

# Lebanon

## VAM Update on Food Price Trends

### November 2019

#### Highlights

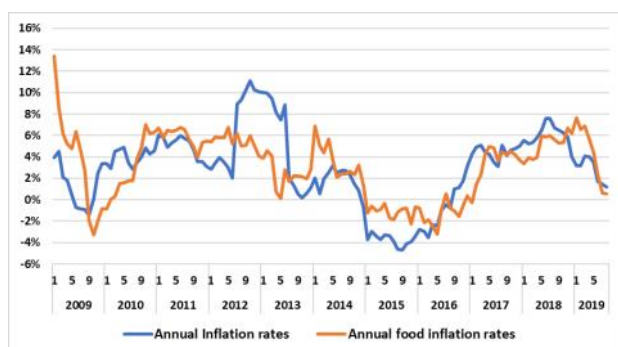
- The average daily price of the SMEB<sup>1</sup> food basket increased by 8% between 16 October (36,907 LBP<sup>2</sup>) and 31 October (39,940 LBP). This is a noticeable increase in basic food commodities prices during a very short period.
- In the second half of October (since the beginning of the protests) the price for the food basket was on average 2.4 percent higher than during the first half of October.
- The highest price increases in the SMEB food basket were for bulgur, rice and canned meat.
- From a Governorate perspective, the highest food basket prices as of 31 October are found in Beirut (44,207 LBP), Nabatieh (42,754 LBP) and Bekaa (42,700 LBP).
- The highest price increases are observed in Nabatieh, North Lebanon (each 13 percent) and Bekaa (12 percent).

#### Introduction

Since the worsening of the economic crisis and the start of social unrest on 16 October 2019, WFP Lebanon has been monitoring food prices and the unofficial exchange rate. The aim of the monitoring is to immediately detect market anomalies as an early warning and to better understand the impact of the current crisis on vulnerable households in Lebanon.

#### Overall Inflation between 2009 and 2019 in Lebanon

Figure 1 below shows the overall annual inflation rates and annual food inflation rates<sup>3</sup> provided by the Central Administration of Statistics



of Lebanon. It shows that prices in Lebanon have been relatively stable over the past nine years since January 2009. Annual inflation rates in Lebanon reached a peak of 11 percent in October 2012 and annual food inflation rates recorded a peak of 13 percent in January 2009. In 2019, monthly inflation rates ranged between one to eight percent.

#### WFP food prices monitoring in Lebanon

Since 2017, WFP collects data on all transactional itemized sales data for all customers and purchasing price of each item in over 400 contracted shops in Lebanon, as a reliable proxy for food retail prices countrywide. Retailers send itemized sales data on a regular basis, with regular follow-up and quality control by the WFP Lebanon Retail Unit. In total, 31,872 Stock Keeping Units (SKUs) are included in the Retail database and registered through the Electronic Checkout System (ECS) installed at shop level. Reports are then produced contain-

Figure 1 (left): Annual Inflation rates in Lebanon from January 2009 until August 2019 (Source: Central Administration of Statistics, Lebanon, 2019)

ing information on all detailed itemized sales bought by any customer (e.g. Lebanese NPTP<sup>4</sup> beneficiaries, Syrian beneficiaries, or a regular customers). After collection, data is cleaned, mined, categorized and qualified through an algorithm done on the back end and managed by the WFP Retail Unit. The process of categorization identifies each SKU to which food family group it belongs to, and its brand if clear. The price of around 472 of these SKUs are grouped into 25 commodities, whose daily prices are monitored and analysed on a monthly basis by the VAM Unit. An in-depth analysis of the eight essential food commodities making up the food component of the Survival Minimum Expenditure Basket (SMEB) is conducted every three months in the VAM market bulletin<sup>5</sup>. Since 16 October 2019, WFP Lebanon is monitoring the daily price patterns of these eight commodities on a weekly basis. The following price analysis is based on information received from 230 shops in October 2019.

### Evolution of the monthly SMEB food basket price in 2017, 2018 and 2019

Figure 2 below shows the monthly average price evolution for the food component of the SMEB food for 2017, 2018 and 2019 (up until October 2019). In January 2017 food basket prices were the highest amounting to 40,500 LBP. Since then, the food basket cost has been steadily decreasing until June 2019. In August 2019, prices increased to reach the same level as in August 2018 but started to decrease again in September and October.

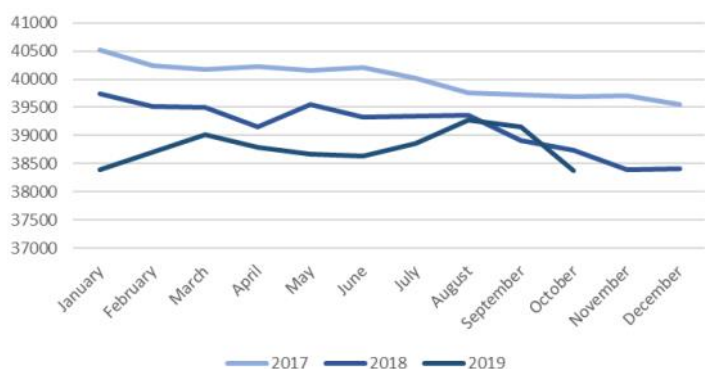


Figure 2: Monthly average SMEB food basket price 2017-2019 in LBP (Source: [https://dataviz.vam.wfp.org/economic\\_explorer/prices](https://dataviz.vam.wfp.org/economic_explorer/prices))

### Evolution of the daily SMEB food basket price in October 2019

Figure 3 shows the daily average price of the SMEB food basket for the month of October 2019. During the first two weeks of October, the price decreased from approximately 38,000 LBP to 37,000 LBP. Since the beginning of the crisis, however, the price has steadily increased to reach approximately 40,000 LBP by the

end of the month, which represents an eight percent increase in only two weeks. On average, however, the price for the food basket was only 2.4 percent higher in the second half of October than during the first half of the month.



Figure 3: Daily total average of the SMEB food basket prices in October 2019; Source: WFP, Retail price data, Lebanon

### Evolution of the SMEB food basket price by commodity (16-31 October 2019)

When analysing prices for the eight commodities in the SMEB food basket, noticeable differences can be seen over the last two weeks (16-31 October). Figure 4 below shows the percentage increase by commodity and the average price for all eight commodities. The high-

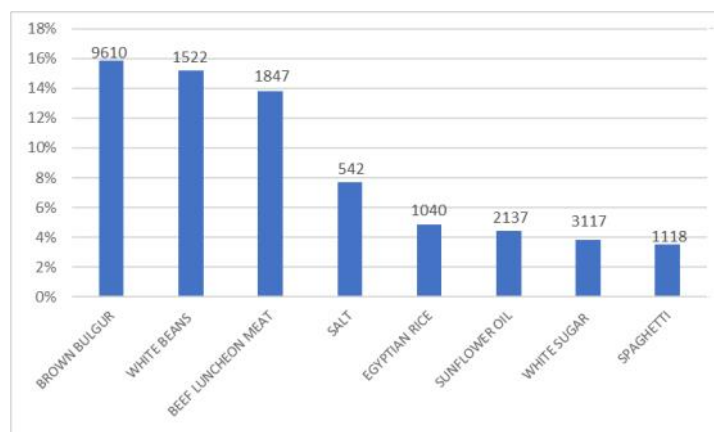


Figure 4: Percentage price increase by commodity (16-31 October 2019) and average prices per kg or litre in LBP; Source: WFP

est price increase among the eight basic food basket commodities concerns bulgur (+16 percent), followed by beans (+ 15 percent) and canned meat (+14 percent).

### Evolution of the SMEB food basket price by governorate (16-31 October)

Figure 5 below shows the food basket price on 16 October and on 31 October for each Governorate and the respective percent increase. It also shows the current CBT food transfer value (LBP 40,500/USD 27) for the food component. As already shown in Figure 3, food

basket prices increased at national level. The increase however varies by governorate as demonstrated in figure 5. While the current CBT food transfer value (40,500 LBP/27 USD) was higher than the food basket price in all governorates on 16 October, by 31 October

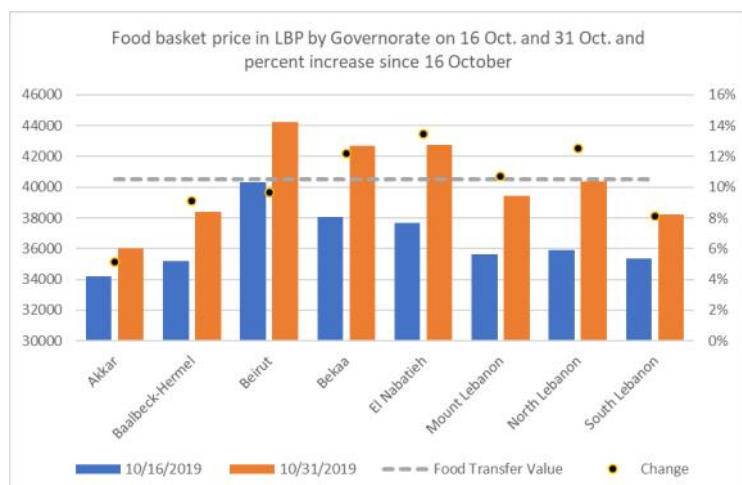


Figure 5: Food basket price in LBP by Governorate (16.10 and 03.11.2019), percent increase since 16.10.2019 and SMEB food basket transfer value (40,500 LBP) – Source: WFP, Lebanon,

the SMEB food basket price had increased above the transfer value in Beirut, Nabatieh and the Bekaa.

## Discussion

The above analysis shows an important increase in daily average food basket prices between 16 and 31 October 2019. The following reasons and their interlinkages could explain this price trend since the beginning of the crisis:

- Increased hoarding/bulk purchases by households due to the overall uncertainty of the food supply side<sup>6</sup>;
- Decreased/temporary supply constraints in specific locations due to road blocks<sup>7</sup>;
- Reduced port activities due to insecurity and road blocks leading to limited and/or interrupted supply<sup>8</sup>;
- Closure of banks until 31 October negatively impacting the overall flow of goods and purchase capacities of both consumers and traders<sup>9</sup>;
- Higher supply prices for retailers due to increased use of unofficial USD/LBP exchange rate (at the beginning of November approximately 3 out of 4 retailers indicated they had to operate with rates higher than the official exchange rate)<sup>10</sup>; and
- Towards end of October salaries have been received by employees, allowing them to buy their essential goods, such as food for example<sup>11</sup>.

On 31 October 2019, WFP data showed that SMEB food basket prices were higher than the current CBT food transfer value provided to beneficiaries in three governorates (Figure 5 above). It is important to underline that the current analysis is based on daily price data points and would provide different results with daily prices from another date. This means that while this daily trend is alarming, we still need to re-confirm if the trends persists throughout the month of November in order to be able to draw more definite conclusions on the daily (and, more importantly, monthly) price trend, and its impact on food access at household level. A recommendation to adjust the transfer value would have to rely on this analysis of the price trend over a longer period.

In addition to close price monitoring/analysis, it is also necessary to better understand: i) potential changes in income opportunities for vulnerable households, and ii) how the overall food supply side will evolve during the month of November. In addition to that, price analysis of non-food items needs to be added to the overall price analysis to have a full picture of the inflation trends in Lebanon (and a reference point for the MPC transfer value).

## Conclusion

WFP Lebanon has been closely monitoring food prices of the SMEB food basket and the unofficial exchange rate since the beginning of the crisis. The aim of the daily price monitoring is to immediately detect market anomalies and understand the potential impact of the current developments on vulnerable households' food access and purchasing power in Lebanon. The result of the above analysis can be summarized as follows:

- The average daily price of the SMEB food basket increased by 8% between 16 October (36,907 LBP) and 31 October (39,940 LBP). This is a very noticeable increase in basic food commodities prices during a very short period.
- In the second half of October (since the beginning of the protests) the price for the food basket was on average 2.4 percent higher than during the first half of October.
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The above food price developments can be attributed to different factors linked to the crisis and directly influencing demand and supply. Port activities for example have been hampered by the protests. The closure of banks until end of October and limits on cashing/withdrawals have also negatively impacted the overall flow of goods and purchase capacities of both consumers and traders. However, it also must be noted that the daily food basket price increases have been geographically heterogenic and different in their magnitude (as can be seen on Figure 5).

Today Lebanon hosts more than 1.6 million Syrian and Palestinian refugees and according to the LCRP 2019<sup>12</sup>, 1.5 million Lebanese are currently living below the poverty line. Last week the World Bank<sup>13</sup> also stated that: “The proportion of Lebanese living in poverty could rise to 50% if economic conditions worsen up.” Hence, a potential further increase in food prices combined with the loss of income opportunities, the crisis could further push millions of Lebanese and refugee households into poverty and/or extreme poverty.

To this end, WFP Lebanon will continue monitoring the daily food basket price patterns. With its partners (including Lebanon One Unified Inter-Organizational System for E-cards (LOUISE) agencies, Food Security Sector Working Group (FSSWG) and Basic Assistance WorkingGroup (BAWG)) WFP will also aim to monitor non-food item prices. Furthermore, WFP in close coordination with partners will also prepare a vulnerability survey to better understand the impact of the current crisis on income opportunities (and income levels) for the most vulnerable refugee and Lebanese households.

## Footnotes

- 1) The food commodities of the Survival Minimum Expenditure Basket (SMEB) food basket are based on a monthly ration per person of 6 kg of rice, 3.9 kg of bulgur, 1.5 kg of pasta, 1.5 kg of white beans, 1.5 kg of sugar, 0.9 litres of sunflower oil, 0.3 kg of salt and 1.2 kg of canned meat. See also Annex 3 of the VASyR 2018 at: <https://www.unhcr.org/lb/wpcontent/uploads/sites/16/2018/12/VASyR-2018.pdf>
- 2) LBP = Lebanese Pound ; official exchange rate: 1USD=1507.5LBP; <http://www.bdl.gov.lb/tabs/index/6/289/Daily-Exchange-Rates.html>
- 3) The inflation rate is calculated usually year-on-year; <http://cas.gov.lb/index.php/en/?option=comcontent&view=article&id=111&Itemid=2>
- 4) For more on the National Poverty Targeting Programme see also, <https://reliefweb.int/report/lebanon/wfp-lebanon-country-brief-september-2019>
- 5) <https://docs.wfp.org/api/documents/WFP-0000108985/download/?iframe>
- 6) <https://www.dailystar.com.lb/News/Lebanon-News/2019/Nov-12/495386-food-shortage-fear-sparks-panic-buying-in-protest-hit-lebanon.ashx>
- 7) <https://www.acleddata.com/data/> or see UNDSS messages received from 16 October 2019 on wards
- 8) <https://www.acleddata.com/data/>
- 9) <https://www.reuters.com/article/us-lebanon-protests-economy-prices/at-lebanon-shops-mills-and-petrol-pumps-fears-of-supply-crisis-grow-idUSKBN1X928F>
- 10) WFP Lebanon, weekly retail shop phone survey, 2019
- 11) <https://www.aljazeera.com/ajimpact/queues-lebanon-banks-reopen-week-closure-191101124742258.html>
- 12) See LCRP 2019 planning support documents
- 13) <https://www.nytimes.com/reuters/2019/11/06/world/middleeast/06reuters-lebanon-protests.html?fbclid=IwAR3iXEoWcHN734kFow1fPvHmvdLV4mjKZlzK2NYuqXDjBP8nrmzRgG5fSP4>

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Food and basic needs price information can be found in WFP VAM's online database: [dataviz.vam.wfp.org](http://dataviz.vam.wfp.org)