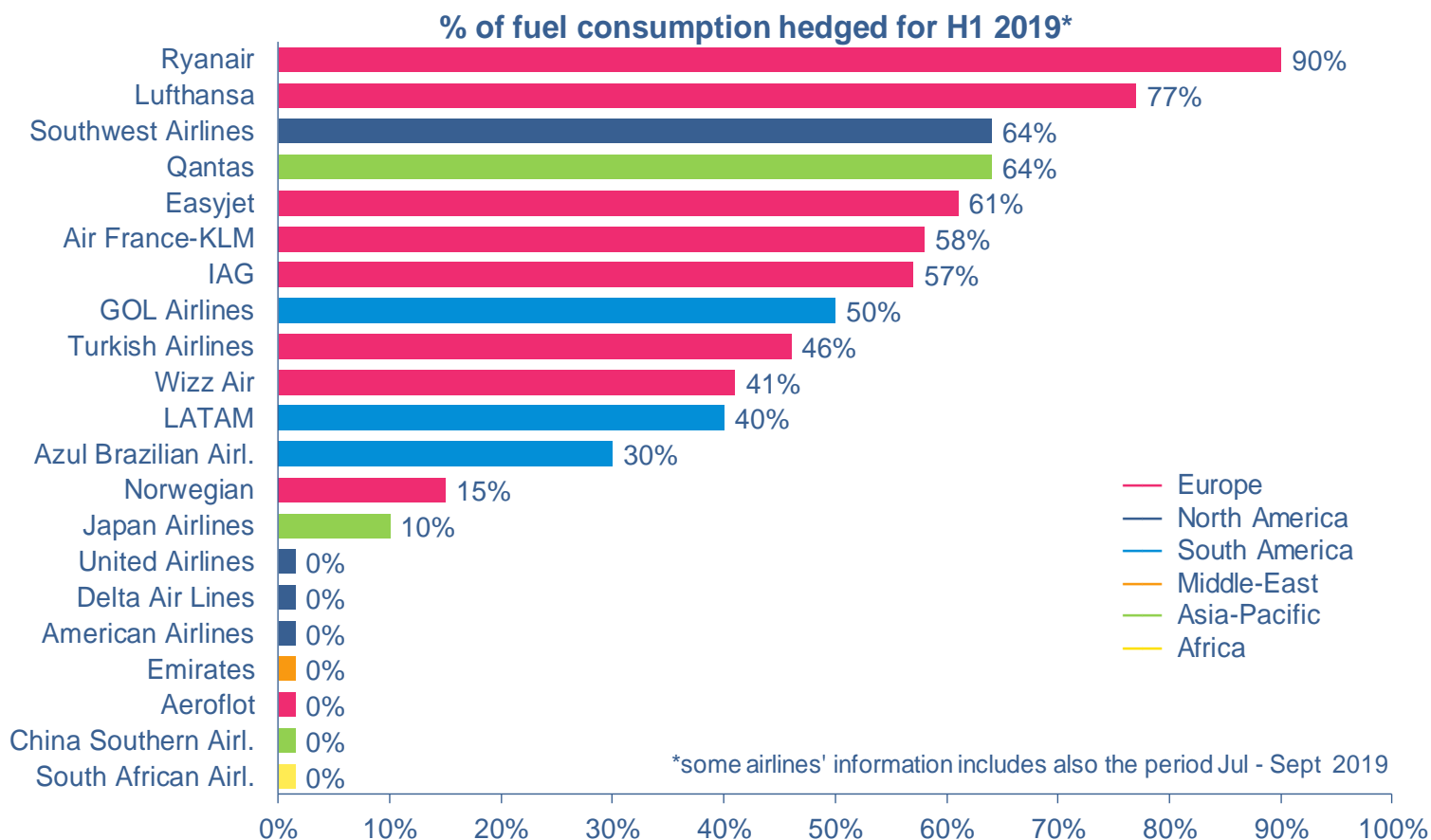




IATA ECONOMICS' CHART OF THE WEEK

30 NOVEMBER 2018

FUEL HEDGING: LARGE DIFFERENCES BY REGION, FEWER BY MARKET



Source: IATA based on industrial airline reports and industry commentary

- The impact of elevated jet fuel prices has been one of the key challenges for the industry this year. That said, as we explained in a recent [chart](#), there is no simple link between oil prices and industry profitability. This is partly because different fuel hedging practices mean that the impact of higher fuel costs is not felt uniformly from airline to airline.
- Our topic today is the wide range in the extent of fuel hedging across the industry. While some carriers hedge fuel substantially, there are also those who rely on hedging only moderately or not at all. The hedging strategy that an airline adopts depends on a variety of factors including different business models, market dynamics, as well as the price and availability of hedging instruments for a given airline at any point in time. The political backdrop in a country can also play a role, such as in China, where regulation does not allow carriers to hedge their future fuel consumption.
- Some broad patterns stand out. Although there are very large regional differences, airlines competing in the same markets tend to have similar hedging ratios. Despite exceptions, European carriers on average hedge the most: Ryanair and Lufthansa, for example, have already locked in 90% and 77% of their expected fuel needs in H1 2019, respectively. By contrast, US airlines tend to hedge fuel the least: three out of four largest carriers – Delta Air Lines, United Airlines, American Airlines – have not hedged fuel at all in H1 2019.

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