Yemen Market Watch Report

Issue No. 31
December 2018

Highlights

- The Yemeni Riyal further appreciated by 13% in December 2018. However, it remains much weaker than its pre-crisis value (with a 140% decrease in purchasing power).
- The food supply and availability of basic food commodities in local markets of all governorates (except Hudaydah and Socotra) continued to improve in December 2018. In-country wheat stock was estimated to cover the national requirement for about three months, while rice and vegetable oil stocks will be sufficient for about one and half months. Despite minor improvements in some governorates, the scarcity of fuel commodities continued in most parts of the country.
- Retail prices of food commodities in December 2018 further declined by an average of 11-22% from those reported in November but is still much higher (37-135%) than the pre-crisis period. The national average retail prices of fuel commodities also reduced in December 2018 by about 22-25% compared to November; but 106-158% more than prices recorded before the crisis.
- The average monthly minimum food basket cost in December 2018 significantly dropped by 13% when compared to November 2018, but 97% higher than the pre-crisis value.
- The Alert for Price Spikes (ALPS) indicators for all basic food items and the cost of food basket continued to remain at crisis levels in December 2018 and throughout the year.

Macroeconomic situation

As the war in Yemen presses into its fourth year, millions of Yemenis continue to suffer at an unprecedented level, making Yemen the world’s largest humanitarian crisis. According to the recent publication of the Yemen Socio-Economic Update #38 by Ministry of Planning and International Cooperation (MoPIC) in November 2018, the cumulative decline in the country’s GDP during 2015-2017 is recorded to be over 47%, which is likely to be much worse if 2018 was included in the analysis due to the currency crisis and huge depreciation of the value of Yemeni Riyals against foreign currencies. Unfortunately, salaries for most of the public employees remain disrupted for over two years. Moreover, the report indicates that about 90% of the population lack access to public electricity, which is just one of the multiple consequences and impacts of the prolonged conflict.

According to the IPC assessment released in December 2018, the level of food insecurity has also reached critical status in the country where over 20.2 million (~76% of total population) are currently food insecure. This includes over 12 million who are severely food insecure (only one step away from famine). All other wellbeing indicators also suggest continuous worsening conditions for millions of Yemenis.

The collapsing economy compounded the currency crisis and further complicated the already dire situation. However, after depreciating to record low levels in October 2018, the Yemeni Riyal (YER) started to slowly regain its value since mid-November. This may be attributed to the recent injection of foreign exchange by the Kingdom of Saudi Arabia in November 2018, resulting in appreciation of the exchange rate and has resulted on provision of foreign exchange to food importers. The steady recovery of the YER and its continued gains against foreign currencies including the US Dollar (USD) resulted in a significant decline in the

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

Contacts

Stephen Anderson
Country Director
stephen.anderson@wfp.org
WFP Yemen CO VAM Team
Vulnerability Analysis and Mapping (VAM) Unit
Yemen.vam@wfp.org
prices of food and fuel commodities. However, millions of Yemenis could not take advantage of the reduction in prices as they lack the income and economic capacity to access their necessities due to disruption of their livelihoods and erosion/exhaustion of their coping strategies.

During the month of reporting, the national average exchange rate stood at YER 517/USD, appreciated by 15% from the previous month, but still lost nearly 140% of its pre-crisis purchasing power (Chart 1). Looking at the regional pattern of the exchange rates, about half of the governorates of the country experienced higher depreciation of YER than the national average (Chart 1).

**Food and fuel supply and availability**

Whilst the importation of food commodities in December was much lower than the same period in 2017 (latest FAO/MoPIC Market Monitoring Report), the current in-country available stock of wheat is expected to cover national requirements for over two and half months, and the quantity of rice and vegetable oil may cover needs for a little over a month and half. Fortunately, this led to the uninterrupted supply of the commodities, which were mostly available in all governorates but Hudaydah (due to the ongoing conflict and insecurity). Soqatra is reporting sparse availability of mainly wheat and beans (Table 1). Qualitative information received from WFP field monitors report that households in Soqatra are experiencing an oversupply of wheat distributed as part of the response for Cyclone Luban which occurred in mid-October 2018. This has resulted in the reduction of imports by traders.

The supply and availability of fuel commodities in December 2018 showed some improvements in numerous governorates compared to previous months. However, the majority of the governorates still suffer from poor supply and scarcity of fuel commodities (Table 1). According to qualitative information received from various markets through our market monitoring system, the availability and cost of transportation has improved, which led to an improved supply of goods in local markets. However, the quantity of fuel commodities (mainly diesel and petrol) currently available in the country is estimated to meet the national needs for about one month, suggesting that the scarcity may likely continue unless fuel imports markedly improve.

**Retail prices of food commodities and cost of minimum food basket**

The prices of food commodities have been declining since November 2018, after they reached to a record-high in October, which was largely caused by the rapid depreciation of Yemen Rial against foreign currencies.
In December 2018, the national average retail prices of wheat flour, red beans, sugar, and vegetable oil continued to sharply decline by 12%, 11%, 21% and 22%, respectively, compared with the prices reported in November. Nonetheless, the prices of those same basic food items were 103%, 135%, 47%, and 37%, respectively, still higher than those recorded before the crisis (Chart 2). Price decreases markedly vary across governorates. Most notably Aden and Amran both

recorded decreases in price for all commodities (Annexes 1, 3, and 4).

Some contributing factors to the significant reduction in the cost of basic food commodities include improvements in the availability of commodities in local markets; a remarkable drop in the prices of fuel that helped ease the availability and cost of transportation; improvements in the supply of foreign currencies; appreciation of Yemeni Riyal against foreign currencies that gave some level of certainty to the traders; and lesser intensity of conflict in several locations that led to freer movements of traders and commodities.

Following the downward trend of prices of basic food commodities, the national average monthly per capita cost of the minimum food basket steeply decreased by 13%, compared to the previous month (a decrease from YER 5,351 in November 2018 to YER 4,659 in December 2018). However, the cost of the food basket in December 2018 was still 97% higher than pre-crisis amount. During the month of reporting, the cost of the minimum food basket exceeded the national average in Addaleh, Al Jawf, Ibb, Lahej, Mareb, Sa’ada, Sana’a and Soqatra governorates. Markets in these governorates may have been less integrated due to restricted movements of traders and essential goods, resulting from insecurity, conflicts, and other unreported reasons (Chart 3). Traders in these districts were also wary of reducing their prices due to the uncertainty of the Riyal.

![Chart 2: Price trends of main food commodities (YER/unit)](image-url)

![Chart 3: Average Cost of Minimum Food Basket (in YER/Person/month) – December 2018 and previous months](image-url)
Retail prices of fuel

Prices of fuel commodities continued to decline in December 2018 compared with the previous two months. Accordingly, the national average prices for diesel, petrol and cooking gas in December decreased by 22%, 25%, and 23% respectively, compared with November. Moreover, the national average prices of diesel, petrol and cooking gas in December 2018 were 158%, 127%, and 106% respectively, which reflects prices higher than in pre-crisis period (Chart 4). The improvement of fuel prices can be attributed to the onward recovery of the YER against other foreign currencies.

Although fuel commodity prices improved in most governorates, fuel scarcity experienced in governorates such as Hudaydah, Sa’ada, Hajja, and Taiz, and all the neighboring areas where conflict and armed clashes continued and intensified have been impacted (Annexes 2, 3, and 4 contain more details).

Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) indicator was developed for each of the basic food commodities in Yemen using historical market data on monthly national averages from January 2011 to December 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. The analysis for December 2018 showed that the ALPS indicators for all the basic food commodities (wheat flour, vegetable oil, red beans, and sugar) continued to be at crisis level since the beginning of 2018. Due to months of a cumulative impact on the worsening market situation, the ALPS indicator for the monthly cost of minimum food basket continued to be on crisis since January 2018 (Chart 5).

![Chart 4: Price Trend of fuel commodities (YER/Unit)](chart4)

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![Chart 5: ALPS for the cost of minimum basic food basket – December 2018 and monthly trends since 2011](chart5)

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

Although prices of basic food and fuel commodities have been declining since November 2018, they continued to be much higher than the pre-crisis period. Even though better market conditions have prevailed in terms of improved availability and reduced prices, millions of Yemenis lack the economic access and still could not afford to buy their necessities and they continued to rely on humanitarian assistance and highly at risk of famine without it.
Annex 1: Graphs showing weekly trends of prices of selected basic food commodities

Chart 6: Retail prices of wheat flour (YER/Kg) by governorates, First week of October 2017 – Fourth week of December 2018

Chart 7: Retail prices of red beans (YER/Kg) by governorates, First week of October 2017 – Fourth week of December 2018

Chart 8: Retail prices of veg. oil (YER/L) by governorates, First week of October 2017 – Fourth week of December 2018

Chart 9: Retail prices of sugar (YER/Kg) by governorates, First week of Oct. 2017 – Fourth week of December 2018
Annex 2: Graphs showing weekly trends of prices of fuel commodities and exchange rates

Chart 10: Retail prices of cooking gas (YER/18Kg) by governorates, First week of Oct. 2017 – Fourth week of December 2018

Chart 11: Retail prices of diesel (YER/L) by governorates, First week of Oct. 2017 – Fourth week of December 2018

Chart 12: Retail prices of petrol (YER/L) by governorates, First week of Oct. 2017 – Fourth week of December 2018

### Annex 3: Average retail prices of basic commodities by governorate – December 2018 (current month) and previous months

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Commodity</th>
<th>Current Month</th>
<th>Previous Period</th>
<th>Direction of Change</th>
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### Previous Month

- **December 2017**: Data not available.
- **October and 1st half of December 2017**: Data not available.
### Annex 4: Average retail prices by commodity during current month (December 2018) and previous months

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<tr>
<th>Commodity</th>
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<th>Previous Period</th>
<th>Direction of Change</th>
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*Note: The table above shows the average retail prices by commodity during the current month (December 2018) and previous months, along with the direction of change for each period.*