



## Chart of the Week

25 July 2025

### The weaker US dollar provides relief for airlines in H1 2025

#### The USD Effective Exchange Rate, broad, nominal, Index



Source: IATA Sustainability and Economics based on data from the Bank for International Settlements (BIS). Nominal effective exchange rates are geometric trade-weighted averages of bilateral exchange rates.

- The US dollar depreciated by 7% against its trading partners' currencies over the first half of 2025, the steepest first-half-year slide on record.
- Jet fuel is airlines' largest cost component (closely matched by labor costs), and it is usually traded in US dollars. The price of jet fuel has also fallen in 2025, by approximately 6% over the first six months, allowing for a combined savings of roughly 12% on the fuel bill for non-USD-based carriers, equating to a reduction in total costs of around 3%.
- Other dollar-linked costs, such as maintenance and repairs, payments for aircrafts, and interests on dollar-priced loans, also became cheaper for non-USD-based carriers. In 2024, maintenance represented around 8% of operating costs, while aircraft ownership, including leasing and depreciation, accounted for about 11%. The overall impact on operating expenses of the lower fuel price and the weaker USD as it pertains to these USD-denominated cost components is approximately 4.5% during the first half of 2025, on average for non-USD-based carriers.
- Not all non-USD-based carriers will benefit equally, however. The US dollar has weakened the most against the Swedish krona, which gained 17% against the dollar during the first half of the year. The euro and the Brazilian real followed with appreciations of around 14%, and the Mexican peso and the Japanese yen also strengthened significantly against the US dollar. These countries and regions will therefore see the largest savings on their USD-denominated expenses. The Chinese yuan and the Indian rupee remained virtually unchanged against the dollar, excluding them from the benefits of the general USD decline. The Turkish lira and the Argentine peso are at the losing end of the spectrum, having depreciated by 11% and 14% against the dollar respectively. All the bills carriers in those countries pay in US dollars will increase accordingly, in local currency terms.

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