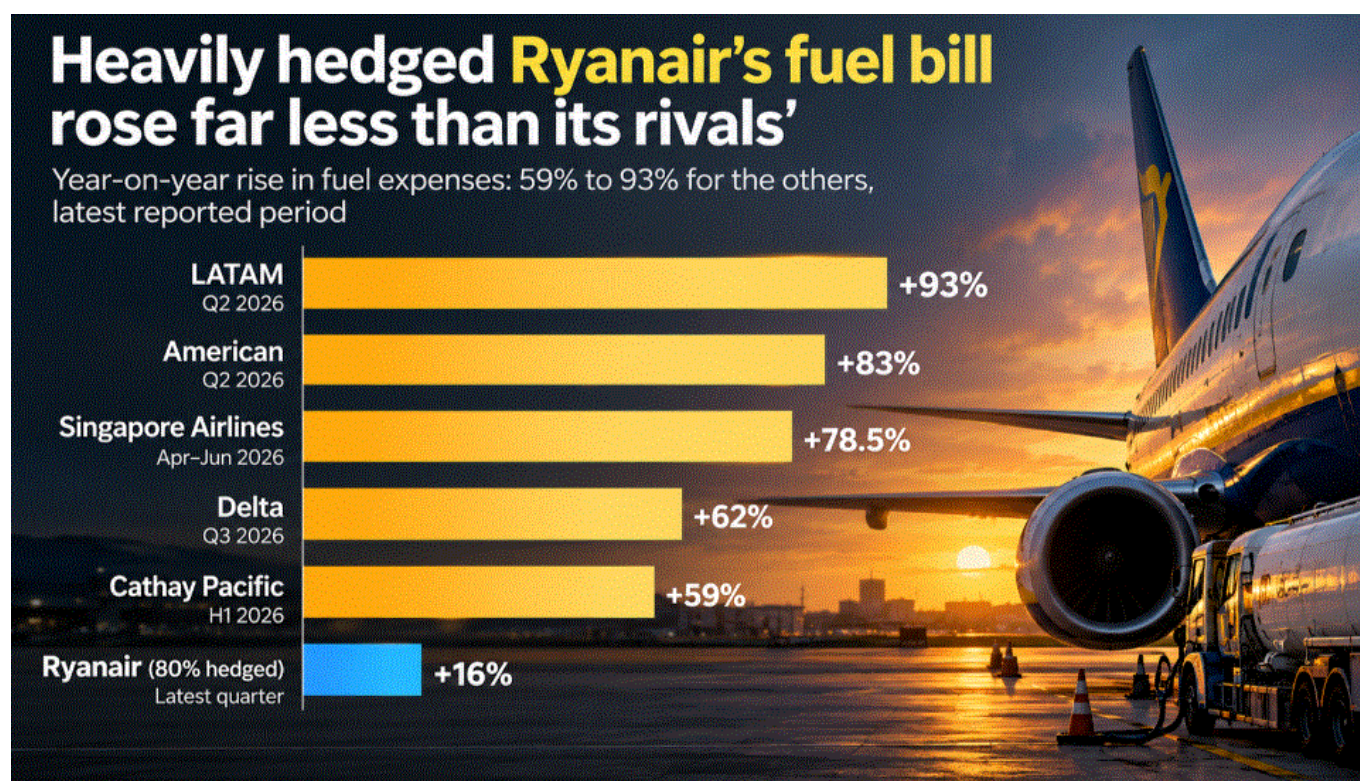


INDUSTRY OUTLOOK | CEO BRIEFING

The world's airlines are paying \$100 billion more for fuel this year.

Yet, Cathay Pacific had its best half-year in 16 years, and Spirit Airlines went bust. Same war, same fuel.

By **Manasee Kurlekar** | October 11, 2026



The Iran war handed every airline on earth the same bill, and the industry is splitting into survivors and casualties according to how it was prepared to pay.

In August, Cathay Pacific reported its best first half since 2010. A few months earlier, Spirit Airlines stopped flying altogether. Both bought jet fuel in the same market, at roughly the same price, through the same war.

That contrast is the real story of aviation in 2026. The fuel shock is global. Its consequences are not. What separates the winners from the wreckage is not the price of a barrel, but four older decisions: how much fuel an airline locked in, how much pricing power it has, where its planes fly, and how much of its cost base fuel already was.

The bill: \$350 billion and counting

The industry's fuel bill is heading for about \$350 billion this year, up from \$252 billion in 2025, according to [IATA](#).

The trigger was the strike on Iran on 28 February and the near-closure of the Strait of Hormuz that followed. IATA now expects jet fuel to average \$152 a barrel in 2026, nearly 70% above last year. Fuel's share of airline operating costs rises to more than 31%, from about 25%.

The profit hit is brutal for a business that already ran on thin margins. IATA cut its 2026 industry profit forecast to \$23 billion, from \$45 billion in 2025. The net margin falls from 4.2% to 2.0%, and profit per passenger halves, from \$9.10 to \$4.50 ([Quartz](#)).

Demand is not the problem. Planes are flying fuller, and fares have risen since the war began. The problem is that the single biggest cost line moved faster than any airline could reprice.

Europe: the hedgers bought time, not immunity

Europe's big carriers entered the war with most of this year's fuel already bought. That is why they are bruised rather than broken.

[Ryanair](#) had hedged 80% of its fuel for the year at about \$67 a barrel. Its total fuel bill rose just 16%, even as the price of its unhedged fuel more than doubled. [IAG](#), owner of British Airways and Iberia, is 70% covered for the rest of the year, though it still expects fuel to cost just over \$10.5 billion, more than £2.3 billion above 2025.

[Lufthansa](#) is the clearest example. It is 86% hedged for 2026 and has held its operating profit forecast at €1.7 billion to €2.2 billion. Yet chief executive Carsten Spohr has said the extra fuel burden will exceed the €1.5 billion flagged in August.

The hedge is a bridge, not a wall. Lufthansa is only a little over 50% covered for 2027. As cheaper contracts roll off, European airlines will start paying something closer to the market price, and their real fuel bill arrives a year late.

The Americas: pay now, reprice fast

US airlines mostly gave up hedging years ago. They pay the market price and try to pass it on through fares. In 2026, that strategy has been tested hard.

[Delta](#) reported this week that its third-quarter fuel bill hit \$4.1 billion, up 62% from a year earlier. It cut guidance and now expects its full-year fuel bill to rise by \$6 billion. Strong premium-cabin demand was not enough to offset it.

[American](#) has had it worse. Its second-quarter fuel expense rose by more than \$2.2 billion, or 83%, almost exactly matching its \$2.3 billion revenue gain. Higher fares recovered only about half the added cost. It has cut guidance twice and expects fuel to add another \$1 billion in the final quarter ([Philadelphia Inquirer](#)). [United](#) cut its earnings outlook to \$7–11 a share, from \$12–14, and trimmed planned flying by about five points.

The weakest carrier did not survive. Spirit Airlines shut down, which IATA's Willie Walsh called the first airline failure caused directly by the Iran war ([Reuters](#)). Walsh expects more small airlines to go bankrupt or be absorbed.

Latin America shows that repricing can work. [LATAM](#) paid an average \$194.5 a barrel in the second quarter, and its fuel expense nearly doubled to \$1.71 billion. But it lifted passenger unit revenue by 17.5% without losing demand, and stayed profitable.

Asia and the Gulf: geography is destiny

In Asia, the deciding factor has been where an airline sits relative to the war.

The Gulf hubs took the first blow. After the strikes on 28 February, the UAE, Qatar, Bahrain and Kuwait shut their airspace outright, grounding Emirates, Qatar Airways and Etihad. They are flying again, but the network model they were built on, connecting Europe and Asia through Dubai and Doha, has been damaged. Emirates' president Tim Clark told the Financial Times in June that his planes were leaving only about three-quarters full ([Migflug](#)).

Cathay Pacific has been the beneficiary. Its first-half profit rose 71% to HK\$6.24 billion, its best since 2010, even as fuel costs rose 59% ([Travel Extra](#)). Passengers who stopped changing planes in the Gulf rerouted through Hong Kong, and a HK\$878 million hedging gain helped. That advantage is already narrowing as the Gulf carriers restore flights and compete for Asia-Europe traffic again.

Singapore Airlines shows that record demand is not enough. It carried a record 10.9 million passengers in the April-June quarter and still posted a S\$76 million net loss, its first since 2022 ([Asian Aviation](#)). Net fuel costs rose 78.5% to S\$2.25 billion. Excluding fuel, its unit costs actually fell 1.7%. Losses at Air India, in which it holds a stake, added to the damage.

India: where fuel was already the biggest problem

Indian airlines face the steepest exposure of any major market. Fuel makes up as much as 40% of their operating costs, against IATA's global figure of about 31% this year ([Business Today](#)). India's jet fuel is priced off international benchmarks, and a weaker rupee makes every dollar barrel more expensive.

The pressure keeps building. On 1 October, state oil companies raised the price of aviation turbine fuel to about ₹137 a litre, from ₹121, after increases in August and September. IndiGo, the country's largest airline, responded with its third fuel-surcharge increase of the year, adding ₹375 to ₹1,300 to domestic fares and up to ₹10,000 on international routes ([Swarajya](#)). It said fully covering the cost would have required a much larger rise.

Air India took the more drastic route. It suspended 145 weekly international flights between June and August, citing record fuel prices and airspace restrictions, and has restored most of them since 1 September ([Outlook Traveller](#)). In April, the industry body representing Air India,

IndiGo and SpiceJet warned the government that carriers were close to grounding aircraft ([ch-aviation](#)).

The timing is painful. The October price rise lands just as the festive season drives the year's peak travel demand.

What comes next: higher fares, fewer airlines, and a 2027 reckoning

Three consequences are already visible, and none of them reverses quickly.

Fares stay high. Walsh has said fares are unlikely to fall soon. Airlines are still absorbing part of the increase, so even a calmer oil market gives them room to rebuild margins before cutting prices.

The industry consolidates. Spirit is unlikely to be the last failure. Weaker carriers without hedges, premium cabins or deep balance sheets have the least room to absorb a cost line that grew by a third. Expect more route cuts, more capacity discipline and more takeovers.

The hedged pay later. Europe's protection fades as contracts expire. If jet fuel stays near this year's levels, 2027 is when the carriers that looked safest in 2026 finally pay the market price.

The lesson reaches beyond aviation. A global shock reaches every company at once, but it lands hardest on those with the least room to absorb it.

In 2026, the airlines that will come out ahead are not the ones that predicted the war. ...They are the ones that prepared for a world where something like it was possible.

Read online: <https://worldbusinesswatch.com/industry-outlook/9/241/the-worlds-airlines-are-paying-100-billion-more-for-fuel-this-year-.html>

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