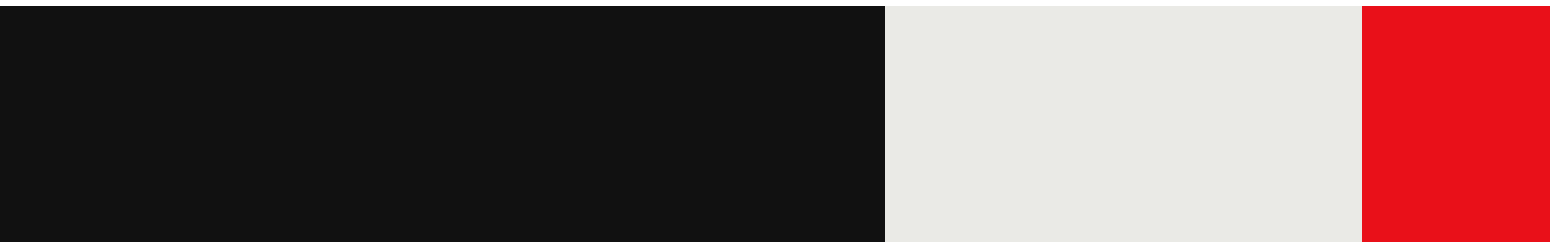


# Airlines are bullish on 2025 travel demand

## Article



**The insight:** United Airlines and Alaska Airlines joined [Delta](#) in forecasting [healthy travel demand in 2025](#) following a better-than-expected Q4.

- United begins 2025 “with demand trends continuing to accelerate” following a record 2024, CEO **Scott Kirby** wrote in the carrier’s earnings release.
- Alaska Airlines noted that strong momentum in Q4—driven by “sustained leisure demand” and an increase in corporate travel—has so far carried over in Q1 bookings.

By contrast, **American Airlines** delivered a dour Q1 profit outlook despite its record Q4 and full-year revenues.

- The airline expects an adjusted loss of 20 cents to 40 cents per share due to lower capacity and rising fuel prices, as well as higher labor costs.
- At the same time, it expects capacity to recover during the peak travel period in March, and a 3% to 5% increase in Q1 revenues.

**The big picture:** A record 5.2 billion people are expected to fly in 2025, a 6.7% increase YoY, according to the International Air Transport Association. This would mark the first time the number of air travelers has surpassed 5 billion.

While that should be good news for all carriers, the reality is more nuanced. Booming demand for international travel has helped boost bookings for carriers like United, Delta, and American. But on the flip side, waning interest in domestic trips and budget travel pushed **Spirit Airlines** into bankruptcy and forced low-cost carriers like **Southwest Airlines** and **Frontier** to introduce premium seating with more legroom.

This reflects the broader [consumer spending landscape](#) writ large: While higher-income households are happy to spend on everything from **Cartier** jewelry to **lululemon** leggings to extended legroom on international flights, lower- and middle-income consumers are being cautious with their expenditures as they navigate higher costs for everyday necessities like food and housing.

**Following the money:** Given the growing gap in spending, it's no surprise to see airlines and hospitality companies target high earners—although some, like United, are hedging their bets.

- [Premium seating](#) will account for 85% of Delta's capacity increases in 2025 as it makes a major push to woo affluent customers. The airline expects premium revenues to outpace main cabin sales by 2027.
- American CEO **Robert Isom** called premium demand “the wind behind our sails,” during the company's Q4 earnings call—demand it's well-equipped to meet thanks to its array of upper-tier seating and growing network of ultra-premium lounges.
- Likewise, United is bullish about the opportunity to lure bigger spenders after premium passenger revenues rose 10% YoY in Q4. But the carrier is also committed to offering “a broad

spectrum of choice for consumers,” which includes basic fares alongside more expensive offerings.

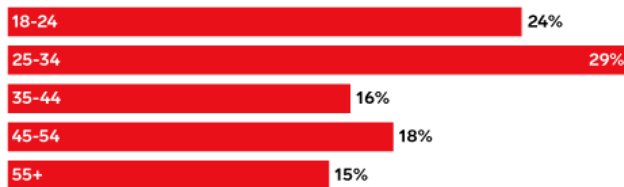
**Looking ahead:** The outlook is bright for the travel industry.

- One quarter of US travelers expect to take more leisure trips this year, per an Internova Travel Group survey—a trend that’s consistent across age groups and income levels.
- The recovery in business travel will also be a considerable tailwind, although spending is not expected to return to prepandemic levels until 2028.

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**US Travelers Who Have Increased the Number of Holidays/Travels Compared to Previous Years, by Age, June 2024**

% of respondents



Note: ages 18+

Source: YouGov survey as cited in company blog, Oct 21, 2024

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