

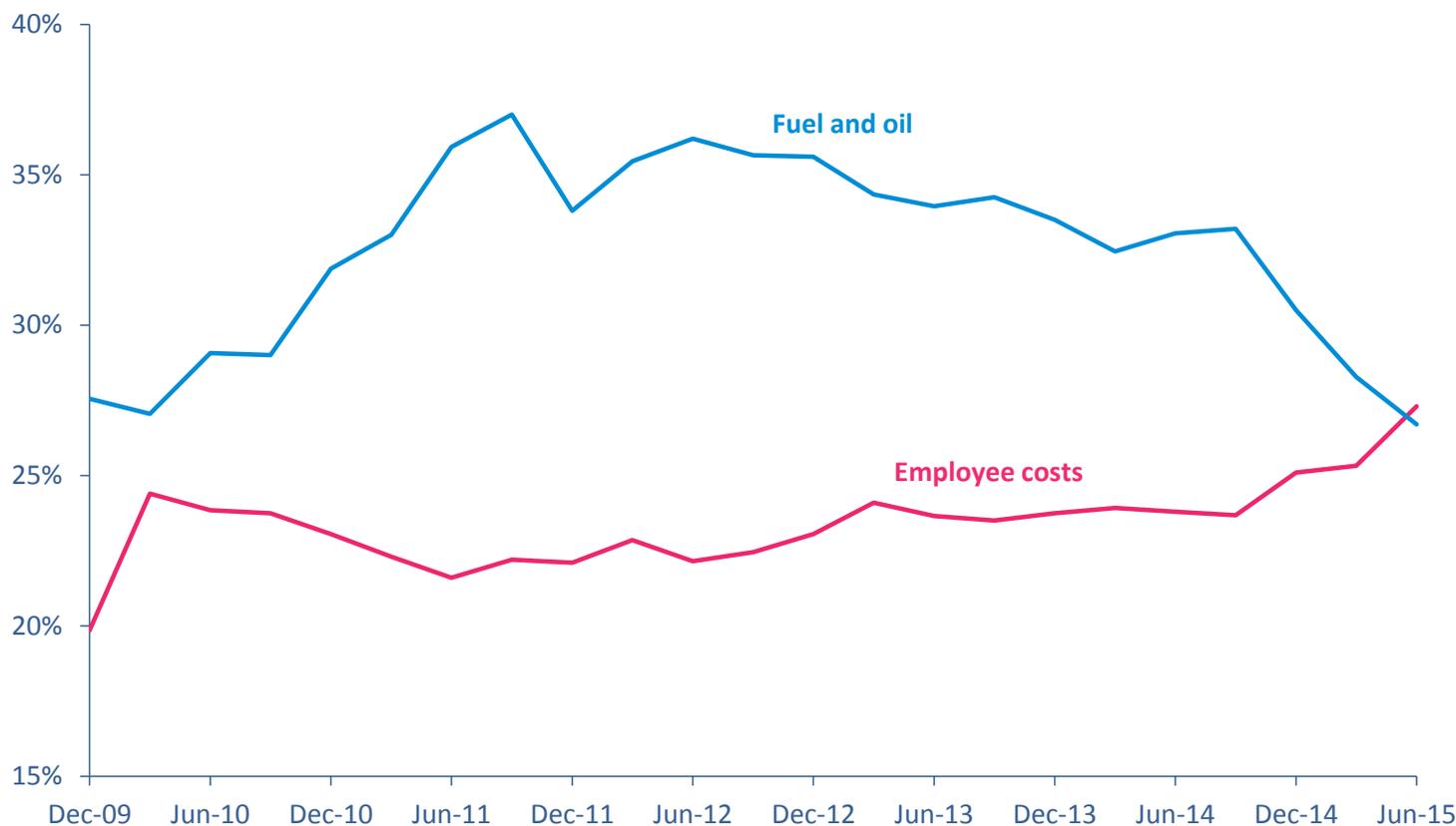


IATA ECONOMICS' CHART OF THE WEEK

16 OCTOBER 2015

COST CONTROL FOCUS SHIFTS FROM FUEL TO LABOUR

Share of airline operating costs (median for top-10 global airlines ranked by available seat kilometres)



Sources: IATA, *The Airline Analyst*

- The sharp fall in global oil prices over the past year or so has lowered airlines' fuel bills. From a peak of 37% in late-2011, fuel and oil's median share of total operating costs for our sample of the world's largest airlines fell below 27% in the June 2015 quarter.
- There is of course wide variation in the situations for individual airlines, reflecting a host of factors such as fuel hedging, differing business models and local labour market conditions. However, in aggregate for our sample, employee costs overtook fuel as airlines' largest single operating cost component in the middle of 2015.
- At a global level, 2015 is set to be the first year on record in which airlines reward equity investors with a 'normal' return for risking their capital. But in past cycles, higher profits have been followed by higher costs, as efficiency efforts slackened in the face of powerful supplier pressure, including pressure from labour. Sustaining and spreading good airline financial performance in this cycle is now going to require a focus on getting the best performance out of non-fuel inputs, including labour.

Terms and Conditions for the use of this IATA Economics Report and its contents can be found here: www.iata.org/economics-terms
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.

David Oxley
oxleyd@iata.org