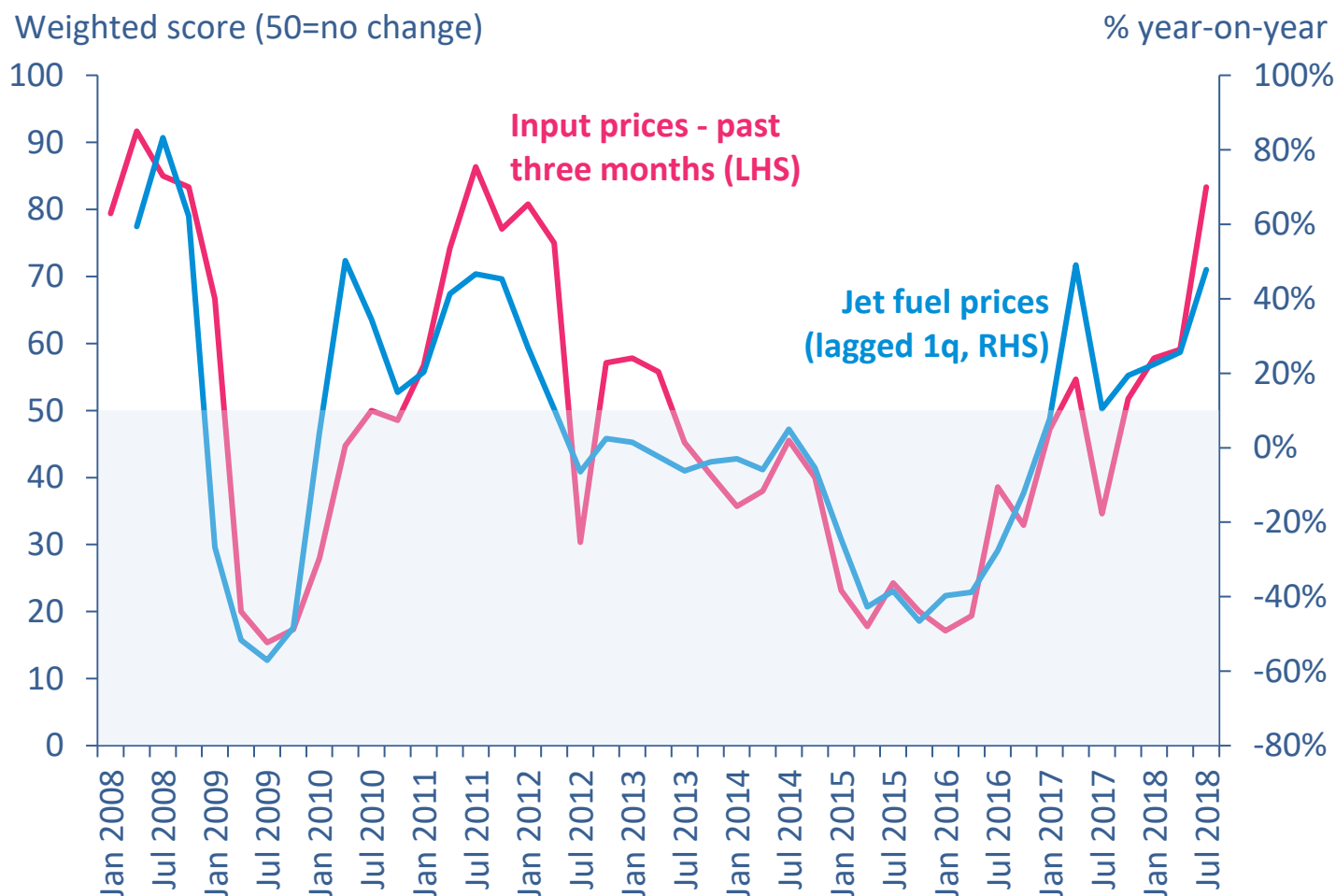




## IATA ECONOMICS' CHART OF THE WEEK

27 JULY 2018

### HIGHER FUEL COSTS DRIVE UPWARD PRESSURE ON AIRLINE COSTS IN Q2



Sources: IATA, Platts

- One of the clearest messages from our latest quarterly [survey](#) of airline CFOs and Heads of cargo was the upward pressure on input costs. 78% of respondents reported an increase in unit input costs in Q2 2018 relative to the same period a year ago – the highest proportion in seven years – which lifted the weighted-average score to its highest level since July 2011.
- As this week's chart shows, the upward pressure on costs has been driven in large part by higher jet fuel prices (although increased labor costs have also been a factor in a number of cases). Jet fuel prices have trended upwards since 2017, driven by a combination of a gradual reduction in oil inventories amid robust demand and tighter supply conditions, as well as geopolitical developments. Managing cost pressures is likely to remain the key challenge for airlines in the near term.
- Profitability in the airline industry increased in year-on-year terms in Q1 2018, but the ability of airlines to sustain financial performance in the face of rising costs will depend on supply and demand conditions for air travel, which itself will depend in large part on the strength of the global economy. Business confidence surveys suggest that global economic growth has remained robust into mid-2018. However, forecasters including the [IMF](#) note that the pace of growth may have already peaked in some major economies, and warn of the rising risks to the outlook, particularly from trade tensions.

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