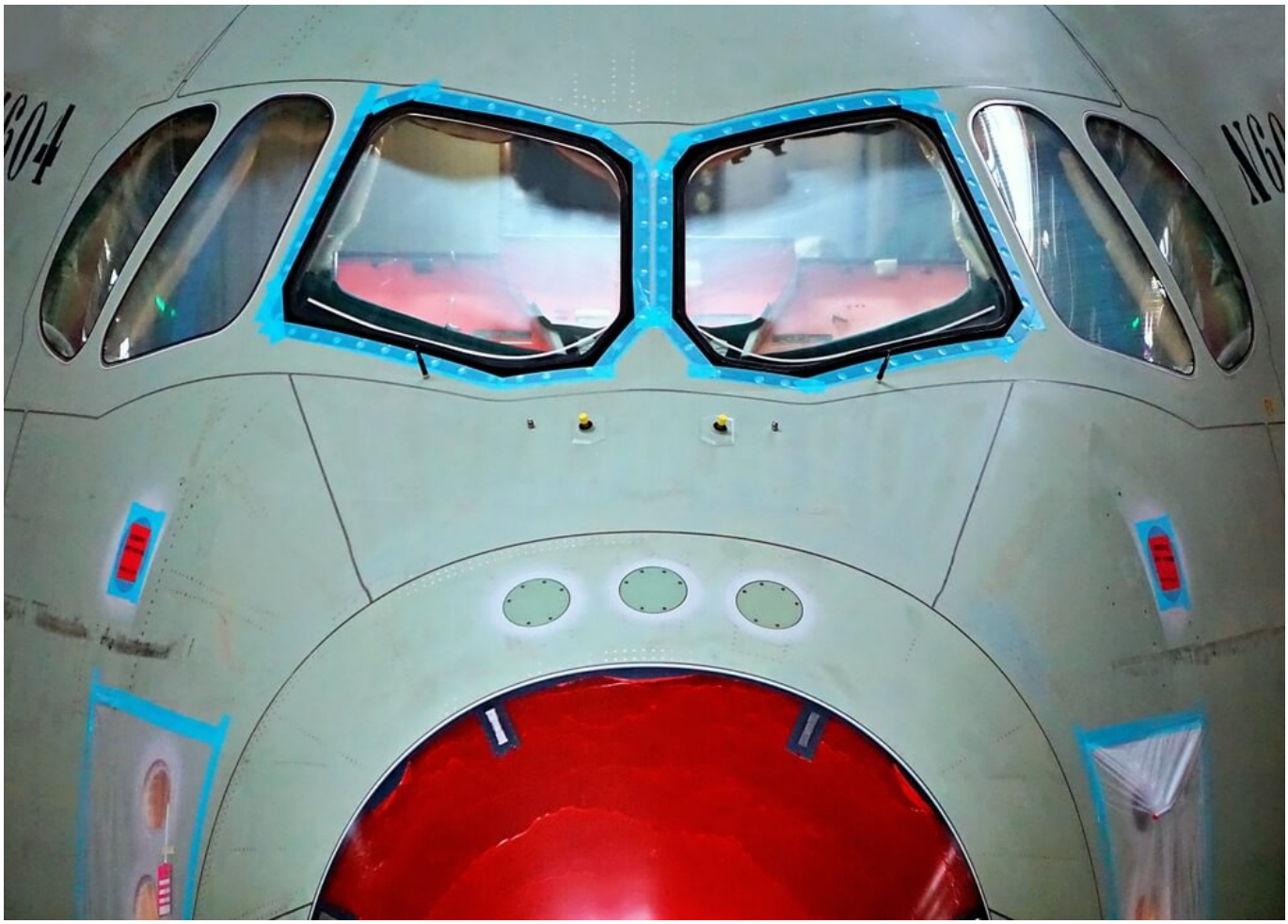
Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

By: Tomorrow's Affairs Staff

The airline industry faces new costs—11 billion dollars due to supply chain disruptions



The global airline industry is entering a year in which the effects of prolonged supply chain disruptions will be clearly reflected in balance sheets.

According to data from the International Air Transport Association (IATA) and consulting firm Oliver Wyman, airlines will pay more than $11 billion in additional costs in 2025 due to long-term delays in the delivery of parts, engines, and maintenance equipment.

The largest portion of this amount relates to fuel—$4.2 billion—as many companies are forced to operate older, less efficient aircraft for longer periods while awaiting delivery of new ones.

Approximately $3.1 billion will be spent on maintenance expenses, $2.6 billion on engine rentals while waiting for overhauls, and $1.4 billion on increased stocks of spare parts now held as a safety reserve.

IATA described this assessment as the first attempt to quantify what the industry has experienced for years: a structural problem in the supply chain that has become a permanent cost of doing business, rather than a temporary disruption.

A structural problem, not a temporary shortage

These stoppages are not the result of a single cause. Qualified technicians are in short supply, repair centres have limited capacity, production plants are delivering more slowly, and the growth in military orders is further straining the capacities of engine and parts manufacturers, all of which contribute to a systemic blockage.

According to Oliver Wyman, the global aircraft fleet is growing again, but with an average age higher than planned before the pandemic.

> Manufacturers cannot keep pace with the delivery rates now required by the market

Manufacturers simply cannot keep pace with the delivery rates now required by the market.

An additional problem arises in the maintenance, repair, and overhaul (MRO) sector. Repair cycles are lengthening, service waiting times are measured in months, and many companies must pay for replacement engines while their own are waiting in repair queues.

This financial pressure directly affects profitability, as costs rise and the ability to compensate through higher fares is limited.

Imbalance in the chain of power

IATA Director General Willie Walsh has warned of a serious imbalance between the profit margins of airlines and suppliers, particularly engine manufacturers.

While airlines operate with net margins of five to seven per cent, engine and parts manufacturers achieve double-digit margins.

IATA therefore does not rule out the possibility of re-evaluating market relations within the sector, as the current model, according to Walsh, "maintains a high cost of operation without real competition in key segments."

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This structure results in the cost risk being transferred solely to the carriers. When a company must lease engines at prices reflecting shortages while losing revenue due to grounded aircraft, the outcome is a combination of reduced liquidity and increased leverage.

In this context, the estimate of $11 billion in additional spending is not merely a sum of costs but an indicator of an industry-wide shift in balance.

Consequences for passengers and the market

The increased costs will not be fully passed on to passengers, but they will certainly be partly reflected in ticket prices—primarily through gradual price increases and reductions in promotional fares.

At the same time, airlines will adjust flight networks, reduce frequencies, and keep older aircraft in service longer in order to amortise rising costs.

> In conditions where fuel is no longer the dominant cost but part of a broader system of inefficiencies, management's focus shifts to capacity optimisation

For years, companies have balanced the pressure to maintain competitive prices with the need to cover rising costs.

In conditions where fuel is no longer the dominant cost but part of a broader system of inefficiencies, management's focus shifts to capacity optimisation.

Passengers will experience this through less flexibility in scheduling and possible congestion on routes with high occupancy, as companies will not risk excess capacity when each engine hour is too expensive.

A change in industrial logic

What was standard a few years ago—minimal parts inventory and reliance on "just-in-time" deliveries—is now becoming too risky.

Companies are adopting the "just-in-case" approach, keeping large quantities of spare components in warehouses.

At first glance, this may seem unprofitable, but the cost of storage is now less than the risk of a forced grounding of aircraft.

This shift is changing the foundation of business in aviation—from cost planning and logistics to supplier contracts.

> Carriers are seeking to revise their contracts with manufacturers and repair centres

At the same time, carriers are seeking to revise their contracts with manufacturers and repair centres.

Contracts are increasingly concluded for the long term, with clauses for sharing risks in the event of downtime or shortages.

Large companies use their purchasing volume and market power to secure priority service slots, while smaller carriers remain on hold.

Such dynamics deepen inequality in the industry, as the costs of waiting affect those with the least resources the most.

Political framework

These costs are not just a business matter; they enter the political sphere, increasing pressure on governments to respond.

Some states are already considering tax incentives for domestic manufacturing and overhaul capacity, while others are subsidising national carriers to maintain competitiveness.

Decarbonisation goals must align with the real capacities of the industry - IATA

In Europe, where climate requirements are an additional burden, the industry warns that moving too quickly to sustainable fuels without adequate infrastructure could further exacerbate cost pressures.

IATA states in its latest report that "decarbonisation goals must align with the real capacities of the industry."

Underlying all this is the security factor. The growth of military orders and drone production is redirecting part of the industrial capacity towards the defence sector.

This further extends deadlines in civil aviation and changes the order of priorities in deliveries.

For the civil sector, this means that waiting times will continue to be expensive—and the cost of delays always ends up on the carrier's balance sheet.

The outlook for the coming year

If current trends persist, 2026 may be the year in which the situation stabilises, though it will not return to its previous state.

Deliveries of new aircraft are likely to accelerate but are not expected to meet demand levels.

Capacity in the MRO sector cannot be increased immediately, as qualified technicians and pilots require lengthy training.

In other words, the industry will continue to bear the consequences of pandemic shutdowns, supply chain disruptions, and political tensions that shape the labour market for some time.

> Reliability, stability, and technical resilience now take precedence over growth at any cost

In conclusion, the additional $11 billion is not merely an expense but a sign of profound change in the airline industry.

Reliability, stability, and technical resilience now take precedence over growth at any cost.

Passengers will experience this through higher ticket prices and a reduced choice of flights, investors through weaker profit growth, and governments through the need to support their carriers in a context that is no longer purely market-driven but infrastructural.

At a time when speed and connectivity have become key resources, the airline industry is discovering it cannot move faster than its own supply chains. This is the most important lesson that 2025 will impart.

Therefore, a key task for the industry in the coming years will be to return to a realistic framework—sustainable costs, predictable supply chains, and responsible growth.

Only in this way can aviation achieve stable operations again, both for passengers and for those who finance it.