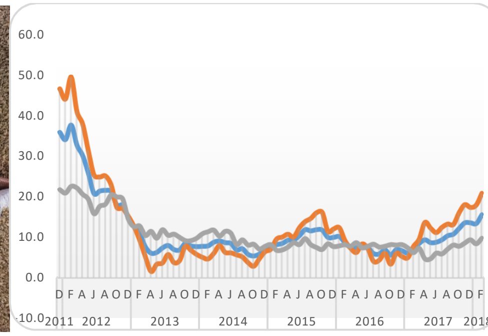
WFP Ethiopia

MONTHLY MARKET WATCH REPORT



March[1] 2018

HIGHLIGHTS

- ***Inflation**: the year- on-year general inflation based on the Consumer Price Index (CPI) was 15.2 percent in March 2018. Food inflation was higher and stood at 19.9 percent. CPI increased compared to last year but showed slight decline from the previous month; the previous month increase in CPI, 15.6 percent, was a record high in five years. Inflationary pressure has remained in the double digits for the last eight months despite plans to keep it under 10 percent.*

- ***Food Prices**: Despite grain production increase from the previous year, nominal wholesale maize prices in March 2018 increased compared to prices in March 2017, by up to 56 percent. 2017 maize prices were already high compared to the previous 5 years (by 25% on average). It is alarming that 2018 maize prices are even higher than the 2017 prices. (EGTE data)*

- *WFP monitoring shows, month-on-month, nominal retail maize price revealed a mixed picture declining in deficit areas of Oromia, which may be associated with the restoration of calm, while increasing in surplus producing areas, in accordance with increase in wholesale prices. In general, prices in March continued to increase steadily according to CSA price report.*

- ***Terms of Trade (ToT):** The Terms of Trade between an average sheep/goat and maize was between 73 kg of maize in Yabelo (Borena, Oromia region) and 143 kg in Asayita (Afar region). The labor wage to maize ToT declined in the monitored markets compared to ToT in March 2017. This is not surprising given grain price increases. ToT is relatively better for casual laborers in Hawzein and Korem while it is low in Mechara and Deder markets.*

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[1] The analysis is based on prices data of March 2018

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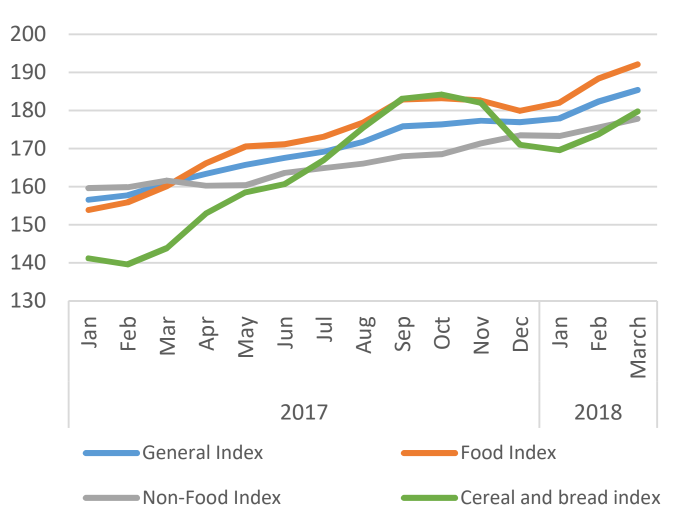
Inflation marginally declines to 15.2 % in the March 2018

According to the latest consumer price index (CPI) from the Central Statistical Agency (CSA), the year on year general inflation was 15.2 percent in March 2018. Food inflation was higher and stood at 19.9 percent. CPI increased compared to last year but showed slight decline from the previous month, the previous month increase in CPI being a record high in five years at 15.6 percent. Food CPI also declined marginally from the previous month. The rise in the food index compared to last year was the highest in Oromia (23 percent) and SNNPR (22.0 percent); relatively the lowest increase was in Harari (6.3 percent) and Addis Ababa (8.3 percent). Month-on-month, prices of major cereals, pulses vegetables and fruits continued to increase steadily in March 2018.

Figure 1: Consumer Price Index (CPI) (December 2011=100)

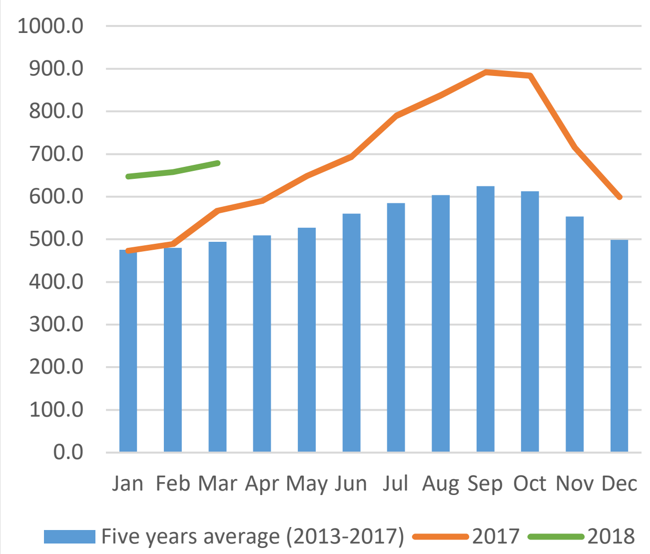


The inflationary pressure has remained in the double digits for eight months, since August 2017, despite the government's plan to keep below 10 percent.

Despite an increase in production of major cereals in 2017/18, wholesale prices of cereals continued to increase since January in most EGTE monitored markets

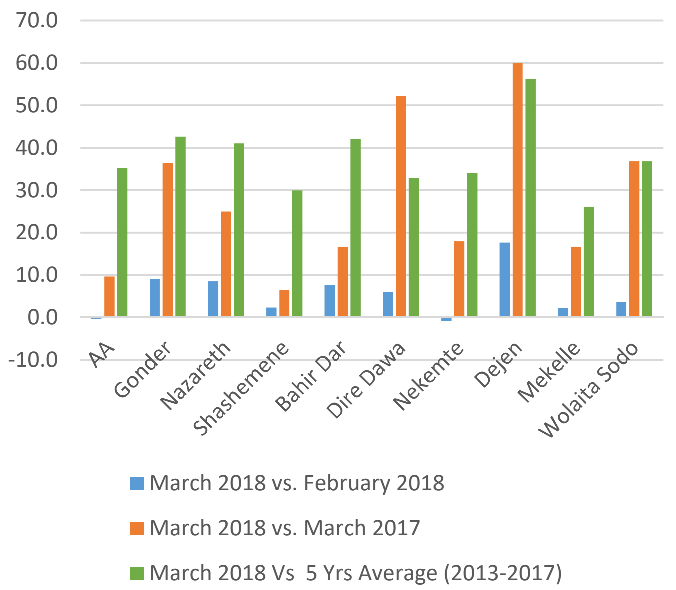
Grain production in Ethiopia increased in 2017/18 crop year compared to the previous year, both according to official statistics and according to the estimation made by Global Agriculture Information Network (GAIN). However, nominal prices of major cereals since January 2018 are higher than prices in the corresponding months of 2017; prices also increased month to month this year. Compared to the previous month, March 2018 maize prices in surplus producing areas increased by 17.6 percent in Dejen, 9.1 percent in Gondar, 7.7 percent in Bahir Dar, and 5.7 percent in Bichena.

Figure 2: Trends, average wholesale price, white Maize (ETB/100 Kg)



Wholesale nominal maize prices in March 2018 were on average 20 percent above last year prices and 37.4 percent above the five years' average prices in monitored markets. The surplus producing areas of Dejen (56.3 percent), Bahirdar (42.0 percent), and Nazareth (41.1 percent) are the markets that exhibited the highest increase in the last 12 months.

Figure 3: percentage change in nominal price of white maize in selected markets (wholesale)

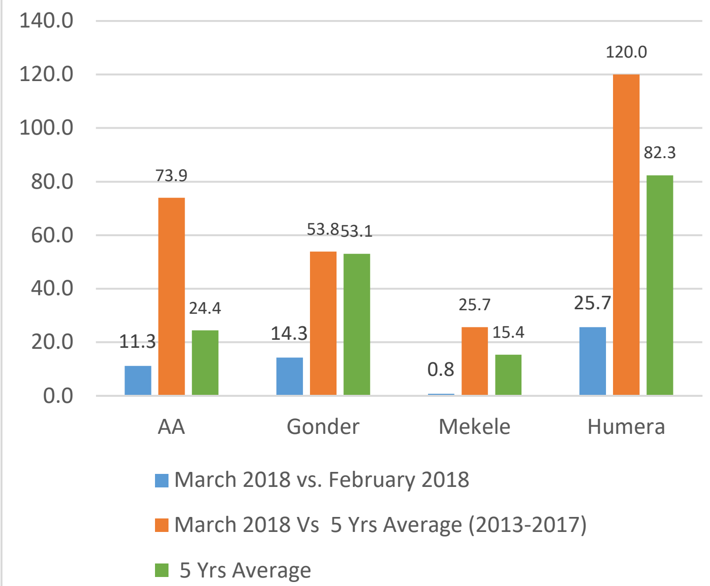


Despite significant increases in the price of maize, it is still the cheapest cereal available, making it an often-used substitute for other more expensive grains.

During the month, nominal retail maize prices showed a mixed pattern in surplus and deficit areas of Oromia. Compared to nominal prices in the preceding three months, prices increased in surplus producing areas like Abomsa, Shashemene, and Wolenchiti. On the other hand, retail price decreased significantly from the previous moths in deficit areas of Babile, Bedelle, Haramaya, Girawa, and Chiro. The decline may be attributed to the restoration of calm in the month of March after a series of riots and strikes in the past several months that disrupted the normal flow of commodities from surplus areas to deficit markets.

Sorghum is the second most important staple for the poor. Nominal sorghum prices increased significantly from the five-year average prices and also from last year prices in most monitored markets. Particularly, it is worth noting the price hike in wholesale price of sorghum in Humera (120 percent), Addis Ababa (73.9), Gondar (53.8 percent), and Debre Berhan (51.9 percent).

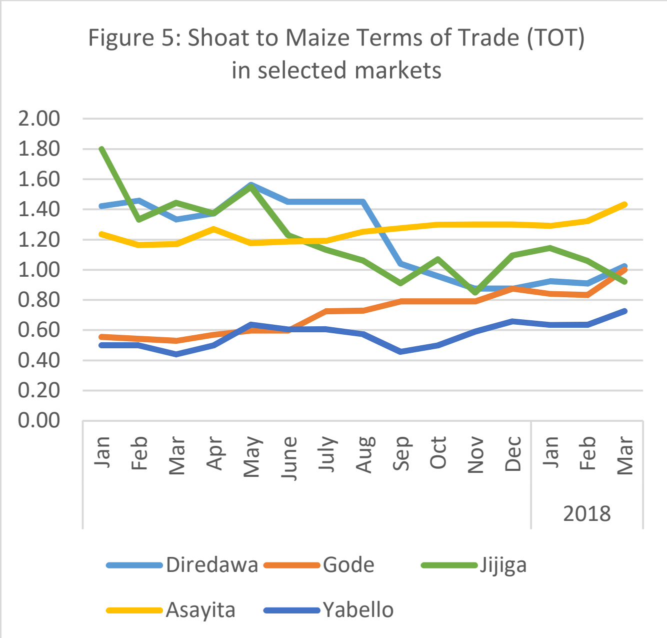
Figure 4: Percentage change in nominal price of white sorghum in selected markets (wholesale)



Terms of Trade (ToT): Purchasing Power

Shoat to maize:

The Terms of Trade between shoat (sheep and goat) and maize is a proxy for the purchasing capacity of households who mainly rely on income from livestock (pastoralists). Shoat/maize average ToT for the reporting month was between 143 kg in Asayita market to 73 kg in Yabello against one average size sheep or goat. As depicted in Figure 5, The ToT between shoats and maize showed a steady improvement since September 2017 in Yabello, Gode, and Asayita markets while Jijiga and Diredawa markets ToT has been deteriorating.



Wage to maize:

The Terms of Trade (ToT) between casual Labour wage and the Price maize is a proxy indicator for the purchasing power of households who rely on casual labour as a key income source. This ToT reveals how many Kilograms of maize can be purchased with one-day's casual unskilled labour wage, but does not tell how many days a month a labourer can get work to cover the family food needs. As depicted in figure 7, the labour wage/maize ToT for the reporting month is lower compared to ToT in March 2017. For example, a casual labourer who was able to buy 17.9 kg of maize in March 2017 in Hawzein could buy only 12.5 kg in March 2018.

In Bedessa, ToT deteriorated from 14.5kg to 8.8 kg during the same period. The decline in TOT is primarily due to the increase in the price of maize while the labour wage remained relatively stable. ToT is relatively favourable for casual labourers in Hawzein and Korem, while, it is low for casual labourers in Mechara and Deder. A casual labourer in Mechara should work 1.4 more days (2.4 days in total) to buy just the amount of maize a casual labourer in Hawzein could buy using one-day wage.

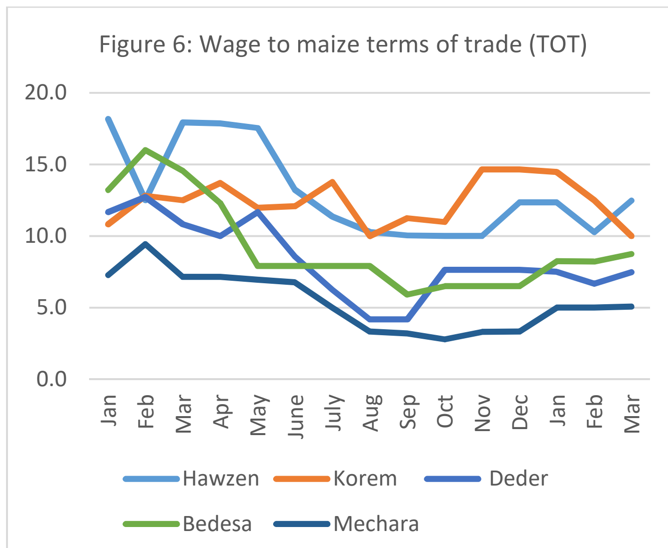


Table 1: Retail prices by market and month-on-month price changes-March 2018

	Lowest Price			Highest Price		
	Market	**Price (ETB/Kg)**	**Month to month Change (%)**	**Market**	**Price (ETB/Kg)**	**Month to month Change (%)**
White Maize (per Kg)	Shewarobit	6.00		Jijiga	13.00	-7.1
White Maize (per Kg)	Wolenchiti	6.25	4.2%	Yabello	11.0	0.0
White sorghum (per Kg)	Pugnido	5.00		Diredawa	13.00	-7.1
White Sorghum (per Kg)	Gambella	6.00		Gode	20.00	-9.1
White wheat (per Kg)	Gerbeguracha	8.80	0.0	Diredawa	16.00	0.0
White wheat (per Kg)	Robe	9.50	-1.6	Hawassa	15.00	0.0

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ANNEX 1: Commodity prices by market and trend of price changes (March 2018)

		Price Change (%)					
	Price (ETB)	1 month		3 Months		1 Year	
White Maize (Wholesale in 100 kg)							
AA	667	-0.3	►	14.1	▲	9.7	►
Nazareth	700	8.5	▲	23.9	▲	25.0	▲
Shashemene	660	2.3	►	11.9	▲	6.5	►
Bure	630	1.3	►	16.1	▲	14.5	►
Jimma	600	0.0	►	25.0	▲	14.3	►
Baher Dar	700	7.7	▲	12.0	▲	16.7	►
Dessie	680	0.4	►	19.3	▲	13.3	►
Gonder	750	9.1	▲	30.4	▲	36.4	▲
Mekelle	700	2.2	►	13.4	▲	16.7	►
Wheat (Wholesale in 100 kg)							
Addis Ababa	1178	4.6	►	4.7	►	36.8	▲
Assela	1090	2.1	►	9.5	►	47.3	▲
Bale Robe	1030	-1.2	►	11.7	▲	45.1	▲
Debremarkos	1170	10.6	▲	24.1	▲	68.8	▲
Dessie	1150	4.8	►	13.3	▲	58.6	▲
White Maize (Retail in 1 kg)							
Negelle (Guji)	7.8	3.3	►	19.2	▲	10.7	►
Jijiga	13.0	-7.1	▼	0.0	►	44.4	▲
Ginir	8.5	0.0	►	-5.6	►	21.4	▲
Yabello	11.0	0.0	►	0.0	►	29.4	▲
Shashemene	7.5	10.3	▲	10.3	►	36.4	▲
Korem	8.0	0.0	►	-2.4	►	33.3	▲
Bedeno	11.0	-8.3	▼	-2.2	►	41.0	▲
Alamata	8.4	11.1	▲	5.3	►	40.0	▲
Sikela	-	-	-	-		-	
Hawassa	7.5	7.1	▲	-		7.1	►
Turmi	-	-		-		-	
Meskan	-	-		-		-	
Kobo (North Wollo)	-	-		-		-	
Assayita	6.8	4.6	►	▲	►	-2.9	►
Awash Fentale	6.9	0.0	►	▲	▲	14.2	►
White Sorghum (Retail in 1 kg)							
Turmi	-	-		-		-	
Abomsa	9.0	5.9	▲	-10.1	▼	20.0	▲
Abaala	10.0	0.0	►	11.1	▲	17.6	►
Abyi Adi	9.5	-5.0	▼	5.6	▲	25.0	▲

	Price (ETB)	Price Change (%) 1 month	3 Months	1 Year
Korem	8.8	0.0 ►	-8.3 ►	17.3 ►
Wukiro	-	-	-	-
Sekota	-	-	-	-
Kobo (North Wollo)	-	-	-	-
Terms of Trade (TOT) (Average size Shoat to Cereals)				
Gode				
Shoat/Sorghum	0.5	10.0 ▲	9.5 ►	43.6 ▲
Shoat/maize	1.0	20.0 ▲	14.3 ▲	88.7 ▲
Diredawa				
Shoat/Wheat	0.6	2.5 ►	-11.5 ▼	29.5 ▲
Shoat/Maize	1.0	12.8 ▲	17.1 ▲	-23.1 ▼
Jijiga				
Shoat/Wheat	0.9	- 19.2 ▼	-15.8 ▼	-27.5 ▼
Shoat/Maize	0.9	-13.0 ▼	-15.8 ▼	-36.1 ▼
Yabello				
Shoat/ Maize	0.7	14.3 ▲	10.3 ▲	64.8 ▲
Negelle				
Shoat/ Maize	1.5	17.1 ▲	-16.1 ▼	43.3 ▲
Asayita				
Shoat/ Maize	1.4	8.4 ▲	10.3 ▲	22.4 ▲