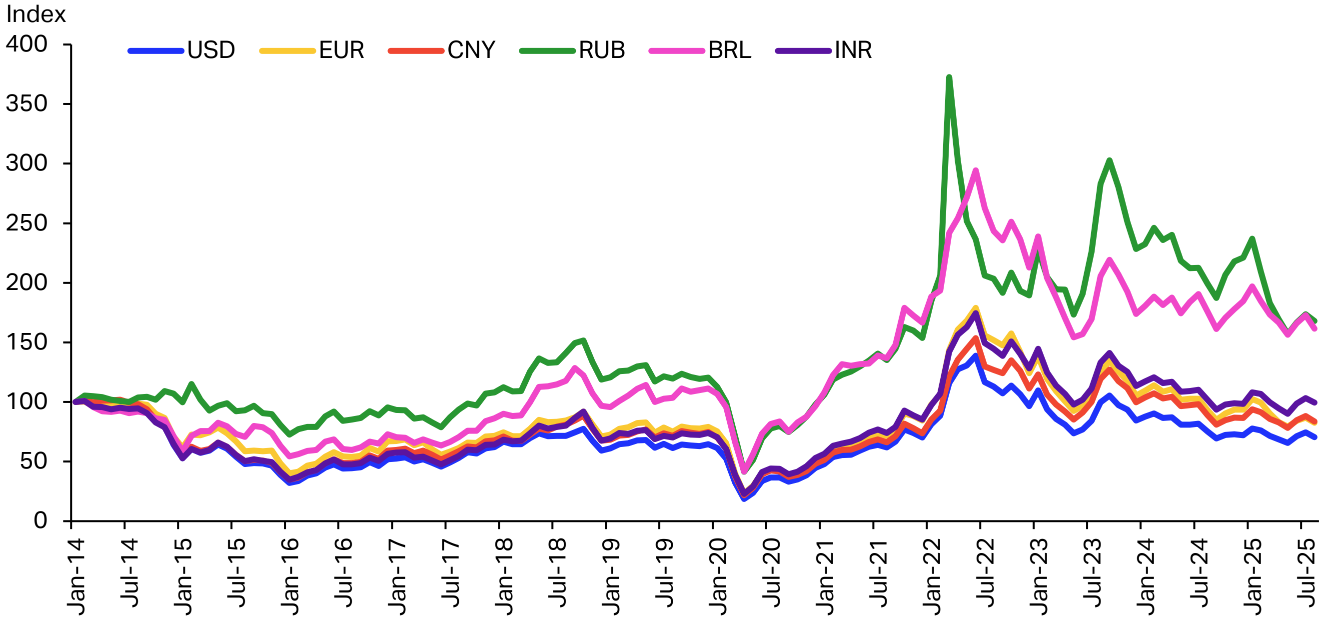
Chart of the Week

21 November 2025

The impact of exchange rates against USD on jet fuel costs

Jet fuel price denominated in local currencies, index, January 2014=100



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

- The first chart of the week, a decade ago, showed that jet fuel price declines had uneven impacts across economies due to fluctuations in local currencies against the US dollar. This matters because fuel procurement is typically settled in USD. Jet fuel price volatility in USD has intensified, especially since 2020, driven by the pandemic-induced demand collapse, the post-pandemic recovery amid supply chain disruptions, and escalating geopolitical tensions.
- The most pronounced impacts are observed in Russia and Brazil, whose currencies have depreciated the most against the dollar since 2014. Russia's ruble has weakened following the invasion of Ukraine, and since international sanctions capping the price of Russian oil were imposed in 2022. The Brazilian real has also suffered recently as expectations are high that the central bank will loosen monetary policy in spite of persistent fiscal woes and the detrimental effect of tariffs on the country's external accounts.
- Although less pronounced than in Russia and Brazil, the EU, China, and India have all seen their currencies weaken against the US dollar since mid-2022, although the dollar has lost around 10% of its value this year against many currencies. The countries lucky enough to find themselves in the latter group have seen their fuel bills cheapen in local currency terms.
- Fuel costs make up close to 26% of total operating expenses of airlines, alternating with labor as the largest cost category. Approximately 55–60% of all global airline costs are denominated in USD, compared to 50–55% of revenues. Based on this, a 1% appreciation of the USD against global currencies could reduce operating margins by about 0.1 percentage point, while a 1% depreciation could improve margins by a similar amount.

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