

Lebanon

VAM Update on Food Price Trends

February 2020

Highlights

- A significant increase of 34.1% was observed in the monthly average countrywide food SMEB¹ basket price between September 2019 and January 2020, from LBP 37,700 to LBP 50,551.
- The observed inflation rates for the 300 food items most purchased by Syrian and NPTP beneficiaries in WFP-contracted shops are in line with the inflation rate observed for the SMEB food basket (33.7% and 35.2% respectively).
- The prices for vegetable oil and sugar have increased by almost 47% since October 2019.
- In January 2020, the transfer value for food assistance (LBP 40,500) continued to be below the observed food SMEB basket price in all governorates.
- 96% of WFP-contracted shops reported being charged an exchange rate above LBP 2,000 by their suppliers in January 2020.

Introduction

Since the worsening of the economic crisis and the start of popular protests on 17 October 2019, WFP Lebanon has been monitoring supply trends, food prices² and the unofficial exchange rate between the Lebanese Pound (LBP) and the USD. The aim of this monitoring is to immediately detect market anomalies as an early warning and to better understand the impact of the current crisis on vulnerable households in Lebanon.

Evolution of Food Prices (SMEB Food Component)

Figure 1 below shows the *monthly average price* evolution for the food component of the SMEB between September 2019 and January 2020. The price has been increasing steadily since October 2019 through January 2020. The month-on-month inflation between December 2019 and January 2020 was 4.4%, while the cumulative inflation rate between September 2019 and January 2020 reached 34.1%.

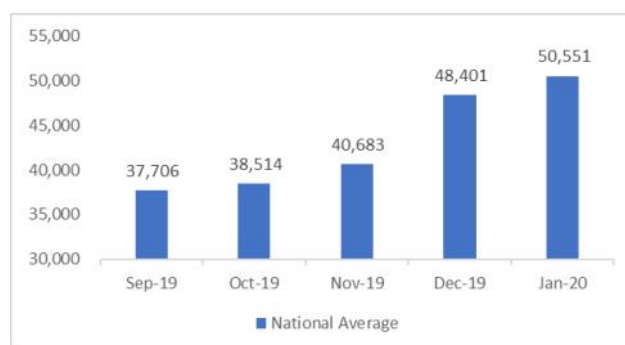


Figure 1: Monthly average food basket price (September 2019 -January 2020) (LBP); Source: WFP Retail POS Data Warehouse, Lebanon, 2020

Figure 2 below shows the monthly average food SMEB price from October 2019 till January 2020 for each Governorate. The food SMEB continued to increase in all governorates in January 2020, with Beirut remaining the most expensive (LBP 52,977 against LBP 40,272 in October 2019), while Akkar became the cheapest in January 2020 (LBP 47,671 against LBP 37,533 in October 2019). While the current food transfer value for assistance was slightly higher than the food SMEB price in all governorates before 17 October (see also previous markets updates), in January 2020, it continued to be below the food SMEB price in all governorates.

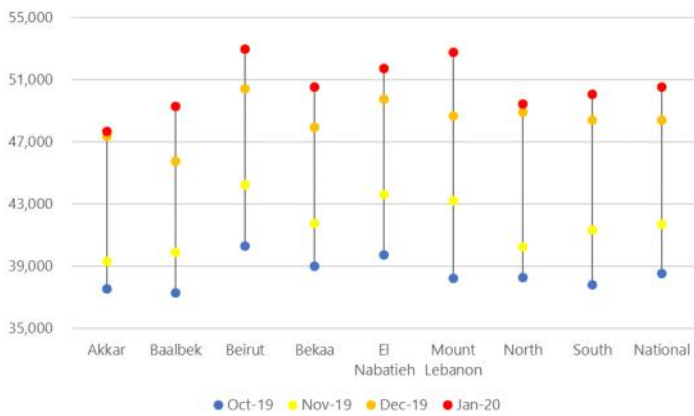


Figure 2: Monthly food SMEB price evolution in LBP by Governorate from October 2019 to January 2020. Source: WFP

Figure 3 shows the price evolution for the eight food SMEB commodities from October 2019 to January 2020. Food commodities with the highest price increases from October 2019 to January 2020 were: sunflower oil & sugar (47%), followed by rice (35%), beans and bulgur (+34%).

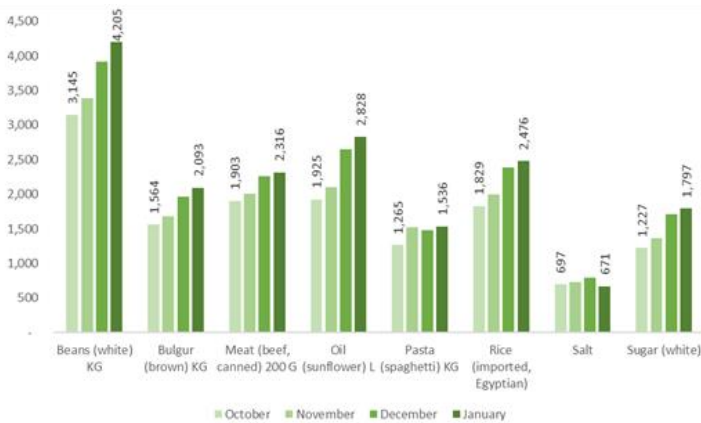


Figure 3: National Average commodity prices (per kg/litre in LBP) in October, November and December 2019 and January 2020; Source: WFP

Overall Inflation (Consumer Price Index - CPI)

The Consumer Price Index (CPI) measures the average change in prices over time paid by consumers for a basket of goods and services. It is constructed using the weighted average of the prices of goods and services that reflects an individual consumption pattern. Lebanon's Central Administration for Statistics (CAS) calculates the CPI based on data that it collects periodically. The CPI is divided into 12 expenditure categories, each given a respective weight in the overall CPI. Housing related costs such as rent, water, electricity and gas, have the highest weight in the index (28.4%). Food and non-alcoholic beverages, referred to as the Food Price Index (FPI), constitute only 20% of the weight of the overall CPI. Other notable expenditures included in the index are transportation (13.1%) and health (7.7%).

Figure 4 below shows the *monthly FPI and Overall CPI* inflation rates between September 2019 and January 2020, based on the latest CAS data. The Food Price In-

dex increased by 18.7% between September 2019 and January 2020, while the overall CPI increased by 8.4% for the same period.

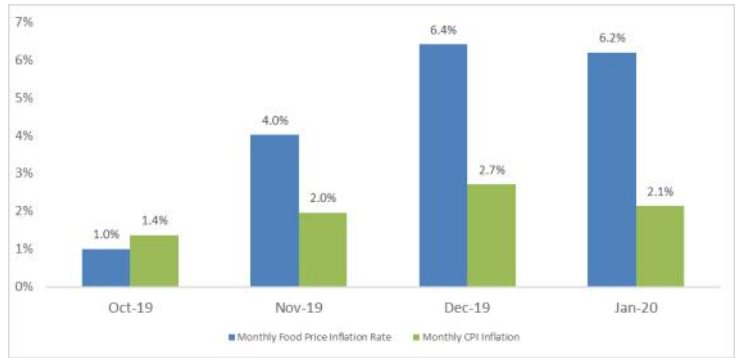


Figure 4: Monthly Food and CPI Inflation Rates (Oct 2019-Jan 2020) (LBP); Source: Central Administration for Statistics (CAS), 2020, <http://www.cas.gov.lb/index.php/economic-statistics-en>

It is important to note that the food component of the SMEB comprises only eight specific commodities, with unique measurement units and brands for each. This explains the difference in the magnitude of increases between the Food Price Index (18.7%), and the SMEB Food Component Basket (34.1%), between September 2019 and January 2020.

Additional factors should be taken into consideration when comparing inflation rates reported by CAS (CPI and FPI) and WFP (SMEB Food Component): (i) CAS and WFP are using different units of measurement for each item; (ii) Different data collection methodologies apply: WFP collects price data through point-of-sale systems (POS) in 400 contracted shops, while CAS collects prices through price collectors visiting retail outlets throughout Lebanon; (iii) WFP price data is updated daily as shops share their data directly from the POS, while CAS data correspond to the time the data collection visit took place; (iv) WFP and CAS might be tracking different brands and types of commodities under each food group name.

Evolution of Food Prices (Mandatory Range and Top Products Purchased)

Figure 5 below shows the *monthly inflation rate* for WFP's mandatory range of 250 food products, a set of items that every WFP-contracted shop must carry as part of its offering to its customers³. It also shows the *monthly inflation rate* of the top 300 food products (by sale value) bought by Syrian beneficiaries and by beneficiaries of the National Poverty Targeting Programme (NPTP). Between October 2019 and January 2020, the mandatory range products registered an inflation rate of 29%, while the top 300 items (by sale value) registered an inflation rate of 32.8% (for Syrian customers) and of 33.6% (for NPTP customers). These observed inflation rates, albeit for a much wider range of food products than the SMEB food component, and re-

flecting actual purchases rather than a predetermined group of eight items, are in line with the inflation rate observed for the SMEB food component.

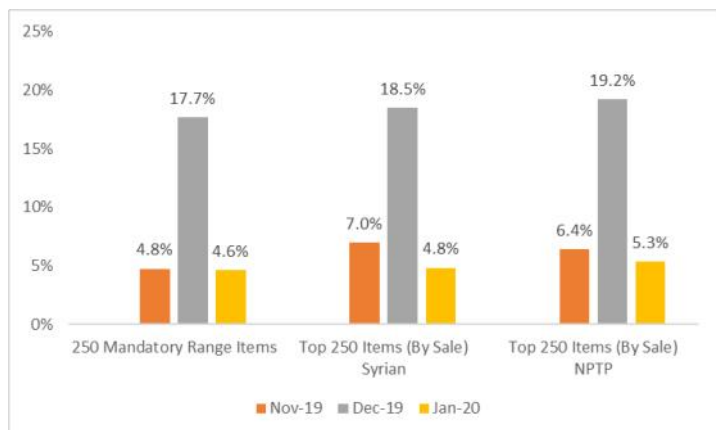


Figure 5 : Monthly inflation rate for the mandatory range (250 products) , and for the top 300 products purchased by Syrian and NPTP customers. Source: WFP Retail POS Data.

Unofficial exchange rate progression

Figure 6 below shows the official and unofficial USD/LBP exchange rate development⁴ between 6 November 2019 and 31 January 2020. On January 22 2020, the syndicate of exchanges set a maximum buy value of LBP 2,000. Since then, a third exchange rate market has emerged. By the end of January, the black market was trading at LBP 2,180, 44.6% above the official rate of LBP 1,507.5.

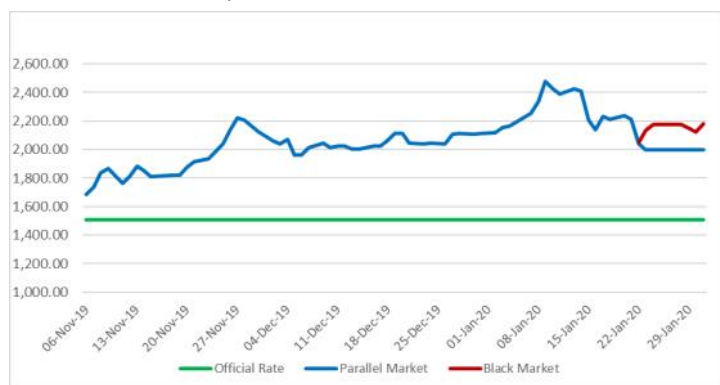


Figure 6: Official and Unofficial USD/LBP Exchange Rate Development between 6th November 2019 and 31st January 2020 (Source: <http://LebaneseLira.org>)

The steady deterioration of the unofficial exchange rate was further corroborated by WFP-contracted shops. By the end of January 2020, 96% of interviewed shops reported having to operate with an LBP/USD exchange above LBP 2,000, up from 79% of shops in December 2019.

Conclusion

The price of the food component of the SMEB has continued to increase since the beginning of the crisis in

Lebanon, reaching a cumulative inflation of 34.1% between September 2019 and January 2020. Similar trends were registered in the CAS released data for the same period, with the Food Price Index increasing by 18.7%. This is most likely the result of the steep depreciation of the LBP against the USD on the unofficial exchange rate market, which was trading at LBP 2,180 by the end of January 2020 (44.6% above the official exchange rate).

The high food SMEB price increase is having a significant negative impact on food access for households in Lebanon, especially for the most vulnerable. As cash-based food (and non-food) assistance continues to be provided on the basis of the official exchange rate, beneficiaries are incurring opportunity losses on the USD value of that assistance.

A preferential exchange rate for cash-based foreign assistance would make it possible to adjust the SMEB transfer value for inflation for the beneficiaries of this assistance. This would not address, however, the plight of hundreds of thousands of Lebanese and Syrian households not benefitting from assistance, who are no longer able to afford a minimum survival food basket due to high inflation and income loss brought by the crisis.

Footnotes

1. The SMEB food basket is based on a monthly ration per person of 6 kg of rice, 3.9 kg of bulgur, 1.5 kg of pasta, 1.5 kg of white beans, 1.5 kg of sugar, 0.9 litres of sunflower oil, 0.3 kg of salt and 1.2 kg of canned meat. See also Annex 3 of the VASyR 2018 at: <https://www.unhcr.org/lb/wp-content/uploads/sites/16/2018/12/VASyR-2018.pdf>
2. For the price data collection and analysis methodology, please visit: <https://docs.wfp.org/api/documents/WFP-0000110413/download/>
3. The 250 mandatory range items are a set of products that every WFP-contracted shops must carry as part of its offering to its clients. These include dairy & chilled products, frozen food, canned food, flour, grains and dried vegetables, coffee, milk, tea, oils, pastas, rice, salts, peppers, herbs and spices, sauces and spreadable products.
4. <http://LebaneseLira.org>

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

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