

SAVING
LIVES
CHANGING
LIVES

Regional Market Analysis

VAM Unit



World Food
Programme

Issue 5
September 2019 - January 2020

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:



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 Idlib (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.

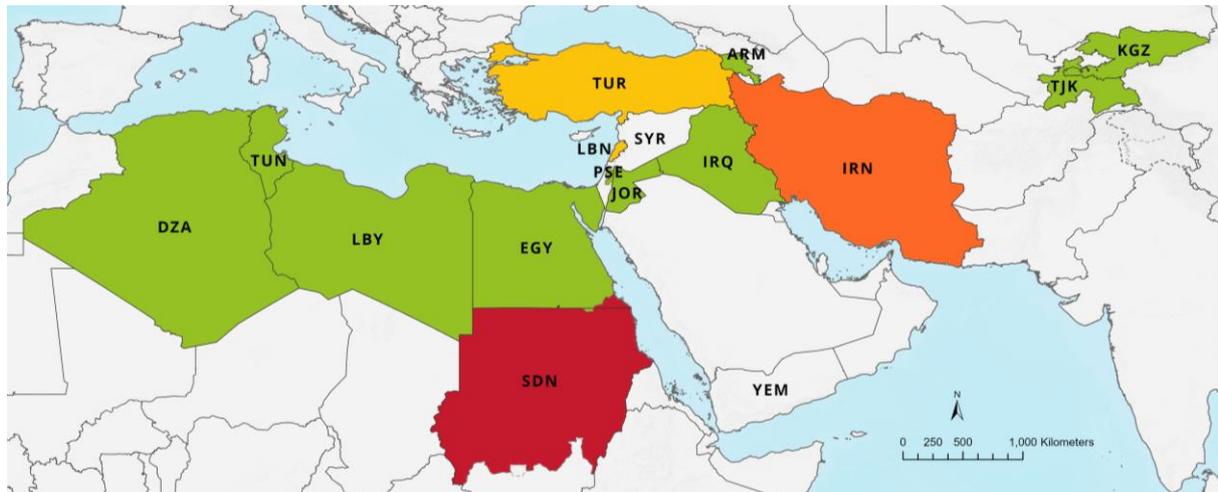
Similarly, the costs of living in Iran have been affected by socio-economic factors, which led to an increase of annual inflation and food inflation (up 26.3 percent and up 24 percent in January 2020, respectively). The situation has, however, slightly improved as the country has passed from “crisis”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

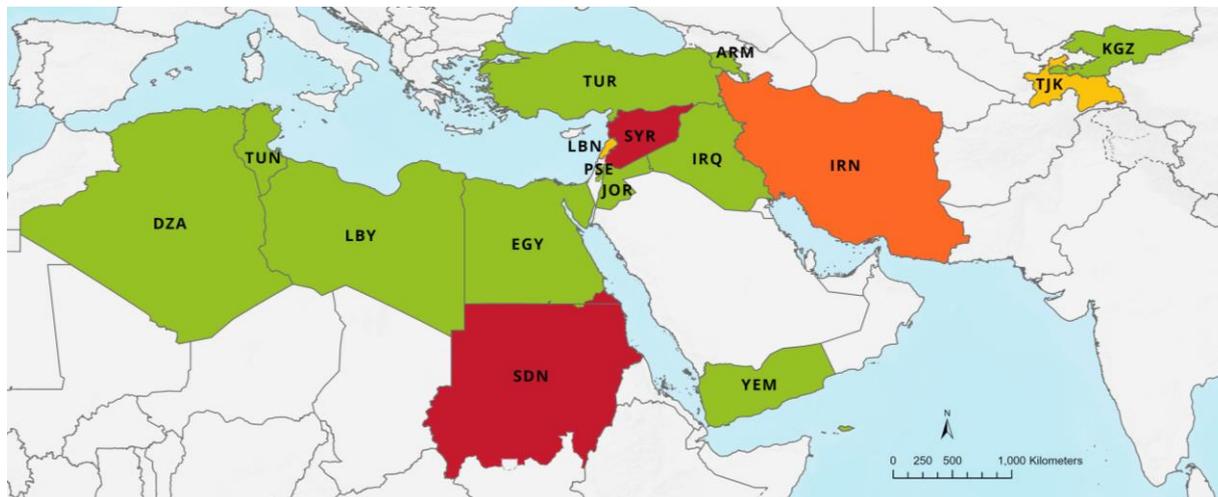
Egypt has witnessed an improvement, passing from a “stress” to a “normal” level as the strengthening of the Egyptian pound against the U.S. dollar resulted into an overall decrease in both annual and food inflation rates. In January 2020, annual inflation rate recorded 7.2 percent compared to 12.7 percent 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.

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).

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



MARKET INDICATORS



Annual
inflation rate



Annual food
inflation rate



Monthly
inflation rate

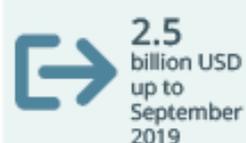


Sudanese
Pound

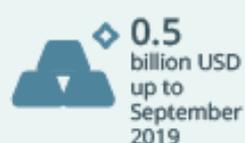
ECONOMIC INDICATORS



GDP annual
growth rate



Exports



Gold export



Unemployment
rate

ECONOMIC IMBALANCES



Government
budget deficit



Balance of
trade



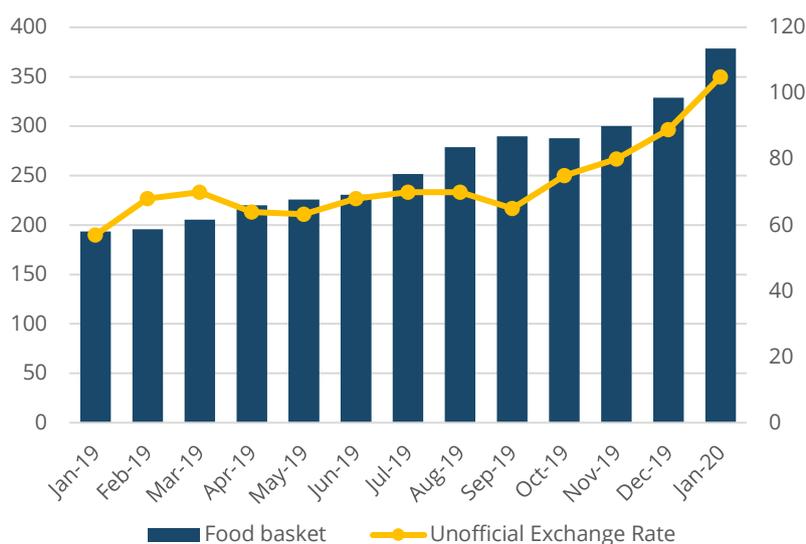
Government
debt to GDP

Regional Market Analysis

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.

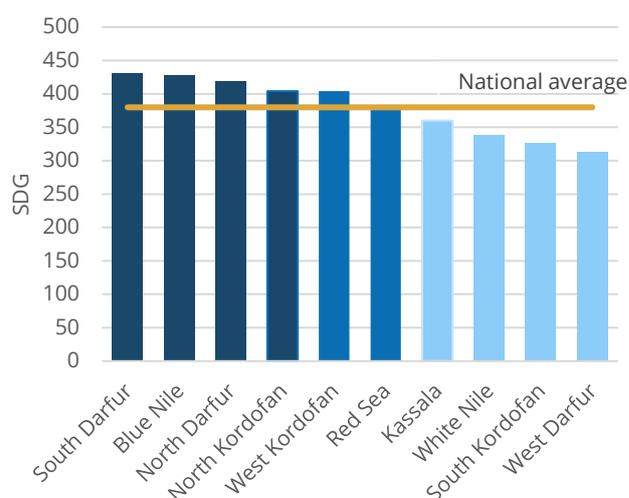
Figure 1: Monthly national food basket cost and exchange rates



Source: WFP SNAP

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 are the drivers of the price spikes in these regions.

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



Source: WFP SNAP

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.

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.

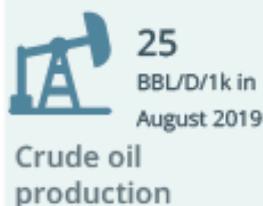
CURRENT STATUS



MARKET INDICATORS



ECONOMIC INDICATORS



TERMS OF TRADE



Regional Market Analysis

Table 1: Food basket cost and changes, SYP

In January 2020, the national average price of a standard reference food basket¹ 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 2019². 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-Raqqa and Aleppo are the main drivers of the reported increase. Idleb also recorded the highest average cost of food basket

Governorate	Price January 2020	1 month change	5 months changes	12 months changes
Aleppo	SYP 33,497	6%	47%	54%
Damascus	SYP 34,611	22%	49%	60%
Dar'a	SYP 34,472	9%	38%	57%
Deir-ez-Zor	SYP 39,855	26%	36%	51%
Hama	SYP 37,447	20%	58%	49%
Al-Hasakeh	SYP 40,008	11%	54%	84%
Homs	SYP 31,187	0%	41%	26%
Idleb	SYP 50,636	27%	103%	120%
Lattakia	SYP 39,875	13%	56%	64%
Ar-Raqqa	SYP 38,121	9%	40%	57%
Rural Damascus	SYP 34,752	15%	44%	54%
As-Sweida	SYP 36,707	12%	53%	65%
Tartous	SYP 34,895	0%	28%	46%
Quneitra	SYP 36,721	12%	54%	57%
Average	SYP 37,556	13%	51%	60%

Source: WFP Syria Price Bulletin, January 2020

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.

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

IRAN

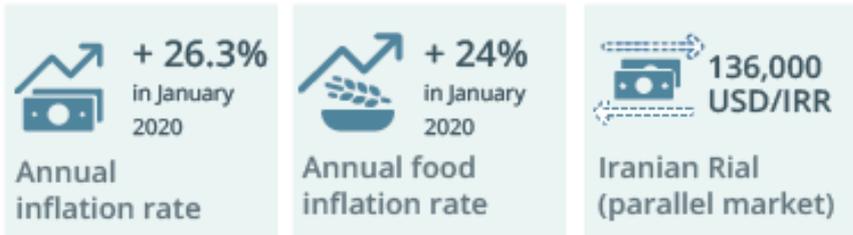
KEY FIGURES AND TRENDS

- 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.

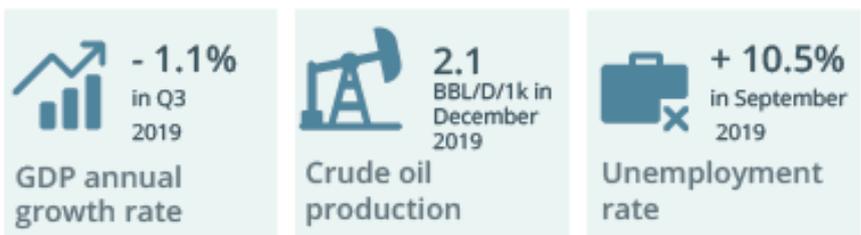
CURRENT STATUS



MARKET INDICATORS



ECONOMIC INDICATORS



ECONOMIC IMBALANCES



Regional Market Analysis

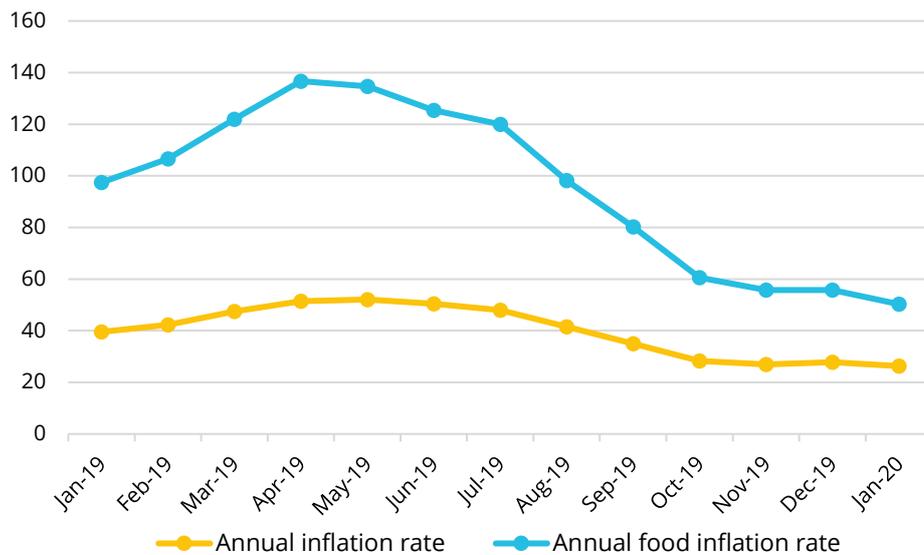
According to [World Bank estimates](#), Iran's **economy** is expected to **contract by 8.7 percent** in 2019/20 due to external shocks to oil and gas sector output. Oil production kept decreasing throughout 2019, hitting an average of 2.4 million barrels per day against 3.6 million in the year of 2018 (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 2019³; 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)⁴, 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

LEBANON

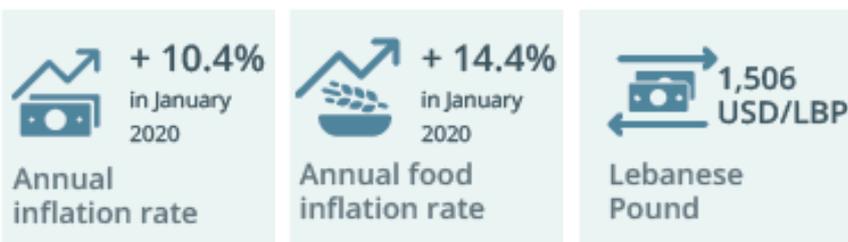
KEY FIGURES AND TRENDS

- 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



ECONOMIC INDICATORS



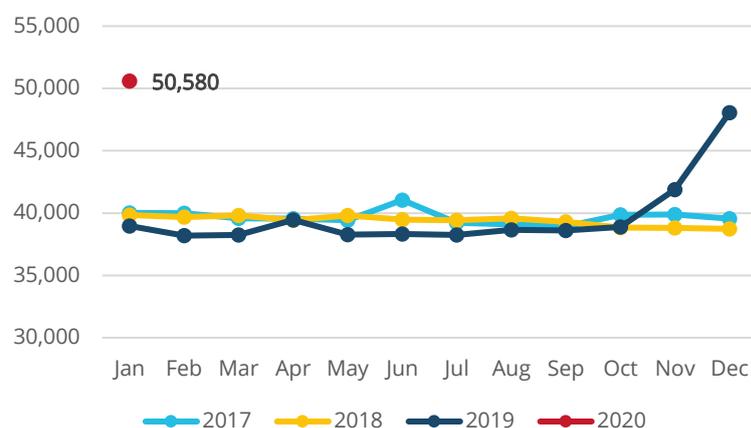
ECONOMIC IMBALANCES



Regional Market Analysis

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)⁵**, 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).

Figure 4: Average cost of the SMEB, 2017-2020

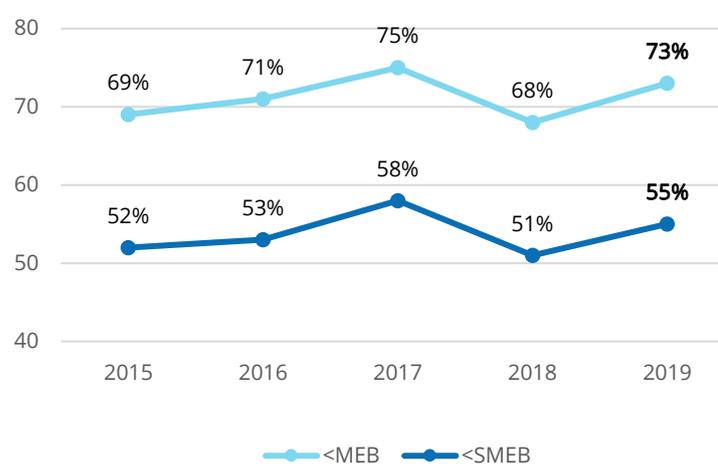


Source: WFP SNAP

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.

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**

Figure 5: Households below S/MEB 2015-2019



Source: VASyr 2019

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.

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 thought 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

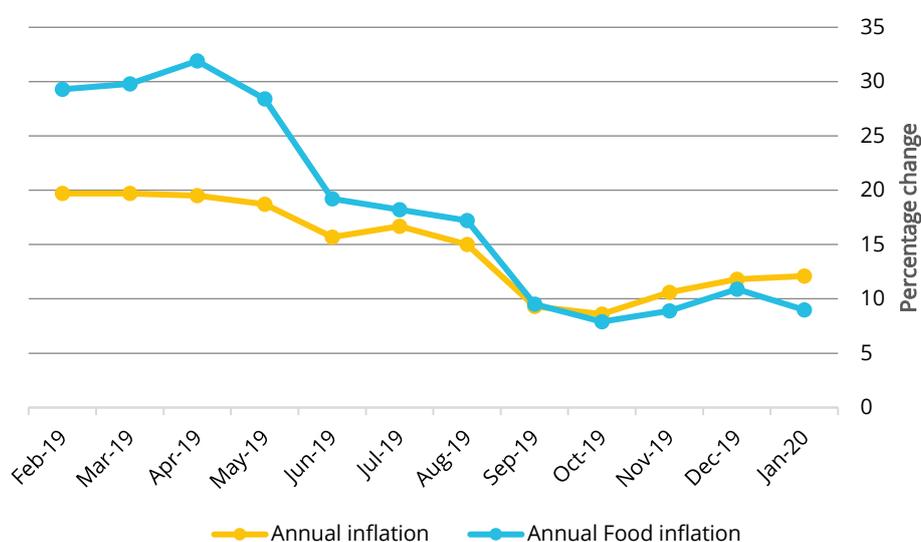
Regional Market Analysis

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**.

Figure 6: Annual inflation rates (total and food), 2019-2020



Source: WFP SNAP and Turkish Statistical Institute

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.

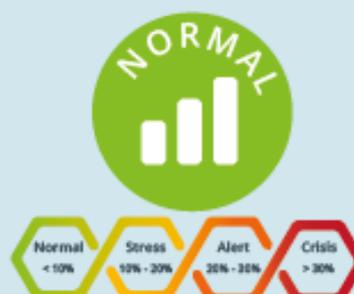
Government debt increased in Q4, reaching its all-time high in December (**TRY 1,328,752 million**). Conversely, **government revenues** recorded a **12 percent m-o-m decrease** between November and December (from TRY 80,810,612 thousand to TRY 70,797,670 thousand). After a constant increase between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

ALGERIA

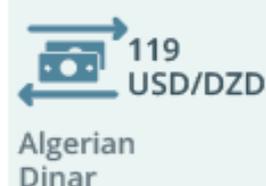
KEY FIGURES AND TRENDS

- 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.

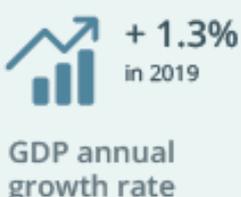
CURRENT STATUS



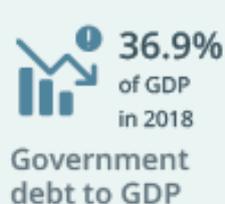
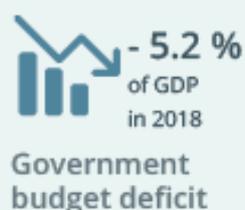
MARKET INDICATORS



ECONOMIC INDICATORS



ECONOMIC IMBALANCES

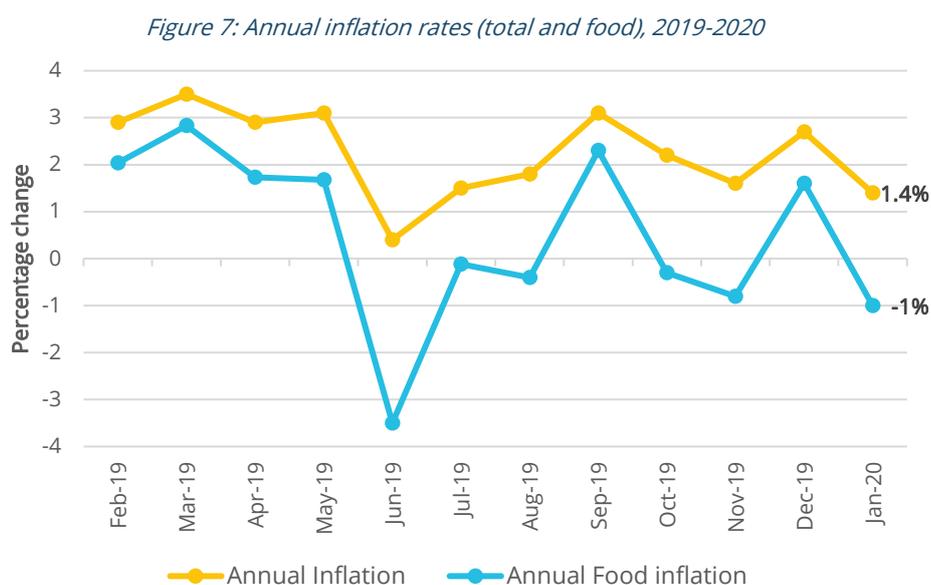


Regional Market Analysis

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 2019⁶, 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 year⁷. 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.



Source: Office National des Statistiques (ONS)

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.

⁶ Reuters, [Algeria Discovers New Gas Field in Southwest, May 27th 2019](#)

⁷ [Algeria's Economic Update, October 2019](#)

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

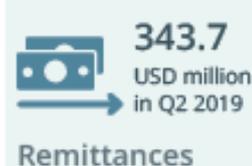
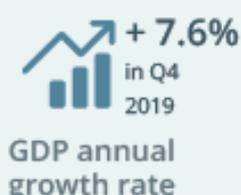
CURRENT STATUS



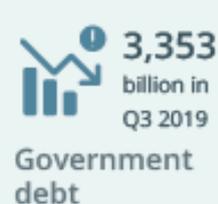
MARKET INDICATORS



ECONOMIC INDICATORS



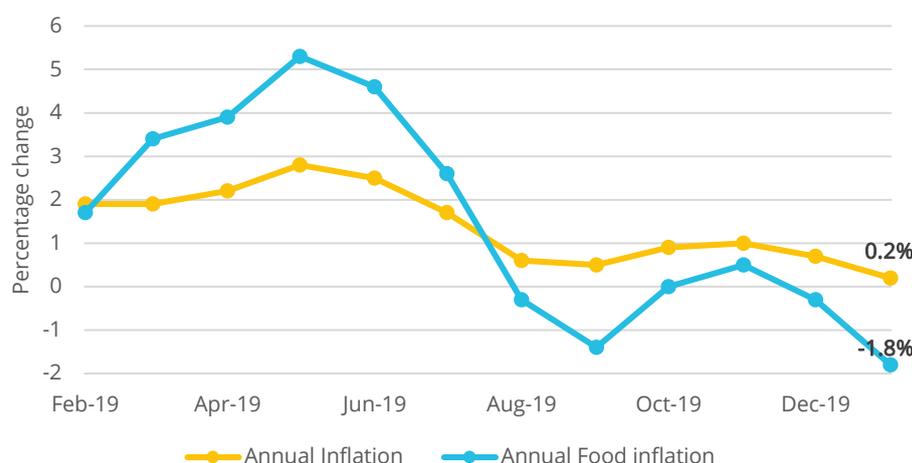
ECONOMIC IMBALANCES



Regional Market Analysis

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.

Source: National Statistical Service of the Republic of Armenia

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.

Cost of food in

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 tariffs⁸. **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**⁹ 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.

⁸ [JAMnews New custom tariffs will leave Armenia facing less choice in consumption, January 4 2020](#)

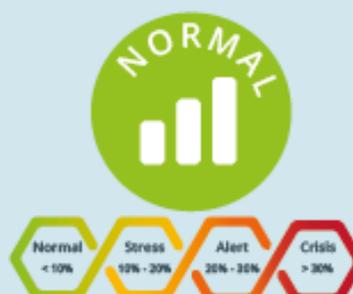
⁹ Terms of trade is the relationship between the prices at which a country sells its exports and the prices paid for its imports. If the prices of a country's exports rise relative to the prices of its imports, terms of trade have moved in a favourable direction as the country receives more imports for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

EGYPT

KEY FIGURES AND TRENDS

- Economic growth in FY19 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



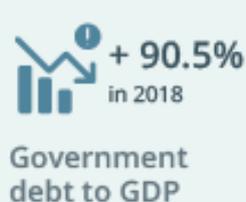
MARKET INDICATORS



ECONOMIC INDICATORS



ECONOMIC IMBALANCES



Regional Market Analysis

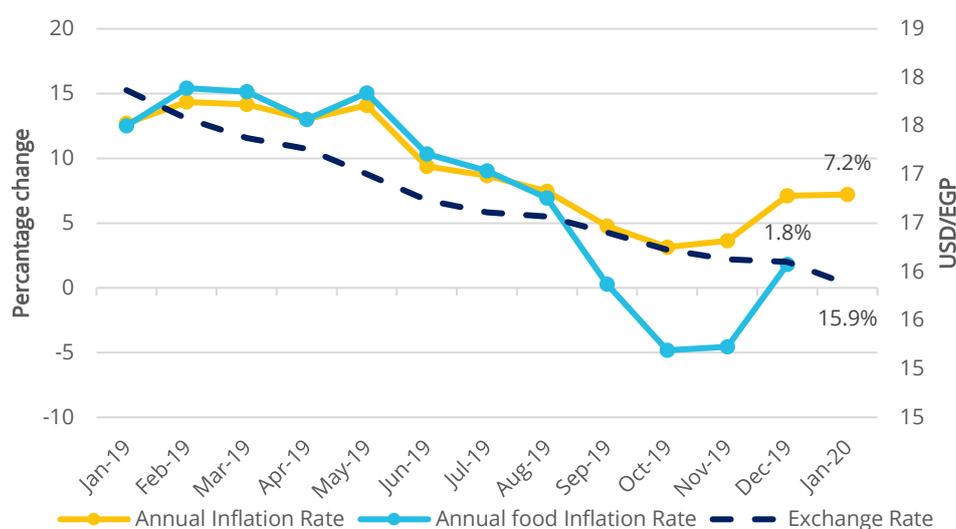
In the first quarter (Q1) of the fiscal year 2019/2020¹⁰, real **GDP** slightly **increased** to **5.6 percent** against 5.3 percent in the corresponding period of the fiscal year 2018/2019. Private consumption alone constitutes 77.3 percent of total GDP, followed by investments at 18 percent. The former 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 merchandize 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.

Figure 9: Annual Inflation rates and exchange rates, 2019-2020



Source: Central Bank of Egypt and FXTOP

The cost of the food basket¹¹ 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).

¹⁰ The first quarter is July - September

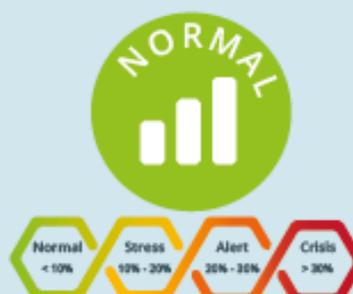
¹¹ Food basket cost includes 1.5 Kg of lentils, 0.9 Kg of frozen chicken, 1.5 L of maize oil, 2 Kg of pasta, 2.3 Kg of rice, 1.4 Kg of sugar, 5 Kg of wheat flour, and 15 units of eggs

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.

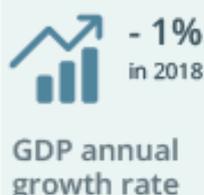
CURRENT STATUS



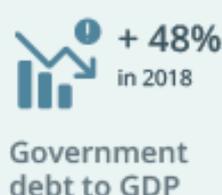
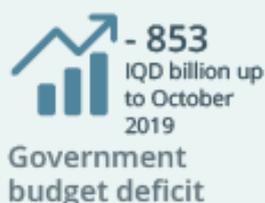
MARKET INDICATORS



ECONOMIC INDICATORS



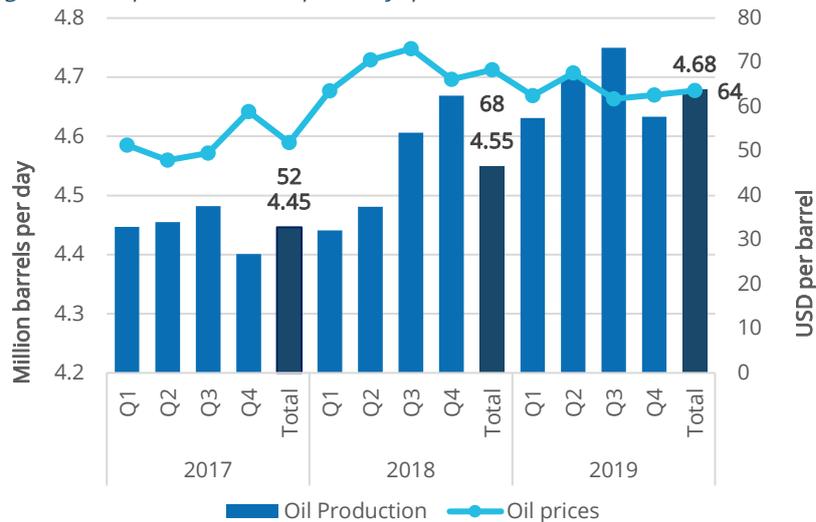
ECONOMIC IMBALANCES



Regional Market Analysis

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.

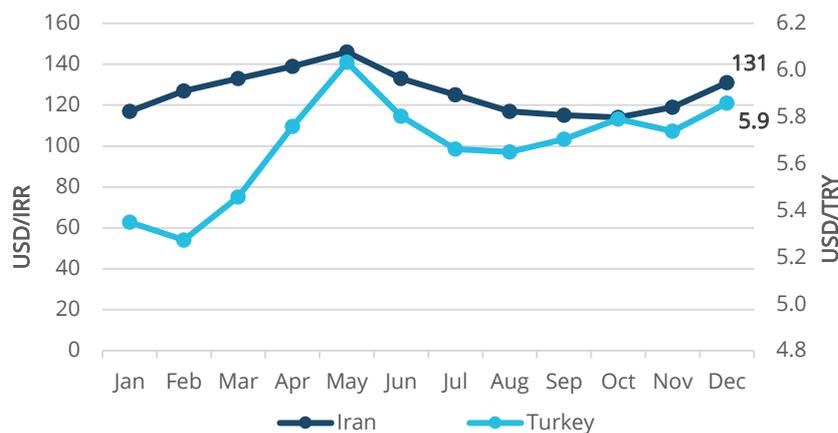
Figure 11: Oil production and prices by quarter



Source: OPEC

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 as 14 percent in 2017¹², given the highly dependence on oil sector, which is capital intensive.

Figure 10: Exchange rate of Turkey and Iran against USD, 2019



Source: FXTOP

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

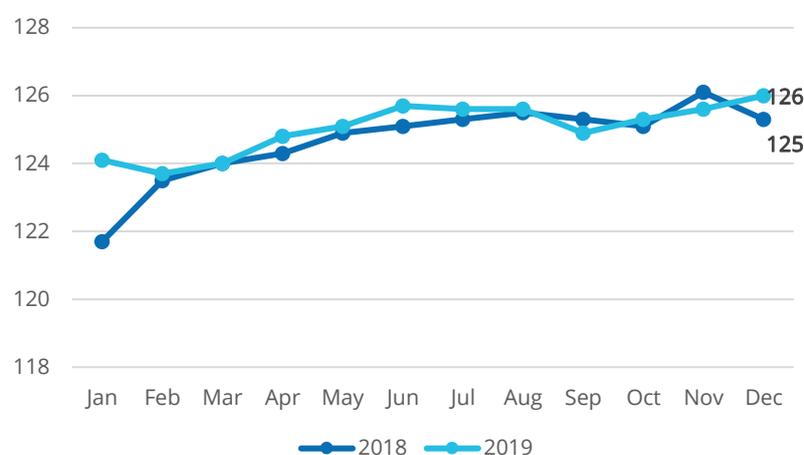
Real GDP slightly grew by **1.9 percent** during the first three quarters of 2019, against 2.0 percent during the same period of 2018. Increase in total exports (8.6 percent) and decrease in total imports (5.5 percent) narrowed the **trade deficit** by 14.1 percent to reach **JOD 6.4 billion** in the 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



Source: Central Bank of Jordan

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.

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



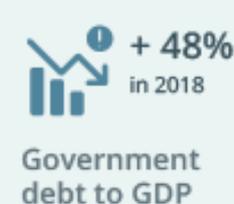
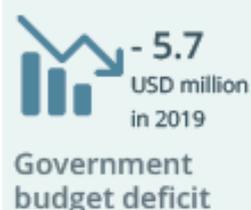
MARKET INDICATORS



ECONOMIC INDICATORS



ECONOMIC IMBALANCES



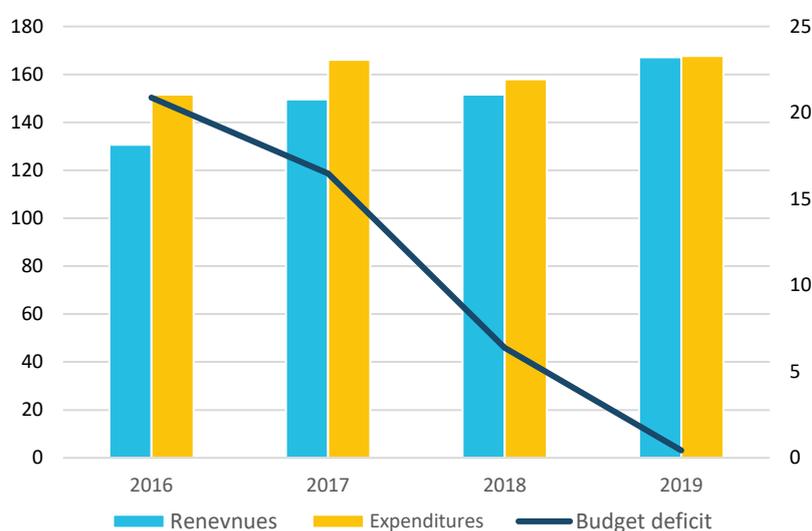
Regional Market Analysis

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 wages¹³ 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.

Figure 13: Fiscal budget, in billion KGS



Source: National Statistical Committee of the Kyrgyz Republic

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](#), Kazakhstani export wheat prices¹⁴ went up from USD 205 per tonne in August 2019 to USD 228 per tonne in January 2020.

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

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

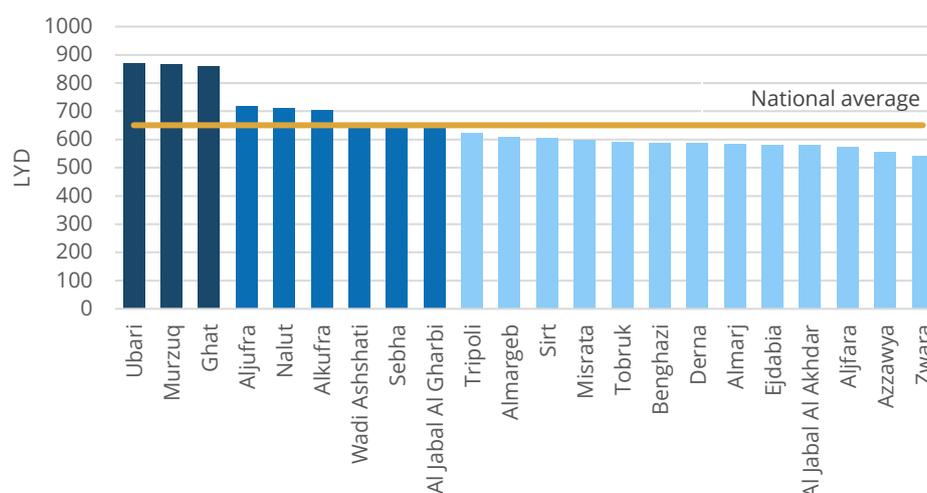
According to [World Bank estimates](#), the ongoing conflict around Tripoli resulted into an expected slowdown in GDP growth (from an average of 17.3 percent in 2017 and 2018 down to 5.5 percent in 2019). Steady oil production had, however, a positive impact on GDP. According to the [OPEC monthly market 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 2019¹⁵. 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).

Figure 14: Average cost of the food basket by governorate, September 2019 - January 2020



Source: WFP SNAP

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.

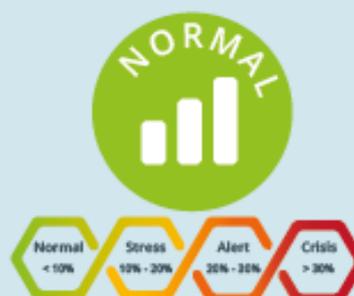
¹⁵ Most recent data available

PALESTINE

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

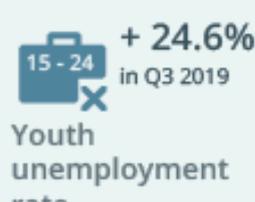
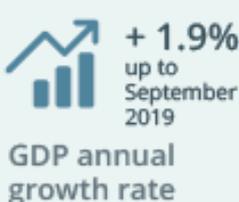
CURRENT STATUS



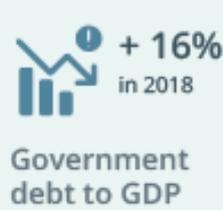
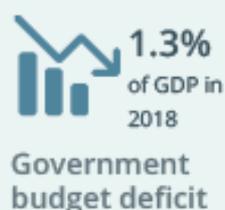
MARKET INDICATORS



ECONOMIC INDICATORS



ECONOMIC IMBALANCES



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 2018¹⁶.

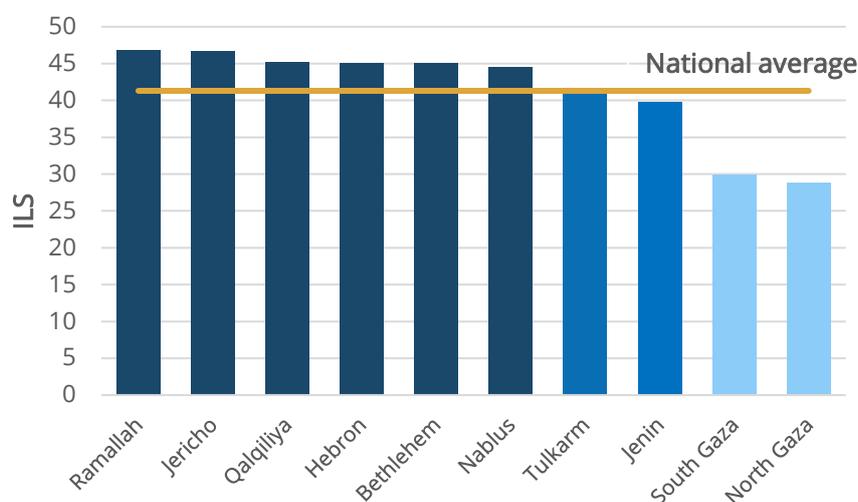
Accordingly, **GDP growth rate** was capped at **1.9 percent** in the first three quarters of 2019. **Unemployment rate** was as high as **24.6 percent** in the third quarter of 2019; 45.1 percent in Gaza Strip and 13.3 percent in West Bank.

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**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.

Figure 15: Cost of the food basket by governorate, January 2020



Source: WFP SNAP

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).

¹⁶ Most recent data available. Please refer to [Press Report - Preliminary Estimates of Quarterly National Accounts \(Third Quarter 2019\)](#) and [Press Release on the General Government Finance 2018](#), issued by the Palestinian Central Bureau of Statistics

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

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.

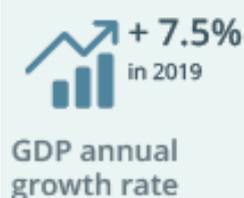
CURRENT STATUS



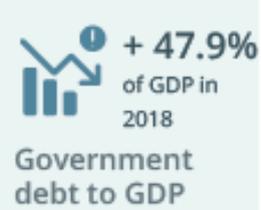
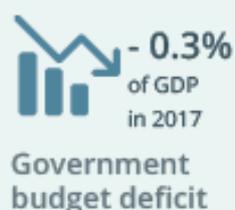
MARKET INDICATORS



ECONOMIC INDICATORS



ECONOMIC IMBALANCES



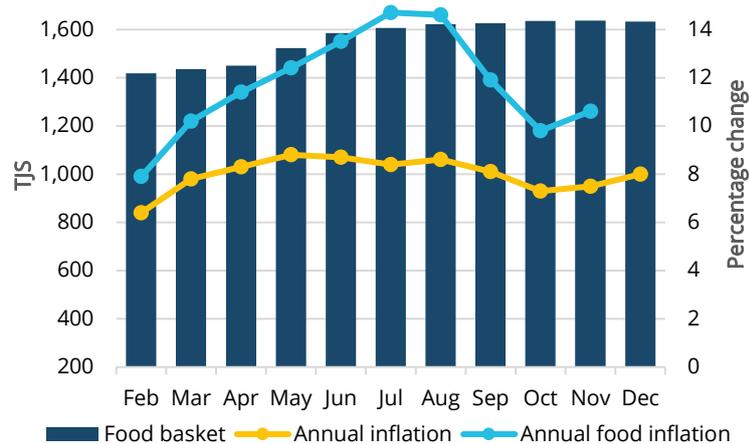
Regional Market Analysis

Similar to the growth rates of 7.1 and 7.3 percent recorded in 2017 and 2018, **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 basket¹⁸ remained almost unchanged since June.

Figure 16: Figure 19: Monthly national food basket cost and annual inflation rates



Source: WFP SNAP and National Bank of Tajikistan

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.

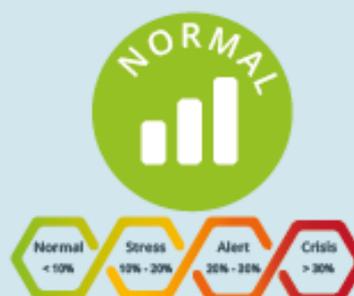
¹⁸ The food basket consists of 17.7 Kg of onions, 23.2 Kg of potatoes, 17.7 Kg of cabbage, 8.8 Kg of carrots, 1.4 Kg of chicken, 2.8 Kg of beef, 2.8 Kg of mutton, 30.2 L of milk, 8.3 L of cotton oil, 6.2 Kg of beans, 6.2 Kg of dry peas, 12.4 Kg of rice, 33.1 Kg of wheat flour, 165 g of bread, 4.2 pcs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

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



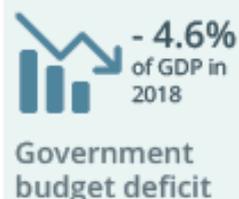
MARKET INDICATORS



ECONOMIC INDICATORS



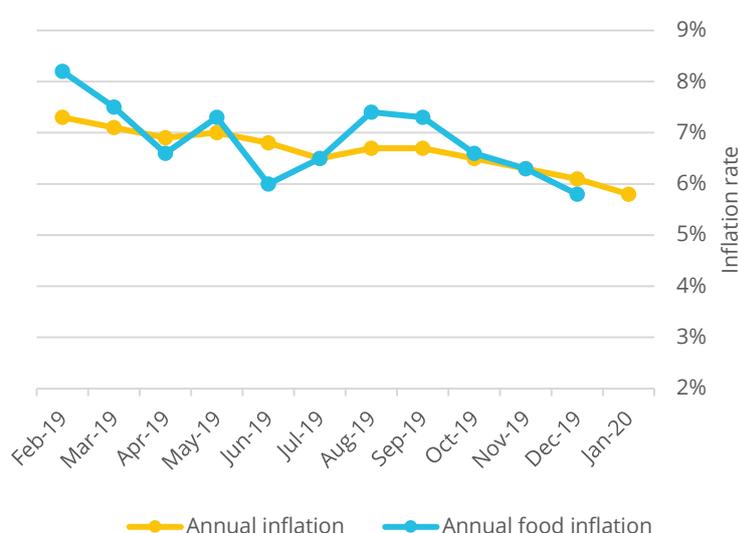
ECONOMIC IMBALANCES



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



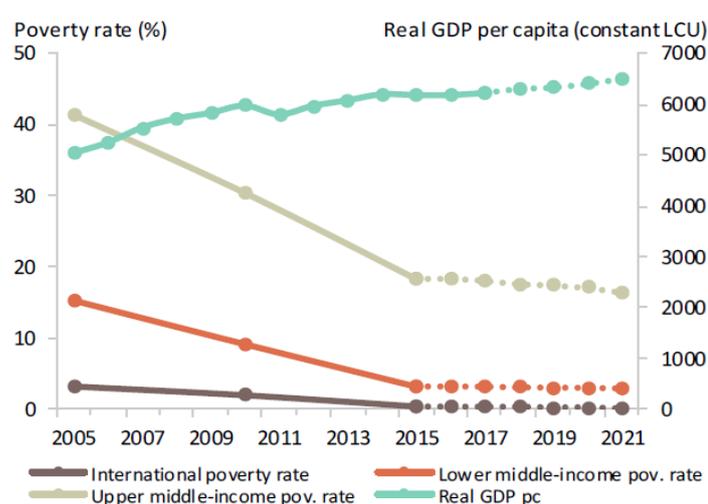
Annual food inflation also went down in Q4 2019, passing from 7.3 percent in September to 5.8 percent in December. Considering the recent monetary policy, the **cost of the food basket**¹⁹ for Q4 2019 is expected to follow the inflation patterns, showing a **decrease between November and December**. 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

Source: National Institute of Statistics (INS)

2019.

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

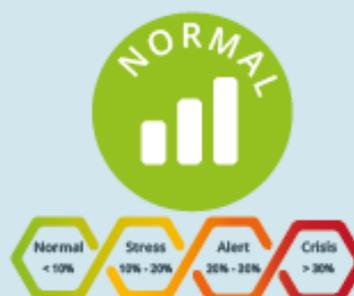
¹⁹ The food basket consists of 15.05 Kg of couscous, 0.28 kg of chickpeas, 5.5 kg of tomatoes, 1.32 kg of sugar, 2.48 kg of chicken, 1.63 kg of potatoes, 7.92 L of milk

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



MARKET INDICATORS

+ 5.7%
in January
2020 (Y-o-Y)



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

WFP food basket



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

Fuel (diesel)
price



612.3
USD/YER

Yemeni Rial

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

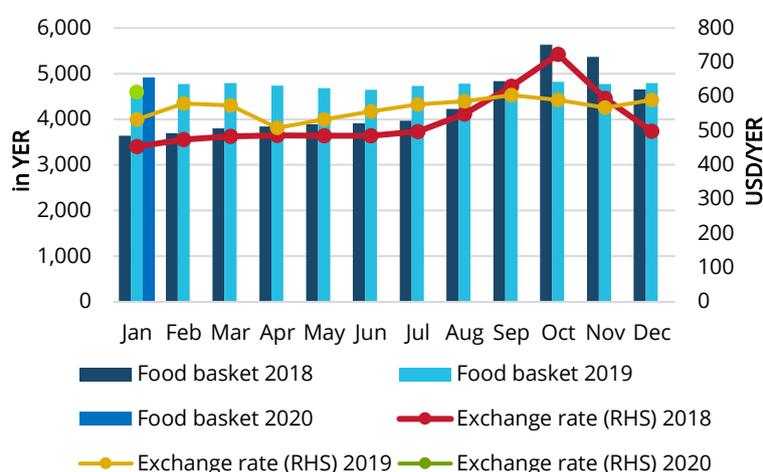
Regional Market Analysis

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.

Figure 19: Monthly national food basket cost and exchange rates, 2018-2020

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 basket²⁰ 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**). *Source: WFP SNAP and WFP Dataviz*

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 Abyan²¹**. **More than 3 households in 10** consume **inadequate diets**, with **peaks in the governorates of Abyan (43 percent) and Hajja (33 percent)**.

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.



World Food Programme

For further information, please contact:

Siddharth Krishnaswamy

Head of Programme and Measurement a.i.
siddharth.krishnaswamy@wfp.org

Omneya Mansour

Economic and Market Analyst
omneya.mansour@wfp.org

Cinzia Monetta

Market and Food Security Analyst
cinzia.monetta@wfp.org