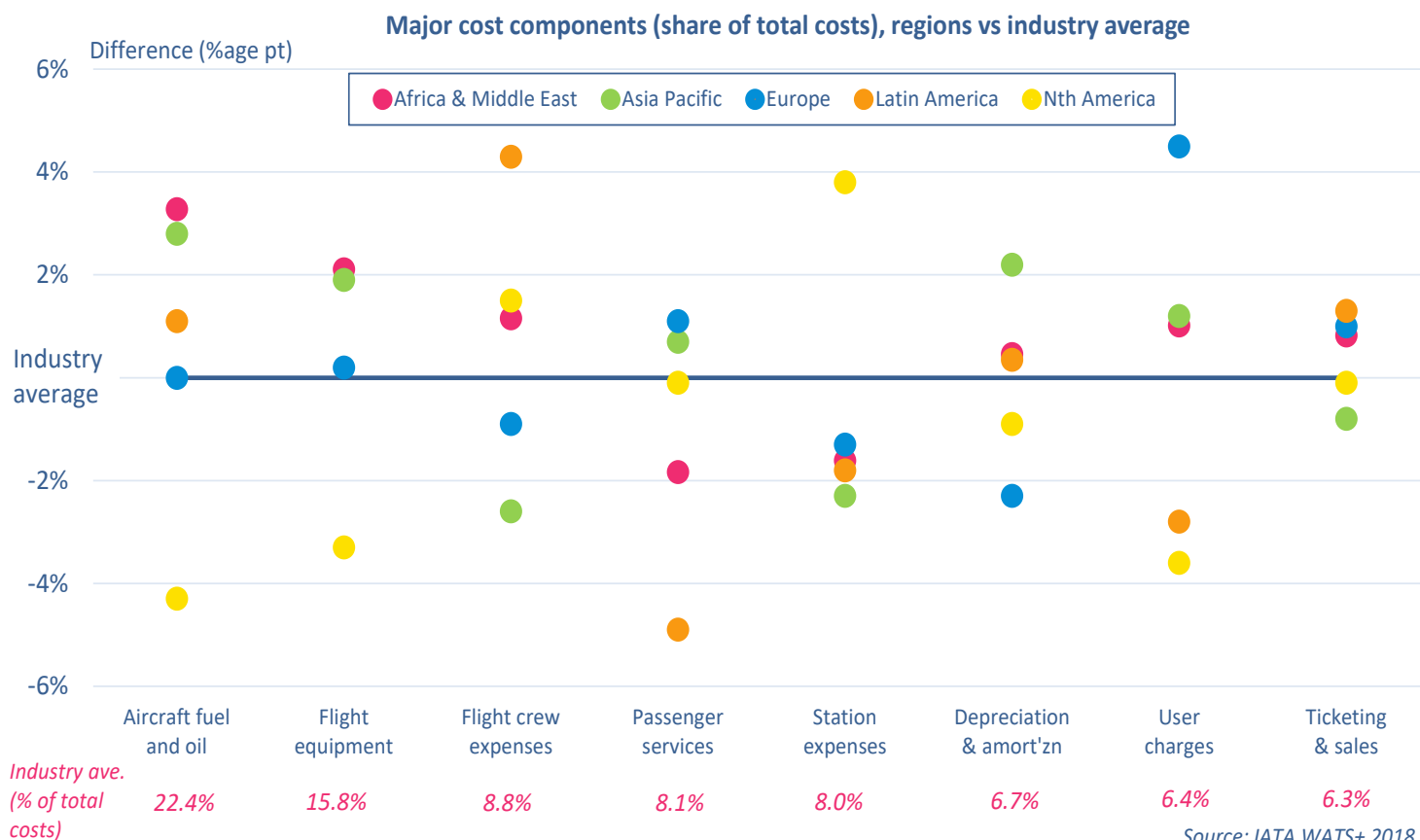




IATA ECONOMICS' CHART OF THE WEEK

19 OCTOBER 2018

THE IMPORTANCE OF KEY COST ELEMENTS VARIES ACROSS REGIONS



Source: IATA WATS+ 2018

- Against a backdrop of rising industry input costs, especially fuel and labour, today's chart of the week looks at the variation across regions in a number of key airline operational cost components as a share of total costs. For clarity reasons, the other expenses, and general and administrative categories were left out, so industry shares of costs adds up to 82.5%.
- For each cost component, the industry average share of total costs is depicted as the dark blue horizontal line (the actual share is provided in pink at the bottom of the chart). The 'bubbles' show how regional shares compare with the industry average share; clearly, the industry average figures hide important disparities across the regions. (The main exception is ticketing and sales which has only a small variance of ± 1 -2pp of the industry share across all of the regions.)
- Taking the largest cost component in 2017, aircraft fuel & oil (22.4% of industry-wide total costs), the regional variation is considerable. For Nth American airlines, the fuel share of total costs is 4.3pp *below* the industry average (at 18.3% of total costs), while for airlines in Africa & Middle East the share is 3.3pp *above* the industry average (25.7% of total costs).
- The differences in the relative importance of the various cost components across regions have a number of implications. For example, it highlights the challenges for global or inter-regional operations (and the value that alliances can potentially provide), where the operating environment can vary considerably. It also helps to explain, in part, the different evolution of business models between regions as they seek to innovate and respond to different challenges. And as we are increasingly focusing our attention on 2019, these data can also provide important insights into the profitability performance and outlook of the industry across the various regions.

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IATA Economics
economics@iata.org