

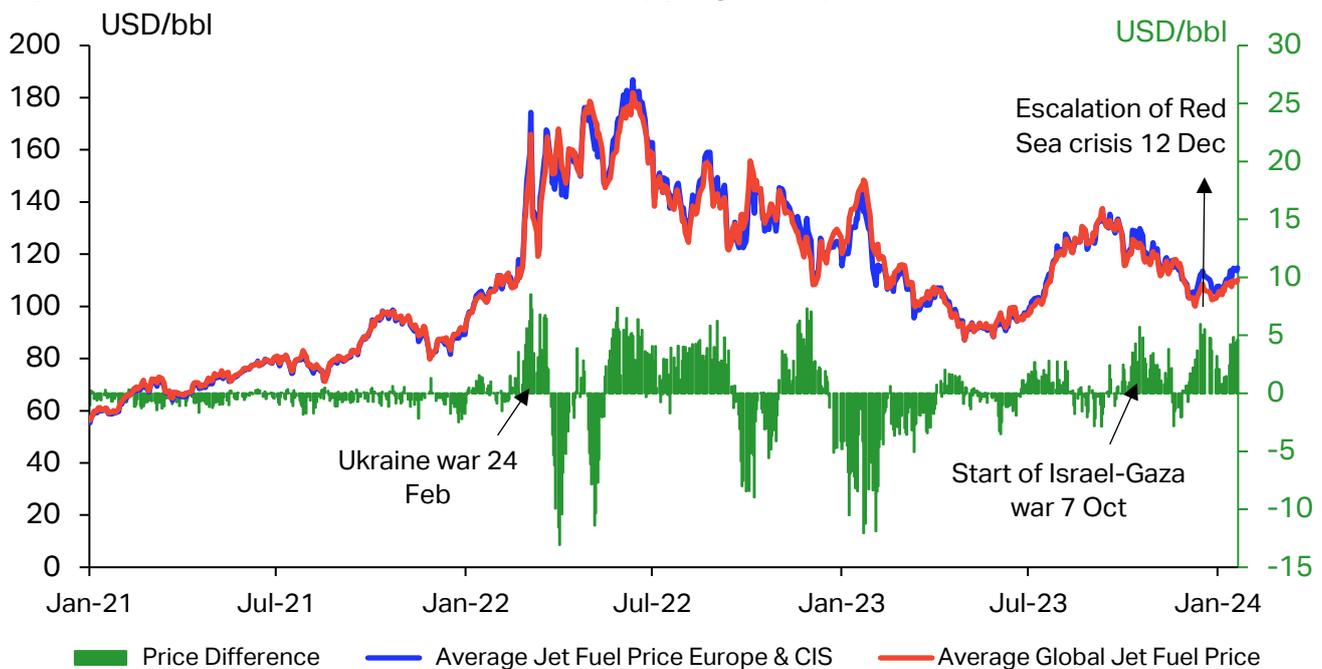


## Chart of the Week

26 January 2024

# Geopolitical tensions disrupt airline competitive landscape

## Impact of Israel-Gaza War and Red Sea Shipping Disruption on Jet Fuel Prices



Source: IATA Sustainability and Economics, S&P Global Commodity Insights

- Recent geopolitical disruptions have impacted jet fuel prices in Europe and the Commonwealth of Independent States (CIS) disproportionately. Prior to Ukraine war, Europe and CIS jet fuel prices moved closely in line with the global average (see chart). The maximum deviation was limited to 1.6% to the upside and -2.8% to the downside (on 1 and 28 December 2021 respectively). In fact, between 1 January 2021 and 23 February 2022, jet fuel was often 1-3% cheaper in Europe than the global average.
- In the wake of the Ukraine war, on 24 February 2022, global oil supply was disrupted, and jet fuel prices rose dramatically. The impact on the European jet fuel market was greater than elsewhere because of the geographic proximity to the war area, and Europe's reliance on refined petroleum products from Russia. The volatility in the European jet fuel price compared to the global average (green bars in chart) rose significantly, and has remained high since, in stark contrast to the historic behavior.
- The slim signs of normalization vanished when the Israel-Gaza war erupted in October 2023, and the subsequent shipping crisis in the Red Sea made matters worse. Shipping costs through the Red Sea have more than doubled since the end of November 2023, driven by reduced capacity, increased risks, and higher insurance costs. A sizable proportion of European fuel is transported from the Middle East, India, and Southeast Asia through the Red Sea, and jet fuel prices paid in Europe have been consistently higher than the global average as a result.
- The wars in Ukraine and the Middle East have created a new environment in the jet fuel market and prices paid in Europe and in the CIS have since frequently exceeded the global average by between 3% to 6%, the latter being recorded in December 2022. This regional jet fuel price distortion impacts the competitive landscape for airline operations and can lead to regional variations in airline ticket-price inflation.

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