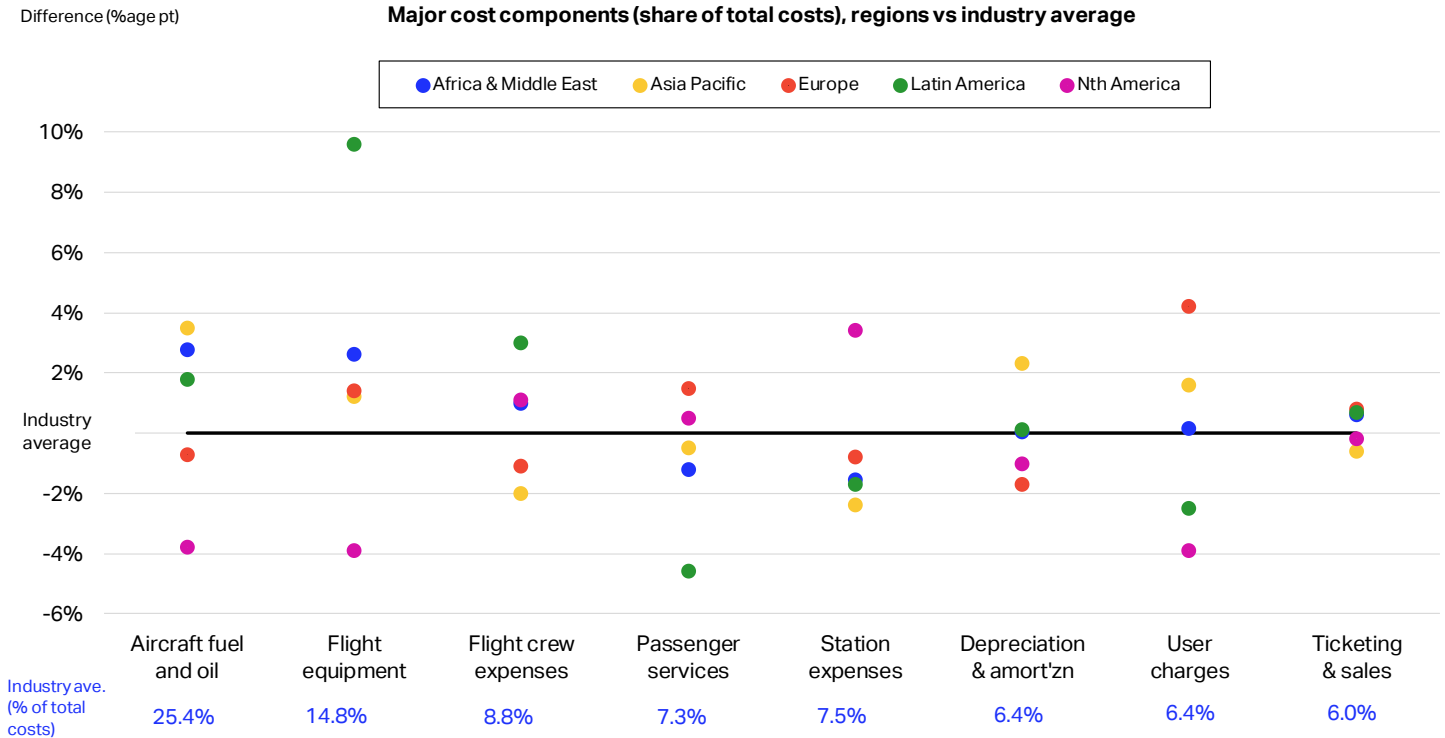


Significant regional variation in major operating cost items



- After almost a year, today's chart of the week relooks ([see the previous report](#)) at the variation of key airline operational cost components across regions. For clarity reasons, the other expenses, and general and administrative categories were left out, so industry shares of costs add up to 82.6%. For each cost component, the industry average share of total costs is depicted as the black horizontal line (the actual share is provided in blue at the bottom of the chart). The 'bubbles' show how regional shares compare with the industry average share. As seen clearly from the chart, the industry average figures hide important disparities across the regions. The only exception is ticketing and sales costs which has only a small variance of ± 1 -2pp of the industry share across all the regions.
- At the industry level, aircraft fuel & oil costs share increased to one-fourth of total costs stemming from the increase in average jet fuel price in 2018, which reversed the declining trend of fuel cost share in the previous two years. However, as in the past years, fuel costs show a considerable regional variation. Despite having the lowest hedging ratios among all regions, the share of fuel in total costs for Nth American airlines is still 3.8pp below the industry average (at 21.6% of total costs). On the other hand, for airlines in Africa & Middle East the share is 2.8pp above the industry average (28.2% of total costs). The second largest cost item for the industry is flight equipment (includes flight equipment rentals, insurance and maintenance costs) and it shows the highest regional variation. The share of flight equipment costs for Latin American airlines are almost 10pp above the industry average (14.8% of total costs).
- The differences in the relative importance of the various cost components across regions have clear implications on profitability. High growth in RPKs does not necessarily translate into high profitability figures (see regions section of our mid-year [economic performance report](#)) if airlines do not pay attention to the cost of growth. Regional differences in cost items highlight the areas that the airlines with weak profitability figures should pay attention to and accordingly adjust their business models.

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