



YEMEN Market Watch Report

Highlights

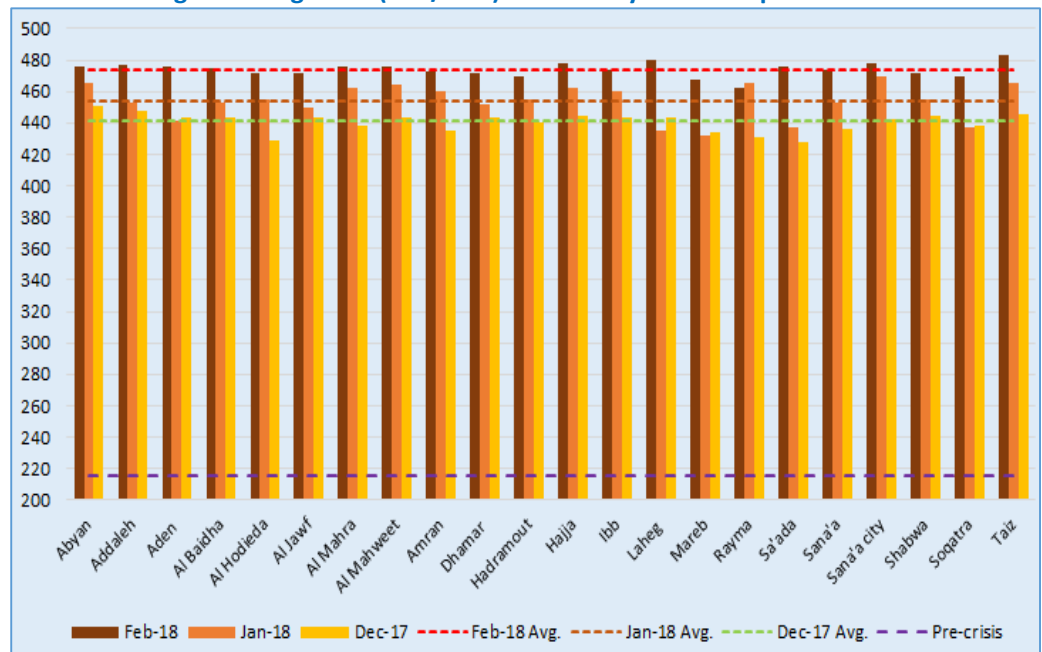
- *The Yemeni Riyals continued to suffer from rapid depreciation, and lost about 220% of its pre-crisis value.*
- *The poor supply and scarcity of basic imported food and fuel commodities persisted in February 2018. Most of the governorates are affected by the continued shortage of essential goods in markets.*
- *Retail prices of basic food items continued rising in February 2018 following worsened scarcity of commodities in local markets, the rapidly depreciating Yemeni Riyal, high cost of transportation due to high prices of fuel, double customs taxation, and restrictions of movements. Food prices increased between 32% and 98% in February 2018 compared to the pre-crisis period, while fuel prices were still more than double (105%-115% higher than in pre-crisis time).*
- *The average cost of the monthly minimum food basket in February increased by nearly 2% and 8% from January 2018 and December 2017, respectively, and 58% higher than in pre-crisis period.*
- *The Alert for Price Spikes (ALPS) indicators for all basic food items and the cost of food basket remained at crisis situation in February 2018.*

Macroeconomic Situation

As the war continues, Yemen is struggling with near-collapsing economy. Even before the current conflict, years of mismanagement, corruption, and depletion of natural resources, both oil and water, had led to chronic poverty and underdevelopment, with minimal access to basic services such as electricity, water, and health care in much of the country. The conflict has only exacerbated those issues. The ongoing war has halted Yemen's exports, pressured the currency's exchange rate, accelerated inflation, severely limited food and fuel imports, and caused widespread damage to infrastructure. The conflict has also created a severe humanitarian crisis - the world's largest cholera outbreak currently stands at over one million cases, more than 7 million people at risk of famine,

and more than 80% of the population in need of humanitarian assistance. In addition, civil service salaries are being paid irregularly, miring many workers in poverty, and worsening food security situation for millions of Yemenis. The sharp depreciation of Yemeni Riyals (YER) in the market exchange rate against foreign currencies has continued despite Saudi Arabia recently injecting USD 2 billion into Yemen's central bank. The national monthly average exchange rate in February 2018 stood at 474 YER/USD, and hugely lost its pre-crisis value by an average of 220% – which means that the purchasing power of YER much below half of what it used to buy three years ago. The exchange rates in several governorates exceeded the national average, and Taiz experienced the worst (Chart 1).

Chart 1: Average exchange rate (YER/USD) in February 2018 and previous months



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Food and Fuel Supply and Availability

After the temporary blockade of key sea ports was lifted by the SLC around late December 2017, approximately a total of over 800,000 MT of food commodities have been imported into Yemen between January and February 2018. As informally confirmed by the major importers, this amount of food together with the previous estimated in-country carry-over stock is anticipated to likely cover the country's food requirement for about three months starting from March 2018. Moreover, according to some informal sources on import statistics indicate that approximately 279,000 MT of fuel was imported in January 2018 and around 224,000 MT was imported in February 2018, which marked a significant improvement on fuel imports compared to the level reported during the months before the blockade. However, the widespread scarcity of food and fuel commodities continued in local markets and further deteriorated in February 2018 across most of the governorates of Yemen, worse than in the previous months (Table 1).

Table 1: Availability of basic commodities during current month (February 2018) and previous months

Commodity / Governorate	Current Month							Commodity / Governorate	Previous Month							Commodity / Governorate	3 Months Ago							
	Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas	Diesel		Petrol	Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas		Diesel	Petrol	Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas
Abyan	AV	AV	AV	SAV	AV	SAV	SAV	SAV	AV	AV	AV	SAV	AV	SAV	SAV	SAV	AV	AV	AV	WAD	AV	SAV	SAV	SAV
Addaleh	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV	WAD	WAD	SAV	SAV	SAV
Aden	AV	AV	SAV	AV	AV	SAV	SAV	SAV	AV	AV	SAV	AV	AV	SAV	SAV	SAV	AV	AV	SAV	AV	AV	SAV	SAV	SAV
Al Baidha	SAV	AV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	WAD	SAV	SAV	SAV	SAV	SAV	AV	WAD	SAV	SAV	SAV	SAV	SAV
Al Hodieda	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	WAD	WAD	AV	WAD	WAD	SAV	SAV
Al Jawf	AV	SAV	AV	SAV	AV	SAV	SAV	SAV	AV	SAV	AV	WAD	AV	SAV	SAV	SAV	AV	SAV	AV	WAD	WAD	SAV	SAV	SAV
Al Mahra	AV	AV	AV	SAV	AV	AV	AV	AV	AV	AV	AV	WAD	AV	AV	AV	AV	AV	AV	AV	SAV	AV	AV	AV	WAD
Al Mahweet	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	WAD	SAV	SAV	SAV	SAV	SAV	WAD	WAD	AV	SAV	SAV	SAV
Amran	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	WAD	WAD	SAV	SAV	SAV
Dhamar	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	WAD	SAV	SAV
Hadramout	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV
Hajja	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	WAD	SAV	SAV
Ibb	SAV	AV	AV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	AV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV	SAV
Laheg	AV	AV	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	WAD	SAV	SAV
Mareb	SAV	SAV	AV	SAV	AV	AV	AV	AV	AV	AV	AV	AV	WAD	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	AV
Rayma	SAV	SAV	AV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV
Sa'ada	SAV	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV	SAV
Sana'a	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV
Sana'a city	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	WAD	AV	SAV
Shabwa	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Soqatra	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	SAV	MNA	AV	WAD	WAD
Taiz	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV

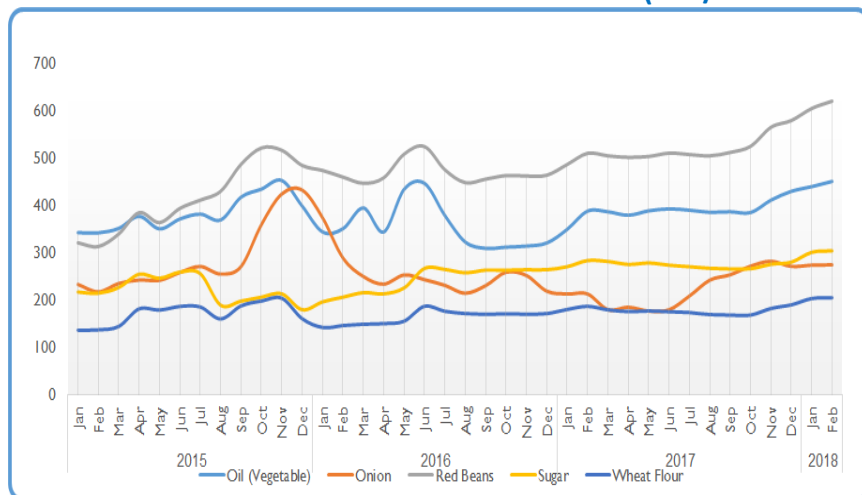
AV	Available
WAD	Widely Available
SAV	Sparsely Available
MNA	Mostly Not Available
NA	Not Available

Some of the main reasons associated to the poor supply and scarcity of commercial food and fuel commodities in local markets reportedly include disruption of financial systems and bank services, lack of foreign currencies for importers, the continued liquidity crisis, lack of credits for small traders/retailers, additional customs taxation in Sana'a on commodities that come through Aden and southern sea ports, shortages and high prices of fuel affecting transportations, hoarding of goods by traders, restricted movements of commodities due to insecurity caused by the escalated conflicts/airstrikes that affected the main supply routes in the northern parts of the country, and deterioration of exchange rates that created uncertainties among traders who are selling imported food items.

Retail Prices of Food Commodities and Cost of Minimum Food Basket

The retail prices of basic imported food commodities continued its steady increasing trend in February 2018. Poor level of imports coupled with malfunctioning of the market systems is contributing to the high and rising food prices.

Chart 2: Price Trend of Main Food Commodities (YER/Unit)

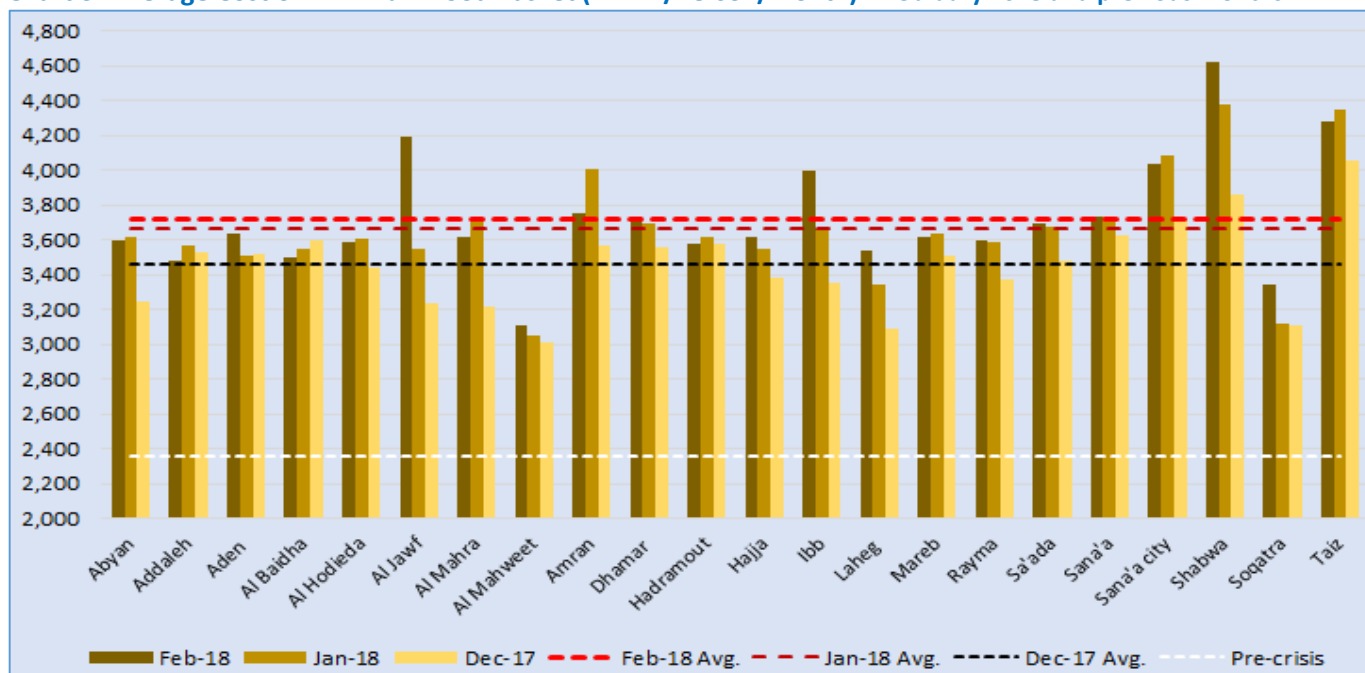


In February 2018, the national average retail prices of wheat flour, sugar, vegetable oil, and red beans were 51%, 41%, 32%, and 98%, respectively, higher than in pre-crisis period. During the month of reporting, average prices wheat flour and sugar slightly increased by 1%, vegetable oil by 2.5% and red beans by 2.6% (Chart 2). The continued escalation of food prices mainly attributed to the poor supply of food commodities in local

markets as well as many other factors that reportedly include lack of foreign currency in banks and heavy reliance of importers on parallel foreign exchange markets; rapidly depreciating of the local currency (Yemeni Riyal); high demurrage charges on importers due to long delays of offloading shipments at ports; hoarding of commodities and speculation of prices by opportunistic traders; continued double customs taxation in Sana'a on commodities coming through southern ports; increased transportation costs due to shortages and high prices of fuel; and movement restrictions and insecurity associated with the ongoing conflicts and airstrikes that resulted in disintegration of markets. The northern governorates including Taiz, Hajja, Hodieda, Sa'ada, Sana'a, and Al Baidha are particularly affected by the combined impacts of double taxation, demurrage charges, and escalated conflicts/airstrikes, and thus continued to suffer from higher prices of basic commodities compared to those in the south.

As a result of the high escalation of food prices, the national average monthly per capita cost of minimum food basket slightly by 1.6% during the reporting period compared to the previous month (increased from 3,664 YER in January to 3,721 YER in February 2018), and 58% higher than it was during the pre-crisis period. In February 2018, the monthly cost of minimum food basket in Shabwa, Taiz, Al Jawf, Sana'a city and Ibb governorates significantly exceeded the national average suggesting that markets in those governorates become more disintegrated which in turn negatively affecting the supply of food commodities that led to increasingly high prices (Chart 3). Consequently, the food security situation of vulnerable households (in those governorates with high cost of living) may deteriorate further.

Chart 3: Average Cost of Minimum Food Basket (in YER/Person/month) – February 2018 and previous months

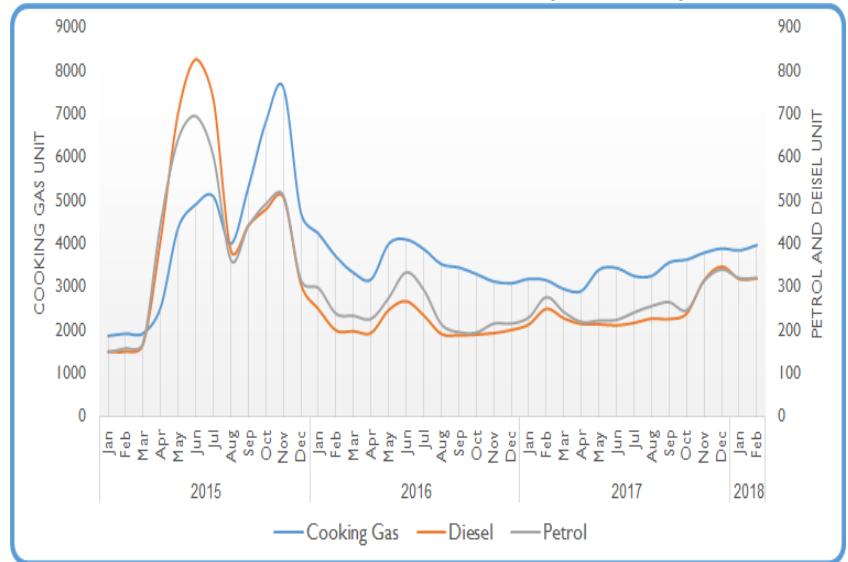


Retail Prices of Fuel

Between January and February 2018, the prices of petrol and diesel have generally remained unchanged, while prices of cooking gas increased by 3.2% in February compared to those in January (Chart 4). However, compared to the pre-crisis period, the national average prices of fuel commodities in February 2018 were more than double – prices of cooking gas, petrol and diesel were 111%, 105% and 115% higher, respectively, than the prices during the month prior to the crisis (Feb. 2015).

With the exception of Al Mahra, Mareb, Hadramout and Soqatra, all governorates continued to experience severe scarcity and high prices of fuel. Those governorates under active conflicts and/or intensified airstrikes including Taiz, Sa'ada, Hajja, Hodieda, Al Jawf, Al Baidha and Shabwa persistently suffer the most (Annex 2 and Annex 3).

Chart 4: Price Trend of Fuel (YER/Unit)



Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) indicator was developed for each of the basic commodities in Yemen using historical market data on the monthly national averages from January 2011 to February 2018. The results of the ALPS analysis reflect the changes in the prices and availability of the essential food commodities as well as the cost of the minimum food basket. According to the results of the analysis for February 2018, the ALPS indicators for all the basic food commodities (wheat flour, vegetable oil, red beans, and sugar) persistently remained at their crisis level since last month (Charts 5, 6, 7, and 8). As a result of the deteriorating conditions on all indicators, the ALPS indicator for the monthly cost of minimum food basket maintained the crisis situation (Chart 9).

The continued cumulative impacts of the war are being reflected on all socio-economic indicators of the country. The most worrisome trend of worsening cost of living is further fueled up by the rapidly depreciating Yemeni Riyals against foreign currencies. Given the fact that the livelihoods and income sources of millions of Yemenis have been seriously disrupted or vanished during the prolonged war, vulnerable households are no longer able to meet their needs with own means.

Chart 5: ALPS for Wheat Flour – February 2018 and monthly trends since 2011

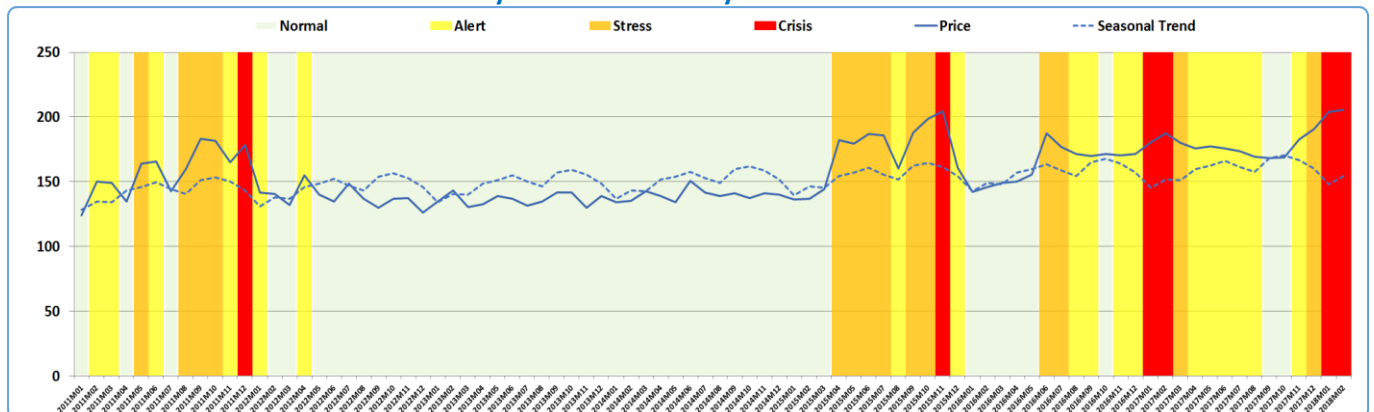


Chart 6: ALPS for Vegetable Oil – February 2018 and monthly trends since 2011

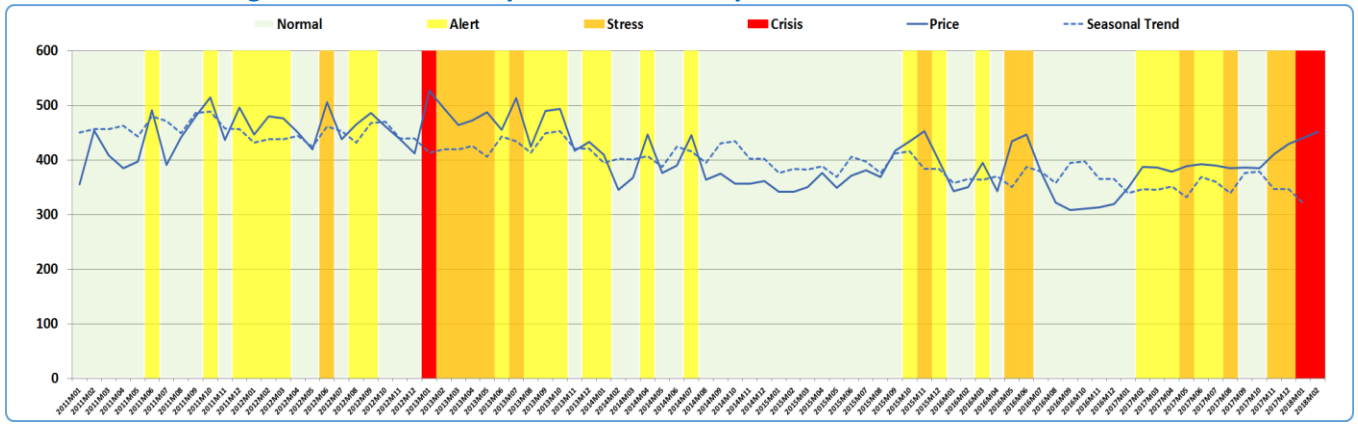


Chart 7: ALPS for Sugar – February 2018 and monthly trends since 2011

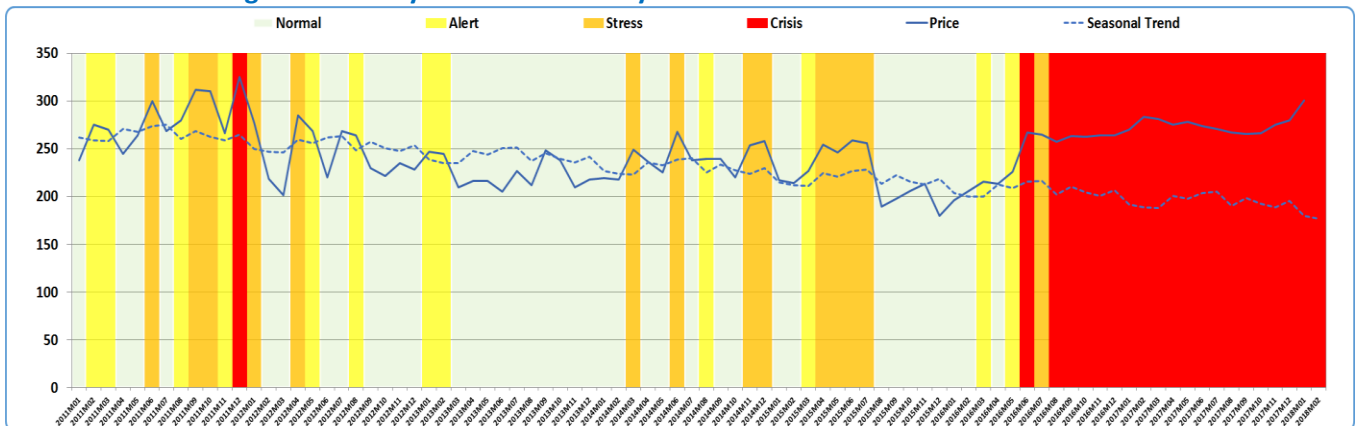


Chart 8: ALPS for Red Beans – February 2018 and monthly trends since 2014

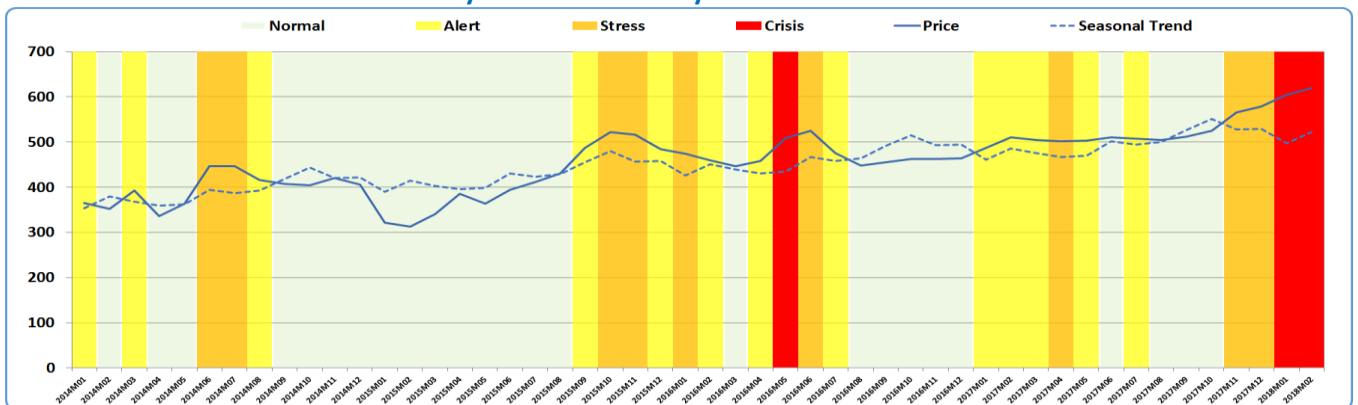
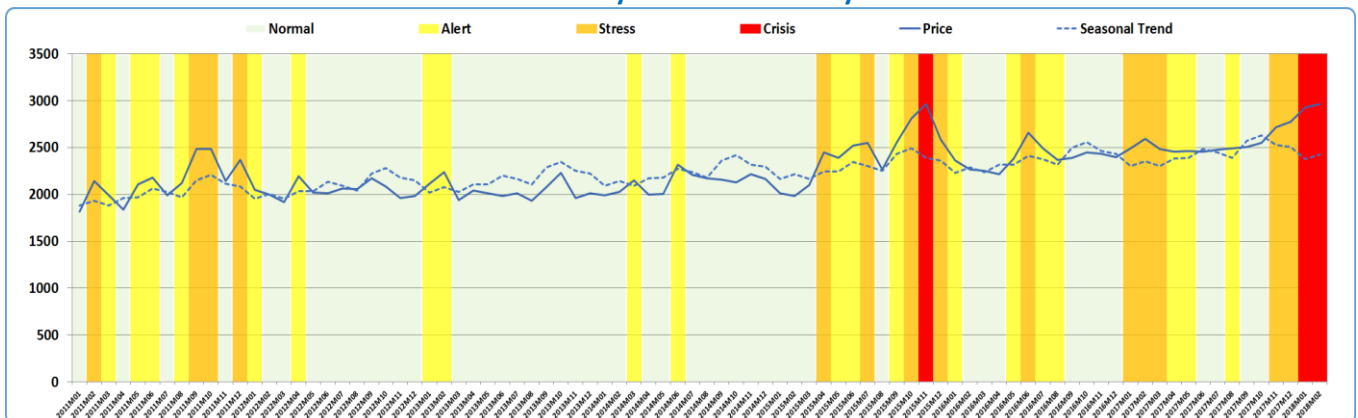


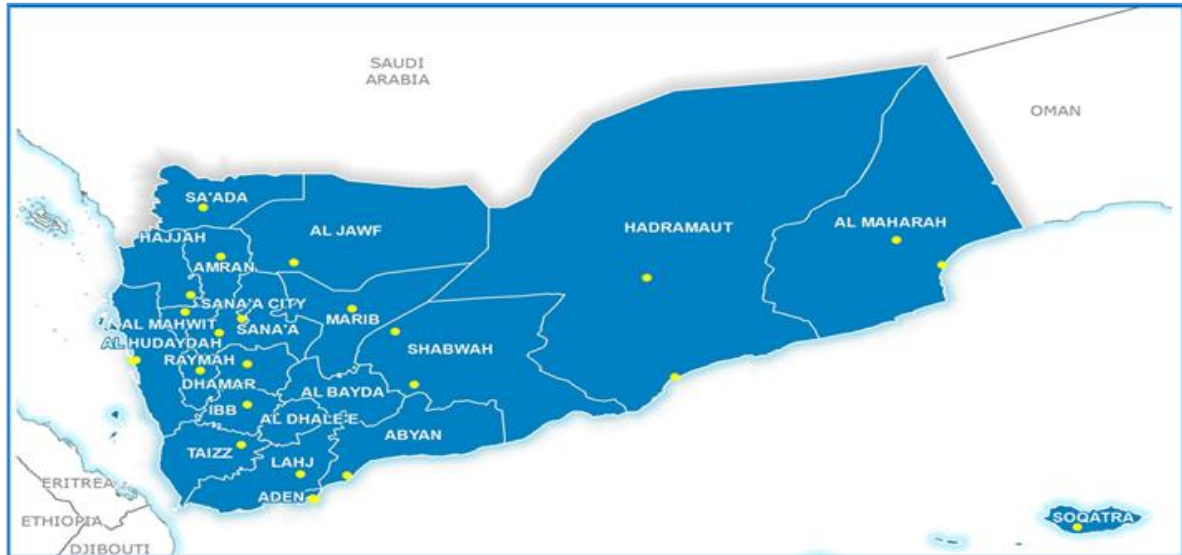
Chart 9: ALPS for Basic Food Basket Cost – February 2018 and monthly trends since 2011



Annex 1: Methodology

Market information is collected on a weekly basis from all the 22 governorates of Yemen. WFP collects market data remotely through key informants located at capitals of all governorates as well as partners operating in different parts of the country. Data are then cleaned and consolidated. Monthly averages are used for the Yemen Monthly Watch Report. Map 1 shows the locations of markets (yellow pinned) current information collected from.

Map 1: Locations of markets monitored by WFP



The report is produced based on the Automated Market Analysis Tool (AMAT). The AMAT is an agile market monitoring tool that was developed for Yemen Country Office (CO) and is aimed at storing raw data collected from selected major markets of governorates capitals, and creating contextualized analyses. The tool analyzes trends of main food and fuel commodities, minimum food basket, and provides indications about how much the markets are integrated across governorates. Food and fuel prices are analyzed against previous periods, including key baselines, such as the pre-crisis values of February 2015.

The AMAT also includes information regarding the availability, which is collected by field monitors and key informants. The classification of the availability is based on the monthly averages. A commodity is classified as **Available** when it is found available at every visit in all markets of a specific governorate; **Widely Available** when for only one visit the availability is not full; **Sparsely Available** when in at least half of the visits, the commodity is recorded as rare in the market; a commodity is **Mostly Not Available** when it was found only in rare cases in a governorate during the analyzed month; finally a commodity is classified as **Not Available** when it is not found in any market of a governorate at any time.

The minimum food basket monitored by WFP contains five main food commodities. The quantities are adjusted against the survival caloric intake needs. The five commodities are wheat flour, sugar, red beans, vegetable oil and onion. The Alert for Price Spikes (ALPS) is a WFP-developed indicator calculated as follows $ALPS = (Price_{it} - Season_{it}) / \sigma_{\epsilon}$. It is computed for each month (t) by dividing the difference between the observed and estimated seasonal price (automatically derived from historical data and constantly updated) of a specific commodity (i) by the standard deviation of the error term (σ_{ϵ}). The results of the analysis are presented in the report in the form of charts using four categories based on the ALPS thresholds describing the market situation either as normal, alert, stress, or crisis.

Situation on a given market:	ALPS thresholds:
Normal	$ALPS < 0.25$
Alert	$0.25 \leq ALPS < 1$
Stress	$1 \leq ALPS < 2$
Crisis	$ALPS \geq 2$

