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# Implications of the Conflict in Ukraine on Food Access and Availability in the East Africa Region

Update #6

September 2022

## Highlights

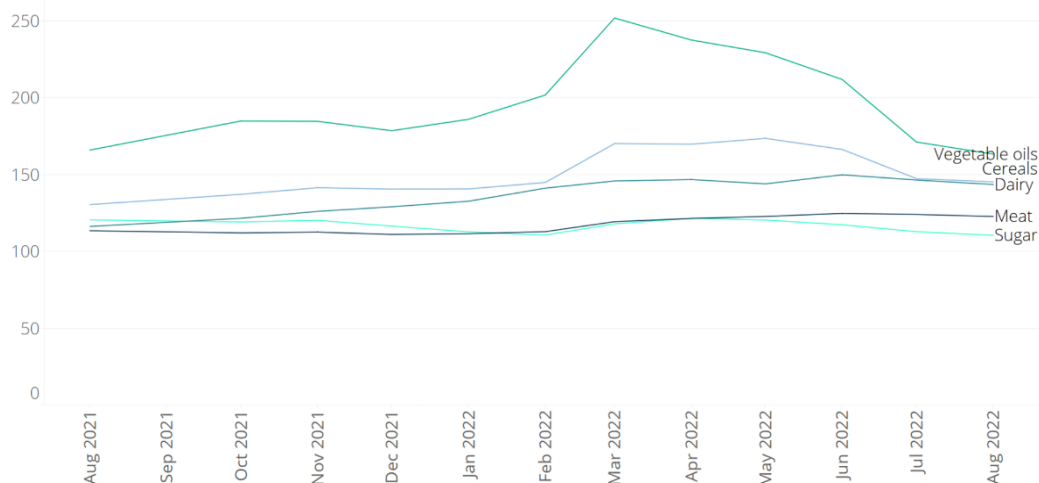
- Increasing energy and food prices continue to challenge the fragile economies of the region by putting an additional burden on the most vulnerable households. The price of a local food basket has increased by **46.4 percent** over the past twelve months. **Somalia, Sudan, and South Sudan** continued to record the most expensive food baskets in the region (**USD 32.3, 27.5 and 24.5**, respectively).
- Nutrient-rich food continue to be less affordable than a year ago, with **Sudan** recording a **more than twofold increase** in milk price and **Somalia** recording a **43 percent increase** in the cost of milk.
- Price of cereals and vegetable oils stabilized between July and August 2022; **however**, the cost of both items soared compared to a year ago. Sorghum in **Sudan** has become **3 times more expensive than a year ago** driven by higher transport costs and the compound effect of poor produce and high demand during the peak lean season. Cost of imported wheat increased by **30 percent** since the conflict in Ukraine started.
- Government policies to cushion people from price spikes helped keeping fuel prices stable across most the region; however, pump prices have soared compared to pre-conflict level and a year ago (reaching an average cost of **USD/L 1.6**). Due to shortages, fuel prices in **Burundi tripled** compared to August 2021; in **Somalia and South Sudan** fuel prices have **almost doubled** compared to a year ago.
- Higher energy cost contributed the spike in overall costs of living across the region, with the annual inflation rate averaging **27.6 percent**. August marked the sixth monthly decline in annual inflation in **Sudan**; however, the country is still recording hyperinflation (at **117.4 percent**, ranking as the fourth highest inflation rate in the world). **Ethiopia, Rwanda, and Burundi** continued to record double digit inflation (**32.5, 20.4 and 19.6 percent**, respectively).
- All countries in the region recorded double digit food inflation in August 2022, mainly **Sudan (81.8 percent**, the highest food inflation rate in the region), **Ethiopia (35.5 percent)** and **Rwanda (34.4 percent**, the highest since 2010, pushed up by spikes in cereals and vegetables prices).
- Local currencies across East Africa continue to depreciate against the U.S. dollar; with **South Sudan** recording the highest depreciation of local currency against the USD both in the official market and parallel market.

### Short-Term Outlook (end 2022 – early 2023)

- Global food prices have decreased in the past five months; however, the decline was not reflected in local markets. Agroclimatic shocks and the consequent reduction in produce are making locally produced food more expensive; increased input and transport costs are also contributing to the surge in prices of locally produced foods.
- As most countries in the region are net importers of key staples, the demand for imported goods has remained high despite the elevated international prices, increased shipping/freights, and higher inland transports costs. Facing this, importers' demand for the greenback has increased, which, in turn is contributing to the depreciation of local currencies and eventually contributing to inflationary pressures.
- This trend is likely to persist until the end of the year considering the prolonged drought and floods affecting different producing areas of the region and the forecasted peak in inflation rates for the last quarter of 2022.

## I. Overview of Global Food Prices<sup>1</sup>

FAO Food Commodity Price Index, August 2021-2022



Source: FAO

recorded a year-on-year (y-o-y) decline, with vegetable oils value slightly below the August 2021 level and sugar prices recording an 8.4 percent y-o-y decline.

Conversely, global prices of other commodities composing the FPI is well above their respective 2022 value. Cereals recorded a 11.3 percent y-o-y increase, dairy products went up by 23.5 percent, whilst meat prices increased by 8.2 percent in the same time span – implying that staples and nutritious foods are less affordable compared to a year ago.

In addition, the m-o-m decline in global food prices observed in the past five months was not reflected in local markets. Agroclimatic shocks and the consequent reduction in produce has made locally produced food more expensive; in addition, increased input and transport costs have contributed to the increased final price paid by consumers on markets.

As most countries in the region are net importers of key staples, the demand for imported goods has remained high despite the elevated international prices and increased shipping/freights, and inland transports costs. Facing higher import costs, importers' demand for the greenback has increased, which, in turn is contributing to the depreciation of local currencies observed and eventually pushing up to the overall costs of living, including the final costs of foods paid by consumers<sup>2</sup>.

Pushed by the surge in global vegetable oil prices, the FAO Food Price Index (FPI) recorded its peak in March 2022. Since then, global food prices have gradually decreased, with August 2022 marking the fifth monthly decline of the FPI.

Between July and August 2022, all the five sub-indices of the FPI (cereals, vegetable oils, dairy products, meat, and sugar) recorded a moderate drop. Different factors contributed to the drop of the index and each of its components.

Higher seasonal availability and the resumption of exports from the Black Sea region drove the latest month-on-month (m-o-m) decline observed in global cereal prices (down 1.4 percent); lower export taxes, as well as seasonally rising outputs in producing countries pushed global vegetable oil and sugar prices down in the same time span (down 3.3 and -2.1 percent, respectively).

It is worth mentioning that global prices of vegetable oils and sugar also

<sup>1</sup> The section is based on FAO Food Price Index. More information on the methodology is available [here](#)

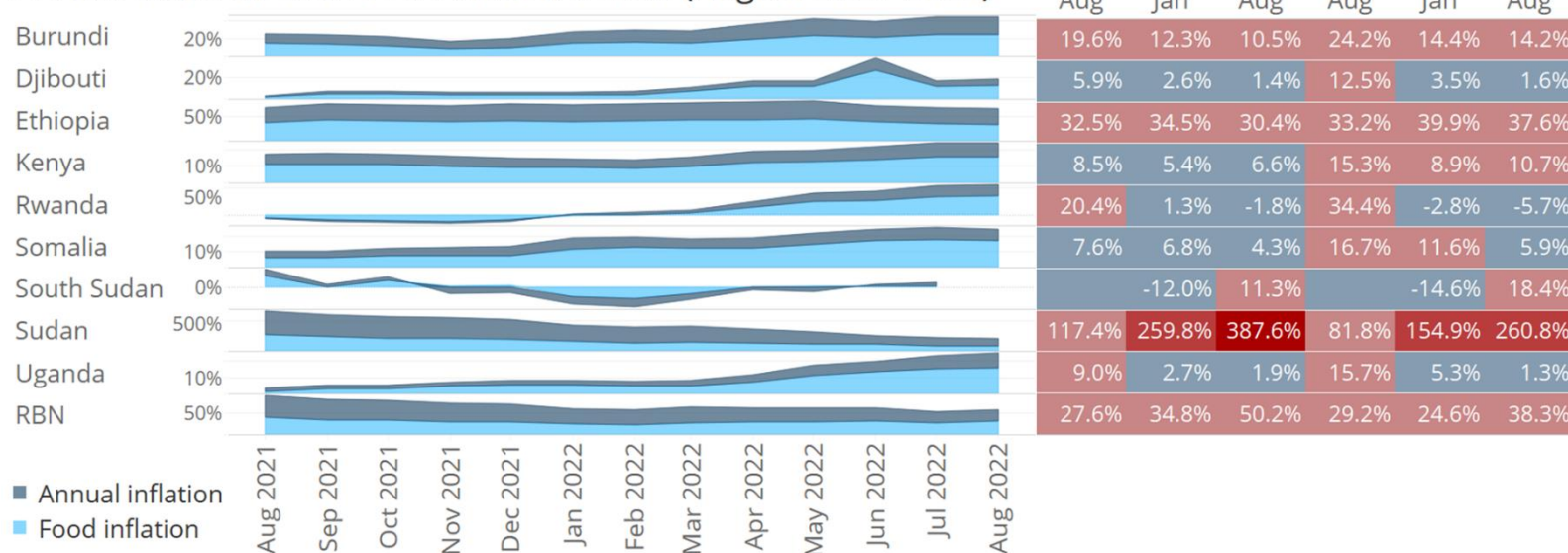
<sup>2</sup> [WFP Eastern Africa Market and Trade Update, October 2022](#)

## I. Annual and Food Inflation Developments

Inflation continues to rise across the Eastern Africa region, with higher energy and food prices putting an additional burden on the most vulnerable households.

In August 2022, the annual inflation rate across the region averaged **27.6 percent**. August marked the sixth monthly decline in annual inflation in **Sudan**; however, the country is still recording hyperinflation (at **117.4 percent**, ranking as the fourth highest inflation

Annual inflation and food inflation trends (August 2021-2022)



Source: National Bureaux of Statistics. No data for South Sudan.

rate in the world). **Ethiopia**, **Rwanda**, and **Burundi** continued to record double digit inflation (**32.5**, **20.4** and **19.6 percent**, respectively), with a slight variation compared with July 2022. Driven by soaring food prices amidst the global food crisis and a prolonged drought; the annual inflation rate in **Kenya** accelerated for the sixth consecutive month to **8.5 percent**– the highest since June 2017. The annual inflation rate in **Rwanda** increased to **20.4 percent** – the highest inflation since January of 2009.

Food prices are pushing up the overall costs of living, with food inflation exceeding annual inflation across the whole region at an average rate of **29.2 percent**. All countries covered continued to record double digit food inflation in August 2022, mainly **Sudan** (recording the highest food inflation rate in the region at **81.8 percent**), **Ethiopia** (**35.5 percent**) and **Rwanda** (**34.4 percent**, the highest since 2010, pushed up by spikes in cereals and vegetables prices).

Forecasts suggest world inflation will average at the highest rate in decades this year, with the peak expected to be recorded in the third quarter of 2022, before declining towards the end of the year and into 2023 at an average rate of 12 percent across Sub-Saharan Africa<sup>3</sup>.

<sup>3</sup> FocusEconomics - Inflation Outlook, September 2022



## II. Food Basket and its Components

In August 2022, the average per capita monthly price of a local food basket reached **USD 19** across the Eastern African countries<sup>4</sup> – representing **46.4 percent** increase from the same month last year and **33.9 percent** from pre-conflict levels. **Sudan** and **South Sudan** continued to record the highest increase compared to pre-conflict levels (**up 80.5 and 53.9 percent**, respectively); **Somalia**, **Sudan** and **South Sudan** continued to record the most expensive food baskets in the region (**USD 32.3, 27.5 and 24.5**, respectively).

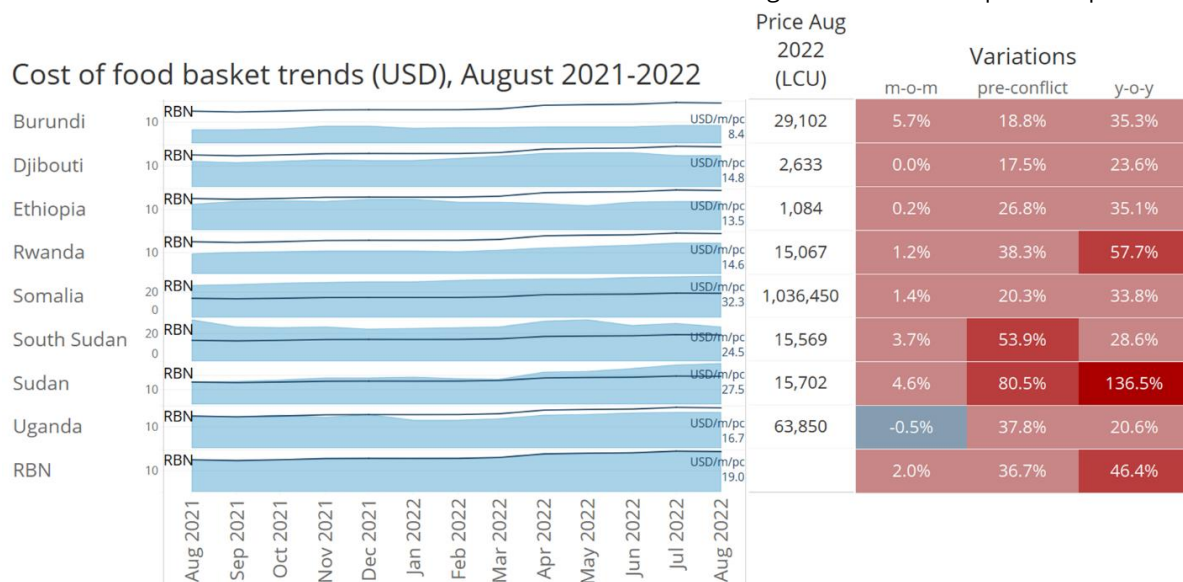
Increased production and transport costs and reduced produce due to poor harvests led to price spikes for all commodities of the food basket across all countries in the region.

Price of cereals and vegetable oils stabilized between July and August 2022; however, the cost of both items soared compared to a year ago and pre-conflict levels.

Sorghum prices in **Sudan** were **3 times more expensive** than a year ago driven by higher transport costs and the compound effect of poor produce and high demand during the peak lean season. Cost of imported wheat increased by **30 percent** since the conflict in Ukraine started.

Nutrient-rich food continue to be less affordable than a year ago, with **Sudan** continuing to record a **more than twofold increase** in milk price and **Somalia** recording a **43 percent** increase in the cost of milk.

Beans have also become more expensive than a year ago, mainly in **Ethiopia, Rwanda, and Uganda** (**up 80.2, 57.4 and 49.7 percent**, respectively).



Variations in selected components of the food basket

	Cereals			Vegetable oil			Beans			Milk		
	m-o-m	pre-conflict	y-o-y	m-o-m	pre-conflict	y-o-y	m-o-m	pre-conflict	y-o-y	m-o-m	pre-conflict	y-o-y
Burundi	-12.5%	4.5%	30.5%	4.0%	13.3%	4.8%	-5.1%	26.5%	49.2%			
Djibouti	0.0%	6.7%	8.5%	0.0%	50.0%	42.9%	0.0%	-10.8%	1.4%			
Ethiopia	0.6%	21.2%	28.9%	-2.2%	47.0%	57.1%	-0.8%	83.1%	80.2%			
Rwanda	1.9%	27.6%	65.3%	-2.2%	33.7%	39.3%	2.5%	121.5%	57.4%			
Somalia	1.7%	20.4%	35.9%	1.5%	49.7%	79.1%				2.0%	25.4%	43.0%
South Sudan	0.4%	57.3%	22.7%	12.6%	54.3%	61.1%	18.4%	36.5%	41.8%			
Sudan	12.2%	175.6%	234.9%	-1.9%	28.1%	14.4%				-4.9%	77.0%	130.2%
Uganda	-5.8%	80.5%	1.6%	-1.1%	21.4%	33.1%	6.8%	46.9%	49.7%	2.1%	10.8%	0.3%
RBN	-0.2%	49.2%	53.6%	1.3%	37.2%	41.5%	3.6%	50.6%	46.6%			

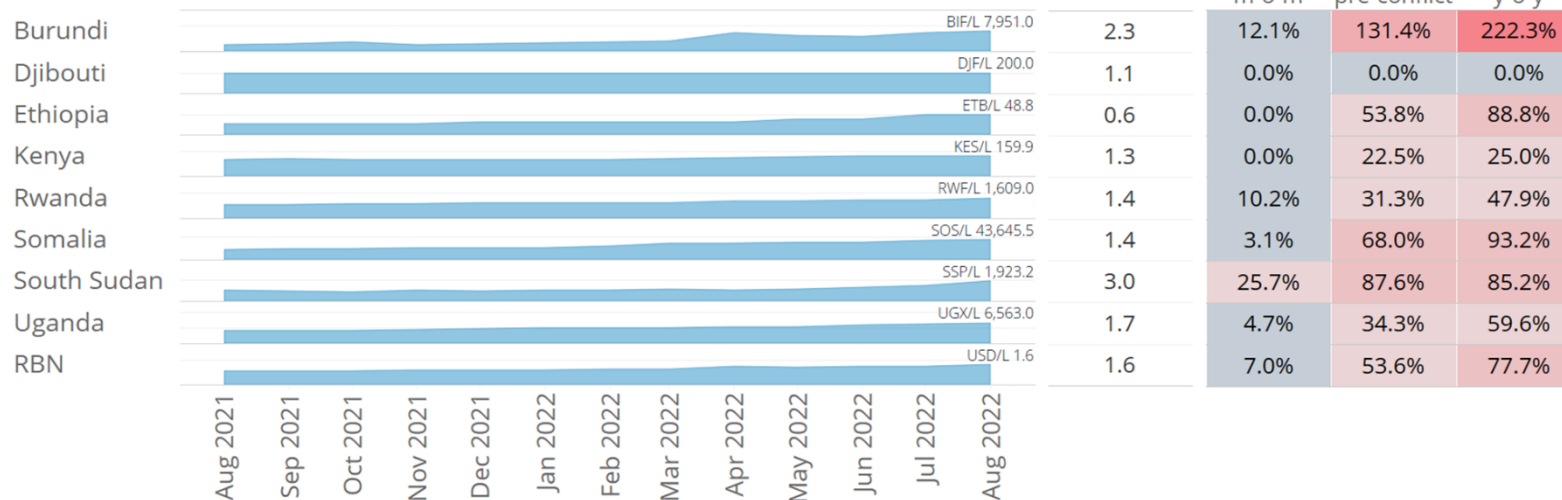
Source: WFP Field Monitor, National Central Banks.

<sup>4</sup> Excluding Kenya due to lack of data during the reporting period. Refer to [Update #2](#) for components and quantities of the food basket for each country covered.

### III. Crude oil and fuel

Crude oil spot prices continued to record a decline in August; however, spot prices remained significantly higher than a year ago, with WTI selling at **USD 91.57/barrel (up 35.2 percent)** compared to August 2022) and Brent selling at **USD 97.74/barrel (up 38.1 percent)**<sup>5</sup>. On average, crude oil prices were **11.5 percent** higher than pre-conflict levels.

Petrol price trends, in local currencies (LCU), August 2021-2022



At the local level, petrol prices across the region **increased** by an average **7 percent** compared to last month (corresponding to **USD/L 1.6**) and by **77.7 percent** compared to a year ago. Developments in international energy markets coupled with the depreciation of the South Sudanese Pound (SSP) continued to affect pump prices in **South Sudan**, which recorded the highest m-o-m increase in petrol price in the region (up **25.7 percent**, corresponding to **USD/L 3**). After the government revised fuel prices, **Rwanda** recorded a m-o-m increase in petrol price by **10.2 percent (USD 1.4/L)**; while Burundi recorded a m-o-m increase of **12.1 percent (USD/L 2.3)** as fuel shortages continue to push petrol price up.

Government policies to cushion people from price spikes helped keeping price of fuel stable across most the region; however, pump prices have soared compared to pre-conflict level and a year ago. In **Burundi**, fuel prices **tripled** compared to August 2021 and **doubled** compared to pre-conflict level; in **Somalia** and **South Sudan** fuel prices have **almost doubled** compared to a year ago.

The compound effect of higher fuel prices and reduced yields (due to climatic shocks) have hit food prices on markets, by making basic foods more expensive, hereby squeezing household budgets. The high fuel prices will continue to drive very high food transportation costs, keeping food prices above average in the upcoming months.

<sup>5</sup> [OPEC, Monthly Oil Market Report, September 2022](#)

## IV. Currencies

As the global economy sinks into another period of crisis, local currencies across Eastern Africa continue to weaken against the U.S. dollar, resulting into higher import costs, widened public debts, and adding to existing inflationary pressures.

**South Sudan** continues to record the highest depreciation of local currency against the U.S. dollar both in the official market and parallel market. Compared to a year ago, 1 SSP traded at USD 648 (**down 66.1 percent**) and at 636 USD (**down 15.5 percent**), respectively.

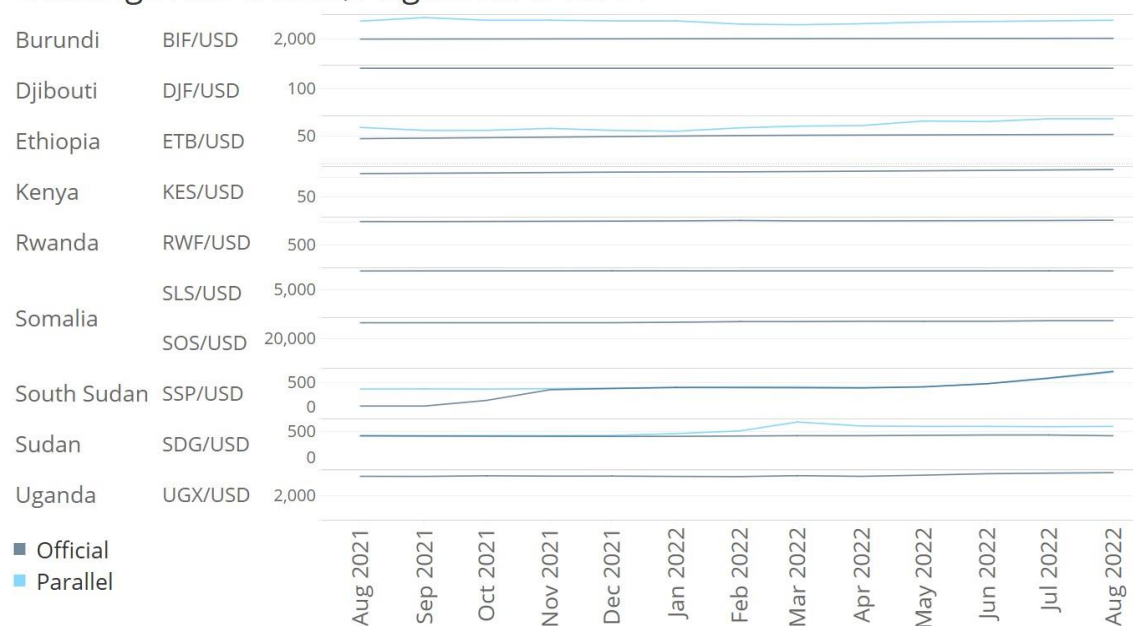
**Ethiopia**, where a parallel market for exchange rates also exists, also recorded a significant y-o-y depreciation of the Birr (ETB) on both the official and parallel market, with ETB trading at USD 52 (**down 14.1 percent**) and at USD 80 (**down 19 percent**), respectively.

Despite showing stability in the official market, the **Sudanese Pound (SDG)** depreciated against the USD in the parallel market, recording a y-o-y decrease of **21.8 percent**, with 1 SDG trading at 570 USD.

The **Kenyan Shilling (KES)** continued to depreciate against the USD, with 1 KES trading at 119 USD (**down 8.5 percent** compared to a year ago). The depreciation recorded is mainly due to high demand for the U.S. dollars from importers as the prices of key imports remained elevated.

Despite government interventions to lower the pace of the depreciation, the **Ugandan Shilling (UGX)** lost value against the USD compared to a year ago, with 1 UGX trading at 3,834 USD (**down 7.8 percent**).

Exchange rate trends, August 2021-2022



			2022		2021	Variations		
			Aug	Jan	Aug	m-o-m	pre-conflict	y-o-y
Burundi	Official	BIF/USD	2,060	2,027	2,002	-0.2%	-1.6%	-2.8%
	Parallel	BIF/USD	3,450	3,400	3,380	-1.4%	-1.4%	-2.0%
Djibouti	Official	DJF/USD	178	178	178	0.0%	0.0%	0.0%
Ethiopia	Official	ETB/USD	52	49	45	-0.4%	-5.4%	-14.1%
	Parallel	ETB/USD	80	58	65	0.0%	-27.5%	-19.0%
Kenya	Official	KES/USD	119	113	109	-0.9%	-5.0%	-8.5%
Rwanda	Official	RWF/USD	1,035	1,020	1,007	-0.6%	-1.4%	-2.7%
Somalia	Official	SLS/USD	8,490	8,513	8,483	0.0%	-3.3%	-4.3%
		SOS/USD	32,083	31,021	30,691	0.2%	0.3%	-0.1%
South Sudan	Official	SSP/USD	648	428	175	-13.8%	-32.9%	-66.1%
	Parallel	SSP/USD	636	430	407	-13.5%	-32.3%	-36.0%
Sudan	Official	SDG/USD	446	438	446	2.3%	-1.7%	-0.1%
	Parallel	SDG/USD	570	475	446	-0.7%	-16.7%	-21.8%
Uganda	Official	UGX/USD	3,834	3,530	3,536	-1.0%	-7.9%	-7.8%

Source: WFP Field Monitor, National Central Banks.



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