

# Lebanon

## Update on Food Price Trends

### January 2020

### Highlights

- A significant increase (28.4%) was observed in the monthly average countrywide food SMEB<sup>1</sup> price between September and December 2019—from LBP 37,700 to LBP 48,400.
- In December 2019, the transfer value for food assistance (LBP 40,500) was below the observed SMEB price in all governorates.
- Sugar and vegetable oil prices have increased by almost 40% since October 2019.
- 79% of WFP-contracted shops reported being charged an exchange rate above LBP 2,000 by their suppliers in December 2019.

### Introduction

Since the worsening of the economic crisis and the start of popular protests on 17 October 2019, WFP has been monitoring supply trends, food prices<sup>2</sup> and the unofficial exchange rate between the LBP and the USD. The aim 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 food SMEB price

Figure 1 below shows the *monthly average price* for the food component of the SMEB for 2017, 2018 and 2019. The food SMEB price peaked in January 2017 at LBP 39,000 and steadily decreased until June 2019. After a brief period of instability, the price has been increasing steadily since October through December. The month-on-month inflation was 2.1% in October, 8.3% in November, and 16.1% in December, with the cumulative inflation



Figure 1: Monthly average food SMEB price (LBP) in 2017, 2018 and 2019. Source: WFP retail POS data.

rate between September and December reaching 28.4%.

Figure 2 below shows the *weekly average price* for the food component of the SMEB between the first week of September and the last week of December 2019. An inflation rate of 31.2% is observed between the week of 14 October 2019, which preceded the beginning of the crisis, and the last week of December, with the food SMEB price jumping from LBP 37,196 to LBP 48,819.

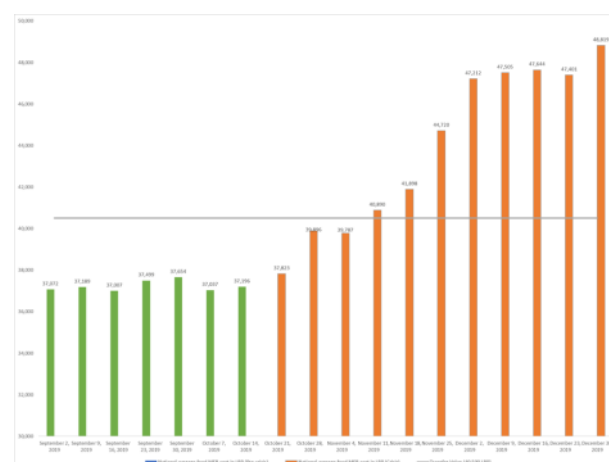
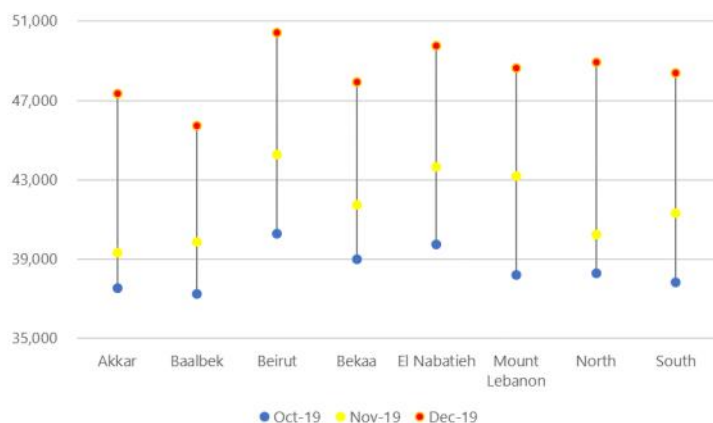


Figure 2: Weekly average food SMEB price (LBP) between September and December 2019. Source: WFP retail POS data.

### Evolution of food SMEB prices by Governorate

Figure 3 below shows the monthly average food SMEB price in October, November and December 2019 for each Governorate. The food SMEB price increased in a similar fashion in all Governorates, with Beirut remaining the most expensive food SMEB in December (LBP 50,450 against LBP 40,272

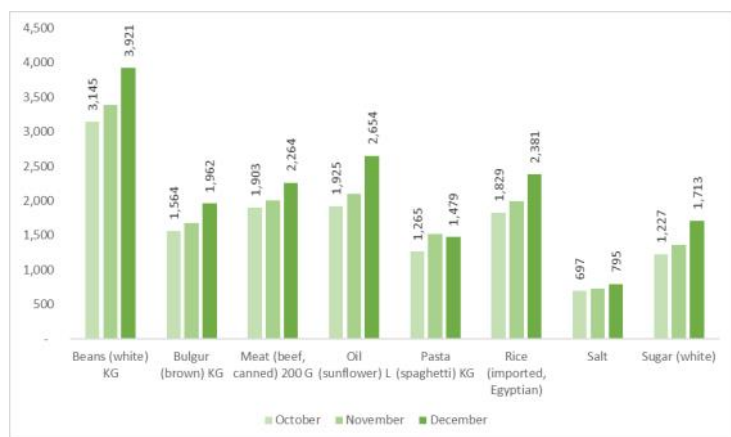
in October), and Baalbek the cheapest (LBP 45,737 against LBP 37,267 in October). While the current food transfer value for assistance (LBP 40,500) was slightly higher than the food SMEB price in all Governorates before 16 October, it was below the food SMEB price in all Governorates in December.



**Figure 3:** Monthly food SMEB price evolution by Governorate (LBP) from October to December 2019. Source: WFP retail POS data.

### Evolution of monthly prices by commodity

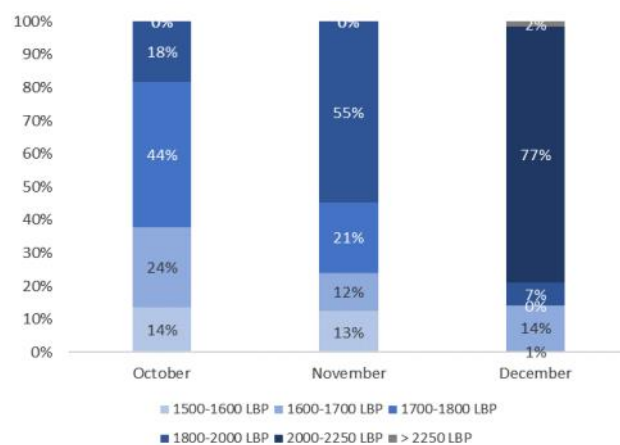
Figure 4 below shows the increase in average prices for the eight food SMEB commodities in October, November and December 2019. Food commodities with the highest price increases from October to December 2019 were: sugar (39%), sunflower oil (38%), beans (25%) and bulgur (25%).



**Figure 4:** Average commodity prices (per kg/litre in LBP) in October, November and December 2019. Source: WFP retail POS data

### Unofficial exchange rate progression

While no WFP-contracted shop reported being charged exchange rates above LBP 2,000 by their suppliers in October and November, this was the case of 79% of shops in December. Figure 5 below shows the steady deterioration of the unofficial exchange rate applied by suppliers to WFP-contracted shops since October, in line with the overall decline of the unofficial exchange rate<sup>3</sup>.



**Figure 5:** Exchange rate applied by suppliers to WFP-contracted shops from October to December 2019. Source: WFP interviews

### Conclusions

The high food SMEB price increase likely had a significant negative impact on food access for households in Lebanon in the past months, especially for the most vulnerable. This includes beneficiaries of food assistance, affected by the growing gap between the food transfer value and the food SMEB price (19.5 % on average in December). A country-wide vulnerability assessment is recommended to measure the impact of the present economic crisis on households in Lebanon, and to inform appropriate responses.

The steep depreciation of the LBP against the USD on the unofficial market is very likely the cause of most of the observed increase in the food SMEB price. As long as cash-based food (and non-food) assistance continues to be provided on the basis of the official exchange rate, it will be difficult to adjust transfer values to match the new SMEB prices, without incurring further opportunity losses on the USD value of that assistance.

Using transaction data from its contracted shops, WFP plans to monitor and analyze price trends for the non-food item (NFI) component of the SMEB, in order to complement its monitoring of food prices, and to better inform a discussion on the SMEB transfer value.

### Footnotes

1. The food SMEB is the food component of the Survival Minimum Expenditure Basket (SMEB), 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. <https://lebaneselira.org/>

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