

Lebanon

VAM Update on Food Price Trends

December 2019

Highlights

- An important increase of +8.2% is noted in the monthly average food SMEB¹ basket prices between October and November 2019, reaching LBP 41,666 LBP in November.
- Unofficial exchange rates progression is dominating the trade activities at WFP contracted shops in November 2019.
- As of November 2019, the food SMEB cost was above the WFP food transfer value of LBP 40,500 in all governorates except Akkar.

Introduction

Since the worsening of the economic crisis and the start of popular protests on 16 October 2019, WFP Lebanon has been monitoring supply trends, food prices² and the unofficial exchange rate between the Lebanese Pound (LBP) and the USD. The aim of this 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.

Evolution of the monthly food SMEB prices

Figure 1 below shows the monthly average price evolution for the food component of the SMEB for 2017, 2018 and 2019 (until November 2019). In January 2017, the food SMEB prices peaked at LBP 39,294. Since then, the

food basket cost has been steadily decreasing until June 2019, after which followed a period of increases and decreases. Between October and November 2019, an increase from LBP 38,520 to LBP 41,666 was observed on a monthly average. Comparing the October national average with the November one, an increase of +8.2% was thus observed in the food SMEB price.

Evolution of the daily food SMEB prices

Figure 2 below shows the daily average price of the SMEB food basket for the month of October and November 2019, with a spike towards the end of November. Since the beginning of the public protests, the price has steadily increased, at the exception of a short slow down at the beginning of November.

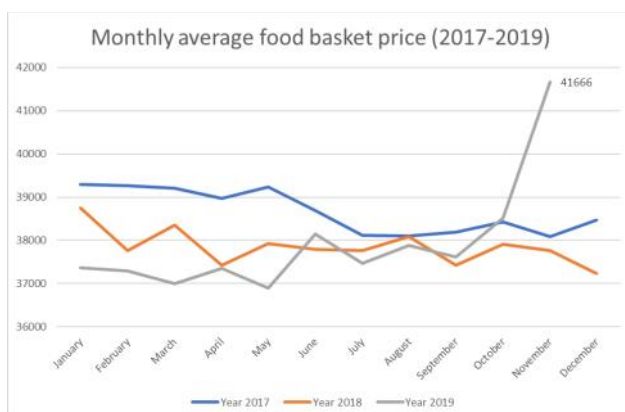


Figure 1: Monthly average food basket price (2017-2019) (LBP); Source: WFP Retail POS Data Warehouse, Lebanon, 2019

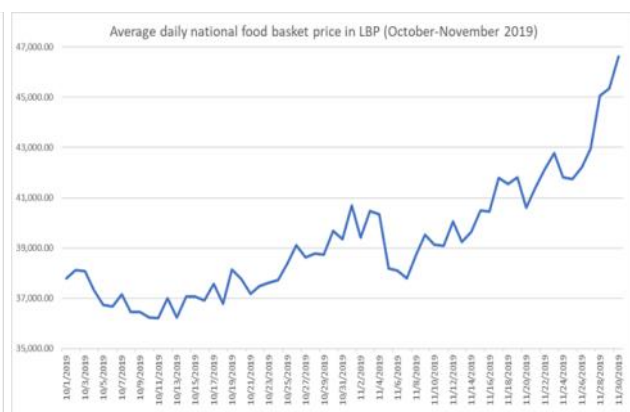


Figure 2: Daily total average of the food SMEB price in October & November 2019; Source: WFP, Retail price data, Lebanon, 2019

Evolution of food SMEB prices by Governorate

Figure 3 shows the bi-monthly average food basket price for October and November for each Governorate compared to the current Cash Based Transfer (CBT) food transfer value (LBP 40,500) for the food component (red line). As already shown in Figure 1, food basket prices increased at national level.

The increase however varies by governorate as demonstrated in figure 3. Governorates with the highest price increase during the period of 17 October to 30 November were observed in Bekaa, Mount Lebanon (both 17%), North (16%), Beirut, El Nabatieh (both 15%), Baalbek-El Hermel (14%), Akkar (13%) and South Lebanon (12%).

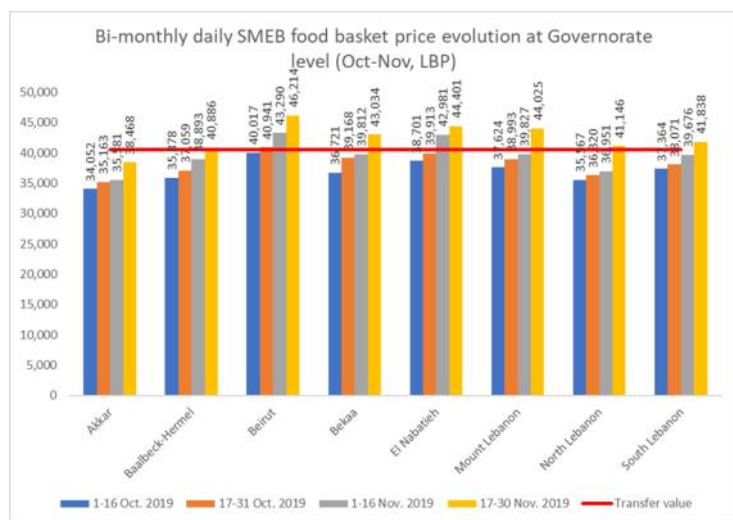


Figure 3: Bi-monthly daily food SMEB price evolution in LBP by Governorate in October and November 2019. Food assistance transfer value (40,500 LBP) is represented by the red line.

While the current food transfer value was slightly higher than the food basket price in all governorates before the 16 October (see also previous markets update and map 1 on the next page), by end October the SMEB food basket price had increased above the transfer value in Beirut, Nabatieh and the Bekaa. By end of November, the price of the food basket was above 40,500 LBP in all Governorates except for Akkar, where it stood at approximately 38,500 LBP. Map 2 shows the progression of the average food SMEB per governorate for 17-31 October, 1-16 November and 16-30 November.

Evolution of monthly prices by commodity

Analyzing prices for the eight commodities in the food SMEB, noticeable differences are seen over the two months period. Figure 4 below shows the percentage increase by commodity and the average price for all eight commodities in October and November 2019. Food commodities with the highest price inflation from October to November 2019 were: pasta (+19%), sugar

(+11%), sunflower oil and rice (+9%), followed by beans and bulgur (+7%).

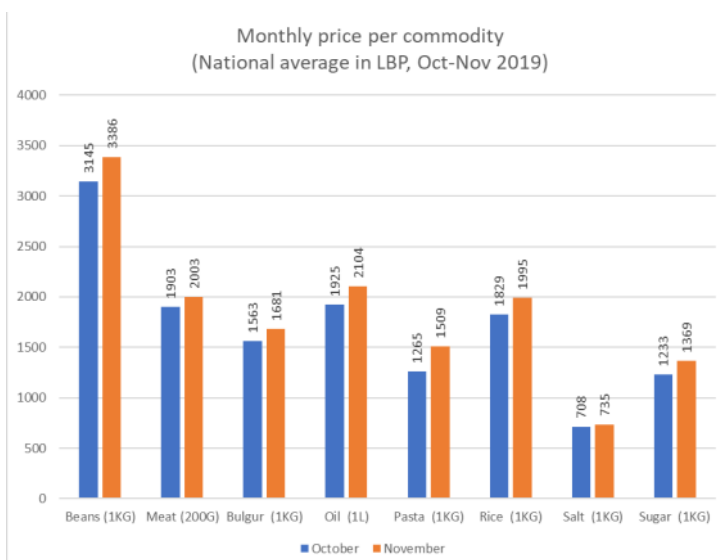


Figure 4: National Average commodity prices (per kg/litre in LBP) in October/November 2019; Source: WFP

Unofficial exchange rate progression

Map 3 (next page) shows the unofficial exchange rate development between LBP and USD per district based on contracted retailers' feedback received on the 4, 18 November and 5 December 2019. Traders are specifically asked with which unofficial exchange rate they must operate to pay their respective suppliers. The answer range options are: 1,500-1,600 LBP, 1,600-1,700 LBP, 1,700-1,800 LBP, 1,800-2,000 LBP, 2,000-2,250 LBP and more than 2250 LBP. Beginning of November 2019, almost all traders indicated to operate with exchange rates which were above the official exchange rate which stands at 1,507 LBP. As of 5 December 2019, retail traders indicate that their suppliers charge them with an exchange rate that is at least 1,800 LBP of higher for 1 USD. Figure 5 below shows the evolution of weekly unofficial exchange rates development from the 31 October 2019. On the 5 December 2019, 82% of shops interviewed reported having to operate with an LBP/USD exchange which ranges between 2,000 to 2,250 LBP.

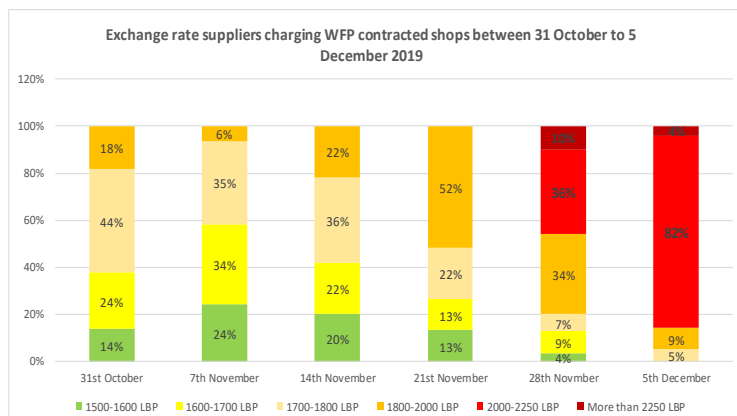
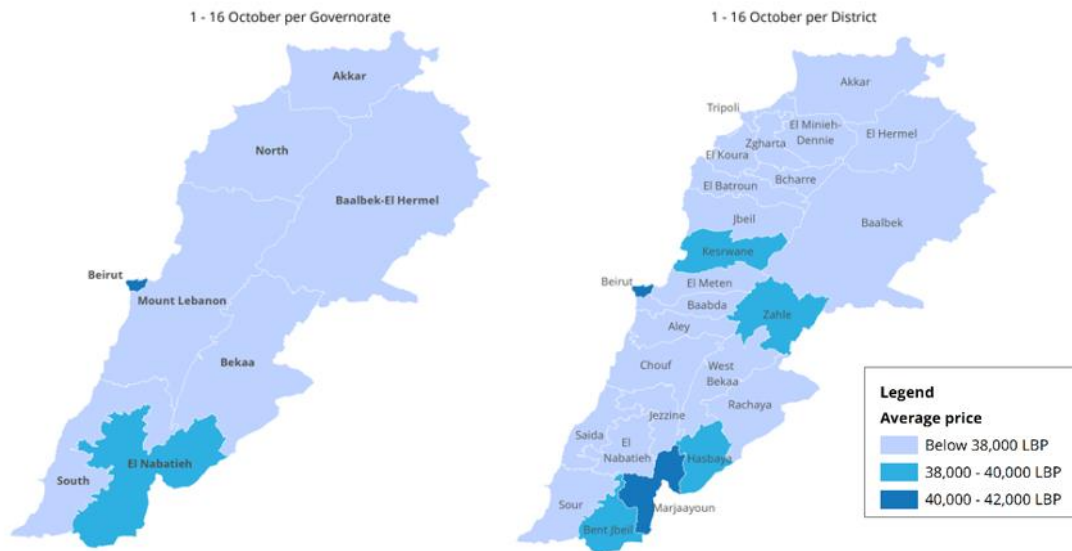
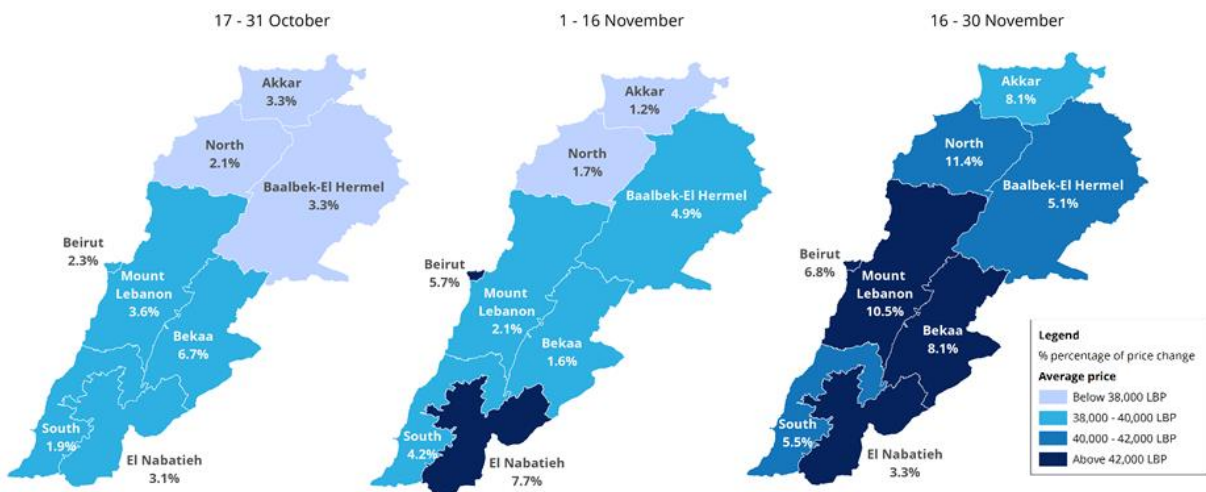


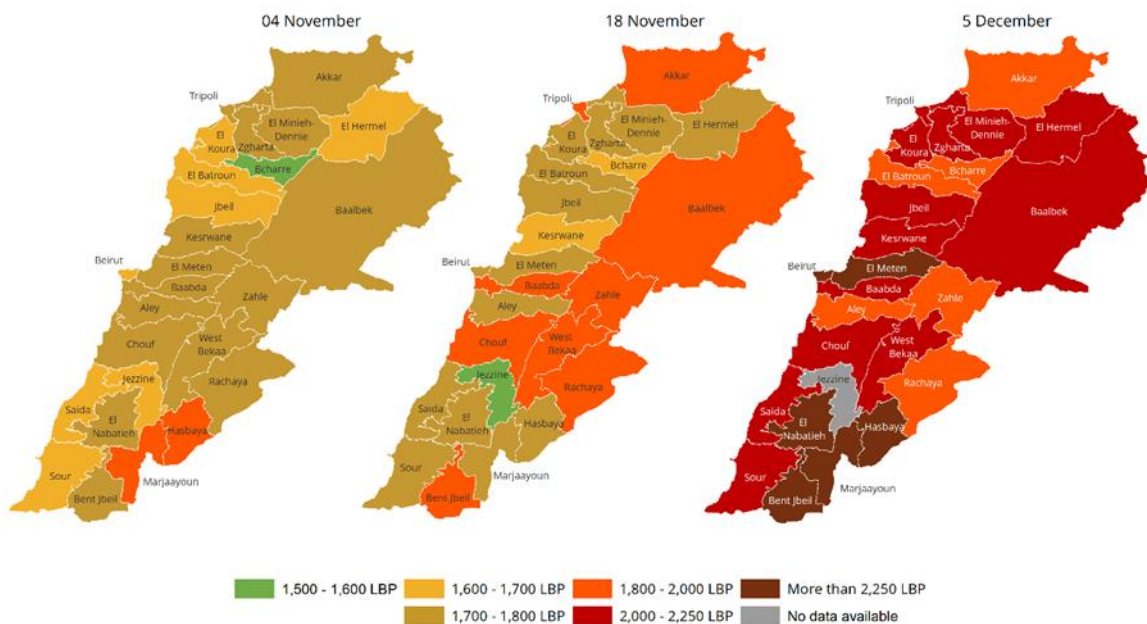
Figure 5: Weekly unofficial exchange rate evolution; Source: WFP



Map 1: Average food SMEB price per Governorate and District pre-popular protest, 1-16 October 2019



Map 2: Average food SMEB price per Governorate between 17-31 October, 1 – 16 November and 16-30 November 2019



Map 3: Unofficial exchange rate development per USD per district based on contracted retailers' feedback between the 4, 18 November and 5 December 2019

Conclusion

The above analysis shows the following:

- An important increase in average food SMEB prices between October and November 2019 of +8.2%, reaching LBP 41,666 LBP in November.
- Unofficial exchange rates progression seems to be dominating the trade activities at WFP contracted shops in November 2019.
- As of November, the food SMEB cost was above the WFP food transfer value in all governorates, except in Akkar.

The following reasons can explain the observed trends:

- Continued widening gap between the official and unofficial exchange rate continues to negatively impact trade activities. This is further aggravated by a shortage in LBP and USD in the market;
- Increased hoarding/bulk purchases by households due to the uncertainty of the food supply side⁴;
- Decreased/temporary supply constraints in specific locations due to road blocks (especially in October)⁵;
- An overall decline in port activities leading to a decrease in imported goods. For example, the weights of imported good decreased by 47% between June and November 2019;
- Suspension of fuel supply during a few days in the month of November 2019⁶;
- Closure of banks in October 2019 combined with on-going capital controls negatively impacting the overall flow of goods⁷ and purchase capacities of both consumers and traders⁸; and
- Towards the end of both months, salaries have been received by employees, allowing them to buy their essential goods, such as food for example¹⁰ and therefore increasing demand during that period.

While continuing to monitor the food SMEB prices, WFP in close coordination with humanitarian and development partners will advocate for wider vulnerability and market assessments to fully understand the impact of the current crisis on food prices, income opportunities and income levels for the most vulnerable refugees and Lebanese citizens. This is to ensure that ongoing support provided to the most vulnerable is targeted, efficient and appropriate.

Foot notes

1. The SMEB food basket is 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/wp-content/uploads/sites/16/2018/12/VASyR-2018.pdf>
2. For the price data collection and analysis methodology, please visit: <https://docs.wfp.org/api/documents/WFP-0000110413/download/>
3. <http://lebaneselira.org/>
4. <https://www.dailystar.com.lb/News/Lebanon-News/2019/Nov-12/495386-food-shortage-fear-sparks-panic-buying-in-protest-hit-lebanon.ashx>
5. See UNDSS message received since the beginning of the popular unrest
6. <http://www.portdebeyrouth.com/index.php/en/members-area/detailed-statistics>
7. <https://uk.reuters.com/article/uk-lebanon-protests-strikes-fuel/lebanon-petrol-stations-suspend-strike-nna-idUKKBN1Y32F0>
8. <https://www.reuters.com/article/us-lebanon-protests-economy-prices/at-lebanon-shops-mills-and-petrol-pumps-fears-of-supply-crisis-grow-idUSKBN1X928F>
9. <https://www.cnbc.com/2019/10/23/lebanon-protests-fears-of-a-cash-crisis-as-banks-remain-shut.html>
10. <https://www.aljazeera.com/ajimpact/queues-lebanon-banks-reopen-week-closure-191101124742258.html>

For further information, please contact the VAM Lebanon Team: Lebanon.MEVAM@wfp.org

More food and basic needs price information can be found here: dataviz.vam.wfp.org