



Aviation: Losing altitude due to geopolitics?



The war in Iran is already causing jet fuel shortages in parts of the world and is giving rise to similar concerns in Germany too. This would come at an inopportune time for the industry. Turn-over is still below pre-pandemic levels and growth in 2026 would be at risk.



Adrian Keppler
Sector Analysis
T+49 69/91 32-41 83
adrian.keppler@helaba.de

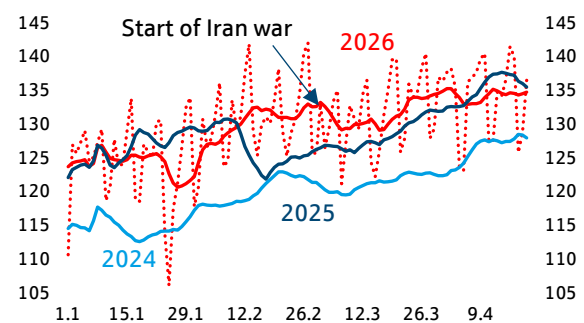
In Germany, the war in Iran has so far been felt mainly in fuel prices. However, there are currently increasing reports that could turn another concern into reality: **a shortage of jet fuel.**

The chaos at airports in the Middle East and on numerous flight routes at the start of the war in late February has almost been forgotten. Although there was a short-term decline in

global flight activity (see chart), a recovery has since set in, meaning that the number of flights is now back **above pre-war levels**. At first glance, the global aviation industry appears to have overcome the shock, and thanks to long-term hedging contracts, the sharp rise in jet fuel costs (see chart below) remained a manageable problem, particularly for European airlines. However, further problems are looming.

Flight activity only briefly dampened by Iran war

Number of commercial flights* per day, 7-day average, thousands



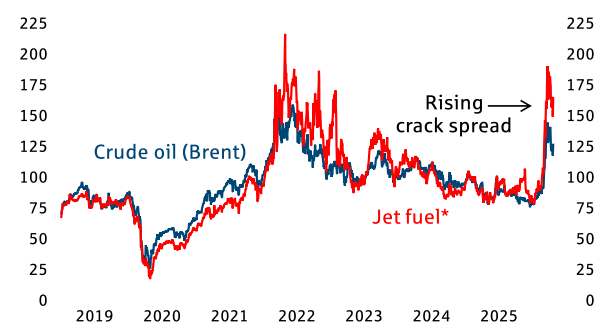
*Scheduled flights, cargo flights, charter flights, selected private flights
Sources: Flightradar24, Helaba Research

Not only has the price of jet fuel risen significantly, but so too has the **jet fuel crack spread** – the difference between the price of jet fuel and that of crude oil, which reflects the margin for kerosene refineries – suggesting that supply bottlenecks have been developing for some time. The International Energy Agency (IEA) has already

warned of a **jet fuel shortage in Europe this summer**, possibly as early as the next six weeks.

Kerosene crack spread has risen

Crude oil price (Brent), jet fuel price (US Gulf Coast), Jan. 2025 = 100



*Spot prices
Sources: Macrobond, Helaba Research

Global aviation was actually expected to grow this year. Revenue in the German aviation sector remains below pre-pandemic levels. In Germany in particular, **the bottlenecks facing the sector are therefore coming at an inopportune time** – not to mention the consequences for consumers and businesses.

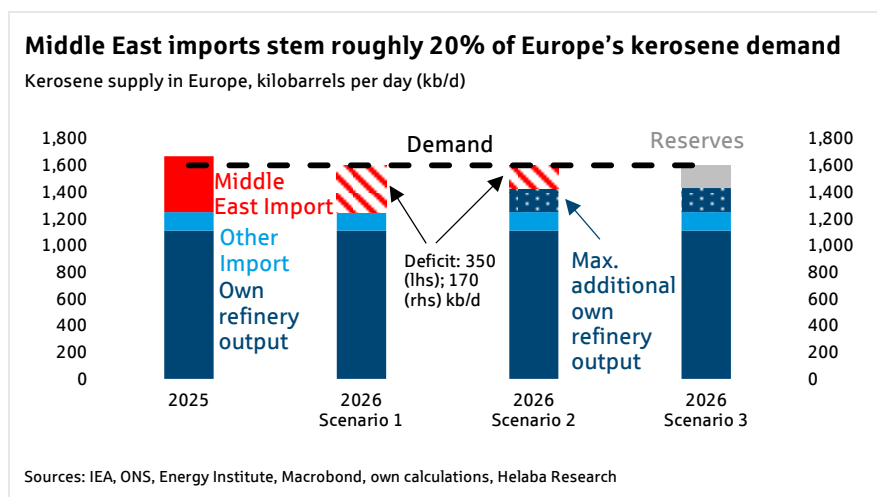
Against this backdrop, this analysis examines the **jet fuel supply situation in Europe**, as well as the short- and long-term outlook for the global and **German aviation sectors**.

Jet fuel shortage: alternative suppliers would be needed in the short term

As in other areas of energy and fuel supply, the **jet fuel market** is **closely integrated across Europe**. Major airports such as Frankfurt, Brussels, Amsterdam and Zurich, for example, are directly connected to the **Central European Pipeline System**. We therefore analyze the looming jet fuel shortage from a European perspective.

According to the IEA, Europe refines approximately 70% of its kerosene requirements itself, amounting to around 1,100 kilobarrels per day (kb/d). The remaining 30% is imported, with around three-quarters of this coming from the Middle East (approx. 350 kb/d). To put this into context: according to the Federal Association of the **German Aviation Industry** (BDL), German airlines' jet fuel consumption in 2024 amounted to around 180 kb/d. Consequently, the risks of supply bottlenecks for Europe currently lie less in crude oil imports. Rather, it is Europe's **limited domestic refining capacity**

that makes its jet fuel supply vulnerable to geopolitical developments in the Middle East.



Broadly speaking, there are three short-term options (long-term options follow below) for how Europe can respond to kerosene shortages: **increasing its own refining capacity, mobilizing stockpiles and securing new sources of supply**. We have drawn up three scenarios to outline the rough scale of the supply shortfall in Europe:

- 1) **No response:** In this scenario, Europe would be short of the full volume of imports from the Middle East, amounting to 350 kb/d, which corresponds to around 20% of total demand.¹
- 2) **Ramping up capacity:** According to the Energy Institute, Europe's oil refineries have been operating at around 80% of capacity in recent years. At theoretical full capacity, this would result in a kerosene deficit of approximately 170 kb/d over the whole year, equivalent to 10% of annual demand.
- 3) **Increasing capacity and mobilizing stockpiles.** According to the IEA, (officially reported) stockpiles in 2025 amounted to around 170 kb/d (approximately 10% of total demand). Even a complete mobilization of stockpiles would therefore not be sufficient to compensate for a total loss of imports from the Middle East. Only if domestic capacity were simultaneously utilized to full capacity would the kerosene deficit be completely eliminated over the course of the year.

The **options assumed** in the scenarios are **very optimistic**. Whilst the utilization of existing refinery capacity could probably be increased slightly, full utilization of close to 100% appears unrealistic. Furthermore, the refineries are designed to produce various petroleum distillates. It is therefore questionable whether the most recently achieved kerosene share of around 8.5% can be scaled up proportionally without further ado. Full utilization of storage capacity is also likely to prove difficult.

¹ This analysis does not claim to be numerically precise. Strictly speaking, one would need to take into account that kerosene demand is not evenly distributed throughout the year and that the first two months of the year had already passed by the time the war began. Rather, the aim here is to provide a heuristic assessment of the possible scale of the shortage.

New sources of supply are therefore likely to be needed. Whilst the Asian market could, in principle, be considered, there are already increasing reports of regional kerosene shortages and export restrictions there, for example from China. The US remains an alternative supplier, as it could deliver by tanker. Such a switch to US supplies brings to mind the shift from Russian pipeline gas to US LNG imports following the start of Russia's war of aggression against Ukraine. That shift was driven by geopolitical considerations, but came with additional costs. In this case too, significantly higher costs would be expected. There is a further complication: the US might, however, demand concessions in return for supplies, for example in the form of additional military support in the Middle East.

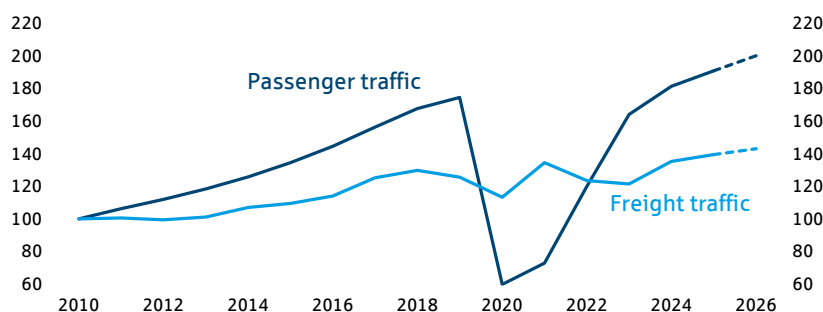
Airports have not yet produced any projections regarding impending shortages. This is partly because oil companies, which hold information on the immediate stock and supply situation, often act as intermediaries between airport refueling logistics and the supply sources (refineries or external storage depots).

Globally, things were on track – the war in Iran is causing turbulence

Global aviation was actually expected to grow significantly by 2026. The COVID-19 slump in passenger traffic had already been overcome by 2024, and for 2026 the **International Air Transport Association (IATA)** forecast growth of **4.9%** for passenger traffic (demanded seat-kilometers) and **2.6%** for freight traffic (demanded tonne-kilometers).

Aviation was on track until the Iran war kicked in

Passenger and cargo growth in global aviation*, 2010 = 100



*2026: IATA forecast. Passenger growth in seat-kilometers, cargo growth in tonne-kilometers
Sources: IATA, Helaba Research

Freight traffic got off to a flying start this year. According to

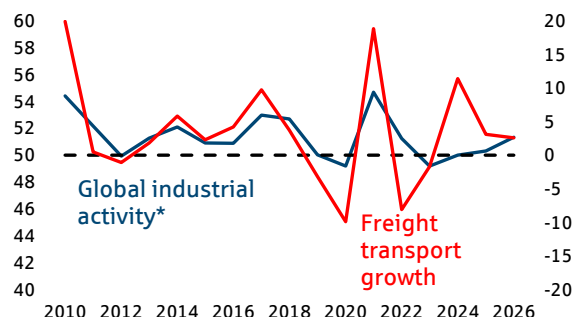
IATA, tonne-kilometers in February were 11.2 per cent higher than in the same month last year. This growth reflects the **global industrial economy, which remains intact**, and the **expansion of world trade**. The latter in particular has proved remarkably robust despite geopolitical tensions.² In recent years, a weak global industrial economy and reduced international trade have dampened air freight traffic.

For freight traffic, this makes it all the more crucial to see how further developments in the Middle East will affect the global economy and trade in goods. Even if the jet fuel supply to European or German airlines proves to be robust, bottlenecks in other parts of the world would be felt due to **reduced trade activity**.

In the passenger transport sector, growth in Latin America and Asia was expected to be particularly strong (see chart below lhs). However, even in Europe and the US, passenger air travel was expected to grow by 3.8% and 1.5% respectively, and to continue to generate the majority of net profits (see chart below rhs). The trend in global flight figures to date suggests that the **IATA forecasts are unlikely to withstand the crisis in the Middle East**. At the end of 2025, IATA expected the number of flights this year to rise by around 3.6%. However, according to Flightradar24, growth in commercial flights up to mid-April was only 0.1% compared with

Global industry is likely to underpin freight traffic

Global industrial activity* (left), freight transport (right), % yoy



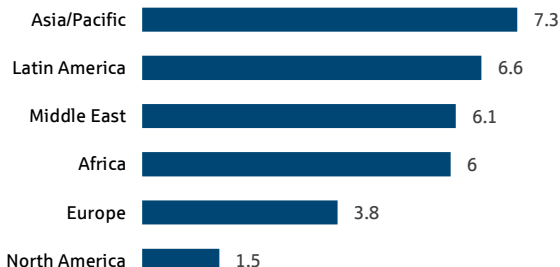
*Approximated by global Purchasing Managers' Index for the manufacturing sector
Sources: Macrobond, Helaba Research

² See our country focus „[Welthandel: Auf Kurs in schwierigem Fahrwasser](#)“ from 19 March 2026 (available in German language only).

the same period last year. This would mean that, over the remainder of the year, there would have to be significantly more flights than in 2025, which is unrealistic given the ongoing conflict – despite the ceasefire – supply concerns and the subdued start to the year in terms of flight figures.

Passenger growth expected across all markets

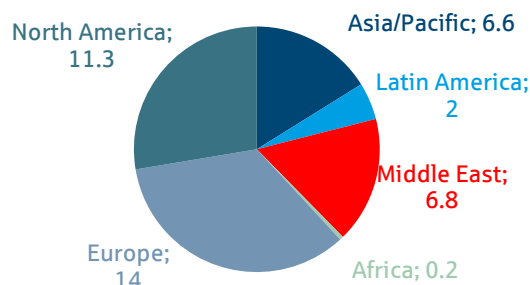
Passenger growth 2026* (seat-kilometers), % year-on-year



*IATA forecast from December 2025
Sources: IATA, Helaba Research

Western airlines still dominate profits

Net profits 2026*, billion US dollars



*IATA forecast from December 2025
Sources: IATA, Helaba Research

German aviation growth at risk

According to the German Aviation Association (BDL), seat capacity in the German aviation sector was expected to grow by 2% in the first half of 2026. Our estimate of revenue growth was also in this range – growth that the sector could certainly do with.

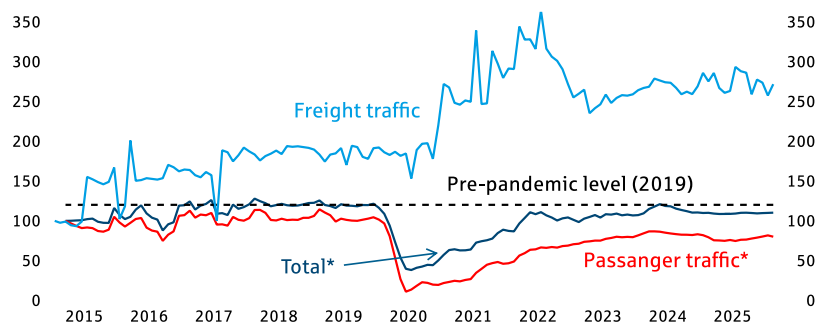
This is because, at the start of 2026, the sector's price-adjusted revenue was still **4.4% below the level of the pre-pandemic year 2019**. This is largely

due to passenger traffic, which dominates the sector in terms of revenue. Although the less significant pure cargo sector has been performing better for several years, it also began to weaken in the course of 2025.

Since the pandemic, the profitability of the German aviation industry has been lower than in Europe and the rest of the world. Last year, for example, the sector's **EBIT margin** in Germany stood at 3.4%, whilst in Europe and globally it was around 7%. In terms of jet fuel costs and profits, however, Germany still holds an advantage, particularly over its North American competitors. This is because German airlines have more extensive hedging contracts in place, making them more resilient to fluctuations in jet fuel prices. However, actual jet fuel shortages would, sooner or later, also worsen the situation for German airlines.

Turnover volume of German aviation sector below pre-pandemic levels

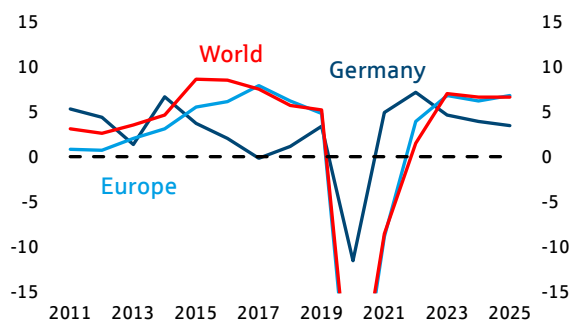
Real turnover of the German aviation sector, Jan. 2015 = 100, seasonally adjusted



*3-month smoothed
Sources: Macrobond, Helaba Research

EBIT margin of German airlines below average

EBIT margin, % of total revenue



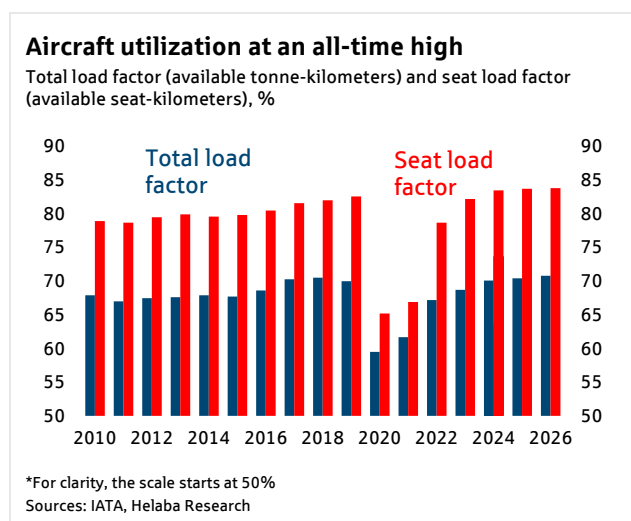
Sources: Feri, IATA, Helaba Research

Conclusion: Limited options in the short term; geopolitical resilience is needed in the long term

For Europe, the short-term options for securing kerosene supplies lie primarily in alternative supplier countries. Globally, however, the aviation industry must prepare for lower growth. The bottlenecks resulting from a prolonged blockade of the Strait of Hormuz would be too severe to be offset.

In theory, airlines could aim for higher load factors. However, according to the IATA forecast, the global **seat load factor** would already have reached a **historic high** of 83.8% by 2026. The seat load factor for German airlines³ has averaged 86.3% in recent years. There is therefore less room for maneuver here than for the global average.

The same applies to the **total load factor**, which includes both passenger and cargo capacity and is also set to reach a record high of 70.8%. The remaining scope for maneuver is therefore limited. The key question is whether the higher load factor will more than offset the rising jet fuel costs caused by the additional weight.



In the long term, the current crisis fits into an increasingly structural pattern of geopolitical risks. The lessons are clear: greater independence, resilience and sustainability could provide a solution. Strategic jet-fuel reserves would be a first step. Furthermore, if the aim is to secure more local refining capacity, Europe should review its policy on the siting of refineries. Over the past few decades, capacity in this sector has been drastically reduced, and companies are planning further relocations. However, current developments should also demonstrate to companies that higher production costs must be weighed against the geopolitical advantages of domestic production.

Another option could be the accelerated introduction of **Sustainable Aviation Fuels (SAF)**. These non-fossil fuels are produced from biogenic waste materials or synthetically using green hydrogen and CO₂. Their advantage is that they are fully compatible with existing infrastructure and engine technology. The disadvantage: high costs and very limited availability. SAFs therefore remain a long-term solution, even though a mandatory blending quota of 2% has been in force in the EU since 2025, which is set to rise to 70% by 2050.

Overall, revenue growth in the global and German aviation sectors this year depends largely on **how the Middle East crisis unfolds**. The global target of 4.9% passenger growth is likely to be missed. For the German aviation sector, a revenue increase of around 2% in real terms would have been realistic. However, should Europe be hit by a kerosene shortage, stagnation is likely at best – at the latest when the war in Iran drags on and begins to affect the hitherto robust global economy.

³ The analysis here took into account the Lufthansa Group and Condor.



You can subscribe to our newsletter here:

<https://news.helaba.de/research/>

Publisher and Editorial

Helaba Research

Editorial:

Dr Stefan Mitropoulos

Responsible:

Dr Gertrud Rosa Traud

Chief Economist/

Head of Research

Neue Mainzer Str. 52–58

60311 Frankfurt am Main

T +49 69 / 91 32 - 20

Website: www.helaba.com

Disclaimer

This publication has been compiled with the utmost care. However, it contains only non-binding analyses and forecasts regarding current and future market conditions. The information is based on sources which we consider to be reliable, but for which we cannot guarantee the accuracy, completeness or timeliness. All information provided in this publication is for information purposes only. It must not be construed as an offer or a recommendation regarding investment decisions.