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Highlights

The standard reference food basket increased by two percent to reach SYP 321,356 (USD 114.20 at the official exchange rate of SYP 2,814) in August 2022 compared to the previous month, influenced by price gains in rice and sugar.

FAO Food Price Index continued a downward spiral in August 2022. At an average of 138.0 points, the Index recorded a two percent decrease compared to the onset of the Ukraine Crisis. Despite the recent downward trajectory, a welcome relief for food deficit countries, the index remained 7.9 percent above its value a year ago.

After three consecutive months of mild decline, the Minimum Expenditure Basket (MEB) increased by five percent in August 2022, m-o-m, to reach SYP 797,030. As of August 2022, the food component of the MEB increased by 21 percent since the start of the Ukraine crisis while the non-food moved up by 28 percent during the same period. The crisis in Ukraine has upended the markets for food and energy, and when this two grow dearer, standards of living tend to fall.

The official exchange rate remained at SYP 2,814/USD in August 2022 while informal rate stood at SYP 4,342/USD.

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Standard Food Basket

The national average price of a standard reference food basket¹ marginally increased in August 2022 compared to July 2022, influenced by significant price gains in rice and sugar. By contrast, other food basket components, bread and vegetable oil, continued to ease likely on account of resumption of exports from the Black Sea ports. The August 2022 food basket reached SYP 321,356, two percent higher than the previous month, 36 percent more than at the start of the Ukraine crisis and 85 percent more than the same time last year. Despite recent easiness in price of wheat and vegetable oil on the global market, a favourable condition for food import dependent country, the relatively weaker Syrian pound limited such gains.

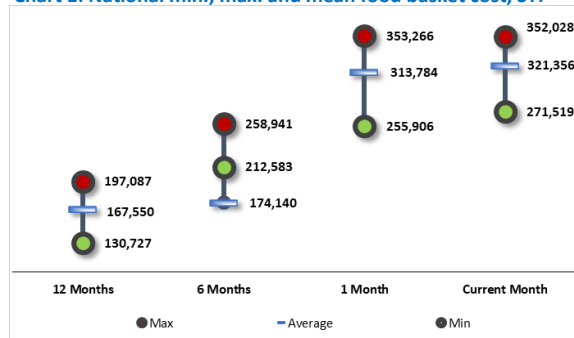
At governorate level, only Lattakia and Tartous recorded monthly decreases in the food basket, three percent each while Al-Hasakeh had the highest increase at six percent. The food basket increase in Al-Hasakeh reflects a six percent increase in lentils and a 14 percent increase in rice. Year-on-year (y-o-y), the percentage increase ranged from 60 percent to 108 percent with Ar-Raqqa having the lowest percentage increases while Al-Hasakeh still on the other end of the spread.

The difference between the maximum and minimum values in the cost of the food basket among the governorates decreased by 17 percent, month-on-month (m-o-m), marking a third consecutive monthly decline, indicating some movement towards price convergence. However, the gap as depicted in chart 1 increased by 21 percent compared to a year earlier.

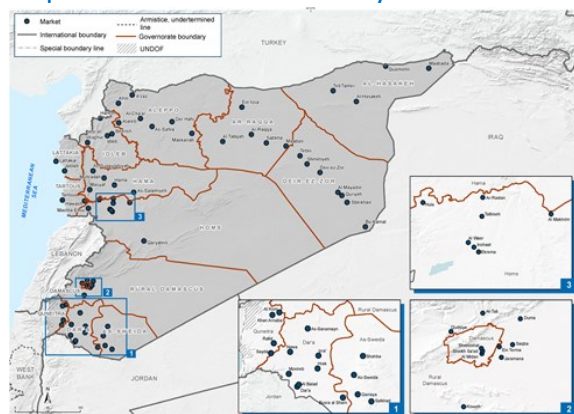
Figure 1: Food basket cost and changes, SYP

Governorate	Price August 2022	1 month change	6 months changes	12 months changes
Aleppo	SYP 305,349	4%	30%	76%
Damascus	SYP 337,249	5%	40%	90%
Dar'a	SYP 352,028	1%	41%	98%
Deir-ez-Zor	SYP 278,851	4%	27%	71%
Hama	SYP 319,556	3%	39%	81%
Al-Hasakeh	SYP 271,519	6%	28%	108%
Homs	SYP 335,275	2%	51%	91%
Idleb	SYP 332,723	1%	28%	69%
Lattakia	SYP 326,931	-3%	41%	84%
Ar-Raqqa	SYP 287,111	4%	24%	60%
Rural Damascus	SYP 332,261	2%	38%	85%
As-Sweida	SYP 345,384	5%	54%	103%
Tartous	SYP 343,593	-3%	36%	99%
Quneitra	SYP 330,302	2%	37%	81%
Average	SYP 321,356	2%	35%	92%

Chart 1: National min., max. and mean food basket cost, SYP



Map 1: Location of markets monitored by WFP



1. The standard food basket is a group of essential food commodities. In Syria, the food basket is set at a group of dry goods providing 2,060 kcal a day for a family of five during a month. The basket includes 37 kg bread, 19 kg rice, 19 kg lentils, 5 kg of sugar, and 7 liters of vegetable oil.

Impact of the Ukrainian crisis on global food prices

Food prices, measured by the FAO Food Price Index (FFPI), continued to ease on monthly basis (see page 3 of this report) on account of, among other reasons, resumption of exports from the Black Sea port in Ukraine. However, energy prices have spiked as the conflict in Ukraine continues.

Russia is a major player in global energy markets:² the second largest producer of natural gas, and one of the world's top three crude oil producers, others being Saudi Arabia and the United States. Gas account for a quarter of all Europe's energy demand and Russia supplies a third of it to run factories, generate electricity and heat homes. With the ongoing Ukrainian crisis, crude oils prices have spiked. The Europe Brent crude oil spot price recorded a monthly average of USD 100 per barrel in August 2022, a 42 percent increase compared to same time last year, with much of the increase coming in the first half of 2022. With the uncertainty for Russian gas supply in Europe, and winter season looming, gas prices reached more than € 300 per megawatt hour³ as of August 2022, an all-time European high.

These energy crises are terms of trade shocks that favour net-exporters and punish the currencies of the net-importer, including Syria. Within the region, key net oil exporting countries such as Iraq, Iran, Algeria, and Libya are likely to benefit from the surge if and only if production levels remain at least the same.

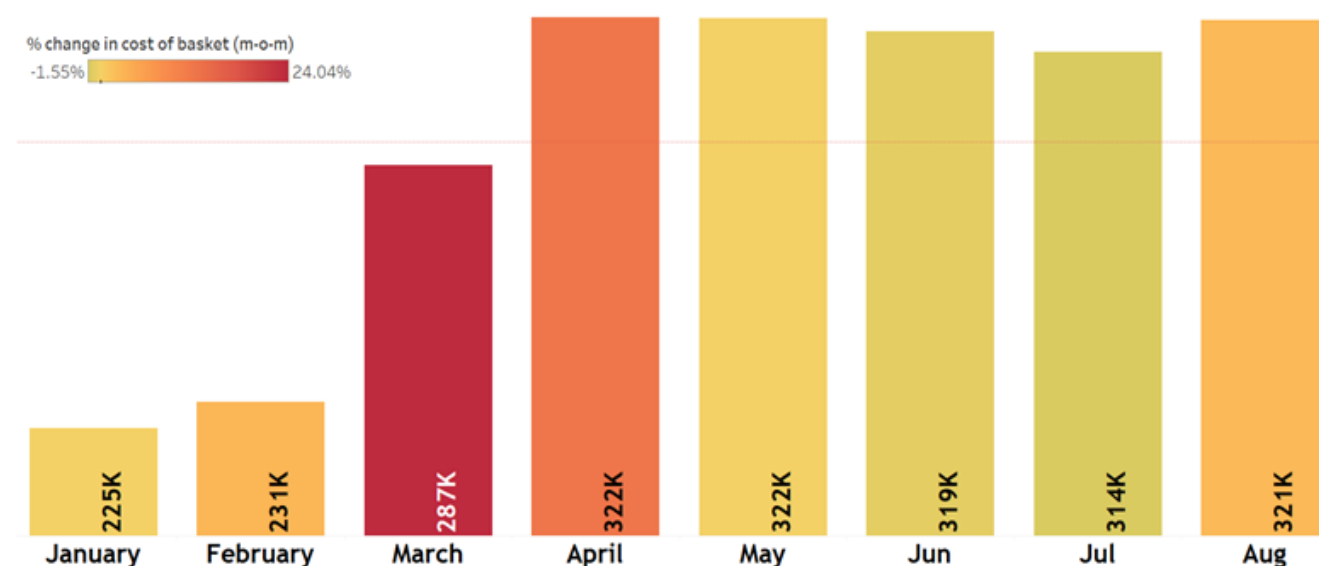
In the wake of the energy crisis, in August 2022, the Government of Syria raised prices of subsidised 90 Octane gasoline sold through the smart card by nearly 130 percent from SYP 1,100 to SYP 2,500 per litre. Likewise, the price of unsubsidised gas sold in unlimited quantities outside the smart card system was raised by SYP 500 for both 90 and 95 Octane to SYP 4,200 and SYP 4,500 per litre respectively. This is the second raise in prices of gasoline and gas in Syria in 2022, following the first increase in May.

Impact on prices in Syria

Following the onset of the Ukrainian crisis, February 2022, food prices skyrocketed because of the decline and uncertainty in the supply of wheat and vegetable oil. The price upsurges came on top of COVID-19 pandemic-related supply constraints. As of April 2022, the WFP reference food basket hovered around SYP 320,000 which at the time was 37 percent more than at the onset of the crisis, mainly driven by 61 percent increase in vegetable oil.

Despite the July 2022 UN backed deal to resume Ukraine grain and oil exports through the Black Sea, the cost of the basket has remained elevated which denotes the stickiness of the food price levels.

Chart 2: National monthly average food basket cost between January 2022 and August 2022, SYP



Source: WFP

2. <https://www.iea.org/articles/energy-fact-sheet-why-does-russian-oil-and-gas-matter>

3. <https://www.icis.com/explore/resources/news/2022/08/23/10798635/european-gas-price-downside-unlikely-after-record-highs-recorded/>

Minimum Expenditure Basket (MEB)

MEB Trend

An uptick in the national average MEB (HCT Cash Working Group) for a household of five members was observed in the month of August 2022. After three consecutive months of mild decline, the MEB increased by five percent in August 2022, m-o-m, to reach SYP 797,030. The monthly increase was mainly influenced by an uptick in the price of meat (24 percent), potatoes (22 percent), onions (17 percent), sugar (15 percent), parsley (15 percent), tomatoes (10 percent), rice and eggs (seven percent), diesel (five percent), and gas (three percent). Notably, the August 2022 MEB was 22 percent higher than at the beginning of the crisis in Ukraine and 54 percent higher than in September 2021, start of MEB monitoring.

As of August 2022, the food component of the MEB increased by 21 percent since February 2022 while the non-food moved up by 28 percent during the same period, gas on the parallel market accounted for 40 percent of the non-food component. The crisis in Ukraine has upended the markets for food and energy, and when these two grow dearer, standards of living tend to fall.

Worldwide food prices, freight costs and overall inflation trends

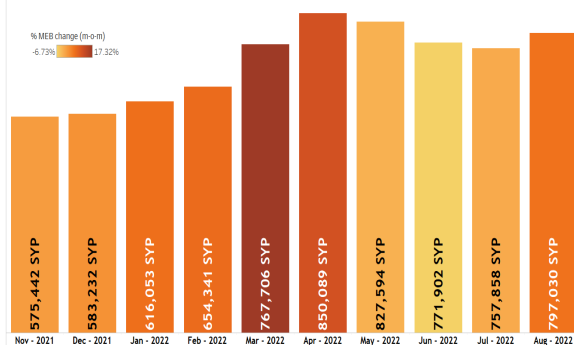
Global food prices, measured by the FAO Food Price Index (FFPI)⁴, continued a downward spiral in August 2022. At an average of 138.0 points, the FFPI value marked a fifth consecutive monthly decline and recorded a two percent decrease compared to the start of the Ukraine Crisis (February 2022). Vegetable Oil Price Index led the monthly decline while the other four sub-indices also fell moderately. Despite the recent downward trajectory, a welcome relief for food deficit countries, the index remained 7.9 percent above its value a year ago.

In particular, the FAO Cereal Price Index averaged 138.0 in August 2022, 1.9 percent lower than the previous month and nearly the same level as at the start of the Ukraine crisis. The monthly decline, third in a row, was driven by 5.1 percent drop in wheat prices due to seasonal availability, resumption of exports from the Black Sea port in Ukraine and improved production prospects. On coarse grains, much as monthly world maize prices firmed slightly in August 2022, these were offset by decreases in barley and sorghum by 3.8 percent and 3.4 percent, respectively. The Vegetable Oil Price Index decreased by 3.3 percent in August 2022 from July 2022, marking a 11-month low. The index was 19 percent lower than at the start of the Ukraine crisis and two percent lower than in August 2021.

In August 2022, the global freight costs for grains and oil seeds measured by the Grains and Oils Freight Index (GOFI)⁵ declined by 11 percent, m-o-m, to average 169 points returning to the pre-Ukraine crisis level. This marked a third consecutive decrease since the start of the Ukraine crisis in February 2022. Similarly, the Black Sea Freight Sub-Index fell by 19 percent, m-o-m, and a further 41 percent, y-o-y. The significant drop in the sub-index was likely on the back of resumption of grain and oil exports from the Black Sea ports in over five months of supply disruption.

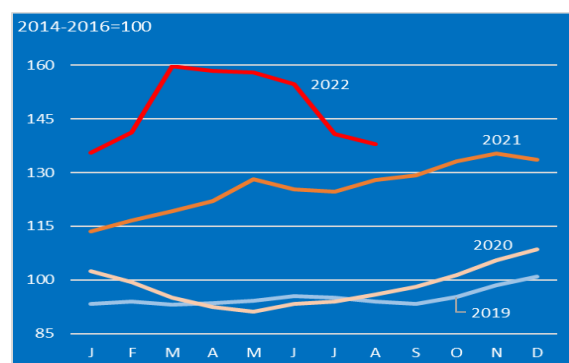
Several countries within the region and in advanced economies continued to have upward trend in inflation rates as increases in food and energy prices squeezed living standards. Egypt inflation⁶ increased to 14.6 percent in August 2022, up one percentage point m-o-m, as prices of cereals, bread, oils and fats increased. Despite the drop, Lebanon continued to have one of the highest inflation rates in the region, recorded at 161.89 percent. The Syrian economy is very much linked to the Lebanese, hence, such price hikes will tend to have a pass-on effect. Türkiye's inflation, mainly due to transportation costs, increased to 80.21 percent marking a 24-year high, up 61 percentage points compared to same time last year.

Chart 3: MEB Trend in Syria (HCT), SYP



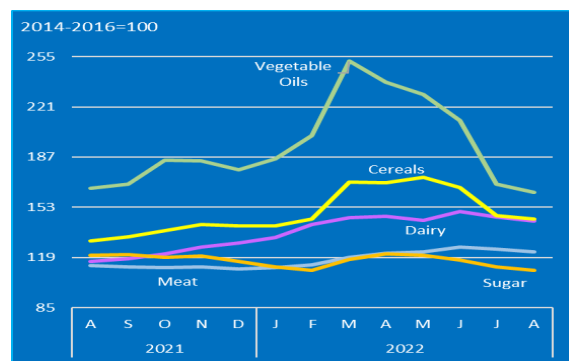
Source: Damascus Cash Working Group

Charts 4 FAO Food Price Index (2019–2022)



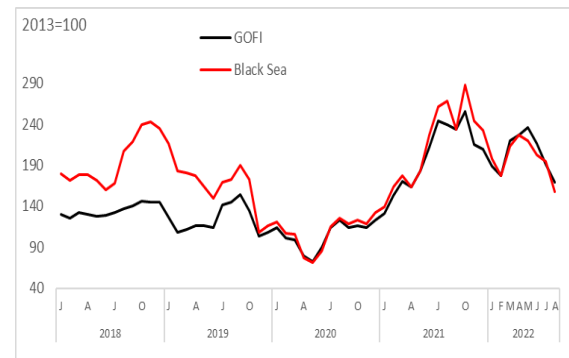
Source: FAO

Charts 5. FAO Food Commodity Price Indices (2021–2022)



Source: FAO

Chart 6: Grain and Oilseeds Freight index (GOFI) m-o-m



Source: IGC GOFI

4. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/> 5. "Freight Rate Index / Freightos Baltic Container Index" 6. Trading Economics "Inflation Rate"

Legend on regions : 'Northwest'=Aleppo; 'Cross-border'=Idleb & Aleppo [A'zaz, Atarib & Afrin]; 'Coastal'=Lattakia & Tartous; 'Northeast'=Ar-Raqa, Al-Hasakeh & Deir-ez-Zor; 'Middle'=Hama, Homs and Idleb [Senjar]; 'South'=Damascus, Rural Damascus, Dar'a, As-Sweida & Q

Retail prices for key commodities

Wheat Flour

The August 2022 nominal price of wheat flour remained relatively stable for the second consecutive month in nearly 12 months. At an average of SYP 3,487/kg, the cereal's price was almost the same as the previous month, likely influenced by increased global supplies through the resumption of wheat exports from the Ukraine's Black Sea ports and the ongoing harvests.

However, the August 2022 wheat flour prices were 39 percent more than February 2022 (onset of Ukraine crisis) and a further 82 percent above August 2021 values. Regionally, Southern area had a two percent monthly decrease, however, continued to record the highest average retail price for wheat flour at SYP 3,915/kg. The cross-border region recorded the lowest price at SYP 2,838/kg, still up five percent m-o-m.

Rice

A steady upward trend continued to be observed for the Egyptian white rice in August 2022. It increased by seven percent, m-o-m, to reach SYP 4,097/kg. The August price was 37 percent more than six months ago and a further 63 percent higher than the same time last year. At global level, the FAO All Rice Price index (2014-2016) averaged 108.5 points in August 2022, unchanged compared to the previous month.

Regionally, for the 11th consecutive month, the Coastal area continued to record the highest monthly average price of rice at SYP 4,389. The August price was 23 percent more than six months ago and a further 78 percent above its value a year-earlier. The southern region recorded the highest monthly percentage increase at 10 percent while the coastal area had the lowest percentage increase at four percent.

Bulgur

In August 2022, bulgur prices continued to exhibit relatively steady prices for five consecutive months, reflective of the recent wheat harvests. A monthly increase of two percent was observed in August 2022 at SYP 5,255/kg compared the previous month. However, the August price was 66 percent more than six months ago and a further 150 percent above its value a year-earlier. A trend depicted in all regions. The highest percentage increase at 175 percent, y-o-y, was observed in the coastal region, while the lowest percentage increase was observed in the cross-border region, still at 89 percent. On a yearly basis, bulgur experienced the highest price increase among the monitored key staples, due to wheat production shortfalls mainly resulting from drought.

Sugar

Nominal sugar prices increased by 15 percent to SYP 4,905 in August 2022. The significant increase may indicate supply constraints amidst concerns over the impact of dry conditions on the 2022 crop in the European Union. The August price was more than double the August 2021 value. Globally, the FAO Sugar Price index remains on the downward trend.

Chart 7: Retail Prices of Wheat flour, SYP

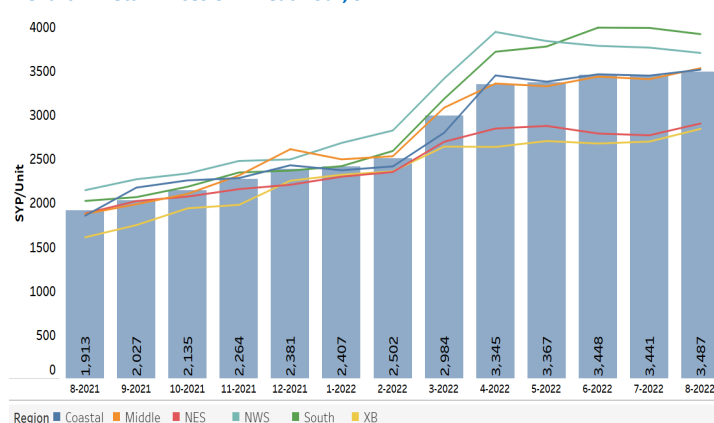


Chart 8: Retail Prices of rice, SYP

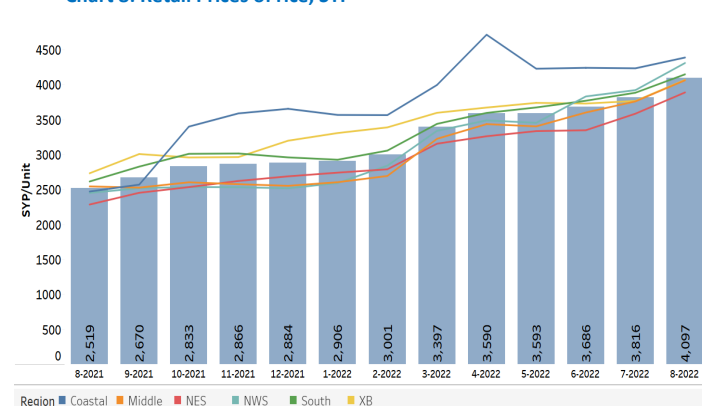


Chart 9: Retail Prices of Bulgur, SYP

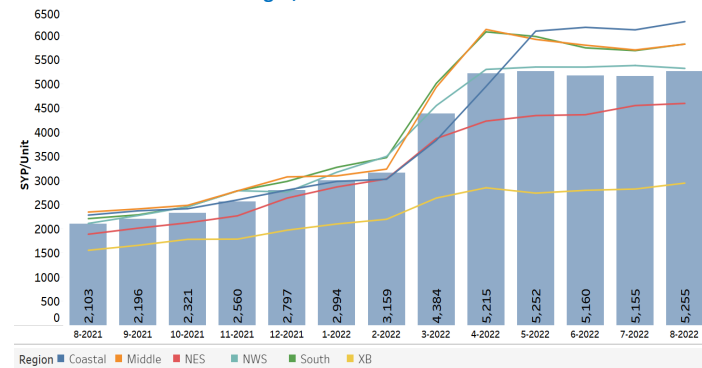
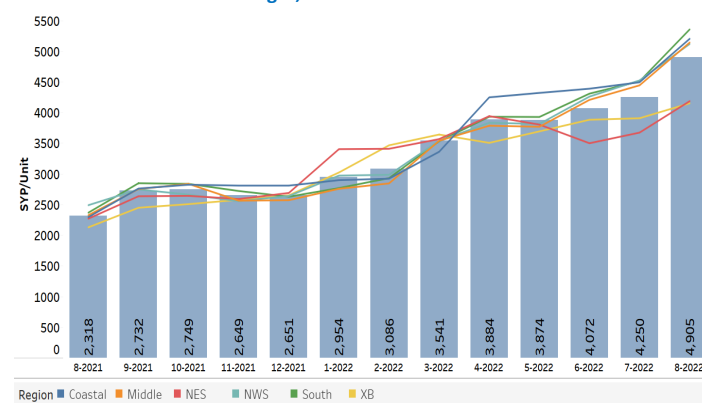


Chart 10: Retail Prices of Sugar, SYP



Source: WFP Field Offices

*Starting from March 2021, WFP-monitored commercial bread has been switched from resold public bread bundles to commercial bread sold at shops. Prices for the past year have been adjusted to include commercial bread resold from shops. Moreover, all prices have been adjusted to reflect bread bundle size of 1.1 kg instead of 1.3 kg since November 2020.

Exchange rate**

In August 2022, the Syrian Pound deteriorated further against the US dollar on the informal market reaching SYP 4,342/USD from SYP 4,032/USD in the previous month. The local currency lost 23 percent of its value within 12 months and 50 percent loss in two years. Officially, the August 2022 exchange rate was at SYP 2,814/USD, the same level since the official devaluation⁷ in April 2022 which, among other reasons, aimed at bringing about control and stability on the parallel market.

However, the spread between the official and parallel rates has grown from 34 percent to 54 percent within 12 months, rendering the general price levels in the local economy to reflect much of the parallel market exchange rate.

At governorate level, Damascus, the capital, had the highest exchange rate on the parallel market trading at SYP 4,388/USD in August 2022, while Tartous had the lowest at SYP 4,252/USD. The UN operational rate was at SYP 2,800/USD, unchanged since a 12 percent adjustment in May 2022.

Furthermore, chart 11 depicts exchange rate fluctuations moving in tandem with food prices, specifically, the WFP reference food basket, reinforcing the notion that currency depreciation (and devaluation) will tend to lead to a rise in domestic food prices for imported items (Syria imports a significant amount of food items).

Diesel

The August 2022 national average price of informal transport diesel increased by five percent, m-o-m. At SYP 4,907 per litre, the national average price was 76 percent more than at the onset of Ukraine crisis and more than double y-o-y.

Policy-wise, in the wake of the upsurge in global fuel prices, the Government of Syria raised prices of subsidised 90 Octane gasoline sold through the smart card by nearly 130 percent from SYP 1,100 to SYP 2,500 per litre. A move aimed at reducing the fiscal deficits. The August fuel raise was the second in 2022.

Butane gas prices

Nominal informal butane gas price increased by two percent, m-o-m, to SYP 85,671 from July 2022. The August 2022 price was almost 20 percent more than six months ago and a further 72 percent more than 12 months ago. Regionally, north-west areas had the highest monthly increase at six percent while a decrease of five percent was observed for the coastal area.

Policy-wise, the price of unsubsidised gas sold in unlimited quantities outside the smart card system was raised by SYP 500 for both 90 and 95 Octane to SYP 4,200 and SYP 4,500 per litre, respectively. The increase in global gas prices remain a concern at a time when winter is approaching

Table 1: Informal market exchange rate, 1 US \$ to SYP

Governorate	August 2022	Percent change (m-o-m)	Percent change (y-o-y)
Al-Hasakeh	4,334	-7%	-23%
Aleppo	4,361	-8%	-24%
Ar-Raqqa	4,338	-7%	-23%
As-Sweida	4,358	-8%	-22%
Damascus	4,388	-8%	-22%
Dar'a	4,359	-8%	-23%
Deir-ez-Zor	4,377	-9%	-24%
Hama	4,350	-6%	-22%
Homs	4,350	-6%	-22%
Idleb	4,305	-7%	-24%
Lattakia	4,263	-7%	-21%
Quneitra	4,358	-8%	-22%
Rural Damascus	4,355	-7%	-22%
Tartous	4,252	-6%	-21%
National average	4,342	-7%	-23%
Official rate	2,814	0%	-11%
UN operational rate	2,800	0%	-11%

Source: WFP

Chart 11: Official and informal exchange rate trends

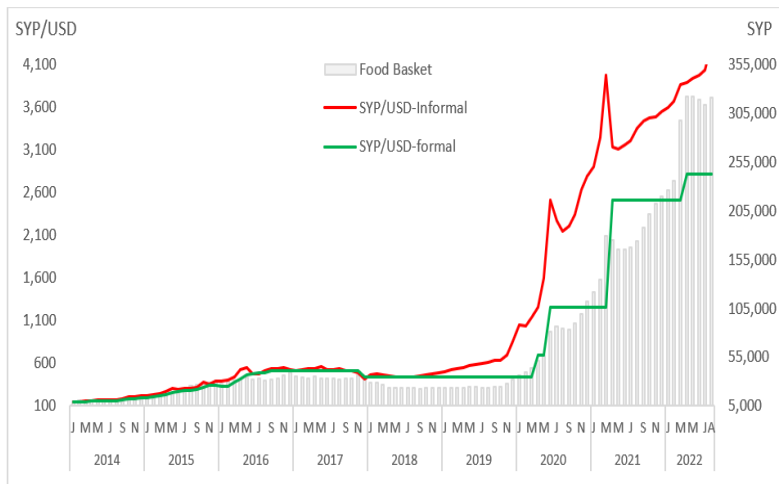
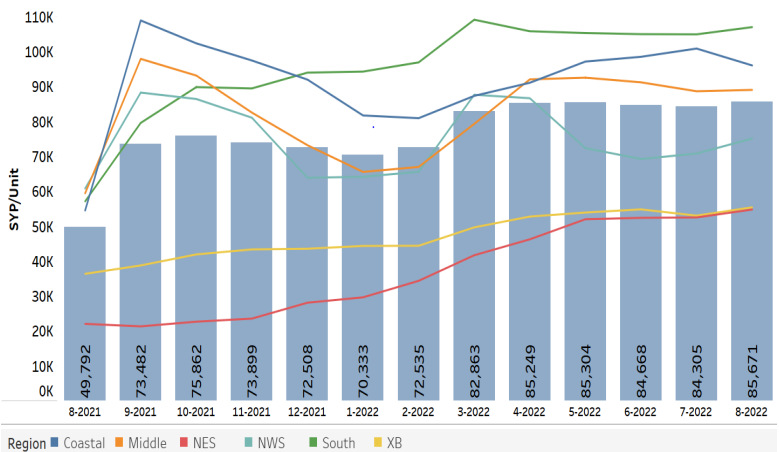


Chart 12: Informal butane gas cylinder prices, SYP***



Source: WFP

**When measuring exchange rates, there are two quotations. The first is the direct quotation where the US dollar is the base of measuring the change in exchange rate against the local currency. The second one is the indirect quotation where the local currency is the base of measuring the change in the exchange rate against the US dollar. The change in the exchange rate used below reflects the indirect quotation (measuring how much has the Syrian pound improved (appreciated) or worsened (depreciated) against the US dollar).

***No formal prices have been reported in the cross-border region because there is no subsidized diesel or butane gas in the region.

7. In September 2022, the Syrian Central Bank has just revised upwards the official exchange rate from SYP 2,814 to SYP 3,000 per USD.

Terms of Trade (ToT)⁹

ToT between wage labour and wheat flour

The national average non-skilled labour wage increased by four percent, m-o-m, in August 2022. At SYP 12,082/day, the August wage rate was 23 percent higher than six months ago and up 66 percent y-o-y (Chart 11). Notable wage variations were observed across regions during the reference period, August 2022. At SYP 17,389/day, the coastal region had the highest wage which was more than double the rate in north-west areas.

Using term of trade between wheat flour and wage labour as proxy indicator for purchasing power, the TOT increased by four percent between July 2022 and August 2022, reaching 3.46 kg of wheat flour/daily wage (Chart 12). However, the August TOT was lower compared to six months ago and over the last 12 months. The national average daily wage of a non-skilled worker could buy 3.46 kg of wheat in August 2022 compared to 3.95 kg in February 2022 and 3.8 kg in August 2021. This denotes that the rate of increase in wheat prices has been much more than the rate of increase in the daily wages in last 12 months. As such the purchasing power for non-skilled labour dependent households has been shrinking. Broken down by region, the coastal areas recorded the highest ToT, up 90 percent y-o-y, while the north-east had the lowest at 55 percent over the same period. Overall, ToT for the non-skilled labour has been eroded by nearly 50 percent in the last five years.

ToT between sheep and wheat flour

During the month of August 2022, the national average price of a two-year old male alive sheep decreased by three percent to SYP 605,948/sheep. The August 2022 price was still 20 percent more than six months ago and 18 percent more than the same time last year. Regionally, the most expensive sheep was in coastal areas at an average of SYP 737,167/sheep while the less expensive was in the north-east areas at SYP 444,895/sheep.

The August TOT between wheat flour and a live two-year old decreased by four percent compared to the previous month at 174kg per sheep. The terms of trade decreased by 15 percent over the last six months and by 36 percent over the last 12 months. The middle region purchasing power shrunk by 41 percent within 12 months while the north-west had the lowest lost at 19 percent over the same period.

Chart 11: Daily wage for unskilled labor, SYP

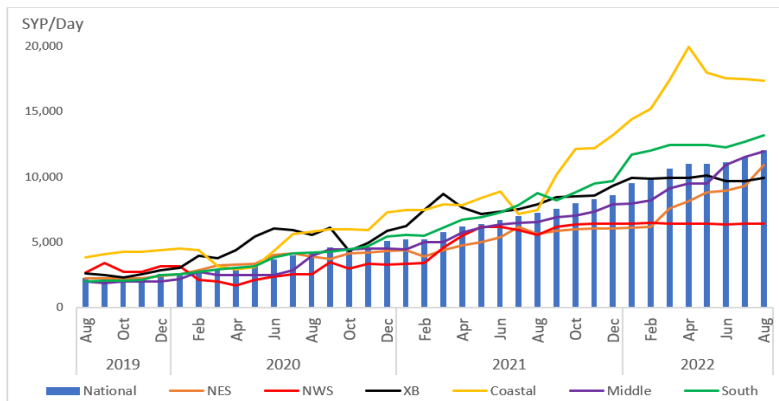


Chart 12: Terms of Trade between wheat flour and wage rate

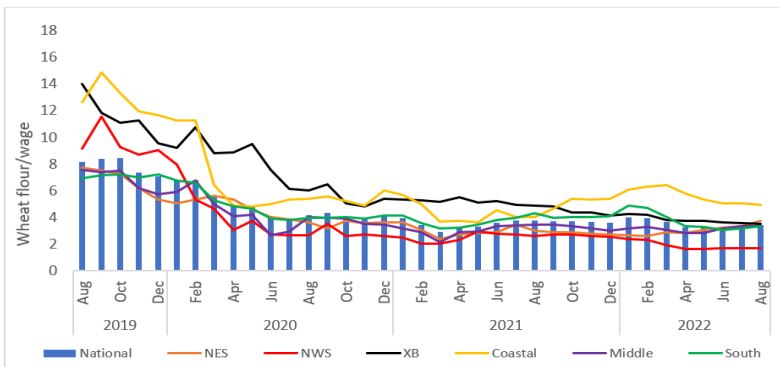


Chart 13: Price of livestock, SYP/one 2Y old sheep

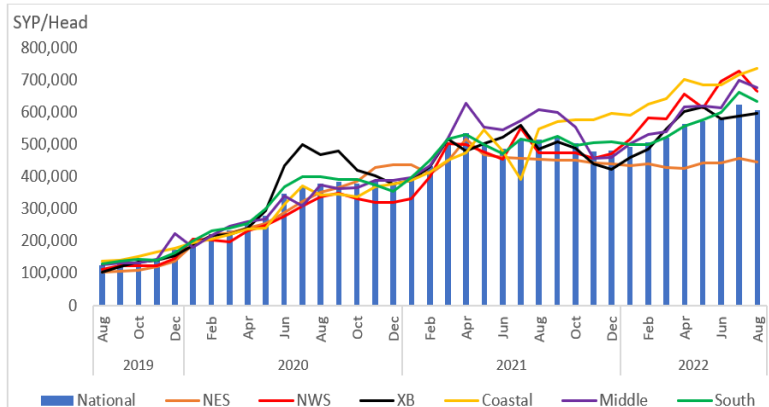
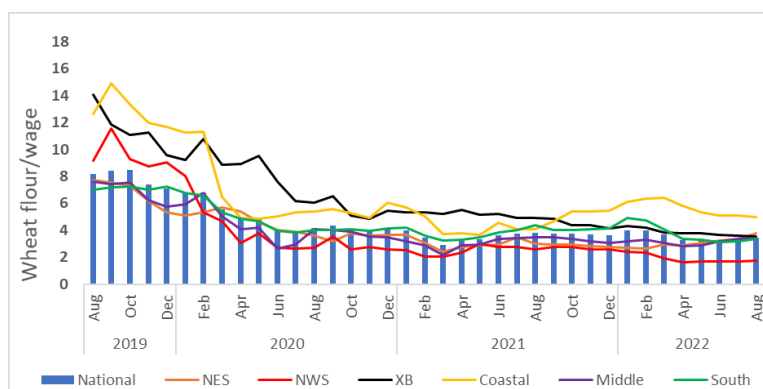


Chart 14: Terms of Trade between wheat flour and the price of a 2 year old sheep



Source: WFP

9. The ToT are proxy indicators of the purchasing power of households that rely on livestock and/or casual labour as their main source of income for the purchase of cereals from local markets. ToT are important components of food security analysis. Changes in the terms of trade between wages/livestock and staple food commodities are indicative of the trends in purchasing power and the impact on the food security situation of households dependent on food purchases through income from daily wage labour and/or the sale of livestock.