Regional Market Analysis

Introduction

The aim of the report is to give a general overview about the market situation of 16 countries of the region in simplest way possible. The Market Status indicator shows the overall level of market challenges in the country, which is classified based on annual consumer inflation or food inflation rates as follows:

![Market Status Indicator]

To better understand the market situation and the possible reasons for price trend developments, this report is complemented by a description of a different range of economic indicators.

Regional Overview as of January 2020

As of January 2020, prices were relatively stable across the entire region, except for Sudan, Syria, and Iran. Prices in Sudan have been constantly exceptionally high since the beginning of 2019, indicating an overall "crisis" level for the past two years. In October, the country witnessed an all-time high inflation and food inflation rates of 2019 – at 57.7 and 67 percent, respectively. Both rates are approximately 9 percent higher than the peaks recorded in August. Wheat subsidies removal, currency depreciation, and political instability are main drivers of price spikes.

In Syria, the depreciation of the local currency in the informal exchange market coupled with intensified fighting in the north east led to a general increase in the cost of the food basket (up 13 percent between December 2019 - January 2020 and up 60 percent compared to December 2019). Peaks were observed in Idleb (up 27 percent), Deir-ez-Zor (up 26 percent) and Damascus (up 22 percent). The Lebanese financial crisis contributed to the currency depreciation of Syrian pound through limited supply of foreign currency.

Since October 2019, Lebanon entered a period of economic and political instability, which affected the costs of living. In January 2020, total inflation increased by 10.4 percent compared to the same period in 2019, recording the highest increase since August 2018. The average cost of the survival minimum food basket (SMEB) has also increased since October 2019 (up 30 percent), reaching LBD 50,580.

Similarly, the costs of living in Iran have been affected by socio-economic factors, which led to an increase of annual inflation and food inflation (up 26.3 percent and up 24 percent in January 2020, respectively). The situation has, however, slightly improved as the country has passed from "crisis" to "alert" level.

Although inflation rates were contained in Turkey during September and October 2019 (9 percent each), they picked up again between December 2019 and January 2020 year at 11.8 and 12.1 percent, respectively. Egypt has witnessed an improvement, passing from a “stress” to a “normal” level as the strengthening of the Egyptian pound against the U.S. dollar resulted into an overall decrease in both annual and food inflation rates. In January 2020, annual inflation rate recorded 7.2 percent compared to 12.7 percent in the same period in 2019.

In Yemen, the cost of the food basket increased by 2 percent between September 2019 to January 2020, following currency depreciation from an average of YER 603.7 per USD to 612.4.
Regional Market Analysis

Annual inflation rates, January 2020

Annual food inflation rates, January 2020

Data sources: WFP, UNGIWG, GeoNames, GAUL, and OCHA.
The designations employed and the presentation of material in the map(s) do not imply the expression of any opinion on the part of WFP concerning the legal or constitutional status of any country, territory, city or sea, or concerning the delimitation of its frontiers or boundaries.

Notes on the data:
* All figures represent annual rates in January 2020 except for the following:
  - Total and food inflation → Jordan (latest available is December 2019), Libya (latest available is September 2019 and Sudan (latest available is October 2019)
  - Total inflation → Iraq and Tajikistan (latest available is December 2019)
  - Food inflation → Iraq, Palestine, Tajikistan and Tunisia (latest available is November 2019).

** Syria and Yemen food inflation represents WFP monitored food basket. No data available on annual inflation rates (grey shaded areas).
Regional Market Analysis

SUDAN

KEY FIGURES AND TRENDS

- Following a shortage of inputs, agriculture production contracted in 2019 together with services sector and investments. Political uncertainty is expected to further affect economic growth in 2020.
- Public and private debt have reduced Sudan’s capacity to mobilize domestic resources to borrow from international markets.
- Being the world’s largest producer of gum arabic, Sudan will continue to depend on agriculture to boost exports, generate FX, and reduce the current account deficit.

CURRENT STATUS

MAGNETIC INDICATORS

+ 58% in October 2019
Annual inflation rate

+ 67% in October 2019
Annual food inflation rate

+ 2% in October 2019
Monthly inflation rate

105 USD/SDG
Sudanese Pound

ECONOMIC INDICATORS

2.8% in 2018
GDP annual growth rate

2.5 billion USD up to September 2019
Exports

0.5 billion USD up to September 2019
Gold export

+ 13% in 2019
Unemployment rate

ECONOMIC IMBALANCES

- 8.5% of GDP in 2018
Government budget deficit

- 3.1 USD billion up to September 2019
Balance of trade

+ 62% in 2018
Government debt to GDP
Compared with the first nine months of the year, **annual inflation rates** in October 2019 were the highest at **58 percent** for **total** inflation and **67 percent** for **food inflation**. Wheat subsidies removal, currency depreciation, and major political developments at the national level are driving factors behind price spikes.

The month of January 2020 witnessed the highest monthly increase in the food basket cost at 15 percent. Annually, the food basket cost increased by a total of 96 percent following strong currency depreciation from SDG 57 per USD in January 2019 to SDG 105 in January 2020.

**Figure 1: Monthly national food basket cost and exchange rates**

Blue Nile, North and South Darfur recorded the highest prices of food basket in January 2020. Throughout the reporting period between September to January, cost of food basket in these three regions were higher than the national average by 13, 11, and 8 percent respectively. Unstable political situation and clashes in these regions are the drivers of the price spikes in these regions.

**Figure 2: Cost of the food basket by governorate, January 2020**

At the macro-level, **trade balance widened** from a deficit of USD 2.3 billion in the first three quarters of 2018 to a **deficit of 3.1 billion** in the **first three quarters of 2019**. Trade widened following an **increase in imports** value (up 17 percent) driven by higher private sector purchases. **Exports** value **slightly declined** (down 3 percent). Gold exports – accounting for 25 percent of total exports value in the 9 months of 2018 – **decreased by USD 0.15 billion**, corresponding to 20 percent of total exports in the first 9 months of 2019.
Regional Market Analysis

SYRIA

KEY FIGURES AND TRENDS
- The difference between official and parallel exchange rate started to widen in early 2019 and then surged over Q4 following civil unrest in Lebanon and the restriction in accessing Lebanese banks.
- In January 2020, the national average price of a standard reference food basket increased by 13 percent reaching SYP 37,556 compared to December 2019.

CURRENT STATUS

MARKET INDICATORS
- Fuel prices (national):
  - + 42% in January 2020 (Y-o-Y)
- WFP food basket:
  - + 60% in January 2020 (Y-o-Y)
- Syrian Pound:
  - 1,028 USD/SYP

ECONOMIC INDICATORS
- Wage (non-skilled worker):
  - 2,670 SYP/day in January 2020
- Wage dynamics:
  - + 27% in January 2020 (Y-o-Y)
- Crude oil production:
  - 25 BBL/D/1k in August 2019
- Unemployment rate:
  - 8.4% in 2019

TERMS OF TRADE
- Wage and wheat flour:
  - Daily wage can buy 6.7 Kg
- Wage and rice:
  - Daily wage can buy 3.8 Kg
- Sheep and wheat flour:
  - Kg/sheep 486
Regional Market Analysis

In January 2020, the national average price of a standard reference food basket increased by 13 percent reaching SYP 37,556 compared to December 2019. The y-o-y food basket national average price was 60 percent higher compared to January 2019. Peaks were recorded in Idleb (up 27 percent), Deir-ez-Zor (up 26 percent) and Damascus (up 22 percent). The depreciation of the Syrian Pound in the informal exchange market is the main driver of such increase. In Idleb, continuing fighting and disruptions in supply routes in north-west Ar-Raqqâ and Aleppo are the main drivers of the reported increase. Idleb also recorded the highest average cost of food basket in January (SYP 50,636), followed by Al-Hasakeh (SYP 40,008) and Lattakia (SYP 39,875). The gap between the highest and lowest recorded average food baskets is continues to widen, as it expanded by 68 percent from SYP 11,567 in December 2019 to SYP 19,449 in January 2020. This seems to suggest a worsening of trade relations across Syria.

Following the depreciation of the Syrian Pound, prices of many food items have surged, mainly those that are directly imported, such as vegetable oil (up 10 percent m-o-m), rice (up 15 percent m-o-m), sugar (up 17 percent m-o-m) and wheat flour (up 8 percent m-o-m).

The national average price of diesel decreased by 13 percent, but increased by 42 percent from January 2019, reaching SYP 330/Lt. Idleb recorded the highest average at SYP 810/Lt, representing an increase of 14 percent m-o-m. Such increase is due to supply disruptions as many routes from north-east Syria are now closed due to the Turkish ‘buffer zone’.

The national average informal exchange rate in January 2020 was SYP 1,028/USD (up 17 percent m-o-m), while the official exchange rate between the Syrian Pound and the U.S. Dollar has remained unchanged at SYP 434/USD since late 2017. The highest yearly increase in the informal exchange rate were observed in Deir-ez-Zor and Tartous (up 123 percent and up 120 percent, respectively).

The national average non-skilled labour wage was relatively stable in between the last four months of 2019 and early 2020, reaching SYP 2,670/day in January (up 3 percent m-o-m); however, the wage rate was 27 percent above its y-o-y level. The January national average terms of trade (ToT) between wheat flour and wage labour, decreased by 5 percent m-o-m and by 16 percent compared to January 2019, highlighting a worsening purchasing power trend. The depreciation of the Syrian Pound caused an increase in the prices of fodder, which, in turn, led to an increase in the national average price of a two-year old alive male sheep (SYP 192,637/sheep in January 2020, up 11 percent m-o-m). The January 2020 ToT between an alive two-year old male sheep and wheat flour was 486 kg/sheep (up 2 percent m-o-m), highlighting an improvement in the exchange for livestock owners.

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1 The standard food basket includes 28.46 Kg bread, 19 Kg rice, 19 Kg lentils, 5 Kg of sugar, and 7 L of vegetable oil
2 WFP Syria Price Bulletin, January 2020

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Table 1: Food basket cost and changes, SYP

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Price January 2020</th>
<th>1 month change</th>
<th>5 months changes</th>
<th>12 months changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aleppo</td>
<td>SYP 33,497</td>
<td>-6%</td>
<td>47%</td>
<td>54%</td>
</tr>
<tr>
<td>Damascus</td>
<td>SYP 34,611</td>
<td>22%</td>
<td>49%</td>
<td>60%</td>
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<tr>
<td>Dar’a</td>
<td>SYP 34,472</td>
<td>9%</td>
<td>38%</td>
<td>57%</td>
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<tr>
<td>Deir-ez-Zor</td>
<td>SYP 39,855</td>
<td>26%</td>
<td>36%</td>
<td>51%</td>
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<tr>
<td>Hama</td>
<td>SYP 37,447</td>
<td>20%</td>
<td>58%</td>
<td>49%</td>
</tr>
<tr>
<td>Al-Hasakeh</td>
<td>SYP 40,008</td>
<td>11%</td>
<td>54%</td>
<td>55%</td>
</tr>
<tr>
<td>Homs</td>
<td>SYP 31,187</td>
<td>0%</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td>Idleb</td>
<td>SYP 50,636</td>
<td>27%</td>
<td>103%</td>
<td>120%</td>
</tr>
<tr>
<td>Lattakia</td>
<td>SYP 39,875</td>
<td>13%</td>
<td>56%</td>
<td>64%</td>
</tr>
<tr>
<td>Ar-Raqqâ</td>
<td>SYP 38,121</td>
<td>9%</td>
<td>40%</td>
<td>57%</td>
</tr>
<tr>
<td>Rural Damascus</td>
<td>SYP 34,752</td>
<td>15%</td>
<td>44%</td>
<td>54%</td>
</tr>
<tr>
<td>As-Sweida</td>
<td>SYP 36,707</td>
<td>12%</td>
<td>53%</td>
<td>65%</td>
</tr>
<tr>
<td>Tartous</td>
<td>SYP 34,895</td>
<td>0%</td>
<td>28%</td>
<td>46%</td>
</tr>
<tr>
<td>Quneitra</td>
<td>SYP 36,721</td>
<td>12%</td>
<td>54%</td>
<td>57%</td>
</tr>
<tr>
<td>Average</td>
<td>SYP 37,556</td>
<td>13%</td>
<td>51%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Source: WFP Syria Price Bulletin, January 2020
IRAN

KEY FIGURES AND TRENDS

- Following the recent tensions with the U.S. and newly imposed sanctions, future economic prospects in Iran are uncertain.
- Crude oil production has contracted reaching its lowest yearly value in December, while high inflation continues to affect purchasing power.

CURRENT STATUS

MARKET INDICATORS

+ 26.3% in January 2020
Annual inflation rate

+ 24% in January 2020
Annual food inflation rate

136,000 USD/IRR
Iranian Rial (parallel market)

ECONOMIC INDICATORS

- 1.1% in Q3 2019
GDP annual growth rate

2.1 BBL/D/1k in December 2019
Crude oil production

+ 10.5% in September 2019
Unemployment rate

ECONOMIC IMBALANCES

- 4.4% of GDP in 2019
Government budget deficit

22.6 billion USD in 2017/2018
Balance of trade

+ 44.2% in 2018
Government debt to GDP
Regional Market Analysis

According to World Bank estimates, Iran’s economy is expected to contract by 8.7 percent in 2019/20 due to external shocks to oil and gas sector output. Oil production kept decreasing throughout 2019, hitting an average of 2.4 million barrels per day against 3.6 million in the year of 2018 (which represents a 34 percent decline). U.S. sanctions were not limited to oil and gas sector, rather they included country’s petrochemicals, metals, mining, and maritime sectors.

Unemployment rate reached 10.5 percent in September 2019; significant higher rates were recorded among female workers compared their male counterpart (18.2 percent vs. 8.6 percent). Youth unemployment rate was as high as 26.1 percent.

Sanctions, currency weakening, relatively high food imports reliance (one fifth of total merchandize imports in 2017), and supply shocks following floods and earthquakes have altogether affected the cost of living in Iran. In the last quarter of 2019, average annual inflation rate reached 34 percent, while average annual food inflation rate stood at 30 percent.

Despite the decrease in annual inflation rates, the cost of living is still high, with positive annual total and food inflation rates in January 2020 (at 26 and 24 percent, respectively). Reinstatement of U.S. sanctions on Iran was placed in November 2019, leading to a higher base towards the end of 2018 and lower than average annual inflation rates towards the end of 2019.

Figure 3: Annual inflation and annual food inflation rate, 2019-2020

Source: Iran statistics office and Bonbast

Monthly total inflation and monthly food inflation rates reached a minimum of 0.5 percent and -1.4 percent in September 2019 following currency strengthening (IRR 115,000 per USD). However, both monthly inflation rate and monthly food inflation rates increased in December 2019, reaching 3.2 percent and 4.1 percent, respectively. The weakening of the Riyal is the main driver of such increase.

3 Most recent data available
4 World Development Indicator, World Bank data
Regional Market Analysis

LEBANON

KEY FIGURES AND TRENDS

- October 2019 marked the beginning of countrywide protests, which worsened the already unstable economy, mainly on price level
- 2019 recorded weak economic growth (around 0.2 percent) following low confidence, high uncertainty, tight monetary policy and a substantial contraction in the real estate sector
- The budget approved by Parliament in July 2019 targets a deficit of 7.6 percent of GDP. Yet, actual deficit was higher (-11.6 percent of GDP)

CURRENT STATUS

MARKET INDICATORS

+ 10.4% in January 2020
Annual inflation rate

+ 14.4% in January 2020
Annual food inflation rate

1,506 USD/LBP
Lebanese Pound

ECONOMIC INDICATORS

833.3 USD million in Q2 2019
Remittances

286.83 tonnes in Q4 2019
Gold reserves

309 USD million in November 2019
Exports

1.3 USD billion in November 2019
Imports

ECONOMIC IMBALANCES

-11.2% of GDP in 2018
Government budget deficit

-972.49 USD million in November 2019
Balance of trade

121,434 in November 2019
Government debt
The crisis and the turmoil associated with it affected the economy of the country, particularly on the costs of living. In January 2020, inflation rate measured through the CPI increased by 10.4 percent compared to the same period in 2019 and by 7 percent compared to October 2019. In addition, January 2020 recorded the highest inflation rate since August 2018. The average cost of the survival minimum food basket (SMEB), has also increased since the beginning of the crisis in October 2019 (up 30 percent), reaching LBD 50,580. Compared with January 2019, the cost of the food basket increased by 30 percent. Beirut, Mount Lebanon, South and El Nabatieh, and are the governorates recording the highest cost of the SMEB in January 2020 (LBD 53,743, LBD 52,897, LBD 51,268 and LBD 50,378, respectively).

Government debt has increased by 3 percent in Q4, reaching LBP 121,434 billion in November 2019, while revenues increased by 10 percent (from LBP 1,123,946 million in September to LBP 1,253,225 million in October 2019). The crisis did not significantly affect net trade.

Over the years, Syrian refugees in Lebanon have become more vulnerable to monetary poverty, which, according to the 2019 VASyr, is among the main drivers of food insecurity. The proportion of Syrians who cannot afford to buy a minimum expenditure basket (MEB) – corresponding to an expenditure of USD 3.80 per day – has increased, passing from 68 percent in 2018 to 73 percent in 2019. In addition, the percentage of Syrian refugees who cannot afford to buy the food basket or survival minimum expenditure basket (SMEB) – that is spending less than US$ 2.90 a day – has increased from 51 percent in 2018 to 55 percent in 2019.

Source: WFP SNAP

as both imports and exports increased by 5.8 percent between October and November 2019. Tourism accounts for one of the sectors that suffered the most: despite H2 has always recorded a seasonal drop in arrivals, this year the number of tourists fell by 33 percent – from 311,407 in October to 208,011 in November 2019.

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Source: VASyr 2019

5 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 L of sunflower oil, 0.3 Kg of salt and 1.2 Kg of canned meat. See also Annex 3 of the VASyR 2018.
**Turkey**

**Key Figures and Trends**

- In H1 of 2019, the economy grew following a downturn in H2 of 2018. Public and private consumption increased following credit growth and fiscal stimulus in Q1; investment continued to decline for the fourth consecutive quarter.
- The increase in private consumption coupled with a recovery in investment are tough to spur growth to 3 percent in 2020. Turkish exports are expected to be affected by the slowdown in European economies.

**Current Status**

**Market Indicators**

- **+12.1%** in January 2020
  - Annual inflation rate
- **+9%** in January 2020
  - Annual food inflation rate
- **+8%** in December 2019 (Y-o-Y)
  - WFP food basket
- **5.9 USD/TRY**
  - Turkish lira

**Economic Indicators**

- **+0.9%** in Q3 2019
  - GDP annual growth rate
- **+8.6%** in December 2019
  - Industrial production
- **+13.3%** in November 2019
  - Unemployment rate

**Economic Imbalances**

- **-1.9%** of GDP in 2018
  - Government budget deficit
- **-4.32 USD billion in December 2019**
  - Balance of trade
- **+30.4%** of GDP in 2018
  - Government debt to GDP
Regional Market Analysis

In third quarter of the year, the Turkish economy grew for the first time in 2019 (up 0.9 percent y-o-y), rebounding from a revised 1.6 percent contraction in Q2 and compared with market expectations of 1 percent growth. Household consumption and a faster rise in government spending were the drivers of such growth; fixed investment, conversely, contracted together with net external demand as exports increased less than imports.

Trade deficit widened by 57.6 percent compared to last year, passing from USD 2.74 billion in December 2018 to USD 4.32 billion in December 2019. This is the largest trade gap since July 2018, which was mainly driven by an increase in exports of manufactured products (accounting for 93 percent of total sales, which went up 6.5 percent). Exports of agriculture, hunting and forestry went up by 4.4 percent, conversely, mining and quarrying sales decreased by 9.9 percent. Compared with 2018, imports also increased (up 14.9 percent, corresponding to USD 19.02 billion). Purchases of intermediate goods – accounting for 75.4 percent of total imports – went up by 17.5 percent, followed by capital (up 7.3 percent) and consumption goods (up 11.5 percent). Considering the full year 2019, the country’s trade gap narrowed by 43.5 percent to USD 31.17 billion.

Annual inflation rate increased to 12.1 percent in January from 11.84 percent in the previous month, showing a steady increase that started in October 2019. On a monthly basis, consumer prices went up 1.35 percent in January 2020. The first month of the year, however, recorded a slight decrease in food inflation, passing from 10.9 December 2019 to 9 percent in January 2020. In line with seasonal trends, the cost of the food basket in Q4 was higher than the previous months, reaching its peak in December at TRY 190.27 – that is a y-o-y increase by 8.3 percent.

Unemployment rate increased to 13.3 percent in November 2019 from 12.3 percent in the same month of the previous year. Job losses were recorded in agriculture, industry and construction sectors.

Government debt increased in Q4, reaching its all-time high in December (TRY 1,328,752 million). Conversely, government revenues recorded a 12 percent m-o-m decrease between November and December (from TRY 80,810,612 thousand to TRY 70,797,670 thousand). After a constant increase between August and October (up 55 percent), remittances decreased by 31 percent in November to 13 USD million, reaching the same amount of September.
Regional Market Analysis

ALGERIA

KEY FIGURES AND TRENDS

- Economic growth accelerated in Q3 as the economy benefited from its first annual increase in two years. The poor agricultural season and a protracted political crisis affected the non-energy economy, mainly hitting business and consumer confidence.
- The economy is expected to show a limited recovery in 2020 as lack of investment in the hydrocarbon sector, high unemployment among youth and political unrest will continue to affect economic dynamics.

CURRENT STATUS

NORMAL

MARKET INDICATORS

+ 1.4% in January 2020
Annual inflation rate

- 1% in January 2020
Annual food inflation rate

+ 0.3% in January 2020
Monthly inflation rate

119 USD/DZD
Algerian Dinar

ECONOMIC INDICATORS

+ 1.3% in 2019
GDP annual growth rate

1,021 BBL/D/1k in December 2019
Crude oil production

+ 4.6% in Q3 2019
Industrial production

Imports 12.1 USD billion in Q1 2019

Exports 9.3 USD billion in Q1 2019

ECONOMIC IMBALANCES

- 5.2% of GDP in 2018
Government budget deficit

- 2.74 billion in Q1 2019
Balance of trade

36.9% of GDP in 2018
Government debt to GDP
Regional Market Analysis

Algeria's economy remains highly dependent on hydrocarbons, and on global oil and gas prices. Due to oil price volatility, the hydrocarbon sector continues to contract recording a decrease by 7.7 percent in Q1 2019 – corresponding to 1023 BBL/D/1k in March. Crude oil production remained stable between Q2 and Q4 2019 (up 0.6 percent), reaching 1,021 BBL/D/1K in December 2019. The discovery of a new gas field in May 2019, provides hope for a rebound in gas production and exports in the medium term, if the hydrocarbon investment framework is conducive. The sluggish growth throughout 2019 has partially offset the slight increase in nonhydrocarbon sector, which mainly consists of commercial services, industrial, construction and public works, and agriculture sectors.

In the aftermath of the February elections, growth in the business environment remained uncertain due to protests and corruption investigations. Political uncertainty has led to economic disruptions following sudden changes in management and supervision, as well as investment uncertainty. As a result, GDP growth was estimated to decelerate to 1.3 percent in 2019, compared to 1.5 percent in the previous year. The current account deficit is expected to widen to 8.1 percent of GDP, mainly on the back of a substantially larger trade deficit (up 6.5 percent).

After a period of stability in 2018, annual inflation declined to 3.5 percent in March 2019 and reached 1.4 percent in January 2020. CPI averaged 176.36 points from 2008 until 2020, reaching its peak (222.30 points) in October of 2019. In January 2020, the CPI was stable showing a 3.6 percent decrease over the previous month. Cost of food in Algeria decreased 1 percent in January of 2020 over the same month in the previous year.

According to the World Bank, the unavailability of recent data makes it impossible to estimate future poverty trends. However, low rates of economic growth, persistently high unemployment and policy uncertainty altogether account for factors, which may limit the country’s ability to reduce poverty.

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6 Reuters, Algeria Discovers New Gas Field in Southwest, May 27th 2019
7 Algeria’s Economic Update, October 2019
Regional Market Analysis

ARMENIA

KEY FIGURES AND TRENDS

- In Q3 2019, the economy expanded at the quickest rate since Q1 2018 thanks to a rebound of domestic activity and rise in fixed investment.
- Exports increased and continued to contribute to positive growth in Q4 2019 together with the construction, services sector and industrial production. Merchandise export growth moderately, amid slowing gold exports.

CURRENT STATUS

MARKET INDICATORS

+ 0.2% in January 2020
Annual inflation rate

- 1.8% in January 2020
Annual food inflation rate

+ 1.3% in January 2020
Monthly inflation rate

477.4 USD/AMD
Armenian Dram

ECONOMIC INDICATORS

+ 7.6% in Q4 2019
GDP annual growth rate

+ 6.4% in December 2019
Industrial production

17.7% in Q2 2019
Unemployment rate

343.7 USD million in Q2 2019
Remittances

ECONOMIC IMBALANCES

-243.1 USD million in Q3 2019
Current account

- 440 USD million in December 2019
Balance of trade

3,353 billion in Q3 2019
Government debt
In the last quarter of 2019, GDP grew by **7.6 percent** in Armenia. According to the World Bank Armenia Monthly Economic Update issued in December 2019, most growth was recovered on the production side, mainly in trade and services sector – 5.5 percentage points (pp) – and industry – that is manufacturing (1 pp), mining (0.6 pp) and construction (0.3 pp). On yearly basis, indeed, industrial production has increased by 6.40 percent in December 2019 over the same month in the previous year. Net exports and capital formation also positively contributed to growth (0.7 pp each) compensating for the decline in public consumption.

**Figure 8: Annual inflation rates (total and food), 2019-2020**

Inflation started to ease towards the end of 2019 and kept on decreasing in January 2020 as consumer prices fell by **0.2 percent** y-o-y, with food, alcoholic beverages, utilities, transport and health expenses equally contributing to the 0.2 percent inflation.

Cost of food in Armenia decreased by **1.8 percent** in January of 2020 over the same month in the previous year. On a monthly basis, consumer prices remained stable at **up 1.3 percent**. To bring inflation closer to its 4 percent target, the Central Bank of Armenia lowered its interest rate in September 2019 to 5.50 percent; the refinancing rate has been steady since then.

Imports growing strongly between September and December 2019 (from USD 519.2 million to USD 675 million), however they decreased by **54.8 percent** in January 2020, following the enforcement of new tariffs. Exports also sharply decreased (from USD 244.5 million in September 2019 down to USD **173.8 million** in January 2020); trade deficit shrank passing from USD 274.7 million in September to **USD 131.4 million** in January 2020. The Dram, which was remarkably stable since June 2019, was **AMD 477.4 USD** in January 2020 (down 0.2 percent m-o-m); international reserves decreased to **USD 2.7 billion** in January 2020, after the all-time high of USD 2.8 billion in the previous month.

Government debt increased to **AMD 3,352.7 billion** in the third quarter of 2019 from AMD 3,300.20 billion in the second quarter of 2019. Terms of trade have increased to **100.80 points** in December 2019, from 93.80 points in the previous month.

Poverty rate declined from 25.7 percent in 2017 to 23.5 percent in 2018. The reduction was more pronounced in rural areas and Yerevan, while in secondary cities the poverty rate has increased.

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8 [JAMnews New custom tariffs will leave Armenia facing less choice in consumption, January 4 2020](https://jamnews.am/new-custom-tariffs-will-leave-armenia-facing-less-choice-in-consumption/)

9 Terms of trade is the relationship between the prices at which a country sells its exports and the prices paid for its imports. If the prices of a country's exports rise relative to the prices of its imports, terms of trade have moved in a favourable direction as the country receives more imports for each unit of goods exported.
Regional Market Analysis

EGYPT

KEY FIGURES AND TRENDS

- Economic growth in FY'19 was driven by net exports, and private investments in extractives, tourism, wholesale and retail trade sectors. Oil imports saw a contraction.
- Unemployment decreased together with the size of the labor force (39 percent), showing that the private sector is lacking job creation.
- A recovery in private consumption, investments and exports are expected to spur economic growth to 8 percent in 2020.

CURRENT STATUS

MARKET INDICATORS

+ 7.2% in January 2020
Annual inflation rate

+ 1.8% in December 2019
Annual food inflation rate

+ 0.7% in January 2020
Monthly inflation rate

15.9 USD/EGP
Egyptian Pound

ECONOMIC INDICATORS

+ 5.6% in Q3 2019
GDP annual growth rate

+ 1.1% in November 2019
Industrial production

15.9 USD billion in Q1'19/20
Imports

7.1 USD billion in Q1'19/20
Exports

7.8% in Q3 2019
Unemployment rate

ECONOMIC IMBALANCES

- 2% of GDP in Q1 19/20
Government budget deficit

- 8.8 billion in Q1 19/20
Balance of trade

+ 90.5% in 2018
Government debt to GDP
Regional Market Analysis

In the first quarter (Q1) of the fiscal year 2019/2020, real GDP slightly increased to 5.6 percent against 5.3 percent in the corresponding period of the fiscal year 2018/2019. Private consumption alone constitutes 77.3 percent of total GDP, followed by investments at 18 percent. The former did not change while the latter increased by 5.2 percentage points (an approximate increase of USD 1.99 billion).

**Current account balance** improved from a deficit of USD 2.01 billion in Q1 2018/2019 to a deficit of **USD 1.4 billion** in Q1 2019/2020. However, the current account balance deteriorated in Q1 2019/2020 over Q4 2018/2019, with a deficit increase of USD 294.5 million. Decrease in both petroleum exports by USD 606 million and remittances by USD 227 million were the factors behind the increase in the current account deficit.

**Total domestic public debt** made **66.8 percent of GDP** in September 2019 down from 73 percent in September 2018. **External debt** increased to **34.4 percent of GDP** in Q1 2019/2020 against 30.8 percent in Q1 2018/2019. **Net international reserves** were **stable** throughout 2019 at USD 45.4 billion in December, which represents 8.6 months of merchandise imports.

**Annual inflation rates** stood at **7.2 percent** in January 2020 against 14.4 percent in January 2019. The below figure shows a general decrease in both annual inflation and annual food inflation rates starting from June 2019. In January 2020, CPI increased by 0.7 percent against December 2019 despite the continuous currency depreciation.

The cost of the food basket** monitored through WFP SNAP reflects the decrease in annual food inflation. The **average cost of the food basket decreased by 2.8 percent** between September 2019 and January 2020 over the same period in 2018/2019. In January 2020, Garlic, potatoes, and tomatoes recorded the highest annual price increase by 64, 64, and 26 percent respectively. Prices of other food commodities remained either stable or witnessed a minor increase (less than 10 percent).

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10 The first quarter is July - September
11 Food basket cost includes 1.5 Kg of lentils, 0.9 Kg of frozen chicken, 1.5 L of maize oil, 2 Kg of pasta, 2.3 Kg of rice, 1.4 Kg of sugar, 5 Kg of wheat flour, and 15 units of eggs
Regional Market Analysis

IRAQ

KEY FIGURES AND TRENDS

- The economy contracted in Q4 2019. Due to compliance with OPEC+ production cuts, oil production shrank by 2.4 percent y-o-y; non-oil sectors were affected by prolonged protests.
- Growth is expected to slow down in 2020 following production cuts and political instability. Iran-U.S. tensions are also likely to affect economic growth, mainly on price level.

CURRENT STATUS

MARKET INDICATORS

0.1% in December 2019
Annual inflation rate

- 1.6% in November 2019
Annual food inflation rate

- 0.02% in December 2019
Monthly inflation rate

1,187 USD/IRQD
Iraqi Dinar

ECONOMIC INDICATORS

- 1% in 2018
GDP annual growth rate

4.6 BBL/D/1k in December 2019
Crude oil production

+ 92% up to October 2019
Oil revenues in public finance

+ 14% in 2017
Unemployment rate

ECONOMIC IMBALANCES

- 853 IQD billion up to October 2019
Government budget deficit

41.5 USD billion in 2018
Balance of trade

+ 48% in 2018
Government debt to GDP
In October 2019, the budget recorded a deficit of IQD 853 billion for the first time over the past three years. Revenues increased by 1 percent from September 2019 to October 2019, while expenditures increased by 12 percent, largely offsetting the increase in revenues. Oil revenues represent 92 percent of total revenues; and current expenditures make 87 percent of total expenditures. Employees’ compensation comprises 52 percent of current expenditures, followed by social welfare (23 percent) and subsidies (20 percent). Until October 2019, expenditure on education and health combined represented 6.8 percent of total expenditures.

In the last quarter of 2019, oil production declined to 4.6 million barrels per day down from 4.8 in the third quarter. Throughout the full year 2019, oil production increased by an average of 0.1 million barrels per day; however, oil prices decreased to USD 64 per barrel in 2019 compared to USD 68 in 2018. GDP contracted by 1 percent in 2018 over 2017; unemployment rate was as high was 14 percent in 2017, given the highly dependence on oil sector, which is capital intensive.

The country recorded low inflation rates (0.1 percent in December 2019). Currency depreciation of both Turkish Lira and Iranian Riyal played a significant role, allowing for cheaper access to imports and keeping inflation stable in the country. Turkey and Iran are main trading partners and exporters to Iraq with 17 and 16 percent respectively of total Iraq’s imports. In October 2019, protests broke out in the country. The ongoing protests are likely to have an impact the economy both at the micro and macroeconomic level.

12 Most recent data available
JORDAN

KEY FIGURES AND TRENDS

- After an expansion in Q3, economic growth followed mix patterns in Q4 as industrial production fell while exports and imports increased.
- Growth is expected to accelerate in 2020 thanks to fiscal policies. The recently signed 4-year programme between Jordanian government and IMF should also have a positive impact. Geopolitical instability coupled with high oil prices might, however, affect future economic growth.

CURRENT STATUS

MARKET INDICATORS

- + 0.6% in December 2019
  Annual inflation rate
- + 0.1% in December 2019
  Annual food inflation rate
- + 0.3% in December 2019
  Monthly inflation rate
- 0.71 USD/JOD
  Jordanian Dinar

ECONOMIC INDICATORS

- + 1.9% up to September 2019
  GDP annual growth rate
- + 40.1% in October 2019
  External debt
- + 19.1% in October 2019
  Unemployment rate

ECONOMIC IMBALANCES

- - 4.4% of GDP up to October 2019
  Government budget deficit
- - 9 USD billion up to October 2019
  Balance of trade
- + 96.9% of GDP in October 2019
  Government debt to GDP
Regional Market Analysis

Real GDP slightly grew by 1.9 percent during the first three quarters of 2019, against 2.0 percent during the same period of 2018. Increase in total exports (8.6 percent) and decrease in total imports (5.5 percent) narrowed the trade deficit by 14.1 percent to reach JOD 6.4 billion in the first ten months of 2019. Total workers’ remittances receipts increased by 1.4 percent for the first eleven months of 2019 compared to the same period of 2018. Accordingly, current account deficit decreased to JOD 0.77 billion (3.4 percent of GDP) during the first three quarters of 2019 compared to a deficit of JOD 2.04 billion (9.3 percent of GDP) during the same period of 2018.

The general budget recorded an overall fiscal deficit of JOD 1.13 billion (-4.4 percent of GDP) during the ten months of 2019, compared to a deficit of JOD 0.86 billion (-3.4 percent of GDP) during the same period in 2018. Revenues from foreign grants decreased by 21 percent, and current expenditures went up by 6 percent. Compensation of employees represent one fifth of total expenditures.

At the end of October 2019, gross outstanding public debt (domestic and external) rose by JOD 1.9 billion to reach JOD 30 billion, which represents a threatening 96.9 percent of GDP. Compared with the same period in 2018, the size of the outstanding public debt has increased by 2 percent – as it was standing at JOD 28 billion (94.4 percent of GDP). Gross foreign reserves (including gold and Special Drawing Rights) amounted to USD 13.8 billion at the end of November 2019, 7 percent higher than November 2018. This level of reserves covers around 7.4 months of the Kingdom’s imports of goods and services.

In the third quarter of 2019, Jordan recorded high levels of unemployment rate (19.1 percent) compared to 18.6 percent in the corresponding period in 2018. Unemployment among females is higher than among males (27.5 percent versus 17.1 percent). Youth unemployment reached 49.9 percent for the category 15-19 years old, and 38.7 percent for the category 20-24 years old.

**Figure 12: Consumer Price Index per month in 2018 and 2019**

There were no significant fluctuations for the consumer price index (CPI) over the 12 months of 2018 and 2019, which confirms a relative price stability in the country.

In January 2020, prices remained stable with a 1 percent annual increase in the food basket cost. Cucumbers, bananas, and Garlic witnessed highest price increase at 88, 38, and 28 percent respectively, however, the price increases in values range between 0.3 to 0.5 Jordanian Dinar only.

Source: Central Bank of Jordan
Regional Market Analysis

KYRGYZSTAN

KEY FIGURES AND TRENDS

- Industrial production, manufacturing and mining activities are the drivers of the economic expansion recorded in 2019.
- Net flow of remittances decreased by 14 percent 2019. Consumers’ expenditure, however, were marginally affected as salaries increased over the first eleven months of 2019.
- Growth is expected to continue in 2020, driven by gold production. High dependence on Russian economy and high level of external debt are the main risks that can affect future economic growth.

CURRENT STATUS

MARKET INDICATORS

+ 3.2% in January 2020
Annual inflation rate

+ 6.2% in January 2020
Annual food inflation rate

+ 0.6% in January 2020
Monthly inflation rate

69.7 USD/KGS
Kyrgystani Som

ECONOMIC INDICATORS

+ 4.5% in Q4 2019
GDP growth rate

+ 6.2% in 2019
Unemployment rate

+ 42% in H1 2019
Gold export

ECONOMIC IMBALANCES

- 5.7 USD million in 2019
Government budget deficit

- 2.7 USD billion in 2019
Balance of trade

+ 48% in 2018
Government debt to GDP
GDP growth rates recorded 4.5 percent in 2019 compared to 3.8 percent in 2018. Construction, financial and insurance sectors witnessed highest yearly increase at 12 percent each. Manufacturing, which represents 14 percent of GDP, increased by 4 percent. Trade balance improved from a deficit of USD 3.4 billion in 2018 to a deficit of USD 2.9 billion in 2019. Improvements in trade balance are linked to higher total exports (6 percent) – mainly gold- and lower total imports (7 percent).

Net flow of remittances declined by 14 percent to reach USD 1.9 billion in 2019 and on the contrary, gross international reserves rose by 19 percent in 2019 at USD 2.4 billion. Unemployment rates kept decreasing over the past decade reaching 6.2 percent in 2019. At the same time, monthly wages increased by 9 percent in November 2019 over November 2018.

Budget deficit has been shrinking over the past 4 years from a deficit of KGS 20.9 billion in 2016 to KGS 0.4 billion SOMs in 2019 thanks to the increase in government revenues. Taxes are the main source of revenues, accounting for 73 percent of total revenues.

Annual inflation rates kept increasing over the past five months, though low, recording 3.2 percent in January 2020. Increasing inflation rates are driven by food inflation, which increased by 6.2 percent. In January 2020. Price of fruits, vegetables, and bakery products increased annually by 22, 8, and 9 percent respectively. Apples experienced the highest annual increase (at 37 percent), followed by buckwheat grits (at 32 percent) and potatoes (at 30 percent). Wheat flour – a key food staple for the caloric intake – increased annually by 17 percent.

Upward prices of wheat flour are justified by the increase in prices from wheat imported from Kazakhstan – that is the main wheat exporter to Kyrgyz Republic. According to FAO GIEWS, Kazakhstan export wheat prices went up from USD 205 per tonne in August 2019 to USD 228 per tonne in January 2020.

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13 Monthly wages are the average wages of employees by type of economic activity sourced from Kyrgyz statistics center.
14 International prices, wheat milling (d.a.p Saryagash station)
LIBYA

REGIONAL MARKET ANALYSIS

KEY FIGURES AND TRENDS

- Despite political uncertainty and insecurity, Libya managed to produce 1 M barrel of oil per day in line with forecasts for 2019.
- Due to the ongoing conflict and contracted budgetary expenditure, GDP growth is expected to be negative in 2020.
- As the parallel exchange rate is converging towards the official, disinflation is expected to persist in 2020.

CURRENT STATUS

MARKET INDICATORS

- 6% in September 2019
  Annual inflation rate
- 8.4% in September 2019
  Annual food inflation rate
- 0.3% in September 2019
  Monthly inflation rate
- 4.2 USD/LYD
  Libyan Dinar

ECONOMIC INDICATORS

- 5.5% in 2019
  GDP annual growth rate
- 1.14 BBL/D/1k in December 2019
  Crude oil production
- + 55% up to September 2019
  Oil revenues in public finance
- 40.7 billion LYD up to September 2019
  Exports

ECONOMIC IMBALANCES

- 12.3 billion LYD up to September 2019
  Government budget surplus
- 21.9 billion LYD up to September 2019
  Balance of trade
- + 150% in 2019
  Domestic public debt to GDP
Regional Market Analysis

According to World Bank estimates, the ongoing conflict around Tripoli resulted into an expected slowdown in GDP growth (from an average of 17.3 percent in 2017 and 2018 down to 5.5 percent in 2019). Steady oil production had, however, a positive impact on GDP. According to the OPEC monthly market report, the country produced 1.14 million barrels per day in December 2019, up from 0.93 million barrels in December 2018.

In the first three quarters of 2019, the government kept recording budget surplus attributed to oil revenues (accounting for 55 percent of total government revenues) and tax revenues on sales of foreign currencies (representing 41 percent of total government revenues). Government salaries also contributed (with 54 percent of total expenditures) followed by administrative expense (20 percent) and subsidies (18 percent).

Annual Inflation rate decreased by 6 percent and annual food inflation rate decreased by 8.4 percent in September 2019. Both total and food monthly inflation rates declined (by 0.3 and 0.4 percent respectively). The strengthening of Libyan Dinar against USD (from LYD 6.1 per USD in September 2018 to LYD 4.3 per USD in September 2019) might be the main driver of the decline in annual inflation rates and stable monthly inflation rates.

The national average food basket decreased by 15 percent in January 2020 compared with the same period in 2019. In addition, the average cost of the food basket for the reporting period between September 2019 to January 2020 was 17 percent lower compared to the corresponding period in 2018/2019. In terms of food prices, all monitored food commodities recorded lower prices in January 2020 over January 2019 except for potatoes (up 53 percent), onions (28 percent), and lamb meat (6 percent).

The southern region (namely the mantikas of Ubari, Murzuq, and Ghat) kept recorded the most expensive food basket during the reporting period between September 2019 and January 2020, higher than the national average by 34, 33, and 32 percent respectively. Security and border constraints, food supply shortages, and recent intensifying clashes and airstrikes in Murzuq are the driving factors of higher prices in the southern region.

15 Most recent data available
PALAESTINE

KEY FIGURES AND TRENDS
- Between 2018 and early 2019, the Palestinian economy stagnated, per capita income further fell, poverty deepened and unemployment increased.
- Gaza is most affected by the worsening of socioeconomic conditions. In 2018, its local economy contracted by 7%, leading to a 10% decline in its per capita income.
- Persistence of external political tensions coupled with the internal divide between the West Bank and Gaza and a decline in aid levels, are likely to lead to negative growth in 2020.

CURRENT STATUS
N O R M A L

MARKET INDICATORS
- + 1.3% in January 2020
  Annual inflation rate
- 2.8% in December 2019
  Annual food inflation rate
- - 0.3% in January 2020
  Monthly inflation rate

ECONOMIC INDICATORS
- + 1.9% up to September 2019
  GDP annual growth rate
- + 0.26% in 2019 (Y-o-Y)
  Industrial production
- + 24.6% in Q3 2019
  Youth unemployment rate
- + 24% in Q4 2019
  Unemployment rate

ECONOMIC IMBALANCES
- 1.3% of GDP in 2018
  Government budget deficit
- - 4.1 billion USD up to September 2019
  Balance of trade
- + 16% in 2018
  Government debt to GDP
Regional Market Analysis

In early 2019, the Government of Israel (GoI) started making deductions of nearly USD 12 million per month from the tax revenues it collects on behalf of the Palestinian Authorities. Tax revenues represented 70.3 percent of total government revenues and 29 percent of GDP in 2018\(^\text{16}\).

Accordingly, **GDP growth rate** was capped at **1.9 percent** in the first three quarters of 2019. **Unemployment rate** was as high as **24.6 percent** in the third quarter of 2019; 45.1 percent in Gaza Strip and 13.3 percent in West Bank.

**Trade and services balance** recorded a **deficit** of USD 4.1 – 4 percent higher than the corresponding period of 2018. In the same period, services balance also saw a deficit (**0.8 billion**, up 5 percent y-o-y). **Gross external debt** increased by **14 percent** in the third quarter of 2019 over the same period in 2018 to reach USD 1.84 billion.

In terms costs of living, **annual inflation rate** was low (**1.3 percent**), while **monthly inflation rate** decreased by **0.32 percent** in **January 2020**. General price level was higher in West Bank than Gaza Strip as annual inflation rate in the former recorded 1.26 percent, whereas it stood at 0.02 in the latter.

**In January 2020, the food basket cost**\(^\text{17}\) did not change over the same month of the previous year. The price of bread – the main component of the food basket – increased by a minimum of 0.9 percent y-o-y. Cucumbers (up 52 percent), Bananas (up 10 percent) witnessed the highest annual increases in January 2020. Wheat flour and chicken prices increased by 5.5 and 5 percent respectively. Fuel (petrol-gasoline) prices rose by 8 percent from ILS 5.67 to ILS 6.12.

At the governorate level, Ramallah followed by Jericho and Qalqiliya recorded the most expensive food basket (higher than the average by 13.2, 13, and 9 percent, respectively). North and South Gaza had the least expensive food basket costs (lower than the average by 30 and 28 percent, respectively).


17 The food basket consists of 9 Kg of bread, 0.45 Kg of chickpeas, 0.3 Kg of lentils, 0.45 L of maize oil, and 0.15 Kg of salt
Regional Market Analysis

TAJIKISTAN

KEY FIGURES AND TRENDS

- The economy continued to grow in H1 of 2019 and it is expected to remain relatively strong thanks to public investments and a gradual recovery of commercial lending.
- Poverty rate fell from 29.5% in 2017 to 27.4% in 2018, reflecting the recovery of remittances.
- Non-monetary poverty indicators in rural areas remain high: only 36 percent of the population in these areas can access safe drinking water sources.

CURRENT STATUS

N O R M A L

- Normal - <10%
- Stress - 10-25%
- Alert - 25-40%
- Crisis - >40%

MARKET INDICATORS

- + 8% in December 2019
  Annual inflation rate

- + 10.6% in November 2019
  Annual food inflation rate

- + 18% in December 2019 (Y-o-Y)
  Food basket

- 9.7 USD/TJS
  Tajikistani Somoni

ECONOMIC INDICATORS

- + 7.5% in 2019
  GDP annual growth rate

- 1,357 TJS in November 2019
  Average monthly wage

- + 7.1% in 2019
  Agricultural production

- + 12.7% in 2019
  Industrial production

ECONOMIC IMBALANCES

- - 0.3% of GDP in 2017
  Government budget deficit

- - 184.7 USD million in November 2019
  Balance of trade

- + 47.9% of GDP in 2018
  Government debt to GDP
Similar to the growth rates of 7.1 and 7.3 percent recorded in 2017 and 2018, the real GDP growth rate continued in 2019, remaining robust at 7.2 percent y-o-y in the first nine months of 2019. According to the Fall 2019 Country Economic Update issued by the World Bank, industry (up 12.7 percent), services (up 9.6 percent) and agriculture (up 7.1 percent) are the main drivers of growth.

After a steady reduction between July and October 2019, Tajikistan recorded a trade deficit of 184.70 USD million in November (down 55 percent than the previous month), reflecting lower export earnings from minerals, textile production and cotton. Towards the end of 2019, the country recorded a substantial decrease in exports (from USD 193 million in October to USD 110.70 million in November), and imports (from USD 312.4 million in October to USD 295.4 million in November).

Spurred by a sharp increase in food prices, inflation intensified in 2019 following a period of relative ease in the previous year. Despite annual inflation rate recorded its lowest yearly value in October (7.3 percent), inflationary pressure increased, by reaching 8 percent in December. Food prices went steadily down between the peak in July (14.7 percent) and October (9.8 percent); however, they started to raise towards the end of the year (up 10.6 percent in November). The measures imposed by the government to offset price increase (that is price controls on beef, released stocks from the state reserves, and granted tax exemptions to beef importers) had a modest effect as the cost of the food basket remained almost unchanged since June.

In line with the fiscal consolidation push launched in 2018 – when fiscal deficit fell to 2.7 percent of GDP from 6.7 percent in 2017 – the Tajikistani government managed to keep its budget deficit to approximately 2.8 percent of GDP in the nine months of 2019. Public investment, however, had already reached 80 percent in this 9 month-window, suggesting that spending was likely to intensify in Q4, with a consequent increase in the fiscal deficit to 3.5 percent of GDP in full-year 2019.

The current account deficit for the full year 2019 is forecasted to be at approximately 5 percent of GDP, showing no significant change from the deficit recorded in 2018 (5.1 percent of GDP). Between January and June, international reserves increased passing from USD 56 million to around USD 1.3 billion; which is the equivalent of 5.1 months of import cover.

Unemployment rate remained unchanged at 2.10 percent since September. Wages remained stable, showing a 2.4 percent increase between September and November.

18 The food basket consists of 17.7 Kg of onions, 23.2 Kg of potatoes, 17.7 Kg of cabbage, 8.8 Kg of carrots, 1.4 Kg of chicken, 2.8 Kg of beef, 2.8 Kg of mutton, 30.2 L of milk, 8.3 L of cotton oil, 6.2 Kg of beans, 6.2 Kg of dry peas, 12.4 Kg of rice, 33.1 Kg of wheat flour, 165 g of bread, 4.2 pcs of eggs, 6.7 Kg of sugar, 1.8 Kg of salt, 0.22 Kg of green tea.
Regional Market Analysis

TUNISIA

KEY FIGURES AND TRENDS

- Economic growth did not show signs of significant expansion in Q4 2019 as industrial production contracted for the 15th consecutive month; exports also decreased.
- The economy is expected to expand in 2020 driven by a rebound in industrial production and higher private consumption. Fiscal deficit and political instability might, however, have a negative effect on economic growth.

CURRENT STATUS

MARTK INDICATORS

- + 5.8% in January 2020
  Annual inflation rate
- + 5.8% in December 2019
  Annual food inflation rate
- + 0.6% in January 2020
  Monthly inflation rate
- 2.84 USD/TND
  Tunisian Dinar

ECONOMIC INDICATORS

- + 0.8% in Q4 2019
  GDP annual growth rate
- 34 BBL/D/1k in August 2019
  Crude oil production
- 4.6 TND million in Jan 2020
  Imports
- 3.6 TND billion in Jan 2020
  Exports
- + 14.9% in Q4 2019
  Unemployment rate

ECONOMIC IMBALANCES

- - 4.6% of GDP in 2018
  Government budget deficit
- -970.5 TND million in January 2020
  Balance of trade
- + 71.4% of GDP in 2018
  Government debt to GDP
Regional Market Analysis

After two years of economic growth at 2 percent in 2017 and 2.5 in 2018, Tunisia recorded a slowdown in the first half of 2019 (1.1 percent). The relative growth in the service sector, indeed, could not compensate the contraction in agriculture and industry. To halt the acceleration in inflation – which characterized the period between 2017 and mid-2018 –, the Central Bank tightened its monetary policy by increasing the policy rate to 7.5 percent, by enforcing tighter loan-to-deposit ratios and by reducing liquidity injections through FX swaps. As a result, inflation slowed down reaching 5.8 percent in January 2020.

Figure 17: Annual inflation rates (total and food), 2019-2020

Source: National Institute of Statistics (INS)

According to the latest World Bank Tunisia’s Economic Update, the share of Tunisians living below the middle-income poverty line of USD 3.2 (2011 PPP USD) fell from 9.09 percent in 2010 to 3.21 percent in 2015. However, the pace of poverty reduction, is expected to reduce between 2016 and 2020, following the GDP per capita trend, while extreme poverty – that is those living on less than USD1.90, 2011 PPP USD – seems on the way to being eradicated.

Figure 18: Actual and projected poverty rates and real GDP per capita

Source: World Bank

Annual food inflation also went down in Q4 2019, passing from 7.3 percent in September to 5.8 percent in December. Considering the recent monetary policy, the cost of the food basket19 for Q4 2019 is expected to follow the inflation patterns, showing a decrease between November and December. The eight months of 2019 recorded a simultaneous increase in government expenditure and revenues, widening the fiscal deficit to TND 3.3 billion. In January 2020, the country recorded a trade deficit of TND 970.5 million. Unemployment rate remains high at 14.9 percent in the last quarter of 2019.

19 The food basket consists of 15.05 Kg of couscous, 0.28 kg of chickpeas, 5.5 kg of tomatoes, 1.32 kg of sugar, 2.48 kg of chicken, 1.63 kg of potatoes, 7.92 L of milk
Regional Market Analysis

YEMEN

KEY FIGURES AND TRENDS

- Estimates of real GDP growth are uncertain under current circumstances; the World Bank, EIU and Trading Economics and others put forward very cautious and yet highly variable estimates for real GDP growth for 2019 and 2020.
- In January 2020, the exchange rate of YER/USD depreciated to YER 612.4/USD compared to YER 532.8/USD in the same month in 2019.

CURRENT STATUS

NORMAL

MARKET INDICATORS

+ 5.7% in January 2020 (Y-o-Y)
WFP food basket

+ 2.2% in January 2020 (m-o-m)

Fuel (diesel) price

+ 10.2% in January 2020 (Y-o-Y)
Yemeni Rial

612.3 USD/YER

ECONOMIC INDICATORS

12.8% in 2019
Unemployment rate

46 BBL/D/1k in August 2019
Crude oil production

1.60 tonnes in Q4 2019
Gold reserves

+ 75% in Q4 2019
Poverty rate (World Bank)

ECONOMIC IMBALANCES

5.64% of GDP in 2018
Private debt, loans and debt securities

64.75% of GDP in 2018
Central Government Debt

TERMS OF TRADE

Daily wage can buy 13.7 Kg
Wheat flour and casual labour

Daily wage can buy 27 Kg
Wheat flour and qualified labour
Since late 2018 Yemen’s economy began to show signs of stabilization, supported by balance of payments assistance from the Kingdom of Saudi Arabia and a gradual recovery of oil and gas production. According to the World Bank Yemen’s Economic Update released in October 2019, the output contraction that characterized the period 2014-17 halted in 2018 as GDP has shown signs of positive growth. However, oil production remains significantly below the pre-conflict levels and many Yemenis still cannot rely on any regular source of income as protracted hostilities and widespread destruction of infrastructure keep on disrupting economic activity.

The year 2019 also witnessed progresses in fiscal management: for the first time since 2014, the government prepared a budget and committed to resume pension and salary payments to all civil servants. This could potentially be a pivotal measure to restore household purchasing power, ease liquidity crisis and reduce inflationary pressures. Thanks to the USD 2 billion Saudi Arabian deposit, oil grant, and increasing oil export receipts, surging inflation was curtailed, by allowing the Central Bank of Yemen (CBY) to supply foreign currency to finance essential imports. Increased foreign reserves have also helped to stabilize the exchange rate, which depreciated by 3.9 percent in December 2019 to reach 589 YER/USD. The CBY’s new measure to offer subsidized exchange rate for essential food imports has also helped to stabilize the exchange rate.

The stabilization of the exchange rate was reflected in the price of the food basket. The y-o-y difference in October and November (down 14 percent and 11 percent, respectively) is significant as the cost of the food basket\(^{20}\) in the same period in 2018 soared following the highest depreciation of the YER. In January 2020, the cost of the food basket was stable compared with the previous month (up 2.2 percent) and the same period in 2019 (up 5.7 percent). At the governorate level, Lahj, Al Jawf and Dhamar recorded the highest cost of the food basket in January 2020 (YER 5,636.2, YER 5,429.75 and YER 5,334, respectively). In terms of y-o-y difference, the widest gap between the cost of the food basket between January 2020 and the same period in 2019 was observed in Dhamar (up 22.6 percent), Lahj (up 22.5 percent) and Al Mahwit (up 16.3 percent). The most expensive components of the basket are red beans (national average price of YER/Kg 830.7), followed by vegetable oil (YER/L 549.7) and sugar (YER/Kg 338.9).

Improved macroeconomic conditions have not yet mitigated poverty and human suffering. The latest mVAM survey suggests that 35 percent of households are suffering from at least one deprivation in basic services, with peaks in Sa’ada and Abyan\(^{21}\). More than 3 households in 10 consume inadequate diets, with peaks in the governorates of Abyan (43 percent) and Hajja (33 percent).

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\(^{20}\) The minimum food basket monitored by WFP contains five main food commodities: wheat flour, sugar, red beans, vegetable oil and salt. The quantities are adjusted against the survival caloric intake needs.

\(^{21}\) mVAM Bulletin #50 (November – December 2019)
List of Abbreviations

CBY  Central Bank of Yemen  
CPI  Consumer Price Index  
GIEWS  Global Information and Early Warning System  
M-O-M  Month over month  
OPEC  Organization of the Petroleum Exporting Countries  
MEB  Minimum expenditure basket  
SMEB  Survival minimum expenditure basket  
SNAP  Safety Nets Alet Platform  
ToT  Terms of trade  
VASyr  Vulnerability Assessment of Syrian Refugees  
WFP  World Food Programme  
Y-O-Y  Year over year

Overview about the covered indicators

**Economic indicators:**
- Gross Domestic Product (GDP) growth rates
- Budget deficit
- Government debt
- Trade balance
- Industrial and agricultural production indices.

**Socio-economic indicators:**
- Unemployment rates, which considers labour force between the age of 15 and 64 years old
- Youth unemployment rates, which covers labour force between 15-24 years old.

**Market indicators:**
- Inflation rates, which represent percentage change in Consumer Price Index (CPI). This report covers both total and food inflation rates; changes in prices of different food commodities are calculated through WFP SNAP platform
- Exchange rate, which is a very important indicator in terms of its effect on inflation rates and purchasing power of households. A depreciation in the currency leads to higher import costs translated into higher inflation rates affecting mainly net importing countries.

The economic indicators described in this report provide a snapshot of the economy of a country and, eventually, of the wellbeing of its population. When the GDP growth rates decreases, unemployment rates, budget deficit, government debt and inflation rates increase while trade deficit widens. All this affects the wellbeing of the society, mainly the most vulnerable segments of the population.