS: EUROPE INDEX

STRONG PROFITABILITY WITH CONSERVATIVE CAPACITY GROWTH

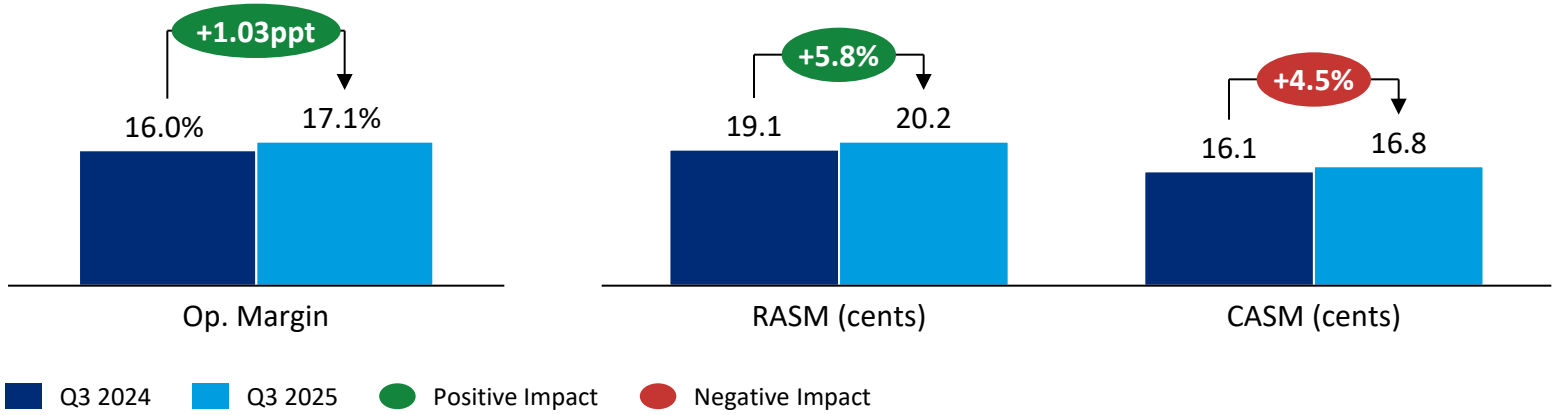
European operating margin improved to 17.1% reflecting increases in total revenue that outpaced growth in operating expenses

- RASM rose by 5.8% on 2.6% more capacity
- CASM increased by slightly less than RASM at 4.5%
- Total revenue increased by 8.5% while expenses grew by 7.2%, enhancing profitability
- 15.5% increase in operating profit underscores overall strong performance in the region
- High YoY revenues and costs were largely driven by the increased exchange rate between the Euro and US dollar (1.08 in 2024 compared to 1.17 in 2025)

YoY change in financial statistics for the European industry
2025Q3 vs. 2024Q3



Financial statistics for the European industry
2025Q3 vs. 2024Q3



Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

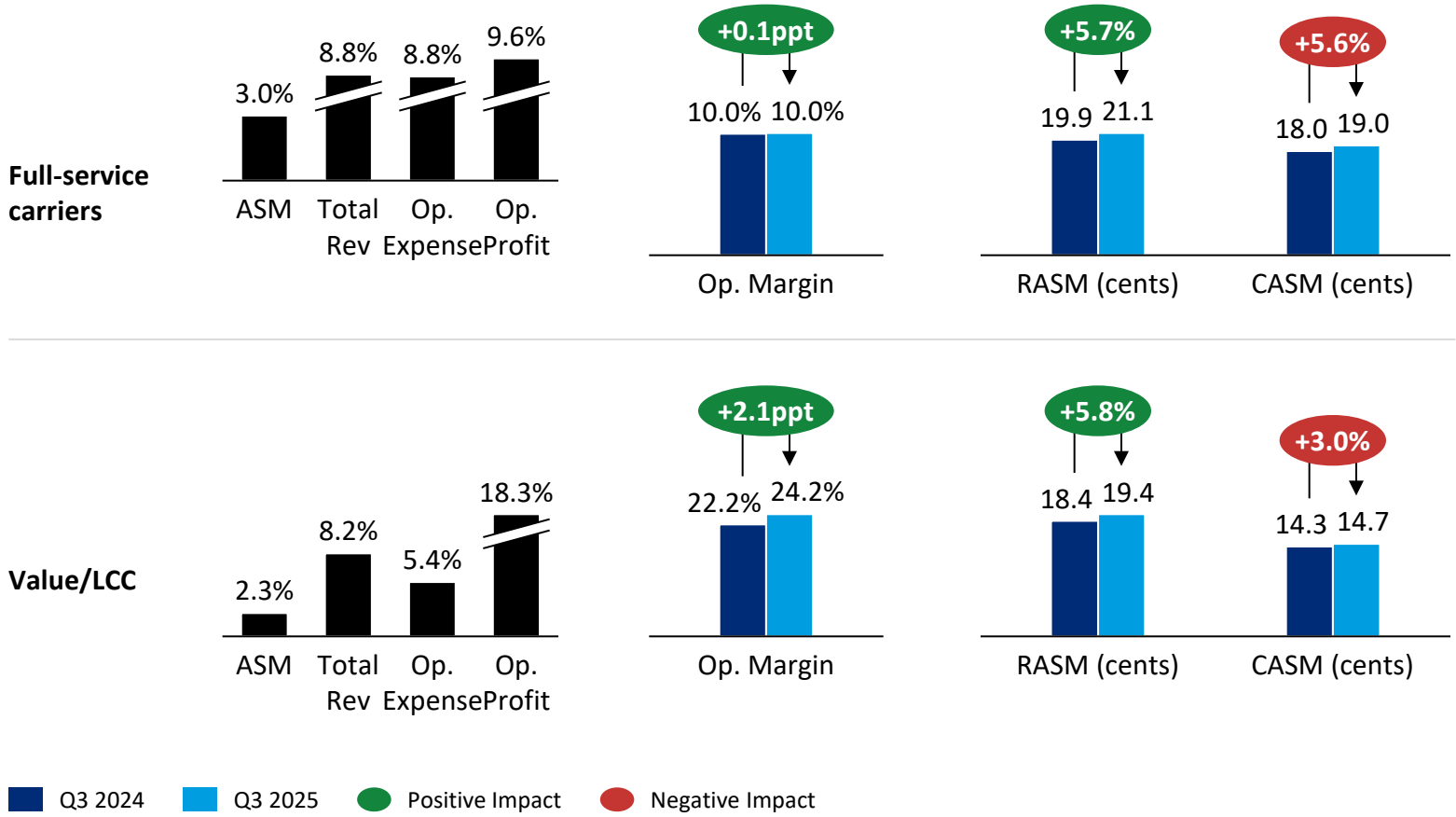
FINANCIAL RESULTS BY BUSINESS MODEL: EUROPE INDEX

LCC MARGINS GROW TO 24%; BOTH GROUPS REMAIN POSITIVE

Revenue growth for FSCs outpaced Value/LCC growth; Value/LCCs maintained significantly higher operating margins than FSCs

- Value/LCCs experienced 24.2% operating margins (2.1pp increase from 2024) while FSC operating margin remained relatively flat at 10%
- FSC revenue increased in line with costs, underscoring marginal growth in profit margins
- Value/LCCs achieved 8.2% revenue growth compared to 5.4% growth in operating expenses, contributing to strong margins
- Both groups expanded capacity, with FSCs increasing by 3.0%, slightly surpassing the 2.3% growth observed in Value/LCCs
- Both groups continued to experience industry leading increases in RASM and CASM – though partly driven by increases in Euro to US dollar exchange rate

Financial statistics for the European industry
2025Q3 vs. 2024Q3



Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

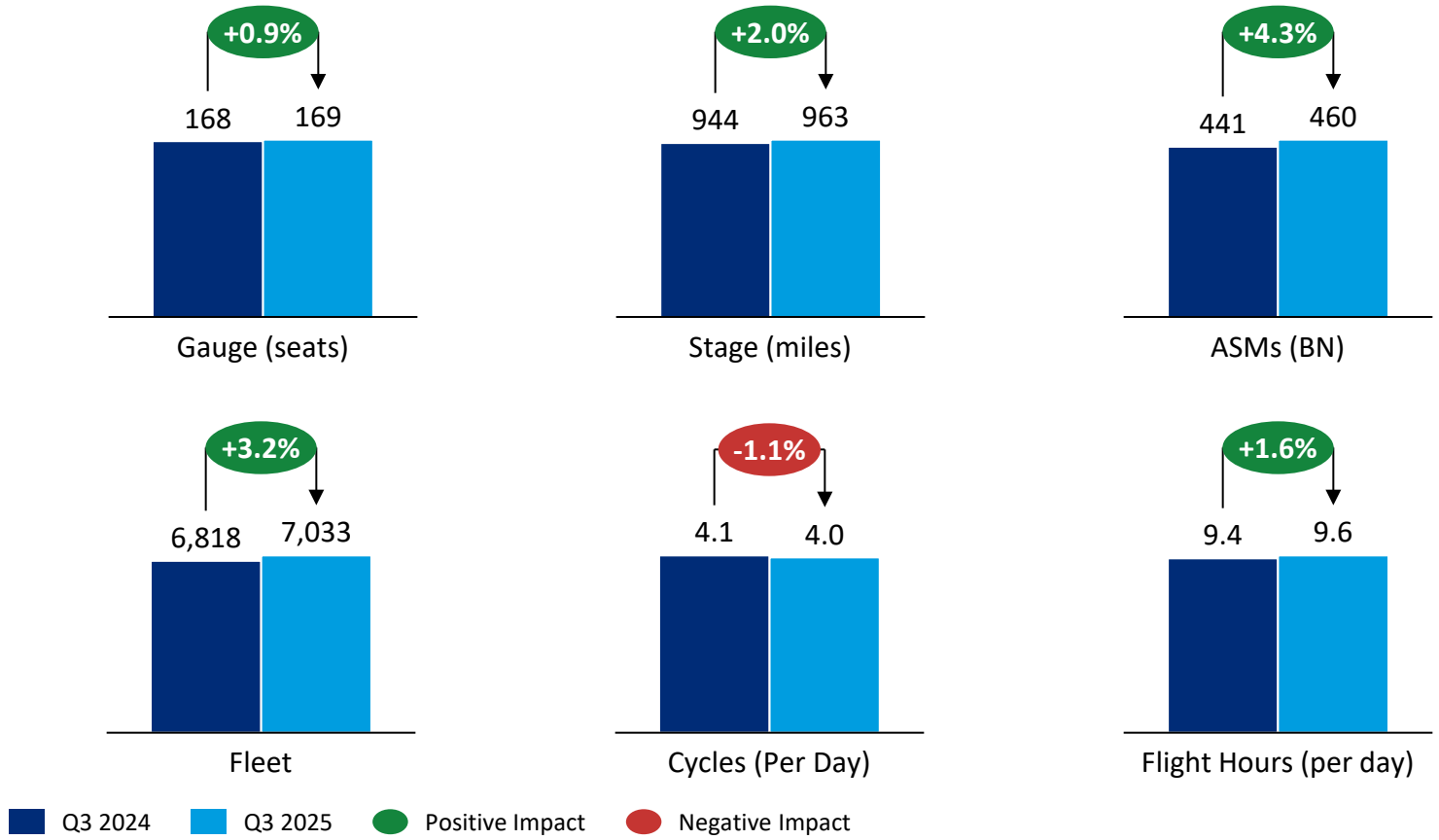
PRODUCTION REVIEW: EUROPE TOTAL INDUSTRY

CAPACITY GROWTH DRIVEN BY BOTH FLEET GROWTH AND PRODUCTIVITY IMPROVEMENTS

Capacity growth was primarily driven by growth in ASMs and mainline fleet growth

- European carrier fleets grew by 3.2%
- Most efficiency metrics also moved positively and contributed to overall capacity growth:
  - Flight hours per aircraft-day increased by 1.6%
  - Number of seats increased by 0.9%
  - Stage (distance flown) increased by 2.0%
- Number of daily cycles declined by 1.1%

Q3 Capacity production
Mainline



Source: Capacity figures based on OAG schedule data via PlaneStats.com and include all scheduled airlines in region (not limited to carriers in study). Fleet data based on Oliver Wyman Vector data. Network data based on Oliver Wyman's NetPlan model

ASIA/PACIFIC

Overview of regional trends for Asia/Pacific

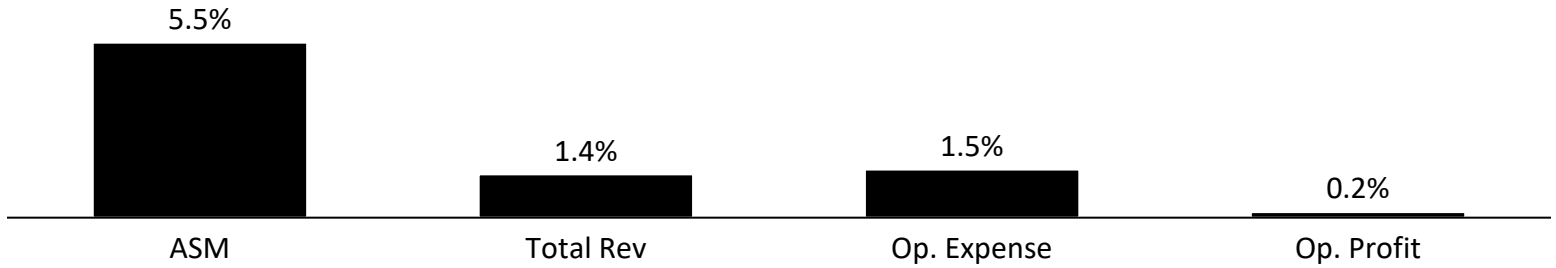
INDUSTRY FINANCIAL RESULTS: ASIA/PACIFIC INDEX
DECREASED MARGIN ON INCREASED CAPACITY

Cost growth slightly outpaced revenue growth in the Asia/Pacific region, though the industry still experienced a 11.3% margin

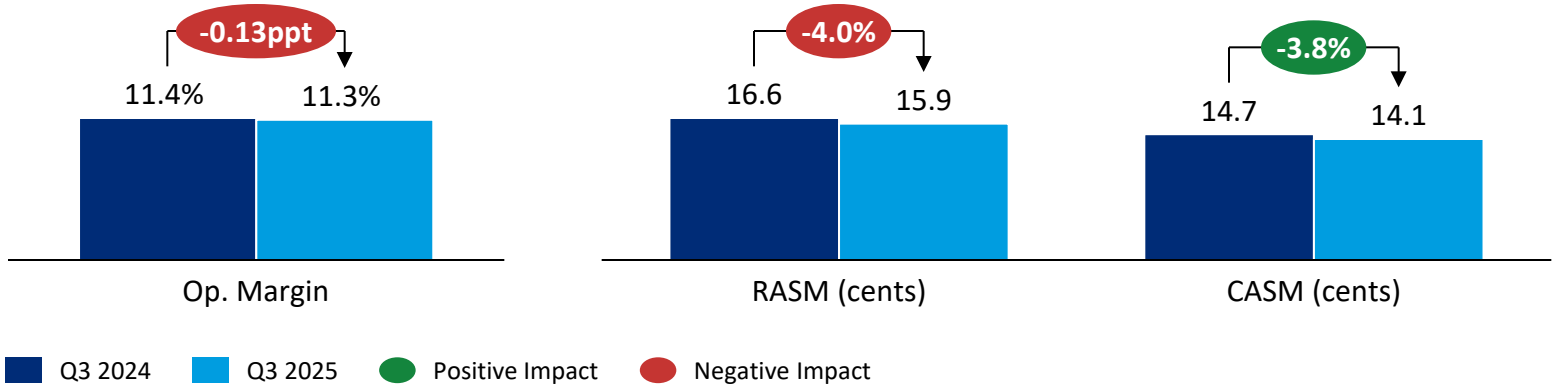
- Margin declined by 0.13ppts to 11.3%
  - Margin decline driven by 4.0% decrease in RASM
- Benefits of CASM decrease were offset by larger decrease in RASM

Note: Due to limited Value/LCC data, group breakouts are not included

YoY change in financial statistics for the Asia/Pacific industry
2025Q3 vs. 2024Q3



Financial statistics for the Asia/Pacific industry[1]
2025Q3 vs. 2024Q3



Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region.

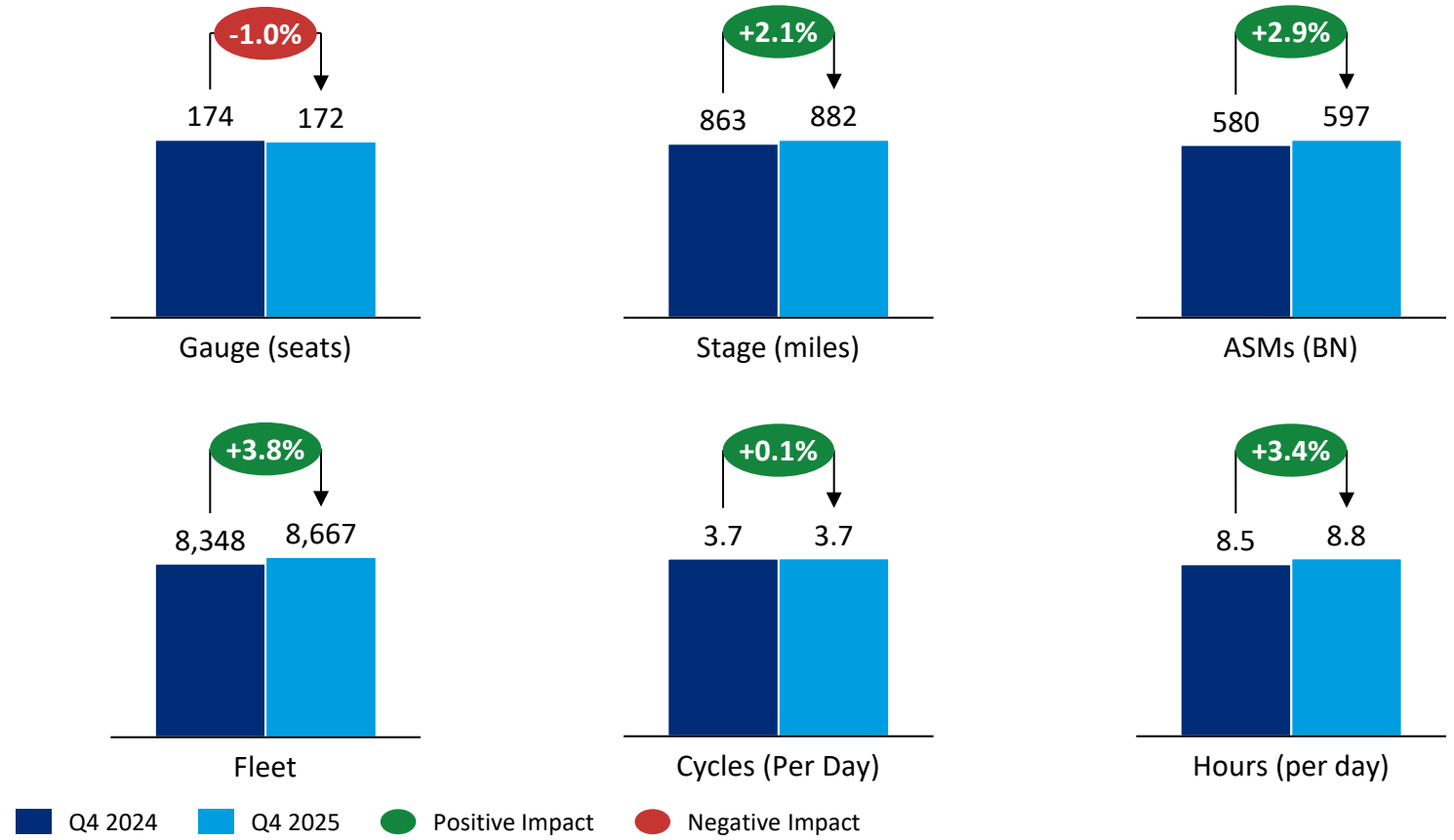
PRODUCTION REVIEW: ASIA/PACIFIC TOTAL INDUSTRY

CAPACITY GROWTH DRIVEN BY BOTH FLEET GROWTH AND PRODUCTIVITY IMPROVEMENTS

All drivers besides gauge contributed to capacity growth in Asia/Pacific region, with fleet and flight hours per day contributing most

- Fleet up 3.8%
- Flight hours per aircraft-day up 3.4%
- Total ASMs increased 2.9%
- Seats down 1.0%

Q3 Capacity production
Mainline



Source: Capacity figures based on OAG schedule data via PlaneStats.com and include all scheduled airlines in region (not limited to carriers in study). Fleet data based on Oliver Wyman Vector data. Network data based on Oliver Wyman's NetPlan model

AFRICA/MIDDLE EAST & INDIA

Overview of regional trends for
Africa/Middle East/India

INDUSTRY FINANCIAL RESULTS (ANNUAL): MIDDLE EAST AND INDIA INDEX

CAPACITY OUTPACES REVENUE; COST DECLINES HELP HEALTHY MARGIN

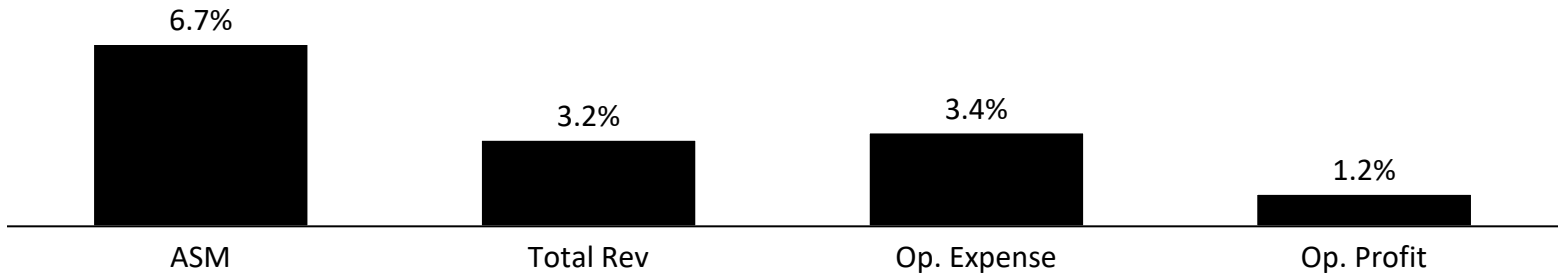
Note: Larger ME airlines only report fiscal year results. To provide worldwide coverage, we have included the most recent results. We will continue to report available production data on a quarterly basis and financial results annually.

Carriers in the region remained profitable with essentially flat margin

- Margin declined by 0.2ppts to 12.0%
- Capacity increased by 6.7%
- RASM decline of 3.3% nearly offset by CASM decline of 3.0%

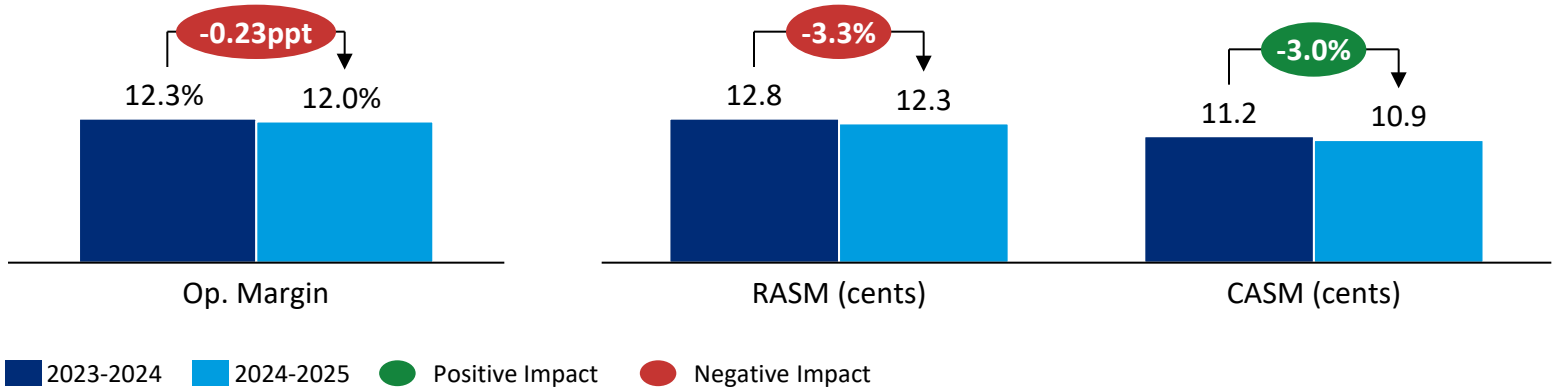
YoY change in financial statistics for ME and India industry

Q3 2024 – Q1 2025 vs. Q3 2023 – Q1 2024[1]



Financial statistics for ME and India industry

Q3 2024 – Q1 2025 vs. Q3 2023 – Q1 2024[1]



1. Quarters consolidated based on select ME carrier reporting cadences; FY data (i.,e, Q1-Q4) used for Qatar Airways due to financial reporting cadence

Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

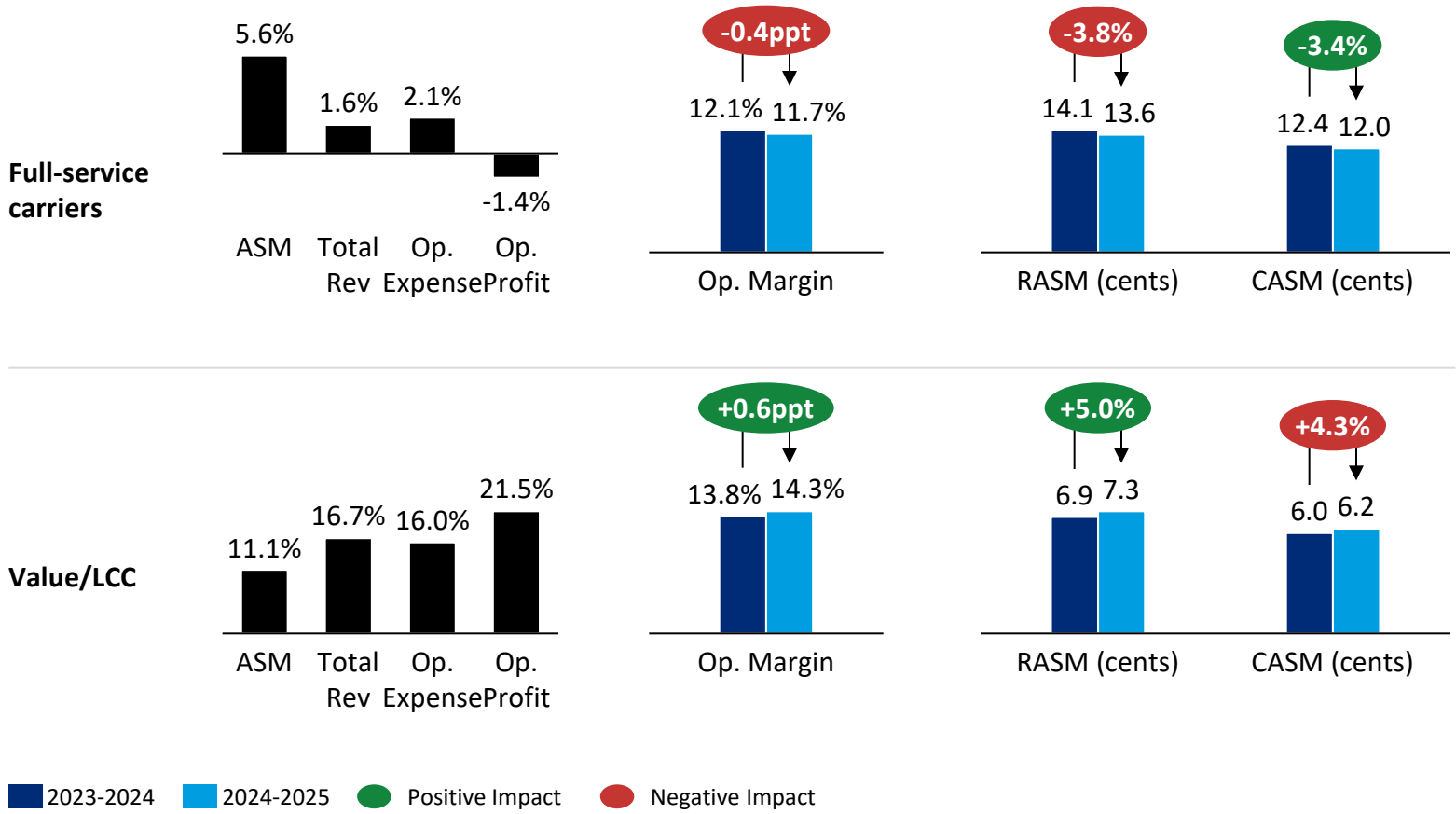
FINANCIAL RESULTS BY BUSINESS MODEL(ANNUAL): MIDDLE EAST AND INDIA INDEX

VALUE/LCCS REVENUE GROWTH AT 17%, FULL-SERVICE ONLY 1.6%

Both full-service and lower-cost carrier groups remained profitable

- Full-service carrier margin dropped by 0.4ppts to 11.7% on 5.6% capacity growth
- Lower-cost carrier margin improved 0.6ppts to 14.3% on 11.1% capacity growth
- Despite double-digit capacity growth, lower-cost carrier RASM grew by 5.0%
- However, lower-cost carrier CASM increased by 4.3%, offsetting some of the RASM gains
- Full-service carrier RASM declined by 3.8%, offsetting a 3.4% reduction in CASM

Financial statistics for ME and India industry
Q3 2024 – Q1 2025 vs. Q3 2023 – Q1 2024[1]



1. Quarters consolidated based on select ME carrier reporting cadences; FY data (i.,e, Q1-Q4) used for Qatar Airways due to financial reporting cadence
Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com. See appendix for carriers included by region

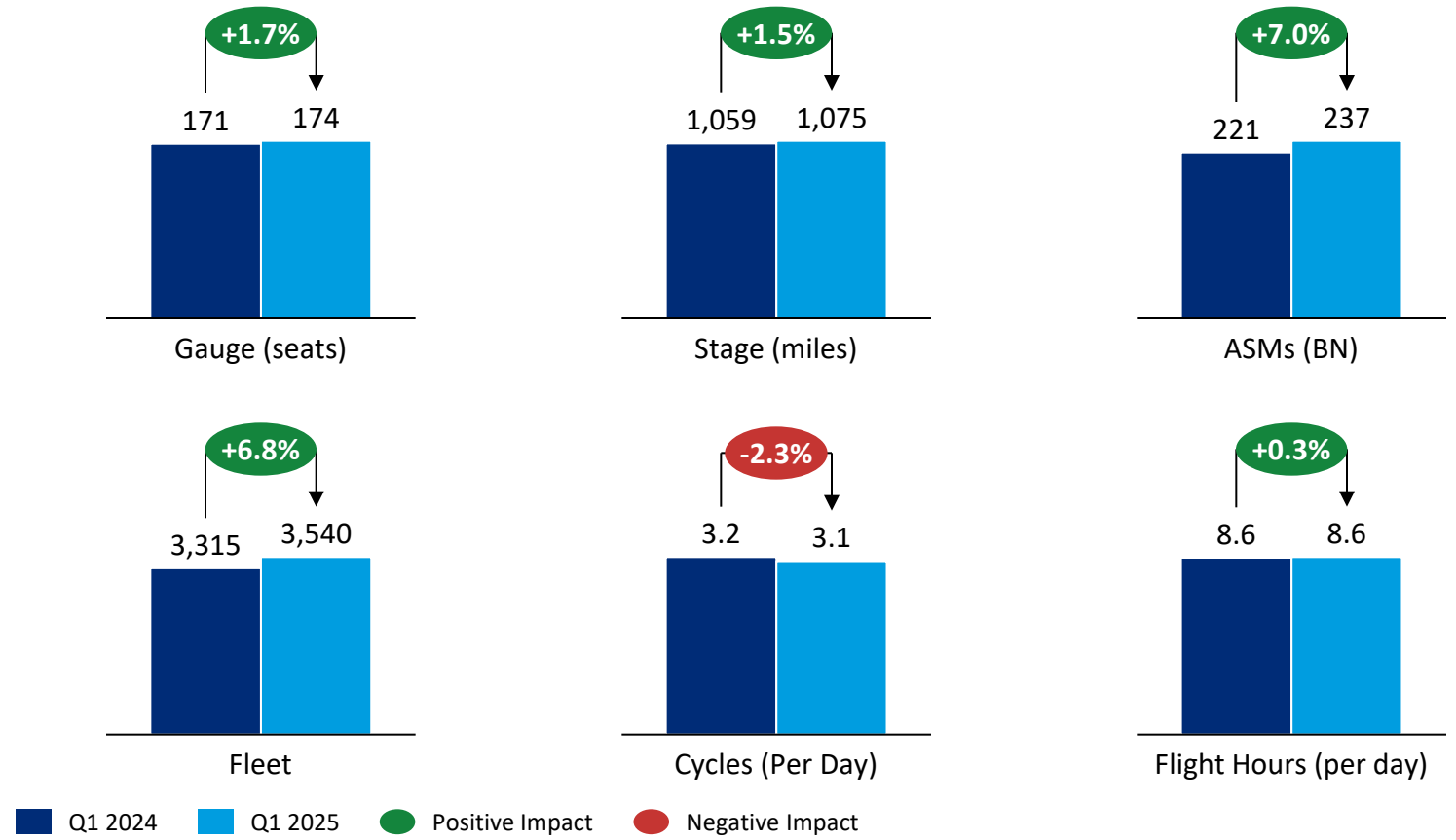
PRODUCTION REVIEW (Q3): IMEA TOTAL INDUSTRY
CAPACITY GROWTH DRIVEN BY BOTH FLEET EXPANSION

Note: The production review section maintains the same time period as the rest of the report regions and does not match the financial reporting section for IMEA.

Mainline capacity slightly outpaced fleet expansion

- Mainline capacity grew by 7.0% while fleet grew by 6.8%
- Remaining growth was driven by efficiency improvements
  - Guage (seats) and stage (distance flown) were up 1.7% and 1.5%, respectively
  - Flight hours per aircraft-day were up 0.3%
- Cycles were the only efficiency metric that declined (down 2.3%)

Q3 Capacity production
Mainline



Source: Capacity figures based on OAG schedule data via PlaneStats.com and include all scheduled airlines in region (not limited to carriers in study). Fleet data based on Oliver Wyman Vector data. Network data based on Oliver Wyman's NetPlan model

04

SPECIAL TOPIC

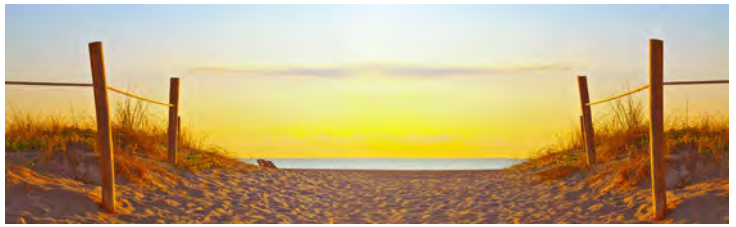
US DOT Form 41 Year-End 2024 Analysis

THE INDUSTRY LANDSCAPE CONTINUES TO CHANGE, IMPACTING HOW AIRLINES DESIGN THEIR ROUTE NETWORKS AND DEPLOY THEIR FLEET

The demography of air travel is changing

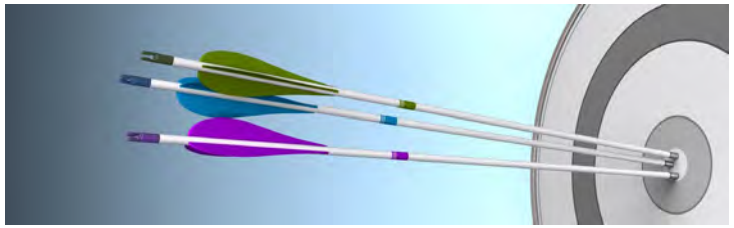
- Faster growing population and travel propensity rates occurring outside of large metro areas
- Wealth accumulation in younger households fueling higher travel rates
- Inflation squeezing lower income consumers

The reasons people travel are shifting



- While business demand is growing, leisure remains a strong driver for air travel
- Demand for premium travel experience has grown, with both products and destinations

Now there's more focus on a segmented, multi-use offering



- Full-service carriers increasingly differentiating the economy cabin with 'basic' product offering
- Lower-cost carriers expanding their offering to widen appeal, attract more 'upscale' customers

Geo-political shake-ups are changing demand patterns

- Lack of Russia overflight continues to impact key regional traffic flows and economics
- US policy dynamics driving changes to inter-national demand patterns

Key questions and impacts to network design and fleet requirements

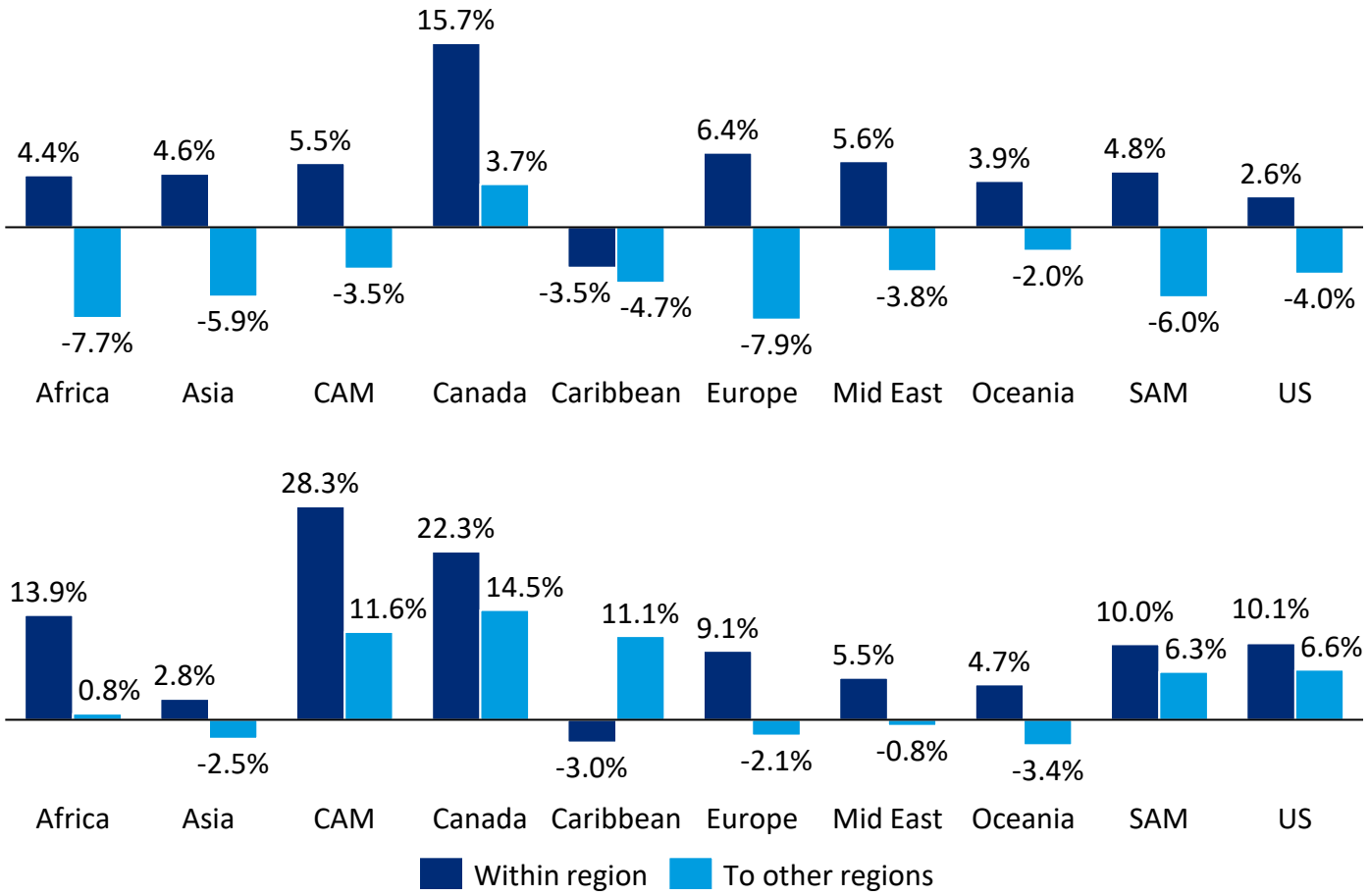
- How are route networks being adapted to accommodate changing travel patterns?
- How are fleets being deployed as a result?
- Are new or different mission capabilities being prioritized in fleet deployment?
- How are trends differing around-the-world, and what are the impacts on short-haul vs long-haul services?
- What are the differences across business models, are full-service carriers reacting differently to lower-cost ones?

GLOBALLY, AIRLINES ARE NOW PLANNING LONGER SHORT-HAUL AND DOMESTIC FLIGHTS AND SHORTER LONG-HAUL FLIGHTS, WITH MORE SEATS-PER-DEPARTURE

Change in stage length and gauge: 2019-2025 by region of the world
% change for all scheduled operations; stage=average distance flown, gauge=average seats per departure

- Average distance flown on intra-regional routes is increasing
- Route distance to other regions is decreasing
- Canada outpaces global trends with largest domestic increase and intra-region growth
- European trends are also notable, largest change in both entities

- Average seats per flight increasing in most geographies and entities
- Highest rate of change occurring in intra-regional markets, which are nearly all increasing gauge
- Declines occurring mainly in intra-region markets from Asia, Europe, Middle East, and Oceania



Source: PlaneStats.com/OAG CY 2019, 2025; Note: CAM=Central America, SAM=South America

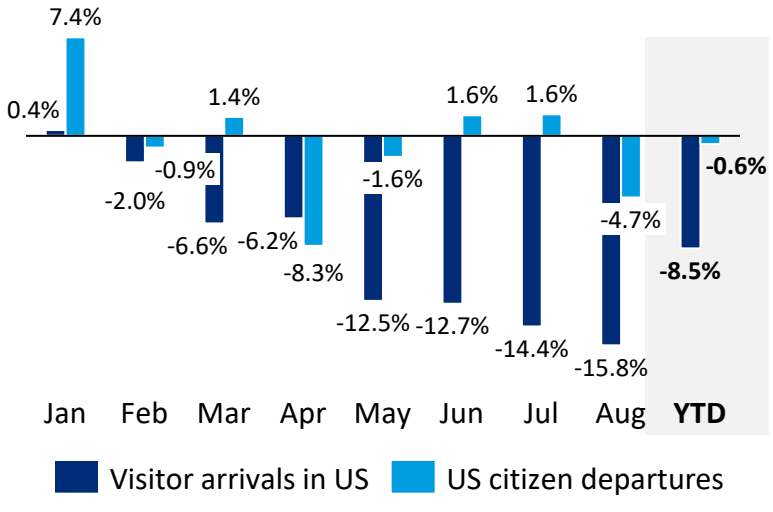
HIGHEST INCREASE IN SHORT-HAUL DISTANCE FLOWN IS FROM CANADA, WHERE DEMAND TO THE US IS FALLING AND SERVICE HAS MOVED TO OTHER, FARTHER AWAY, MARKETS

Discussion

- Trade disputes and souring consumer sentiment have reduced demand for air travel between the US and Canada
- The industry has responded by reducing transborder US-Canada capacity
- Canadian carriers have also reallocated some service to longer-haul flights to the Caribbean and Latin America (over-flying the US)
- Long-term outcomes remain unclear, but continuation of this trend would favor more longer-haul narrowbody capability for Canadian carriers

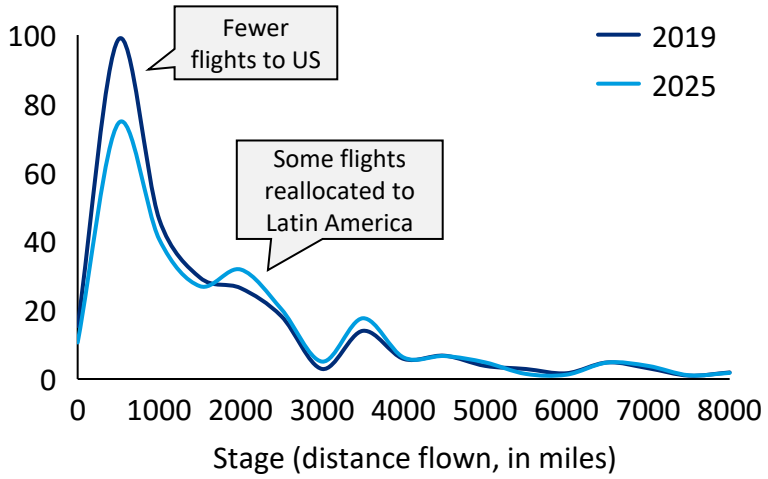
Air travel between US and Canada is falling…

Year-over-year change in air passengers on US-CA flights



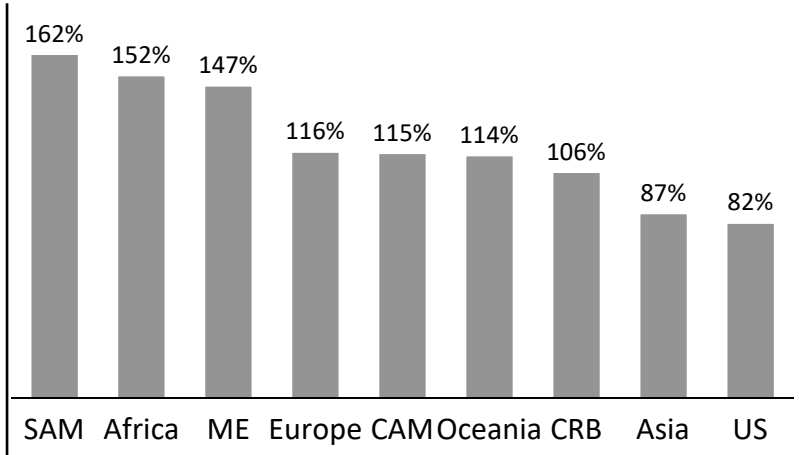
Short-haul flights from Canada being reduced…

Flight volume from Canada to other countries by stage



Flights to other regions from Canada still growing

Index of flight volume 2019 to 2025 (Canada to region)



Source: PlaneStats.com/OAG CY 2019, 2025 and APIS I-92 data 2024 and 2025 ; Note: CAM=Central America, SAM=South America, CRB=Caribbean, ME=Middle East

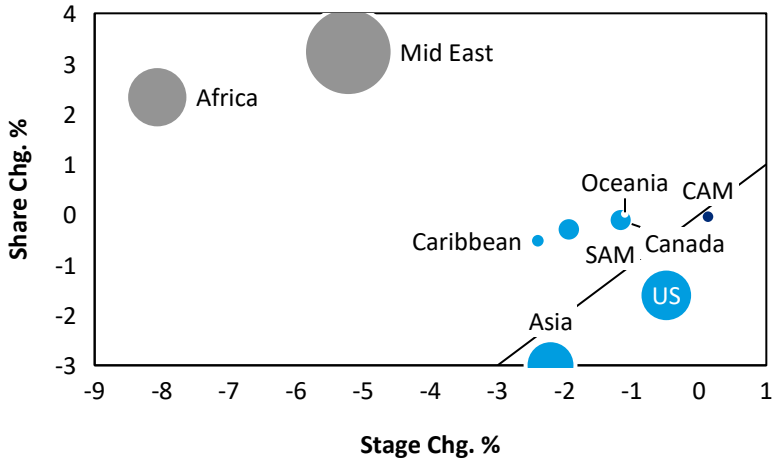
INTER-CONTINENTAL FLIGHTS ARE GETTING SHORTER AS MARKET MIX CHANGES, DRIVEN BY NEW DEMAND PATTERNS AND GEO-POLITICAL IMPACTS

Discussion

- Changing service patterns are favoring shorter-haul flying between regions
- Europe has more service to Africa and the Middle East and less to Asia and the US (meanwhile mix of US service to Europe has increased)
- US has less service to Canada and Asia and more to Central America and Europe
- Asia has more service to the Middle East and less to most other regions

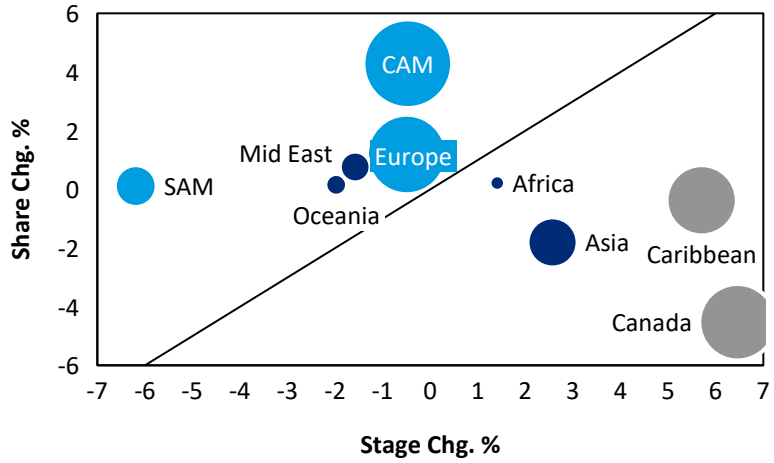
Europe stage length down 8%

Change in average stage length and share CY 2025 vs 2019



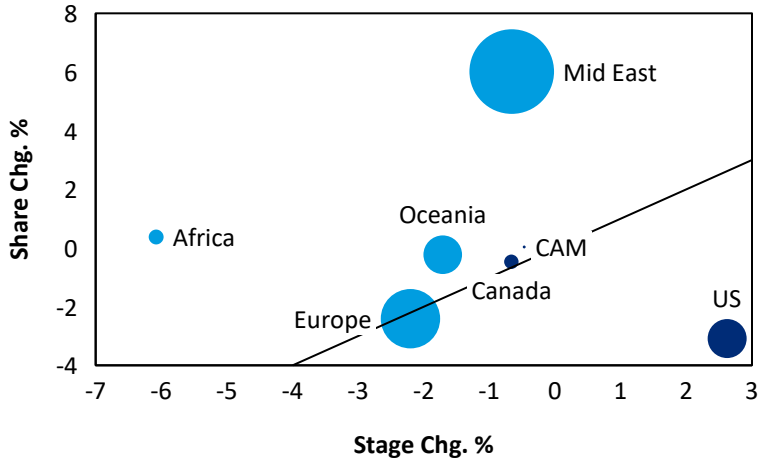
US stage length down 4%

Change in average stage length, share CY 2025 vs 2019



Asia stage length down 6%

Change in average stage length, share CY 2025 vs 2019



Under 2000 Miles Under 5000 Miles Over 5000 Miles

Average scheduled stage length

Source: PlaneStats.com/OAG CY 2019, 2025 Note: CAM=Central America, SAM=South America, CRB=Caribbean, ME=Middle East; Bubble size represents 2025 relative size of market.

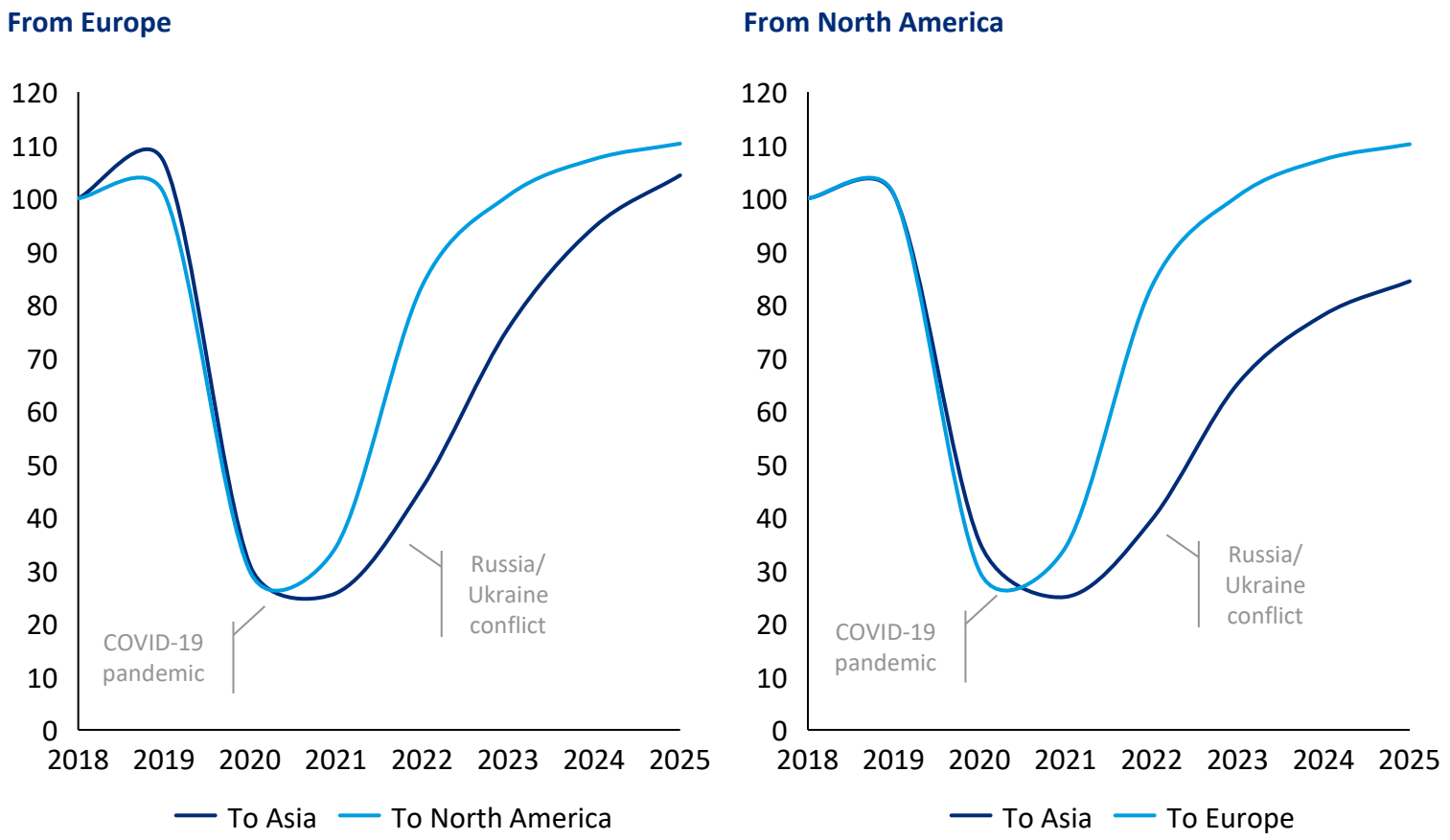
ASIAN MARKETS HAVE BEEN SLOWER TO RECOVER FROM THE PANDEMIC, AND LOSS OF RUSSIA OVER-FLIGHT HAS ALTERED RECOVERY TO EUROPE AND NORTH AMERICA

Discussion

- Service from Europe and North America to Asia has been slower to recover from the COVID-19 pandemic
- As demand was recovering, the closure of Russian air space stemming from the conflict in Ukraine eliminated the most direct flight path on some of the world's longest-haul service (e.g., from Europe / North America to Asia)
- As a result, service in some markets was never restored
  - e.g., US-India non-stop flights are significantly fewer today
- Other markets remain viable but the more circuitous flight routings around Russia adds time and cost

Industry departures to Asia

Figures expressed as index % vs 2018



Source: PlaneStats.com/OAG

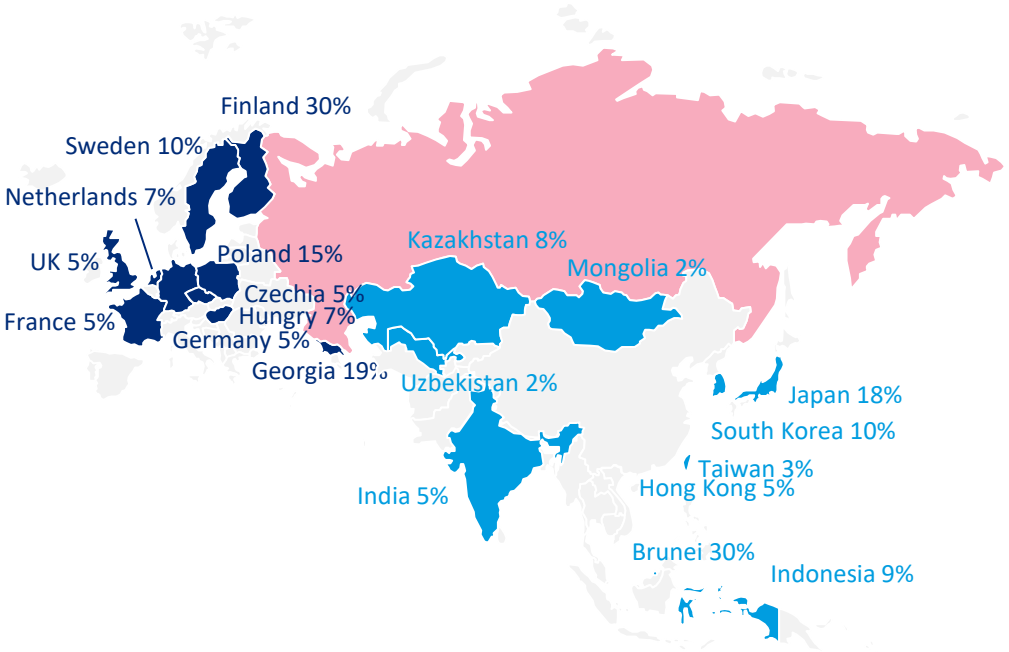
LONGER FLIGHT TIMES FROM EUROPE TO ASIA HAVE CONTRIBUTED TO A SHIFT FROM NON-STOPS TO CONNECTIONS VIA OTHER REGIONS, LIKE THE MIDDLE EAST

Discussion

- Flight times between Europe and Asia have increased with the more circuitous routings required when not overflying Russia
- More than 30 country pairs have had an adjusted block time increase over 10% since 2019
- The time and expense of these longer flight times is contributing to a shift that favors connections over hubs in other regions (vs. non-stop service)

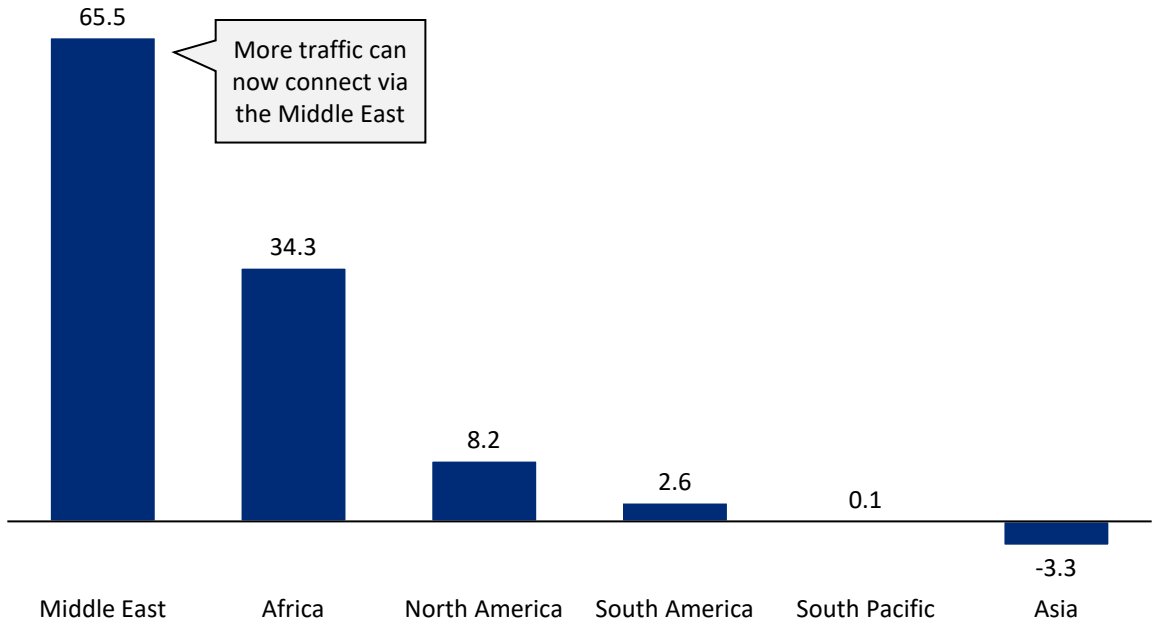
Russian air space ban means longer flight times Europe ↔ Asia

Adjusted[1] block time increase to Europe and Asia from respective countries



Regional service mix from Europe has changed

Average daily seats from Europe, in 000s from CY 2019 to CY 2025



Source: PlaneStats.com/OAG August 2019, 2025 Note 1: adjusted block time = change in average block time minus change in stage length

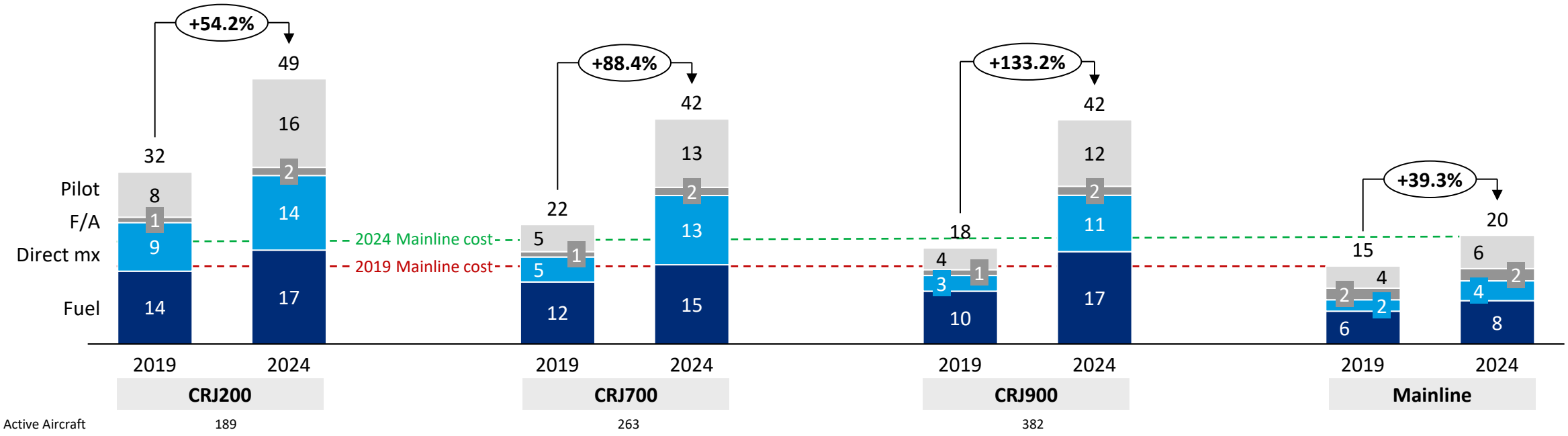
USE OF LARGER AIRCRAFT CONTINUES AS REGIONAL JET ECONOMICS BECOME INCREASINGLY LESS COMPETITIVE TO "MAINLINE" FLEETS

Discussion

- Regional jet costs have increased faster than mainline, with larger types having the highest relative change
- Pilot cost was the largest driver across all types, and had the highest relative increase on smaller fleets (47% of the total increase for the CRJ200 vs 36% of the total increase for mainline)
- Direct maintenance and fuel also each represented ~20-30% of the total increase, while flight attendant cost change was ~2-3% of the total

Cost per seat-hour | CRJ family and 737/A320 shown as representative of regional jet vs mainline economics

USD per block hour per seat for select and indicative direct costs, stage-adjusted to 2019 CRJ200 with neutral fuel cost per gallon in each year



Source: PlaneStats.com/Form 41; CRJ costs reported by SkyWest, mainline costs reported by American, Delta, and United for domestic flying with 737/A320 family aircraft in each calendar year. Active aircraft include all worldwide operators, not limited to SkyWest

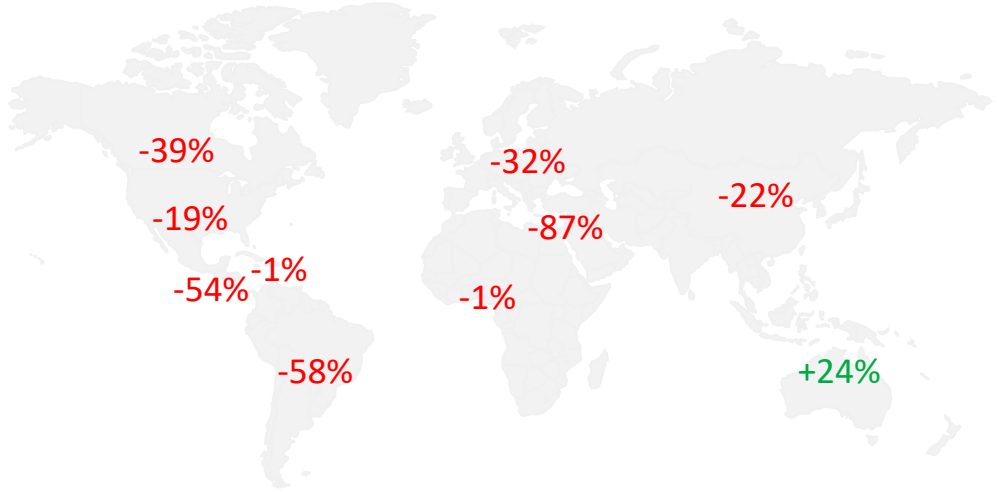
CONTINUED REDUCTION IN SMALL REGIONAL JET FLEETS CONTRIBUTE TO LOWER GAUGE WITH SCHEDULED SMALL RJ OPERATIONS DOWN 53% OVER 2019; TOTAL RJ OPS DOWN 24%

Discussion

- The US market drives regional jet demand (accounting for 63% of operations worldwide)
- In the US, large regional jet ops remain stable, but smaller regional jets are being heavily reduced
- Most other regions are seeing declining use of both large and small regional jets

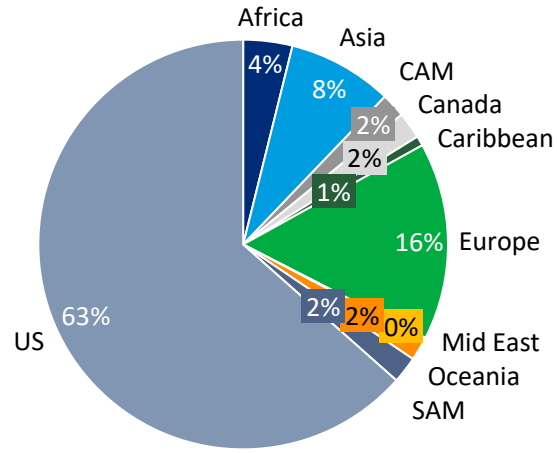
Regional jet operations have declined in all but one region

Worldwide operations down 24% Nov 2025 vs Nov 2019



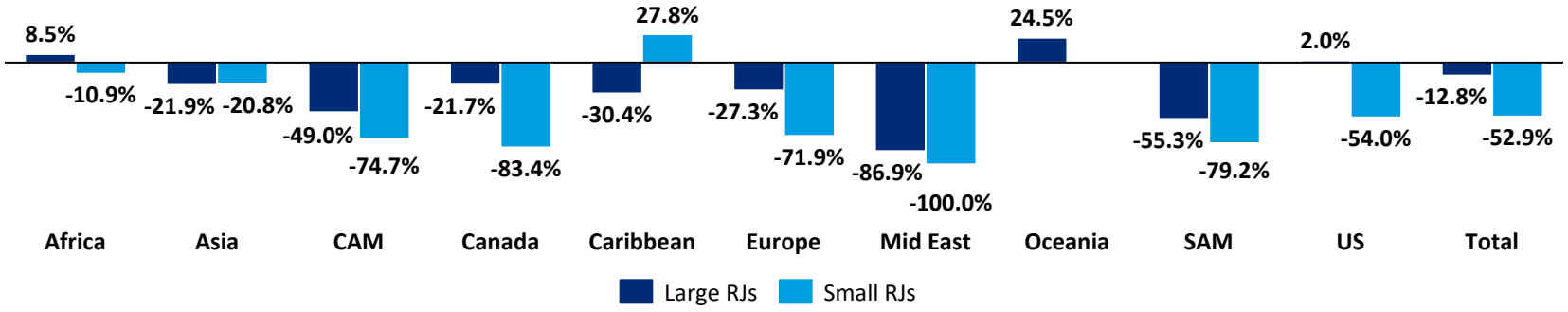
US accounts for 63% of RJ operations

US share up 3% Nov 2025 vs Nov 2019



Small regional jet decline outpaces larger regional jets

Small RJ operations down 54% Nov 2025 vs Nov 2019

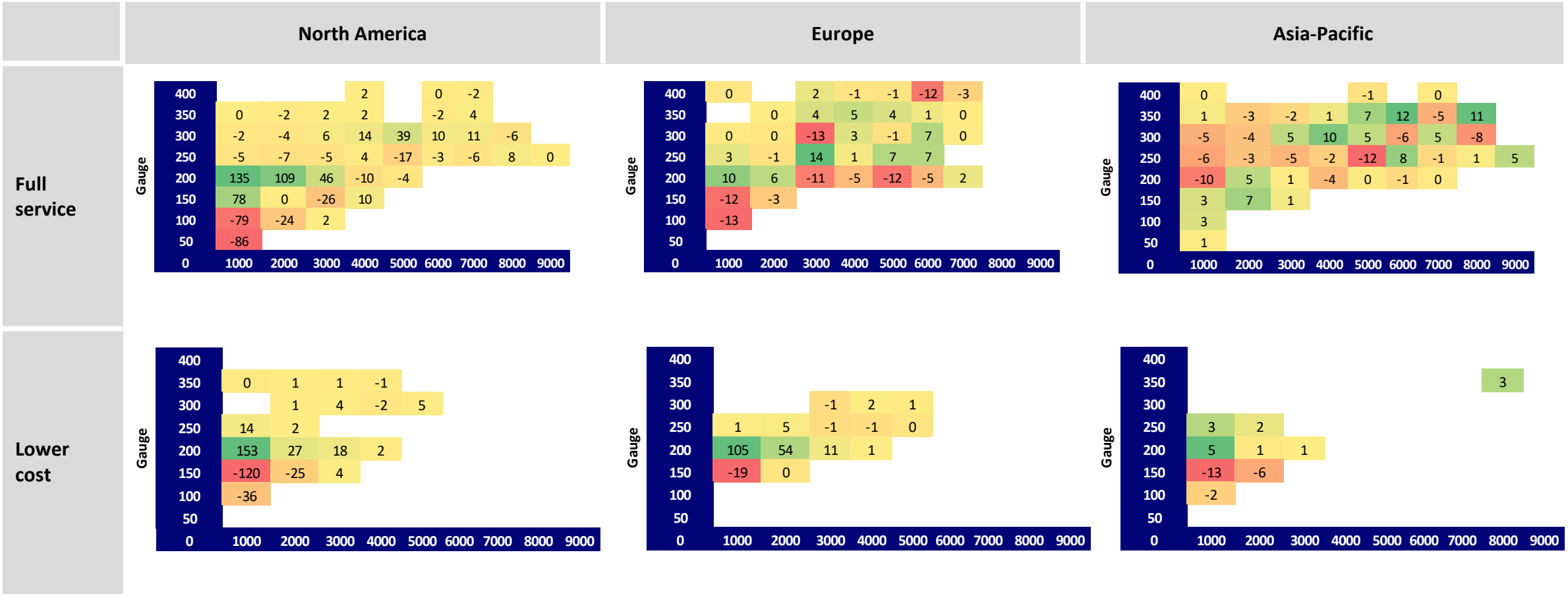


Source: PlaneStats.com/OAG; Small Regional Jets include aircraft with less than 70 seats. Large Regional Jets include aircraft with 70 or more seats.

MISSION PROFILES THAT AIRLINES NEED FROM THEIR FLEETS ARE CHANGING ACROSS THE GLOBE

Change in fleet count by mission profile 2025 H/L 2019

Estimated equivalent aircraft count change by category: stage length (miles) vs seats per departure (gauge)



Source: PlaneStats.com/OAG, June 2025 for select carriers in each group: NAM FSC: AA, AC, AS, DL, UA; EU FSC: AF, BA, KL, LH, LX, OS, SK; APR FSC: CI, CX, JL, KE, MH, QF, SG, TG; NAM LCC: B6, F9, HA, NK, SY, TS, WN, WS; EU LCC: EI, FR, U2; APR LCC: 5J, AK, JT, MM, VA

05

APPENDIX


TERR ON ND
NORTH REF
ECAM SWITCHING
ECAM/ND NORM
CRUISE
ENG
AIR
LDG ELEV AUTO
ACTIVE ATC: EISN CTL
PEDALS

REFERENCE AND DEFINITIONS: GUIDE TO KEY FIGURES AND ASSUMPTIONS

AIRLINES INCLUDED IN OUR GLOBAL INDEX WITH REGIONAL DEFINITIONS

North America	Latin America	Europe	Africa/Middle East/India	Asia Pacific
Air Canada	Aeroméxico	Air France – KLM	El Al	Singapore Airlines
Alaska	Volaris	Finnair	IndiGo	ANA
Allegiant	Copa	IAG	Pegasus	China Eastern
American	LATAM	Lufthansa	Turkish	China Southern
Delta		Norwegian Air Shuttle	SpiceJet	EVA Airways
Frontier		Ryanair	Emirates (Annual)	Hainan Airlines
JetBlue		Wizz Air	Etihad (Annual)	JAL
Southwest		Jet2	Qatar (Annual)	Garuda Indonesia
Sun Country				Thai Airways
United				Vietnam Airlines
				Qantas (Biannual)
				Cathay Pacific (Biannual)

Full-Service Carrier Value/LCC

Airlines selected based on availability of data and representation of business models and markets within the region

CARRIER SPECIFIC RESULTS: NORTH AMERICA
YOY CHANGE

	Q3 2025 vs. Q3 2024 YoY change								
Airline	**ASM**	**Total Rev.**	**Op. Expense**	**Op. Profit**	**Earnings**	**Op. Margin (ppts)**	**Margin (ppts)**	**RASM**	**CASM**
Air Canada	2%	-8%	2%	-60%	-87%	-10	-29	-10%	0%
Alaska	-3%	23%	34%	-48%	-69%	-8	-6	27%	38%
Allegiant	9%	0%	1%	-35%	-18%	-1	-1	-8%	-7%
American	3%	0%	4%	-74%	23%	-4	0	-2%	2%
Delta	2%	6%	5%	25%	11%	1	0	4%	2%
Frontier	-5%	-5%	9%	-261%	-396%	-15	-11	0%	15%
JetBlue	1%	-2%	1%	-682%	-138%	-3	-4	-3%	0%
Southwest	1%	1%	1%	84%	-19%	0	0	1%	0%
Sun Country	-11%	2%	4%	-20%	-34%	-1	0	15%	17%
United	7%	3%	5%	-15%	-2%	-2	0	-4%	-2%

Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com

CARRIER SPECIFIC RESULTS: LATIN AMERICA
YOY CHANGE

	Q3 2025 vs. Q3 2024 YoY change								
Airline	**ASM**	**Total Rev.**	**Op. Expense**	**Op. Profit**	**Earnings**	**Op. Margin (ppts)**	**Margin (ppts)**	**RASM**	**CASM**
Volaris	2%	-4%	4%	-46%	-84%	-7	-4	-6%	2%
Copa	6%	7%	3%	22%	19%	3	2	1%	-3%
Aeromexico	-1%	-4%	0%	-22%	-50%	-4	-6	-4%	1%
LATAM	10%	17%	11%	58%	26%	5	1	7%	1%

Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com

CARRIER SPECIFIC RESULTS: EUROPE
YOY CHANGE

	Q3 2025 vs. Q3 2024 YoY change								
Airline	**ASM**	**Total Rev.**	**Op. Expense**	**Op. Profit**	**Earnings**	**Op. Margin (ppts)**	**Margin (ppts)**	**RASM**	**CASM**
Air France – KLM	5%	8%	8%	9%	-2%	0	-1	3%	2%
Lufthansa	1%	10%	9%	14%	-7%	0	-2	9%	9%
Finnair	3%	7%	11%	-30%	-44%	-3	-3	4%	8%
IAG	-1%	5%	4%	8%	3%	1	0	6%	5%
Jet2	6%	5%	6%	2%	2%	0	0	-1%	0%
Norwegian Air Shuttle	-4%	12%	3%	48%	34%	6	4	17%	8%
Ryanair	3%	14%	9%	24%	26%	3	3	10%	5%
Wizz Air	6%	11%	3%	69%	-5%	6	-3	5%	-3%

Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com

CARRIER SPECIFIC RESULTS: AFRICA/MIDDLE EAST/INDIA
YOY CHANGE

	Q3 2025 vs. Q3 2024 YoY change								
Airline	**ASM**	**Total Rev.**	**Op. Expense**	**Op. Profit**	**Earnings**	**Op. Margin (ppts)**	**Margin (ppts)**	**RASM**	**CASM**
Air Arabia	11%	14%	12%	23%	11%	1	-1	3%	1%
El Al	3%	7%	11%	-3%	7%	-3	0	4%	7%
IndiGo	7%	3%	-3%	463%	-147%	6	-8	-4%	-9%
Pegasus	15%	7%	19%	-16%	-18%	-7	-6	-7%	3%
Turkish	5%	5%	11%	-21%	-11%	-5	-3	0%	6%

Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com

CARRIER SPECIFIC RESULTS: ASIA/PACIFIC
YOY CHANGE

	Q3 2025 vs. Q3 2024 YoY change								
Airline	**ASM**	**Total Rev.**	**Op. Expense**	**Op. Profit**	**Earnings**	**Op. Margin (ppts)**	**Margin (ppts)**	**RASM**	**CASM**
ANA	4%	7%	11%	-25%	-8%	-4	-1	2%	7%
China Eastern	4%	2%	0%	18%	32%	2	2	-2%	-4%
China Southern	11%	1%	0%	15%	18%	1	1	-9%	-10%
EVA Airways	3%	-4%	3%	-33%	-32%	-6	-5	-7%	0%
Hainan Airlines	-6%	0%	-3%	23%	-2%	3	0	6%	3%
JAL	4%	3%	4%	-8%	9%	-1	0	-1%	0%
Garuda Indonesia	6%	-11%	-2%	-78%	-31%	-8	-1	-16%	-8%
Singapore Airlines	2%	1%	1%	2%	-68%	0	-5	0%	0%
Thai Airways	3%	-1%	-11%	98%	-65%	10	-18	-4%	-14%
Vietnam Airlines	17%	5%	5%	7%	-25%	0	-1	-10%	-10%

Source: CapIQ and carrier earnings releases;. Some capacity figures based on OAG schedule data via PlaneStats.com

CURRENCY CONVERSIONS TO USD – Q3 2025

Location	Units	Exchange Rate	Q3 2025 vs. Q3 2024
Australia	AUS$ per USD	1.51	4%
Brazil	Real per USD	5.32	-2%
Canada	C$ per USD	1.39	3%
China	Yuan per USD	7.12	1%
France	USD per Euro	1.17	4%
India	Rupee per USD	88.79	6%
Kuwait	Dinar per USD	0.31	0%
Mexico	Peso per USD	18.31	-7%
New Zealand	NZ$ per USD	1.73	10%
Norway	Kroner per USD	9.99	-5%
Qatar	Rial per USD	3.64	0%
Saudi Arabia	Riyal per USD	3.75	0%
Singapore	S$ per USD	1.29	1%
South Korea	Won per USD	1402.2	6%
Taiwan	NT$ per USD	30.47	-4%
Thailand	Baht per USD	32.3	0%
Turkey	Lira per USD	41.59	22%
United Arab Emirates	Dirham per USD	3.67	0%
United Kingdom	USD per Pound	1.35	1%
Vietnam	Dong per USD	26311	7%

ABOUT OLIVER WYMAN

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The full team's capabilities also include: Oliver Wyman Vector, technical consulting on safety and compliance, maintenance programs, and certification; analytical data tools at PlaneStats.com; and strategies and modeling for market share, network, and fleet planning analyses via our Network Simulation Center. This deep industry expertise and our specialized capabilities make us a leader in serving the needs of the sector.

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