



Issue No. 29
October 2018



YEMEN Market Watch Report

Highlights

- The Yemeni Riyal further weakened in October 2018, and reached the record lowest during the first half of the month (peak rate recorded was 800YER/USD), losing about 240% of its pre-crisis purchasing power.
- In-country food stocks are estimated at 1.1 million MT as of mid-November 2018. Wheat stock may cover the national requirement for nearly three months, while rice and vegetable oil may last for one and half months. Fuel commodities (petrol and diesel) continued to be scarcely available. Al Hudaydah suffers the most from scarcity of commodities across most markets due to the continued fighting.
- Retail prices of food commodities increased by 6-18% in October compared with those in September 2018, and 73-178% higher than in pre-crisis period. National average fuel prices rose in October 2018 by about 9-19% from September; and 137-261% more than those during the pre-crisis time.
- The average cost of the monthly minimum food basket in October 2018 rose by 15.7% from September, and 137% higher than the cost before the crisis.
- The Alert for Price Spikes (ALPS) indicators for all basic food items and the cost of food basket persistently maintained crisis levels in October 2018.

Macroeconomic situation

Yemen's economy has fallen to the brink of collapse by the civil war that has been ongoing for more than three and half years. The war has left more than three-quarters of the population in need of humanitarian aid and 8.4 million at risk of famine. The prolonged conflict in Yemen has unleashed a humanitarian and economic crisis on the impoverished country at unprecedented level.

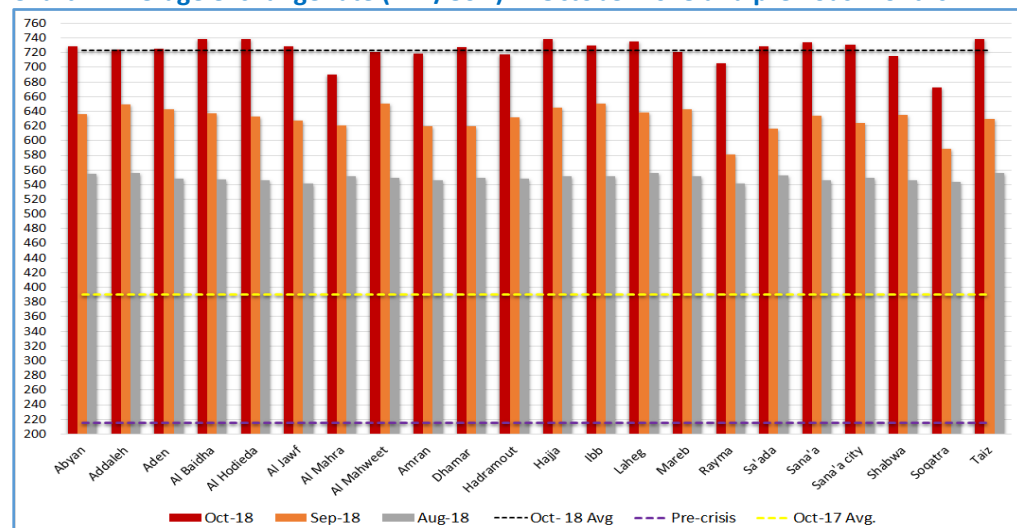
The government has not been able to pay salaries to civil servants in many parts of the country for more than a year, and the Yemen Riyal (YER) has more than halved in value against the US Dollar (USD), and soaring prices have put most of the basic commodities out of reach for millions of Yemenis, leaving them unable to afford their essential needs. Yemen's Riyal stood at 215 to the dollar in early 2015 but had dropped steadily to about 500 against the dollar in July 2018, and lost further more during the following months.

The exchange rate in the parallel markets

had reached to the record lowest in the first week of October (800YER/USD) before it started to appreciate during subsequent weeks of the month and stood at a monthly national average of about 725YER/USD – losing about 240% of its pre-crisis value (Chart 1).

Following the recent Saudi's injection of USD 200 million in the Central Bank of Yemen (CBY), the CBY has issued a statement on 22 November 2018 announcing a new official exchange rate of 522YER/USD, and the previous decree on use of floating market rates is no longer applicable. Consequently, the YER has just started to quickly recover and currently being traded between 370YER/USD and 470YER/USD in parallel markets across most of the governorates of Yemen. However, based on similar experience in the past, prices of commodities are not expected to go down with equivalent proportions and pace any time soon, and may take two-three months to normalize/stabilize, and thus the suffering of Yemenis is likely to continue until then.

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



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Food and fuel supply and availability

As of mid-Nov 2018, the quantity of in-country available stock of food commodities estimated at around 1.1 million MT; of which 586,884 MT is wheat (grain/flour); 56,015 MT of rice; 115,050 MT of sugar; 23,239 MT of vegetable oil; 8,120 MT of dry pulses; and about 227,302 MT of various types of canned beans and other food items. The current in-country available stock of wheat commodities expected to cover the national requirement for nearly three months, while the quantity of rice and vegetable oil may cover the needs for a little over a month and half months. As a result, most of the essential food items are abundantly available in all governorates except in Al Hodieda (due to the ongoing intensified conflict) and Socotra (caused by the cyclone and strong windy season to bring in food commodities), where the movements of traders and commodities were restricted and markets performance has been disrupted.

Regarding the supply and availability of fuel commodities, particularly diesel and petrol, the scarcity persistently continued in local markets across the country. Cooking gas is mostly available in the southern governorates while constantly in short supply in the northern parts of the country (Table 1). The quantity of fuel commodities (diesel and petrol) currently available in the country are estimated to meet the national needs only for less than a month. With that grim prospect of fuel supply, local markets will persistently suffer from severe scarcity, that in turn will continue to seriously limit the movements and supply of essential commodities into markets across the country.

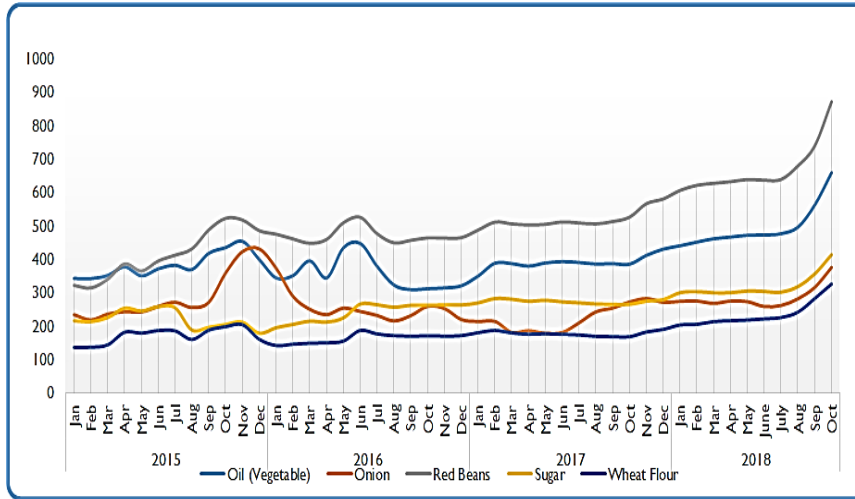
Table 1: Availability of basic commodities during current month (October 2018) and previous months

Commodity / Governorate	Current Month							Previous Month							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	Diesel	Petrol
Abyan	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	AV	AV
Addaleh	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	AV	AV
Aden	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	SAV	SAV
Al Baidha	AV	AV	AV	AV	AV	WAD	MNA	MNA	AV	AV	AV	AV	AV	AV	NA	MNA	AV	AV	AV	AV	AV	AV	AV	AV
Al Hodieda	SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	WAD	WAD	AV	WAD	WAD	SAV	SAV	SAV	WAD	WAD	WAD	WAD	WAD	SAV	SAV	SAV
Al Jawf	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	AV	WAD	WAD	AV	AV	AV	AV	AV	AV	AV	AV
Al Mahra	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	AV	WAD	WAD	AV	AV	AV	AV	AV	AV	AV	AV
Al Mahweet	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Amran	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Dhamar	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Hadramout	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Hajja	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Ibb	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Laheg	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Mareb	AV	AV	AV	AV	AV	AV	SAV	SAV	AV	AV	AV	AV	AV	WAD	WAD	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Rayma	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Sa'ada	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Sana'a	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Sana'a city	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Shabwa	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV
Soqatra	NA	AV	AV	NA	AV	SAV	SAV	SAV	SAV	SAV	AV	NA	AV	SAV	SAV	SAV	WAD	WAD	WAD	NA	WAD	SAV	SAV	SAV
Taiz	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	AV	SAV	SAV	SAV	AV	AV	AV	AV	SAV	SAV	SAV	SAV

Retail prices of food commodities and cost of minimum food basket

Following the rapid depreciation of Yemen Riyal against foreign currencies since September 2018 and further deteriorated during October, prices of food commodities exceptionally roared across most governorates of Yemen. The fast increasing prices of food commodities have systematically followed the trends of the devaluation, which reached to the record worst level in October 2018.

Chart 2: Price trends of main food commodities (YER/Unit)

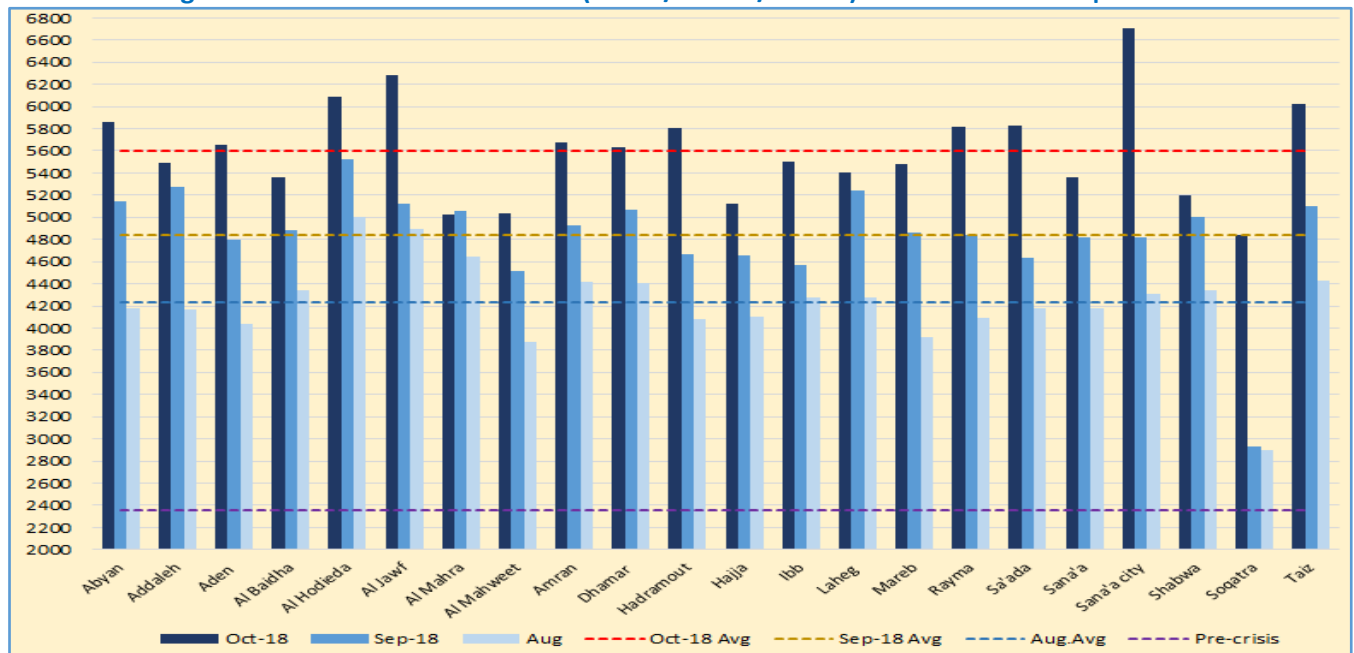


In October 2018, the national average retail prices of wheat flour, red beans, sugar, and vegetable oil sharply increased by 15%, 18%, 16% and 17%, respectively, compared with the prices reported the previous month. Moreover, the prices of those same basic food items were 138%, 178%, 92%, and 94%, respectively, higher than those recorded before the crisis (Chart 2). Price increases markedly vary across governorates (Annexes 1, 3, and 4).

The skyrocketing prices of food commodities were mainly caused by the currency crisis coupled with other factors that reportedly include increased transportation costs due to shortages and high prices of fuel; hoarding of commodities by speculating traders; movement restrictions and insecurity associated with the ongoing escalated conflicts that led to further disintegration of markets; double taxation of commodities; lack of foreign currency in banks and heavy reliance of importers on parallel foreign exchange markets; and lack of credits for traders and dysfunctionality of banking systems. Governorates including Hodieda and Sa’ada that are experiencing intensified conflicts continued to suffer the most from soaring prices of basic commodities.

Due to the sharp increase of prices of basic food commodities, the national average monthly per capita cost of minimum food basket steeply rose by about 15.7% in October 2018 from the cost reported for the month before (gone up from 4,840 YER in September to 5,600 YER in October 2018). Moreover, the cost of food basket in October 2018 is 137% higher than in the pre-crisis period. During the month of reporting, the cost of minimum food basket significantly exceeded the national average in Al Hodieda, Aden, Abyan, Al Jawf, Taiz, Amran, Dammar, Hadramout, Rayma, Sa'ada, and Sana’a city governorates, suggesting that markets in those governorates became more disintegrated than the previous months due to challenges of movements of traders and essential goods as well as other reasons mentioned in the previous section (Char 3).

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

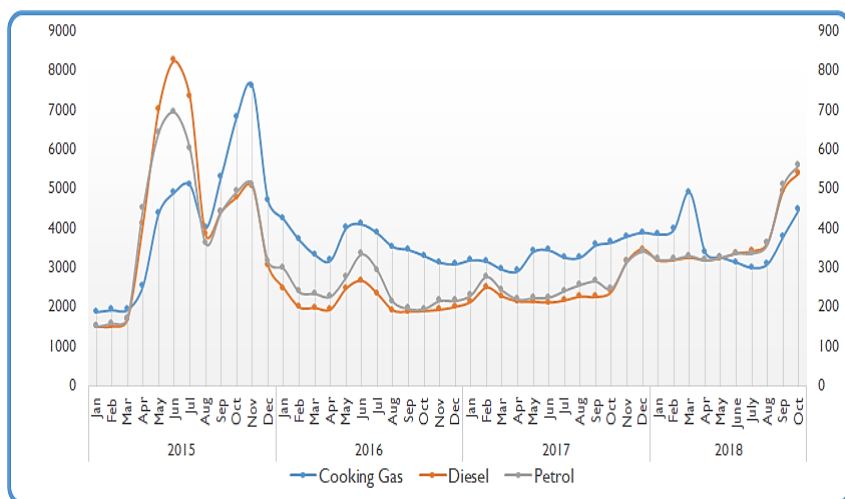


Retail prices of fuel

In October 2018, the prices of all types of fuel commodities continued to rise dramatically. Compared with prices reported in September 2018, the national average prices of cooking gas, diesel and petrol increased in October by 18%, 9%, and 10%, respectively. Moreover, the national average prices of cooking gas, petrol, and diesel in October 2018 were 138%, 261%, and 257%, respectively, higher than in pre-crisis period (Chart 4). Main reasons for scarcity and soaring prices of fuel include low level of imports, currency crisis, and poor supply into local markets.

Although the scarcity and high prices of fuel commodities have affected most of the governorates, particularly those experiencing continued and intensified conflicts such as Hodieda, Sa’ada, Hajja, and Sana’a as well as other neighboring areas are suffering from highest prices (Annexes 2, 3, and 4 contain more details).

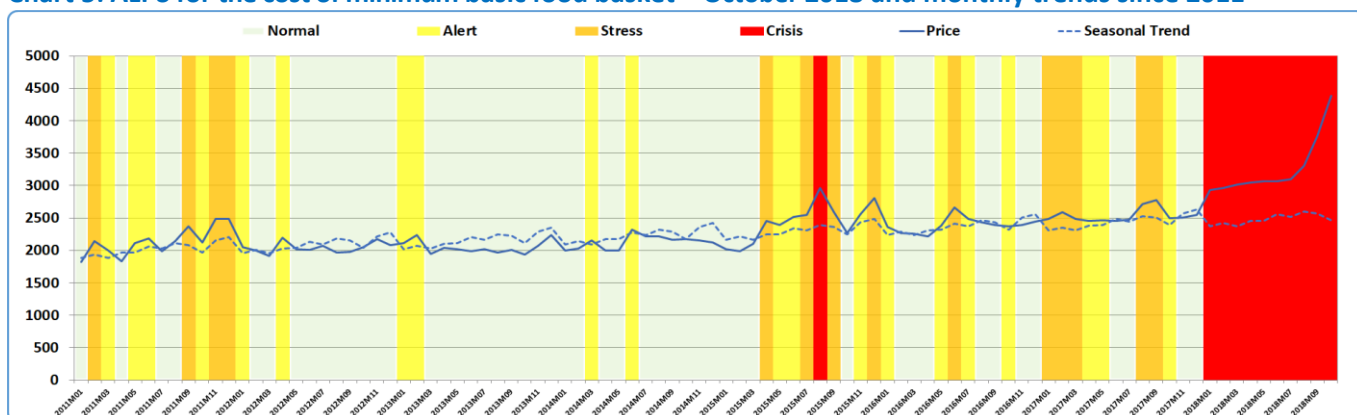
Chart 4: Price Trend of fuel commodities (YER/Unit)



Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) indicator developed for each of the basic food commodities in Yemen using historical market data on the monthly national averages from January 2011 to October 2018. The results of the ALPS analysis reflect the changes in the prices and availability of essential food commodities as well as the cost of the minimum food basket. According to the results of the analysis for the month of October 2018, the ALPS indicators for all the basic food commodities (wheat flour, vegetable oil, red beans, and sugar) continued to be on crisis level since the beginning of the year. Caused by persistently worsening situation on those indicators, coupled with the rapidly rising prices of food commodities in the past few months, the ALPS indicator for the monthly cost of the minimum food basket has remained at its crisis level since January 2018 (Chart 5).

Chart 5: ALPS for the cost of minimum basic food basket – October 2018 and monthly trends since 2011



For methodological notes related to the ALPS, please refer our previous reports.

As a result of the multi-faceted impacts of the ongoing war that led to the record highest prices of basic commodities coupled with diminished income sources, and further worsened by the lowest purchasing power of Yemeni Riyals and exhaustion of coping strategies, significant proportions of Yemenis may likely to fall into catastrophic situations and millions to continue to be at greatest risk of famine without humanitarian aid.

Annex 1: Graphs on weekly trends of prices of selected basic food commodities

Chart 6: Retail prices of wheat flour (YER/Kg) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

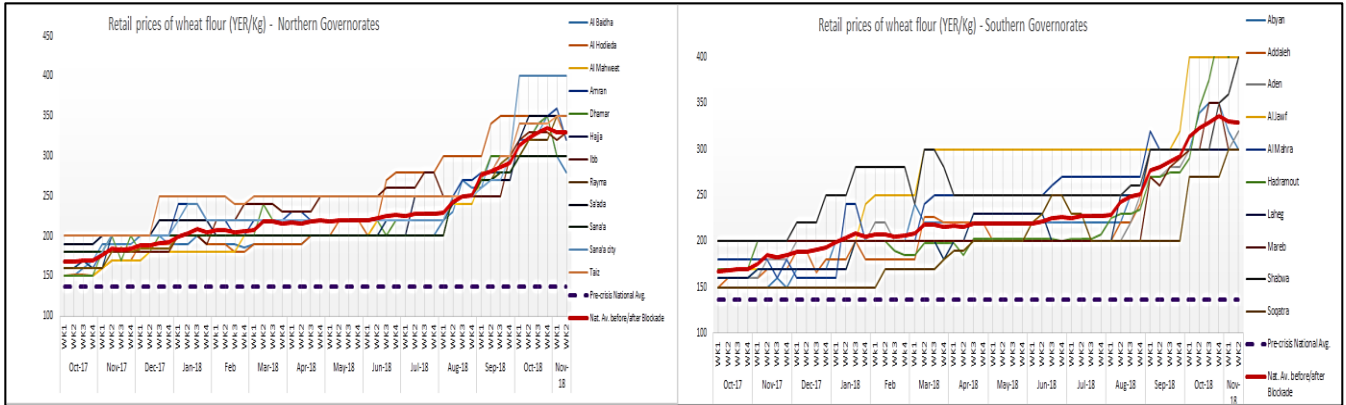


Chart 7: Retail prices of red beans (YER/Kg) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

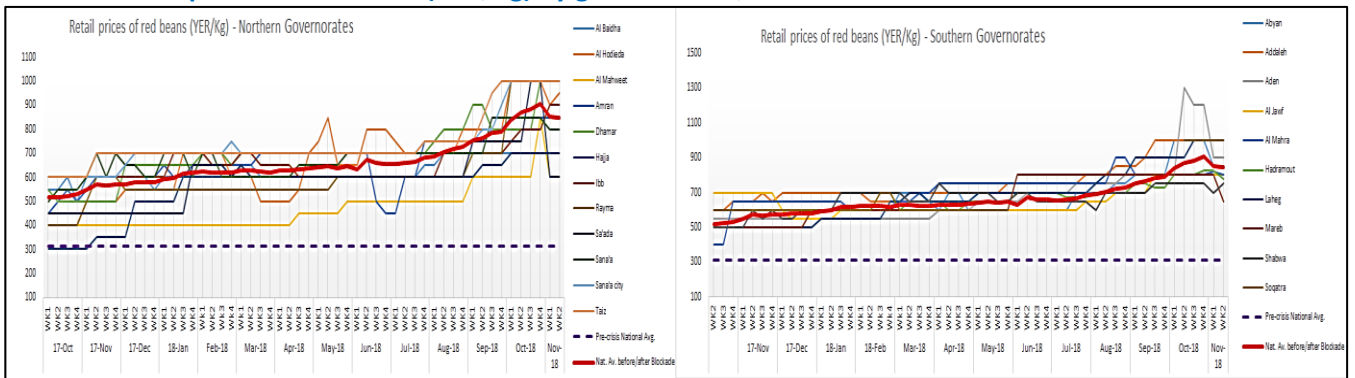


Chart 8: Retail prices of veg. oil (YER/L) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

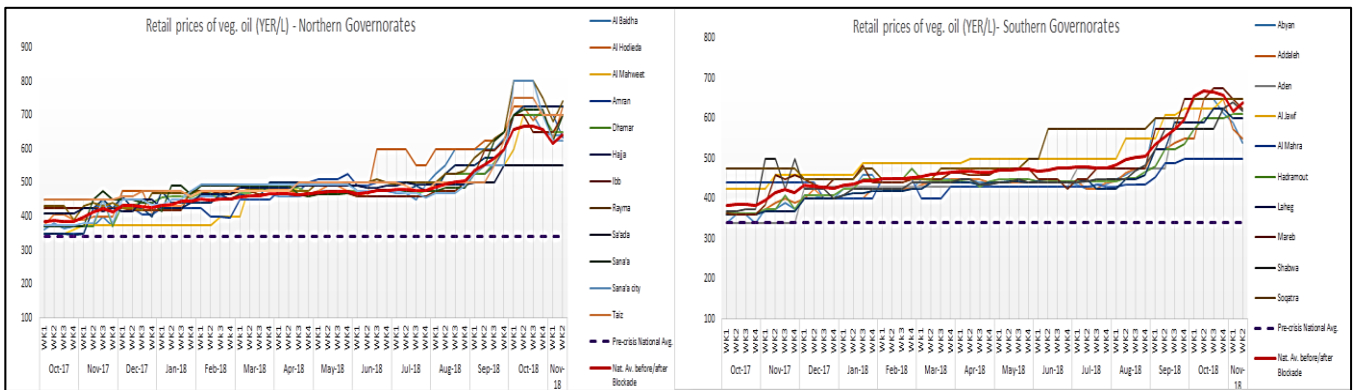
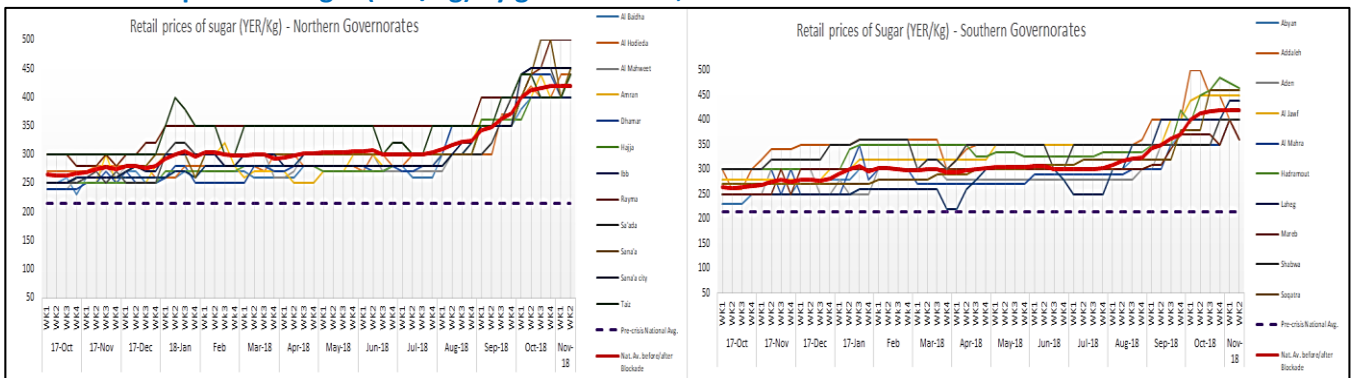


Chart 9: Retail prices of sugar (YER/Kg) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018



Annex 2: Graphs on weekly trends of prices of fuel commodities and exchange rates

Chart 10: Retail prices of cooking gas (YER/18Kg) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

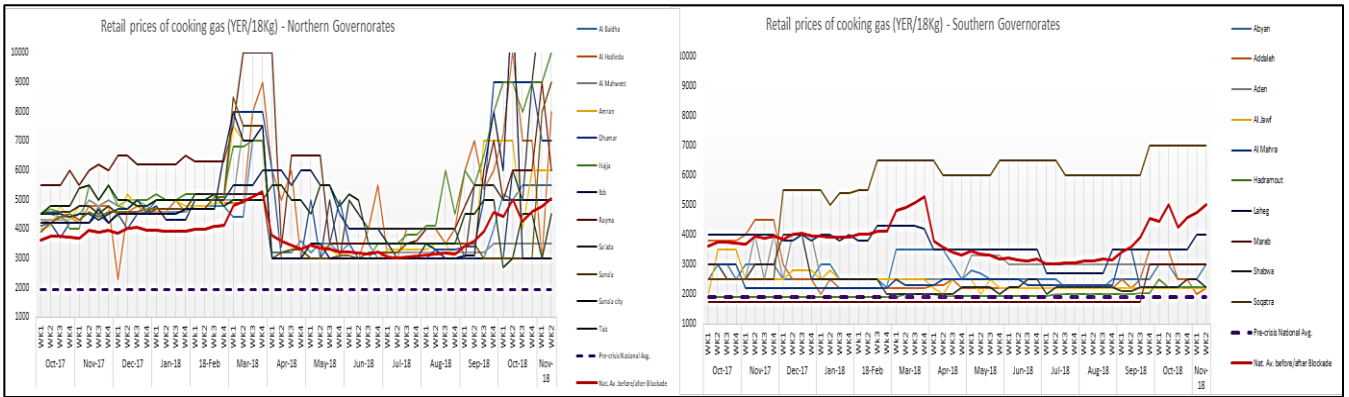


Chart 11: Retail prices of diesel (YER/L) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

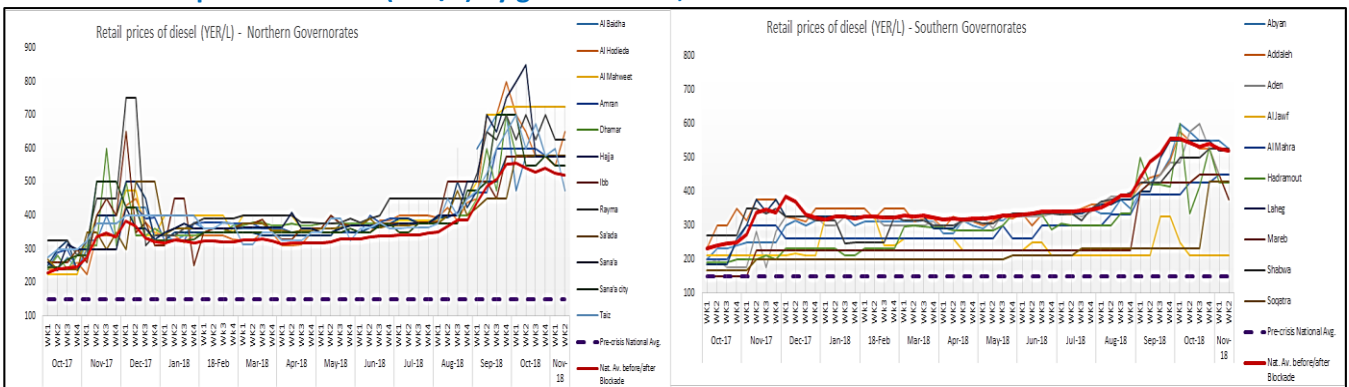


Chart 12: Retail prices of petrol (YER/L) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

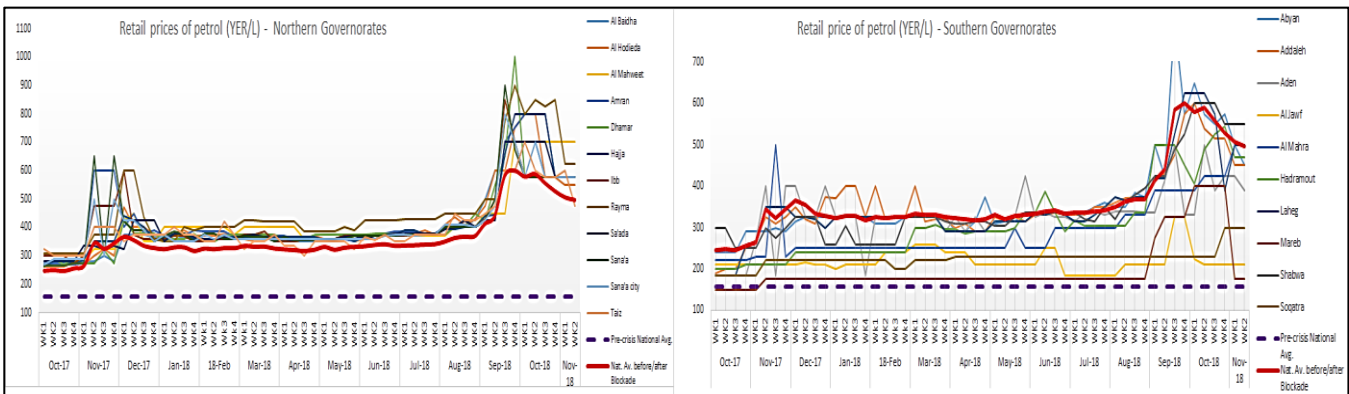


Chart 13: Exchange rates (YER/USD) by governorates, 1st week of Oct. 2017 – 2nd week of Nov. 2018

