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What the fuel is going on???

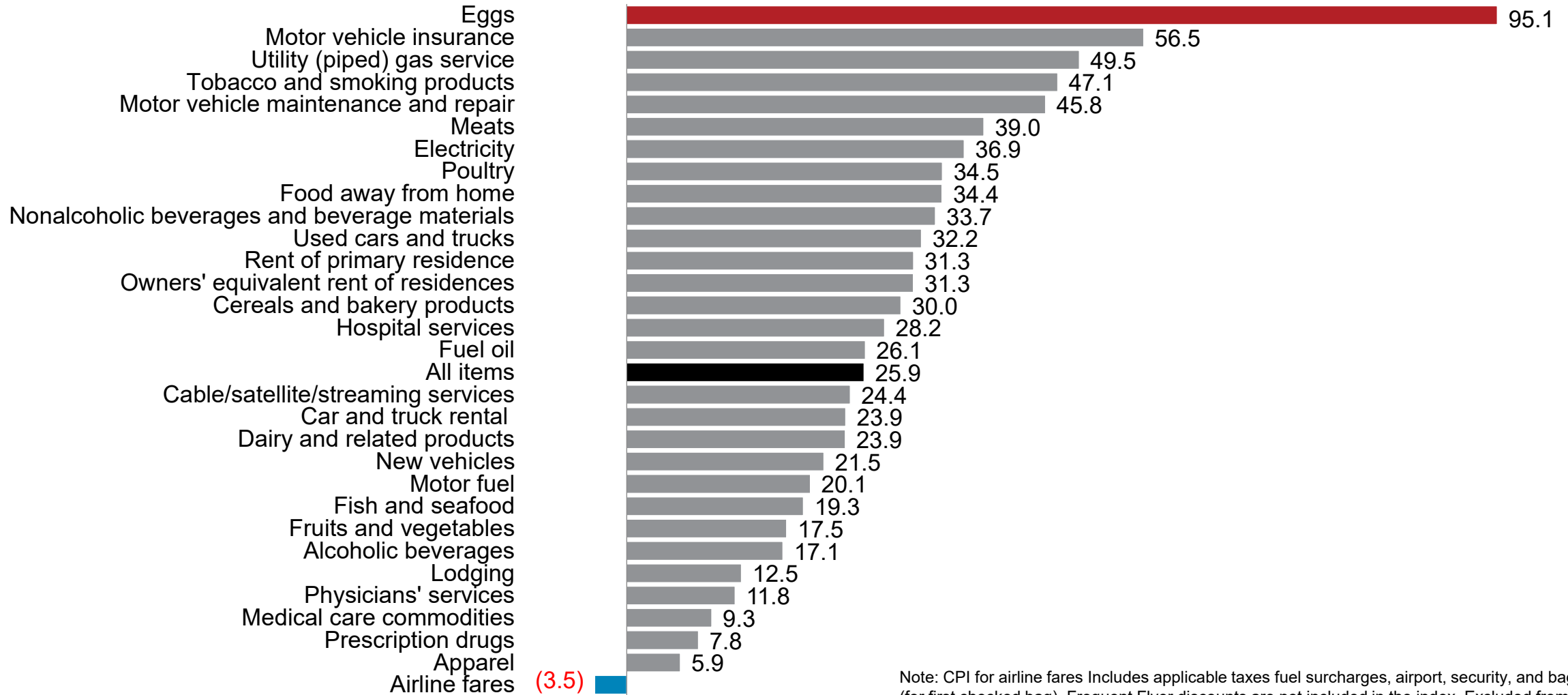
John Heimlich, VP & Chief Economist

Presentation to CAPA Airline Leader Summit (Americas)

May 27, 2026

From 2019-2025, Airline Fares *Fell* 3.5% While Overall Consumer Prices *Rose* ~26%

Change (%) in Selected U.S. Consumer Price Index (CPI) Components — 2025 vs. 2019



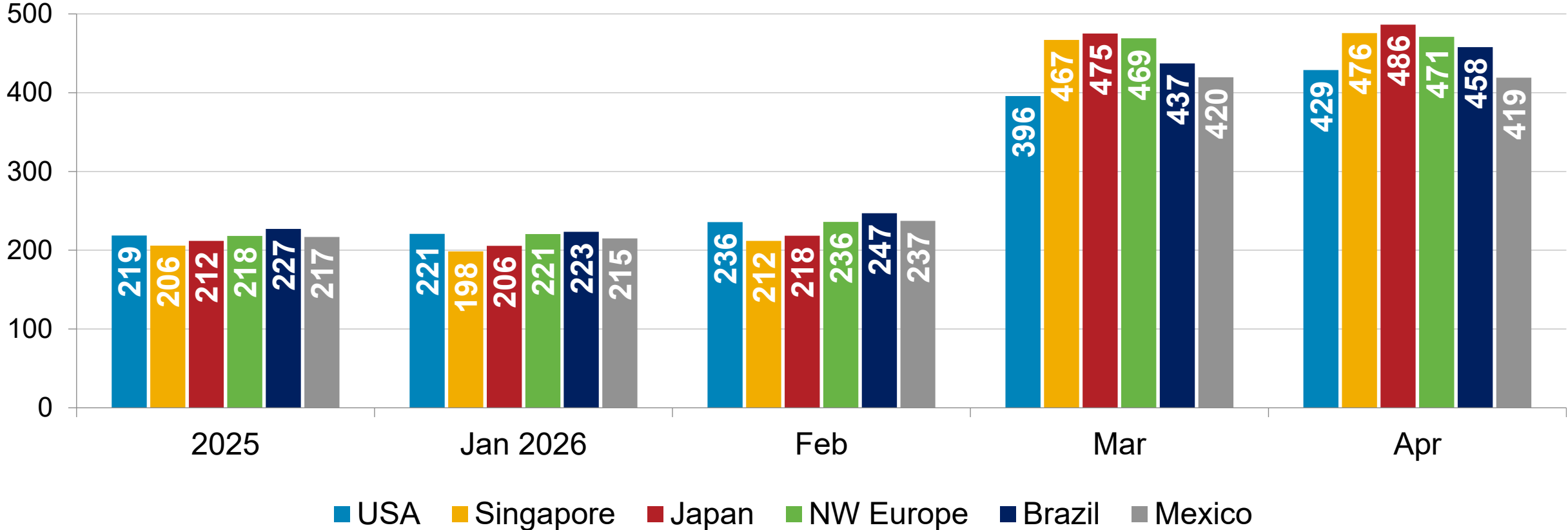
Note: CPI for airline fares includes applicable taxes, fuel surcharges, airport, security, and baggage fees (for first checked bag). Frequent Flyer discounts are not included in the index. Excluded from pricing are trips in helicopters, trips on intra-Alaska carriers, and trips designated as business travel.

Source: Bureau of Labor Statistics

Jet Fuel Prices Surged in March/April, Driven by Supply Chain Disruption and Military Demand

Prices Are Especially High in Asia and Europe

Average Spot Price (Cents per Gallon) of Jet Fuel*



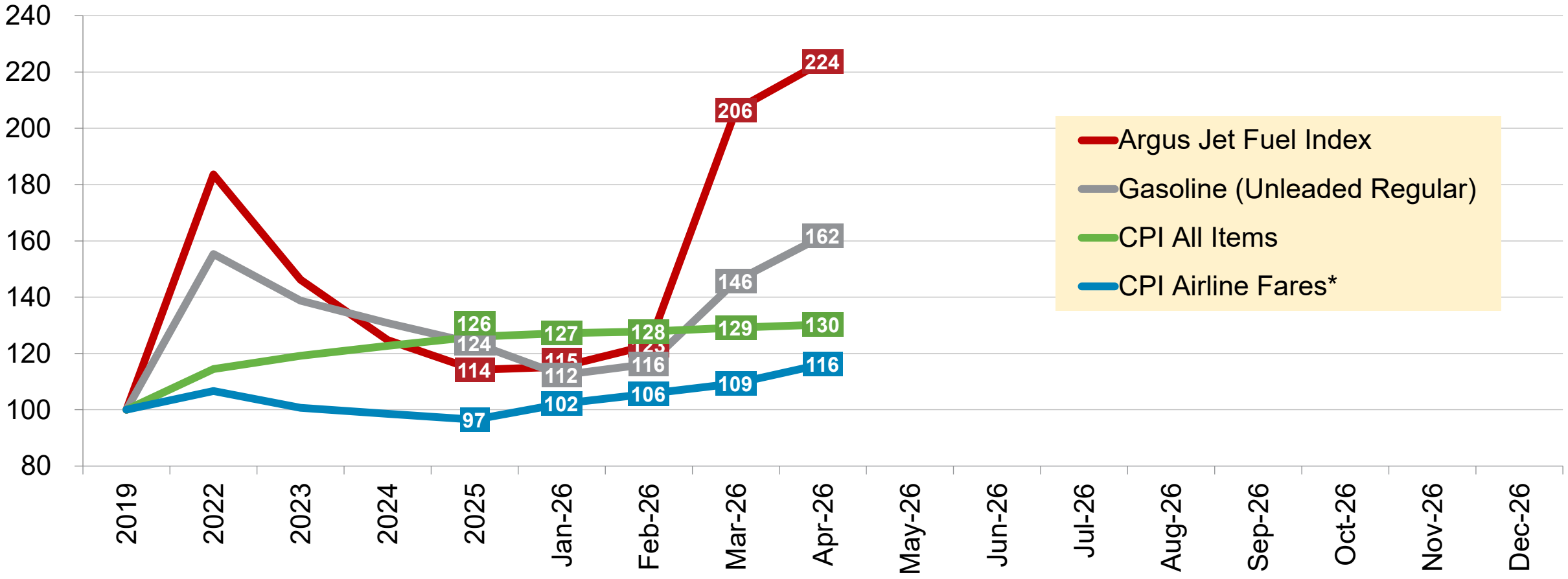
Sources: Argus Media

* USA = Argus US Jet Fuel Index™ (<https://www.airlines.org/dataset/argus-us-jet-fuel-index/>) average of Chicago/Houston/Los Angeles/New York refining centers

From January to April 2026, the Jet Fuel Prices Rose 7x More Than the Price of Air Travel

Post-2019, Airfares Have Lagged Overall U.S. Inflation and Jet Fuel Prices

U.S. Consumer Price Index and Airline Fares* CPI vs. U.S. Jet Fuel (Index: 2019 = 100)



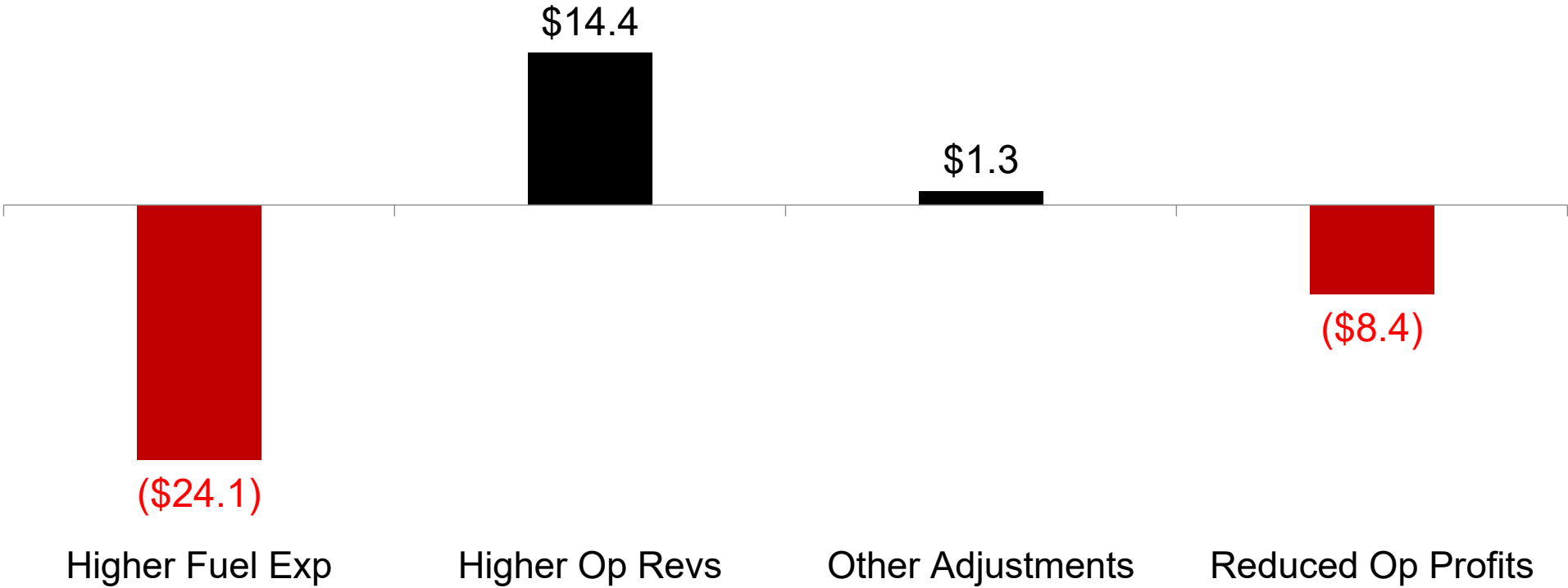
Source: Bureau of Labor Statistics and Argus Jet Fuel Index™

* Includes applicable taxes fuel surcharges, airport, security, and baggage fees (for first checked bag)

Deutsche Bank Projects That U.S. Airlines Will Recapture ~60% of the Incremental Fuel Bill

Revised Forecast (April 7) Projects \$14.4B More Revenue Against \$24.1B Higher Fuel Expense

Change in Deutsche Bank's 2026 Forecast (in Billions) for U.S. Airlines (April 7 vs. Late Feb)

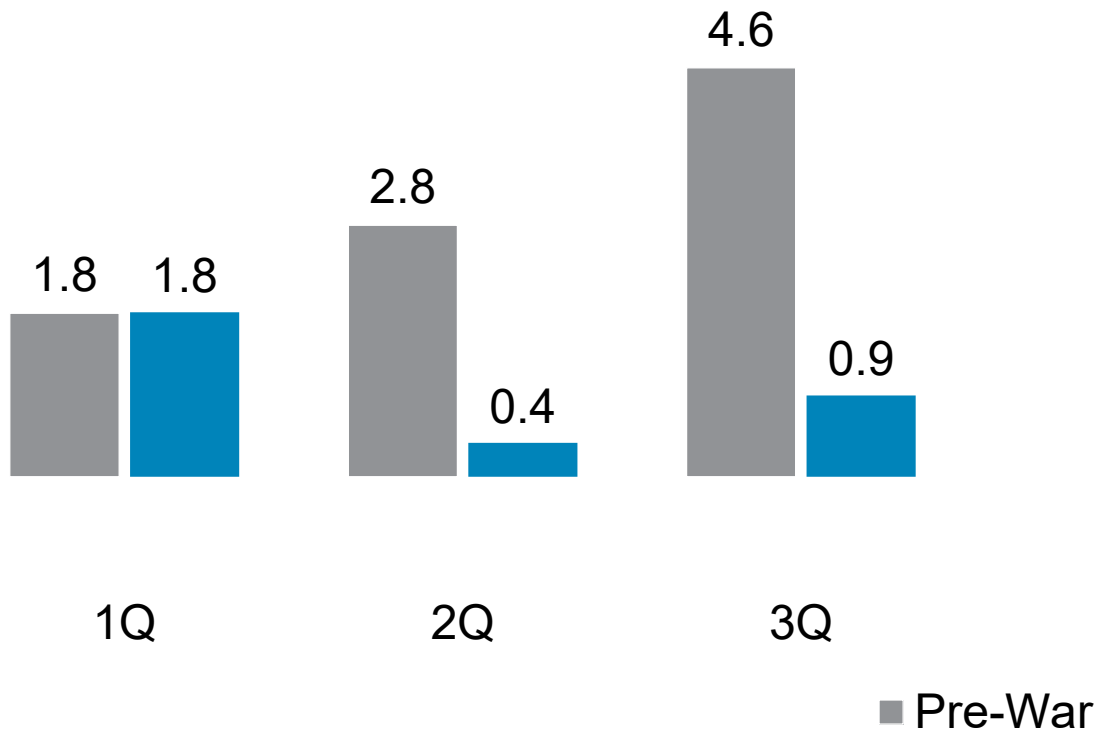


Source: Deutsche Bank Research, "Airlines: Mar Q '26 Preview/Jun Q '26 Outlook - A crude reality: airlines face \$40 billion fuel bill," (April 7, 2026)

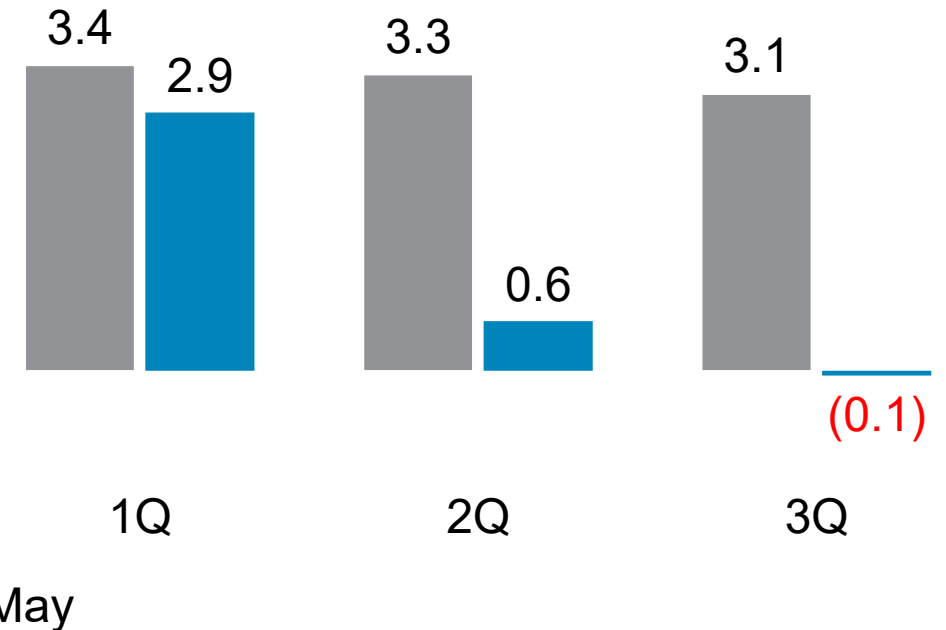
With Fuel Prices Surging, U.S. Airlines Have Materially Pared Apr-Sep 2026 Capacity Growth

Published Schedules Show U.S. Carriers Reducing International Capacity YOY in the Third Quarter

Scheduled U.S. Domestic Capacity
% Change YOY in Available Seat Miles



Scheduled U.S. International Capacity*
% Change YOY in Available Seat Miles



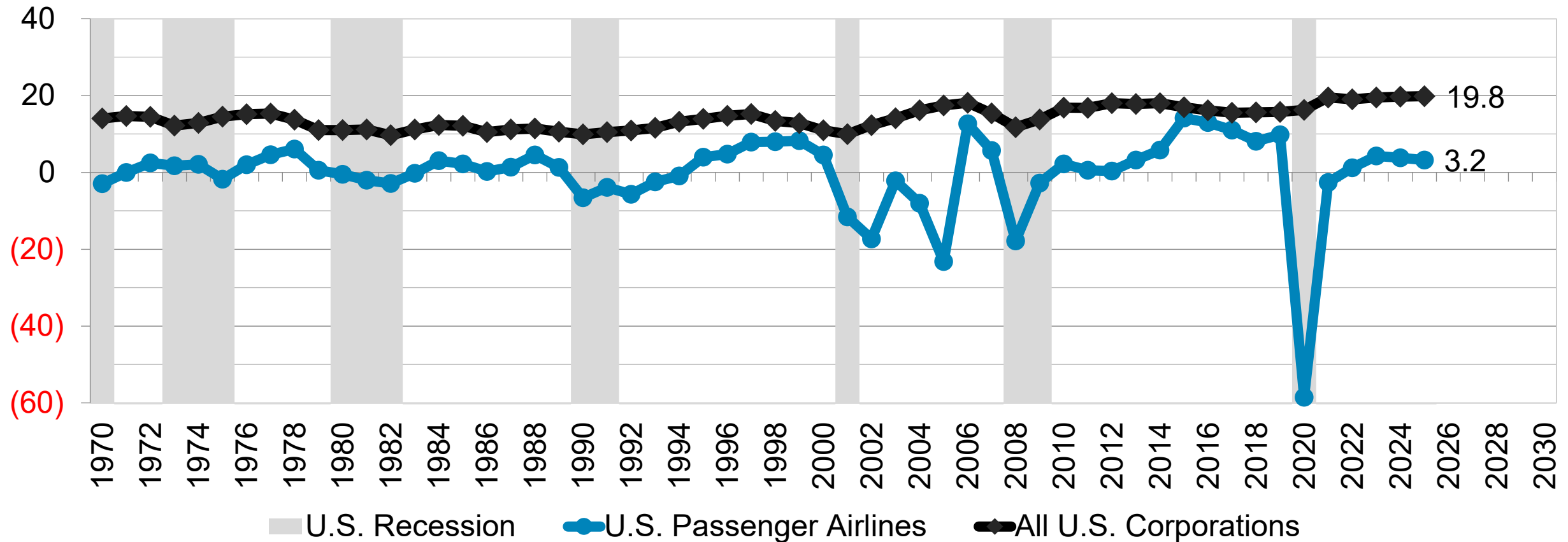
Sources: Cirium published schedules

* Alaska/American/Delta/Hawaiian/JetBlue/Southwest/United only

Even in Best Years, Airline Profitability Lags the U.S. Corporate Average

Pre-Tax Profit Margin (%) Gap Was Narrowest in 2015

Wall Street projects airlines to post a 3.4% margin in 2026, with company results ranging from -11% to +7%.



Source: ATA Annual Reports (1970-1976), A4A Passenger Airline Cost Index (1977-present); Bureau of Economic Analysis

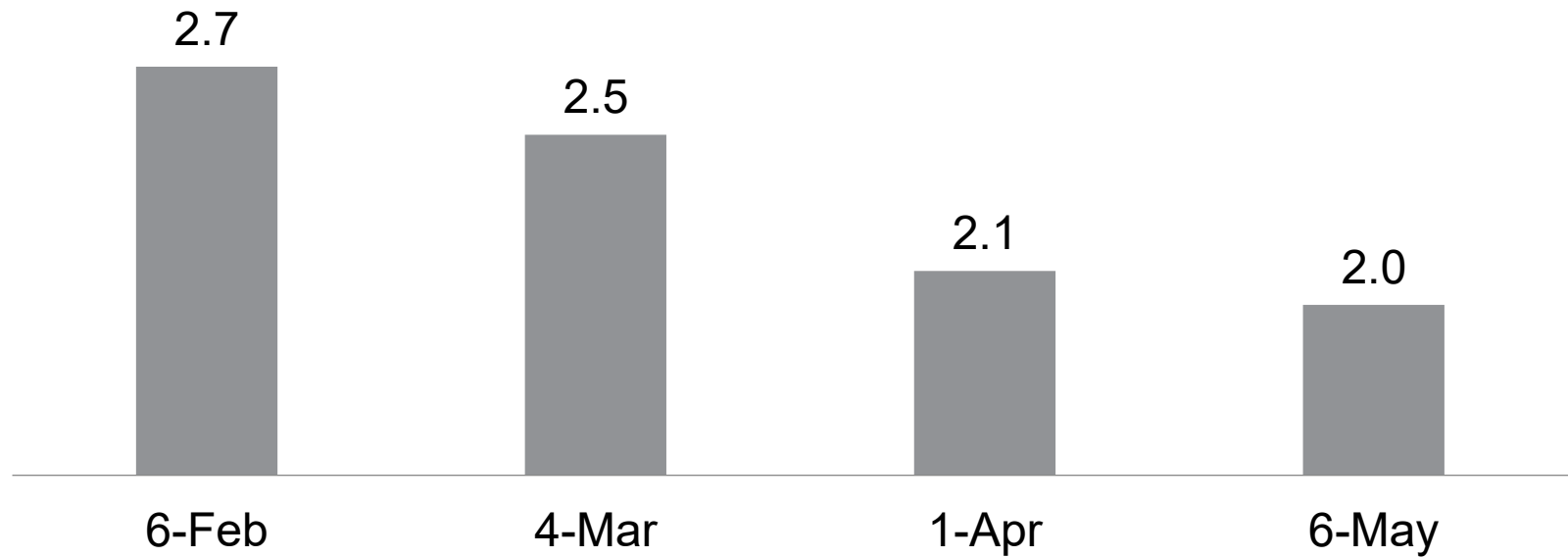
Note: Years with at least two months in recession highlighted in gray

Standard & Poor's (S&P) Has Lowered Its Expectations for U.S. Economic Growth in 2026

Real GDP Growth Now Pegged at 2.0%, Down From Pre-War (Feb. 6) Outlook

“The most important development influencing this month’s forecast is our updated projection for oil prices... Even if the ceasefire holds indefinitely, we now expect supply to remain tight enough for long enough to keep oil prices well above the levels shown in last month’s forecast.” — S&P US Economic Outlook (May 2026)

S&P Projected Real U.S. GDP Growth (%) for 2026 by Date of Forecast

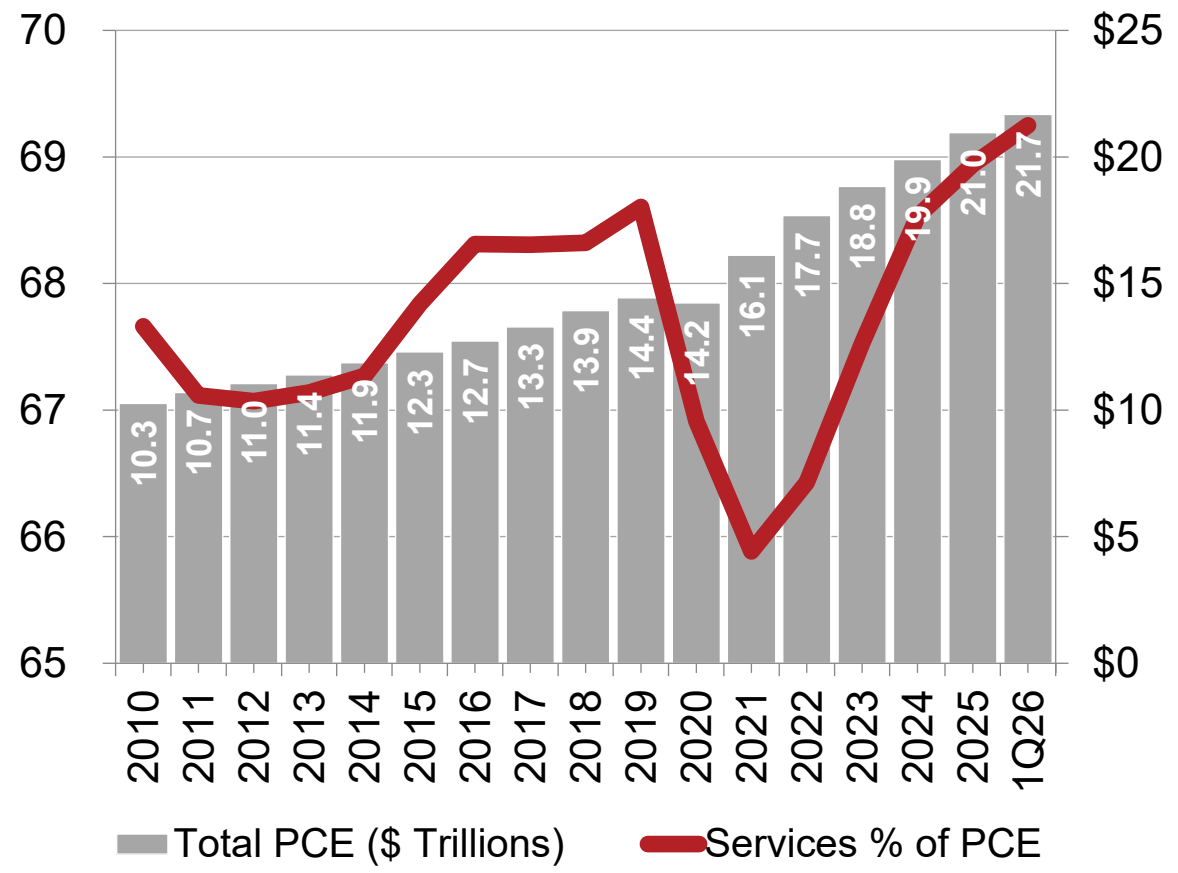


Sources: U.S. Bureau of Economic Analysis (March 13, 2026), Standard & Poor's U.S. Economic Outlook (May 2026)

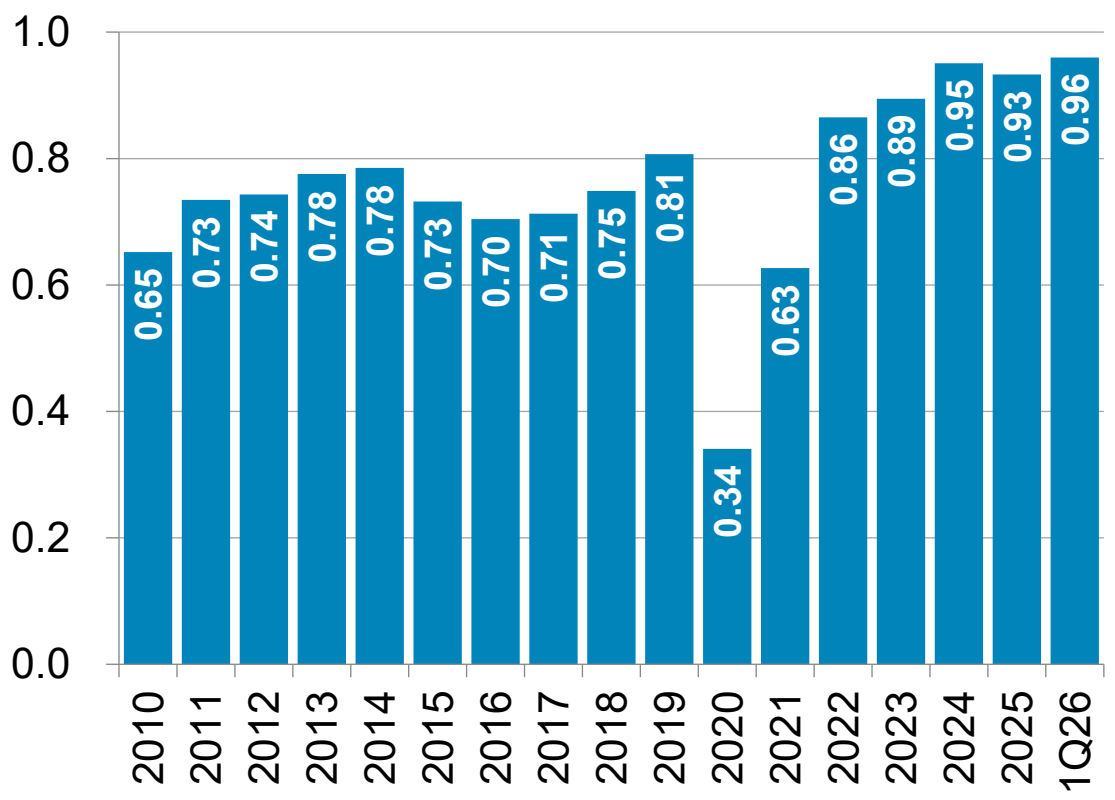
U.S. Consumers Are Prioritizing Experiences, With Almost 1% of Spending Going to Air Travel

In the First Quarter of 2026, Annualized Spending on Air Transportation Exceeded \$208 Billion

Services Share (%) of Personal Consumption



Air Travel Share (%) of Personal Consumption



Source: U.S. Bureau of Economic Analysis

Note: PCE = personal consumption expenditures

“Top 10% of Earners Drive a Growing Share of US Consumer Spending”

Highest-Income Americans Behind 46% of Spending, Up From 36% in 1990

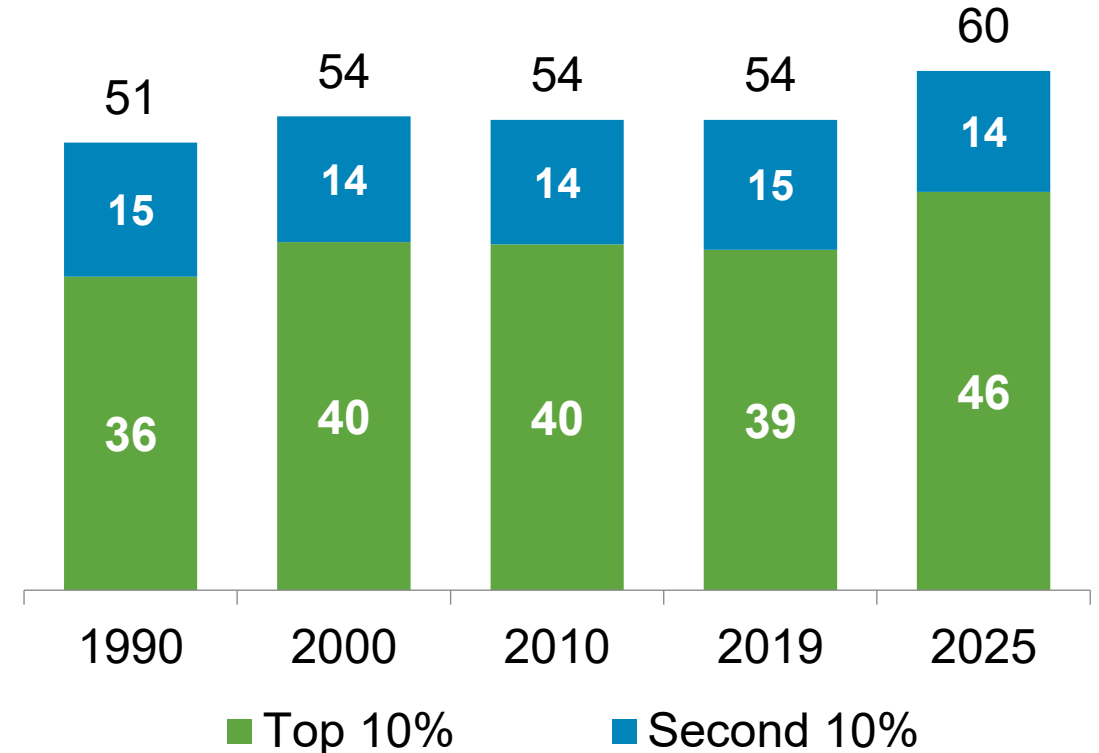
“The economy’s prospects are tethered to the fortunes and spending of the well-to-do,” [Moody’s Analytics Chief Economist Mark] Zandi said.”

Bloomberg Government (Sept. 16, 2025)

“Not surprisingly, the well-to-do are thus spending with gusto. Those in the top 10% of the income distribution, who are making more than \$275,000 annually, account for an estimated nearly one-half of all personal outlays, and their spending has significantly outpaced inflation since the pandemic. Those in the next highest 10% of the income distribution...have also spent at a pace measurably greater than inflation during this period.”

“The Affordability Squeeze,” *LinkedIn* (Dec. 9, 2025)

Share (%) of U.S. Consumer Spending by Top 20% of Earners



Source: Moody’s Analytics review of Federal Reserve data and Jonnelle Marte, “Top 10% of Earners Drive a Growing Share of US Consumer Spending,” *Bloomberg Government* (Sept. 16, 2025)

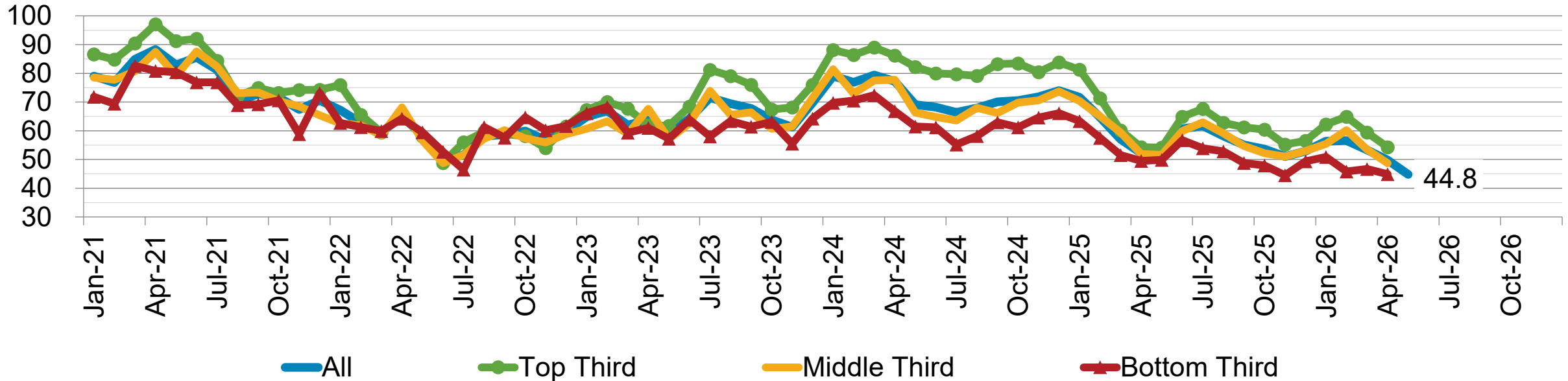
In May, U.S. Consumer Sentiment Fell to an All-Time Low

Higher Levels of Sentiment Correlated With Higher Levels of Income

“The US-Israeli war in Iran and its subsequent oil supply crunch and price shocks have worsened sentiment that already was soured by years of high inflation and an affordability crisis... **Americans are feeling worse now** than they did during wars, the 1970s oil crisis, 9/11, the Great Recession, the Covid-19 pandemic and the inflation surge afterward. **Some of the sharpest declines in sentiment came from lower-income consumers and those without college degrees...**”

Alicia Wallace, “High gas prices, cost of living send US consumer sentiment to all-time low,” CNN.com (May 22, 2026)

U.S. Consumer Sentiment by Income Tier: Index: 1Q 1966 = 100



Sources: University of Michigan and <https://www.linkedin.com/pulse/affordability-squeeze-mark-zandi-xk7re/>



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