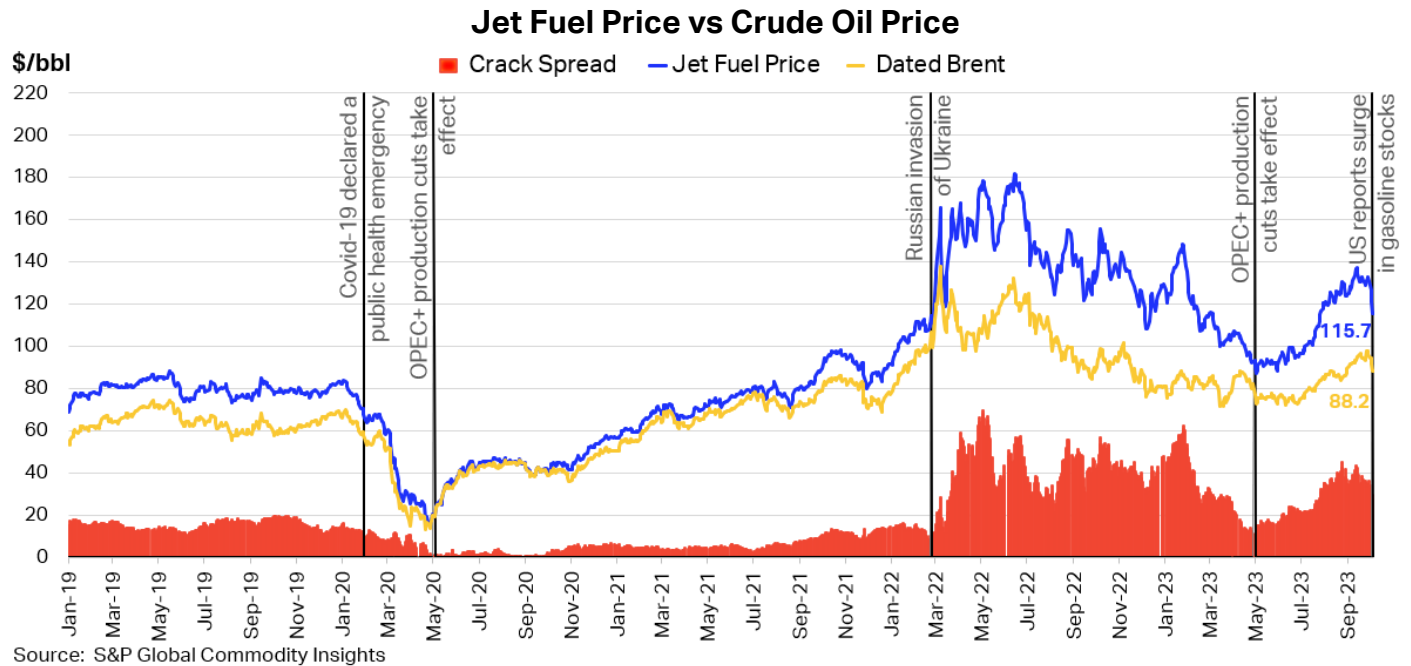




## Chart of the Week

13 Oct 2023

### A renewed rise in the jet crack spread adds to cost pressure



- Since May, oil and jet fuel prices have been trending higher. Combined with additional price volatility from March 2022, this development creates renewed challenges for airlines' financial recovery.
- The global oil price jumped sharply following the Russian invasion of Ukraine. The jet fuel price increased by a larger amount on a widening of the crack spread, which is the difference between the price of crude oil and jet fuel. The spread – which reflects the refining margin – moved above USD 60 per barrel at times in 2022 and early 2023, exceeding the historical norm of below USD 20 per barrel. A number of factors contributed to the wider crack spread, including the demand for other middle distillate fuels such as diesel, and a lack of infrastructure investment.
- Over the course of 2022 and into the early part of this year, the oil price returned to around its pre-crisis levels and the spread narrowed. While crude oil and jet fuel prices troughed in May, the respite for airlines was short-lived. Prices have since resumed their upward trend, in large part propelled by production cuts of roughly 25% from the OPEC+ nations.
- In addition to the price shifts, a relatively high level of price volatility has been observed in the past two years. Price volatility can be influenced by a range of factors including economic performance, unexpected shifts in oil or product inventories, market sentiment and geopolitical developments. The eruption of war in the Middle East on 7 October added around 3-4% to the oil price. Going forward, it is unclear how this situation will evolve. There are various actions airlines can take to limit the impact of higher oil prices and price volatility on their financial performance, including the use of more fuel-efficient aircraft and hedging oil prices. Nonetheless, in a highly uncertain environment, these price and volatility trends mean that fuel costs will continue to present challenges to the financial health of the industry going forward.

Terms and Conditions for the use of this IATA Economics Report and its contents can be found [here](#).  
By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.

IATA Sustainability and Economics  
[economics@iata.org](mailto:economics@iata.org)