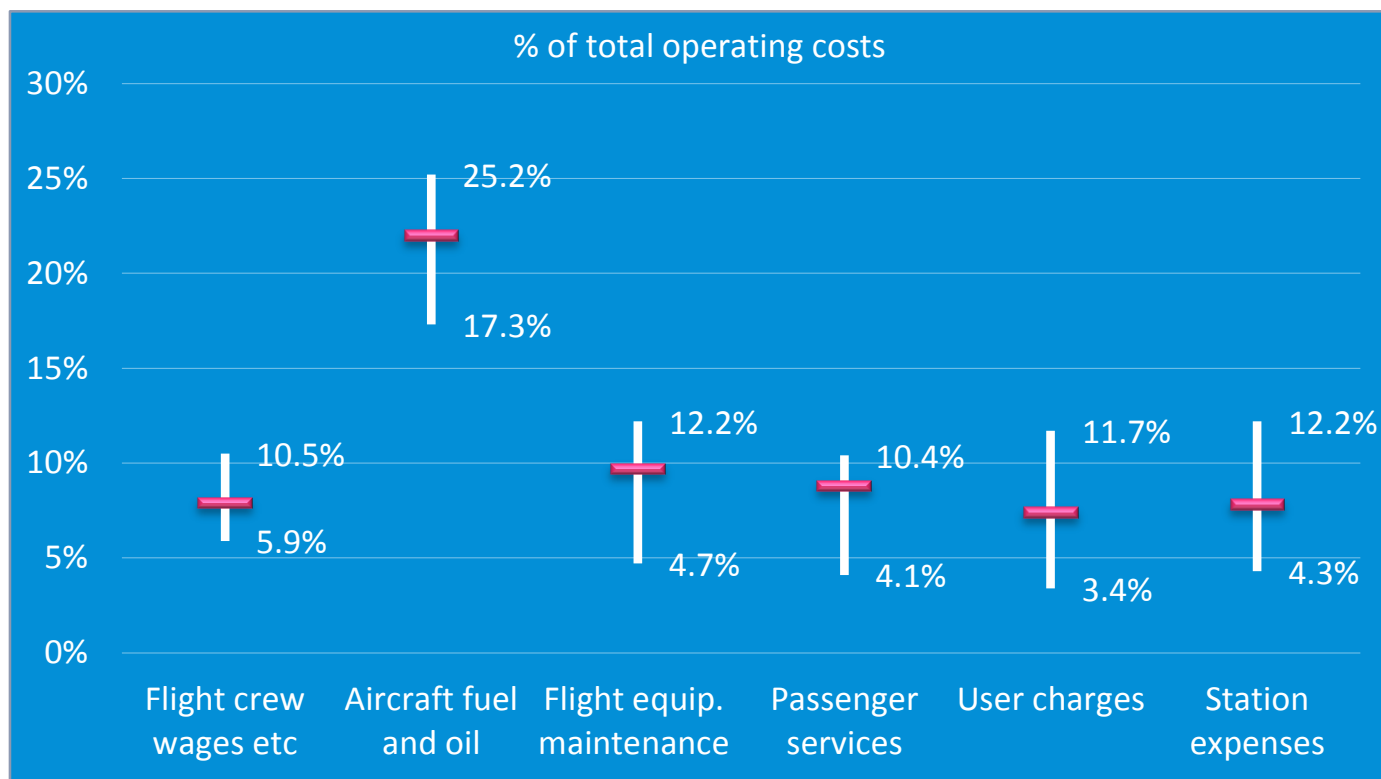




IATA ECONOMICS' CHART OF THE WEEK

23 JUNE 2017

THE KEY OPERATING COSTS FOR AIRLINES IN 2016



Source: IATA WATS 2017

- As we have discussed elsewhere ([link](#)), one of the recent developments impacting airline profitability has been the rise in costs over the past 12-18 months. Today's chart investigates the key components of airline operating costs in 2016, where the top six items (shown above) account for a combined total of almost two-thirds of total costs.
- Unsurprisingly, fuel and oil is the single largest item, accounting for around 20% of the total. Maintenance & overhaul costs account for almost 10%, passenger services 9% and crew salaries around 8%. From year to year, the fuel costs component tends to be the most volatile – driven by developments in the world oil price – which highlights the importance of airlines developing an appropriate strategy to manage the risks in their largest operating cost item.
- In any given year, the shares of the respective cost components can differ substantially across geographies. The chart shows the minimum and maximum share of total costs across the five IATA regions (the vertical lines) and the overall industry average share (the horizontal pink bar). Across many of the items shown, an 8-9 percentage point difference in the cost share is not uncommon.
- The factors which explain the variation across regions can reflect a variety of underlying country or region-specific factors. These may be economic, regulatory or policy-driven in nature. For example, part of the difference in the regional shares of fuel costs is due to exchange rate fluctuations and (country-specific) fuel taxes and charges.
- The data behind today's chart are taken from IATA's latest annual *World Air Transport Statistics* (WATS) publication. The WATS is a detailed compendium of industry data, including metrics relating to traffic, finance, safety and security, and the environment, as well as airline and airport rankings. More information, including how to obtain a copy, is [here](#).

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