



SAVING  
LIVES  
CHANGING  
LIVES

# Market Monitor

WFP VAM | Food Security Analysis

## Lebanon | November 2022

### KEY FIGURES

#### SMEB (Oct-22)



##### Food and non-food

**LBP10.8M or USD279** for a family of five



##### Food

**LBP1.1M or USD28** per person per month



##### Non-Food

**LBP5.4M or USD140** for a family of five



#### Inflation (Oct-22)

**+14.6 percent** (up from 8.4 percent in Sep-22)



#### Informal exchange rate (Oct-22)

**LBP38,829/USD** (+6 percent since Sep-22)



#### Real GDP growth in 2021 (WB data)

**-7 percent** (up from -21.4 percent in 2020)

### INFLATION AND MARKET PRICES

- In October, inflation has been mostly driven by education costs with a 186 percent increase in prices of items and services. Food and energy inflation was 9 percent and 10 percent respectively.
- In October the SMEB rose by nearly LBP1 million (+9 percent) for the second month in a row. However, the SMEB value in USD remained stable and below October 2019 level.
- Exchange rate depreciation continued to negatively affect energy prices, with all monitored items (fuel, diesel and gas) registering continued inflation.

### MAJOR CONTEXTUAL CHANGES

- The Central Bank announced a new LBP/USD 15,000 exchange rate for withdrawals starting February 2023.
- Lebanon's state power company Electricite' du Liban (EDL) announced increased tariffs for the first time since the early 1990s.
- The amended bank secrecy law came into effect while the Central Bank announced the completion of an audit of Lebanon gold reserves.
- Money supply increase had slowed down in October after the injection of LBP 32 trillion into the economy in the last two months.

### FOOD SUPPLY CHAIN

- Stock levels remained stable at WFP-contracted shops in October 2022.
- The number of suppliers reporting scarcity of key products reached its lowest since July 2022 as bread shortages eased. The majority of suppliers also reported a timely and full delivery of ordered products.

### IMPACT ON TRANSFER VALUES AND PROGRAMME

- Transfer value coverage of the SMEB continued to reduced for Syrian refugee beneficiaries as the value of assistance only covers 46 percent of the food SMEB, compared to 72 percent of coverage for NPTP beneficiaries.

## CONSUMER PRICE INDEX

### INFLATION AS OF OCTOBER 2022



**Monthly**  
(since Sep-22)

**15%**

**9%**

**10%**

**Quarterly**  
(since Jul-22)

**34%**

**30%**

**29%**

**Yearly**  
(Since Oct-21)

**158%**

**203%**

**209%**

**Since Oct-19**

**1,574%**

**6,523%**

**2,848%**

Source: Central Administration of Statistics

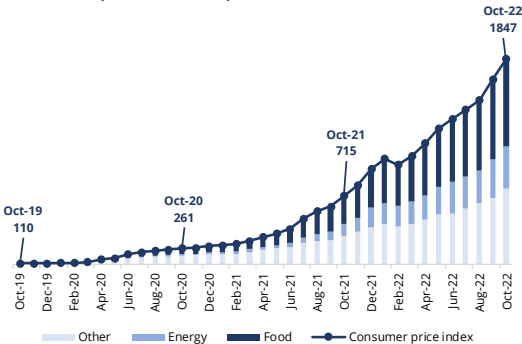
### HIGHLIGHTS

CPI data from the Central Administration of Statistics showed that monthly inflation was 14.6 percent in October 2022 while monthly food inflation was 9.1 percent. In the last month, inflation has been driven by a 186 percent increase in the cost of education, in addition to a 10 percent increase in energy prices, 9.1 percent food inflation, and 27 percent inflation in clothing and footwear items.

Inflation was 158 percent and 34 percent since October 2021 and July 2022 respectively, driven mostly by food and energy inflations. Quarterly and yearly food inflation was 30 and 203 percent respectively, while energy prices rose by 29 percent in the last three months and by 209 percent in the last year. Food and energy prices have experienced sudden increases since late 2021 as well as in the second half of 2022, following exchange rate depreciation and the lifting of subsidies.

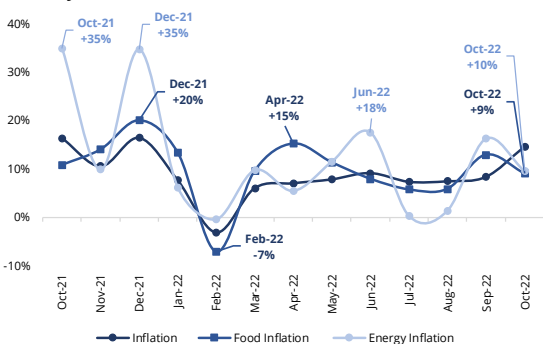
Global food inflation decreased despite uncertainties related to the conflict in Ukraine. Food prices have recently dropped to near pre-Ukraine crisis levels; however, the FAO food price index remains above the record level reached in 2011.

### CPI Evolution (Oct 19 - Oct 22)



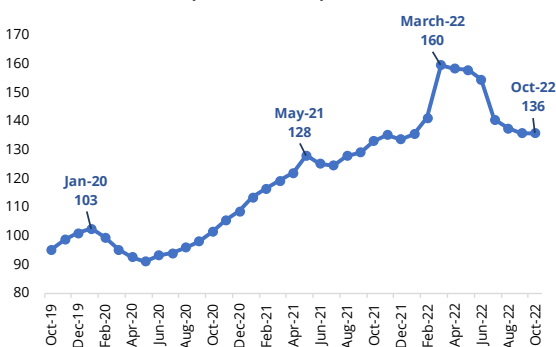
Source: Central Administration of Statistics

### Monthly Inflation Rates (Oct 21 - Oct 22)



Source: Central Administration of Statistics

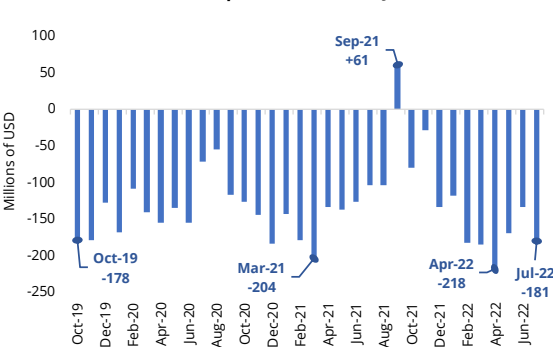
### FAO Food Price Index (Oct 19 - Oct 22)



The FAO Food Price Index (FFPI) is a measure of the monthly change in international prices of a basket of food commodities.

Source: Food and Agriculture Organization

### Balance of trade for food products (Oct 19 - Jul 22)



Source: Lebanese Customs website

## SURVIVAL MINIMUM EXPENDITURE BASKET

### What are the MEB and SMEB?

**A Minimum Expenditure Basket (MEB) is defined as what a household requires in order to meet its essential needs, on a regular or seasonal basis, and its cost.** The MEB is a monetary threshold – the cost of goods, utilities, services and resources required on a monthly basis – and is conceptually equivalent to a poverty line. The households whose expenditures fall below the MEB are defined as being unable to meet their essential needs.

**A Survival Minimum Expenditure Basket (SMEB) is the absolute minimum amount required to maintain existence and cover lifesaving needs, which could involve the deprivation of certain human rights.** Together with the MEB, the SMEB can be used to classify households into different categories of economic capacity to meet their needs, ranging from highly insufficient economic capacity (expenditures below the SMEB) to sufficient economic capacity (expenditures above the MEB). The SMEB can also inform programmatic decisions such as transfer values in situations where immediate lifesaving assistance is required.

In local currency, the cost of the SMEB was LBP10.8 million for a household of five in October 2022, registering a 9 percent increase since the previous month. The cost of the food component of the SMEB broke for the first time the barrier of 1 million LBP and rose by 10 percent since September reaching LBP1.1 million. The cost of non-food items and services was LBP5.4 million per household up from LBP5 million in September and accounted for about half of the SMEB.

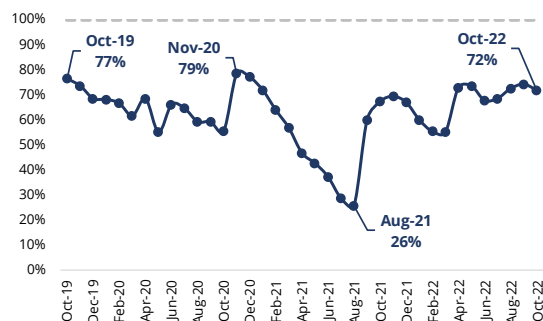
While SMEB figures in Lebanese pounds have been steadily rising since October 2019, the basket's value in USD has registered a relatively stabler evolution after a sharp initial fall, reaching USD279 in October 2022, compared to USD619 in October 2019. This is mainly due to the steep decline in the Non-Food Services segment of the basket from USD403 in October 2019 to USD93 in October 2022. The cost of the food SMEB was USD28 per person per month.

Since October 2019, WFP has been monitoring closely price evolution and adjusting transfer values to safeguard the purchasing power of its cash assistance beneficiaries. Syrian beneficiaries currently receive LBP500,000 per household member on top of an LBP1,000,000 top-up per household, while Lebanese beneficiaries receive USD20 per member and USD25 per household. Assistance per member is capped at six members per household throughout all cash assistance modalities.

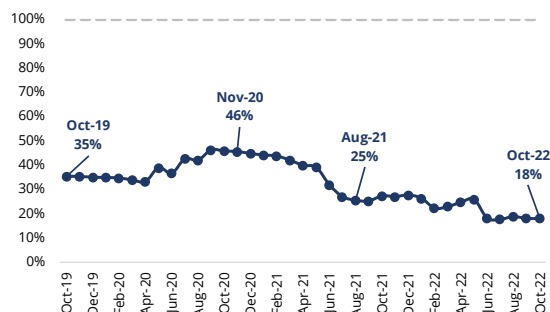
Coverage of the food SMEB stood at 72 percent for NPPT (Lebanese) and 46 percent for Refugee Response (Syrian) beneficiaries, compared with 18 percent of the non-food SMEB for both NPPT and Refugee Response beneficiaries.

### Coverage of the SMEB (Oct 19 – Oct 22)

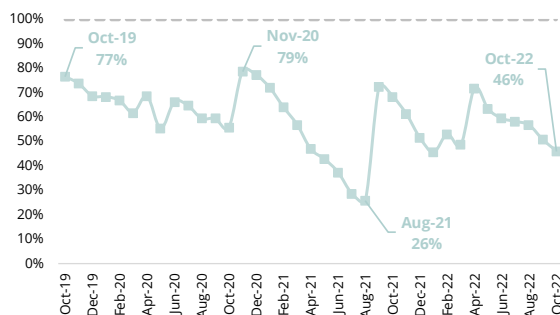
TV Coverage of Food SMEB - NPPT



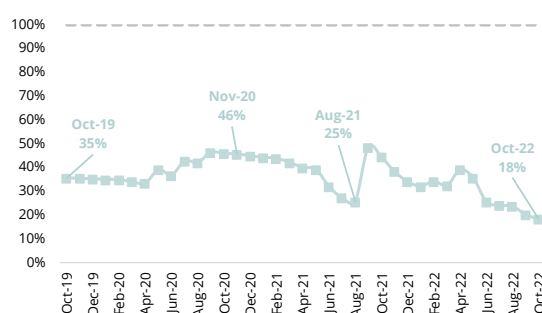
TV Coverage of Non-Food SMEB - NPPT



TV Coverage of Food SMEB - Refugee Response

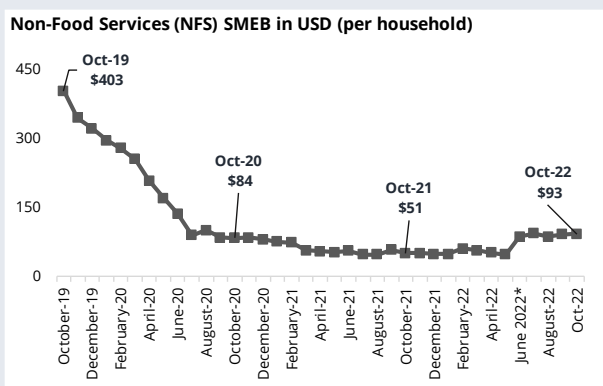
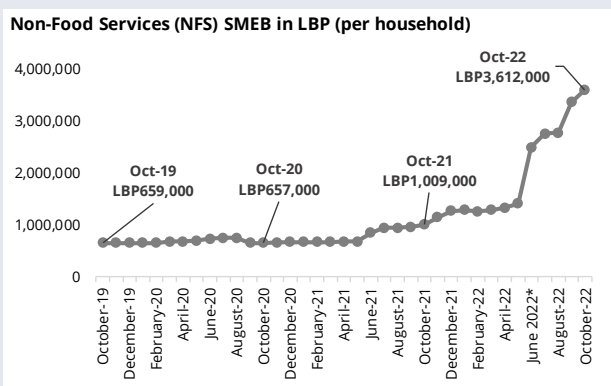
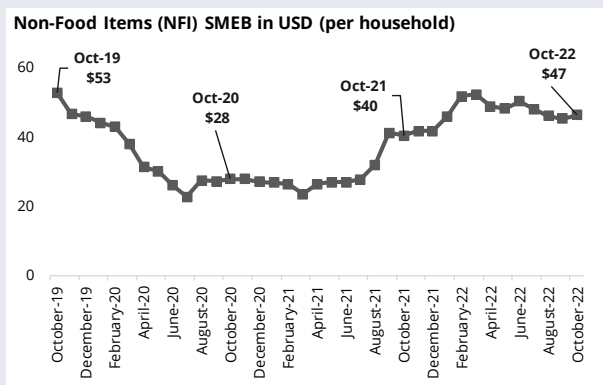
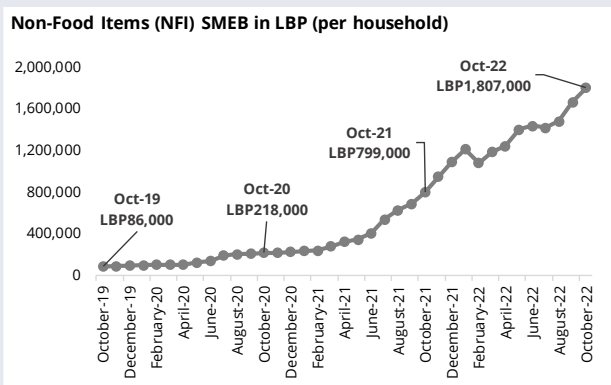
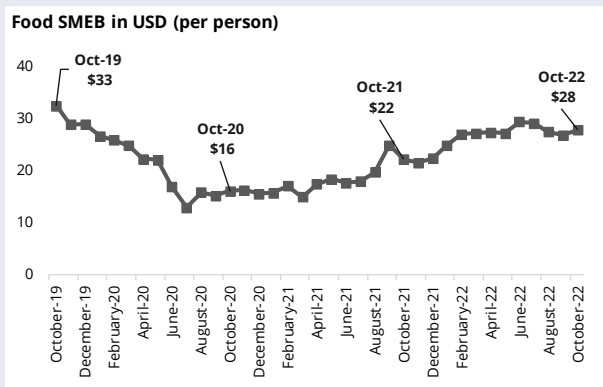
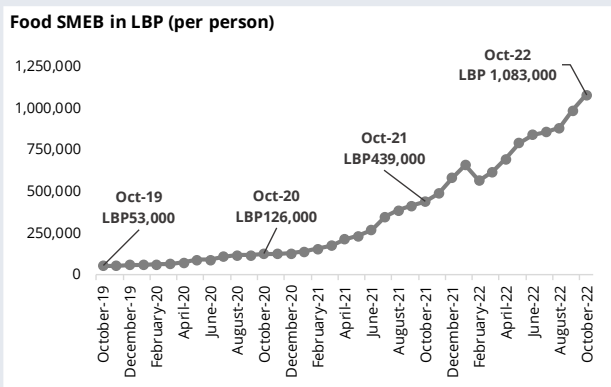
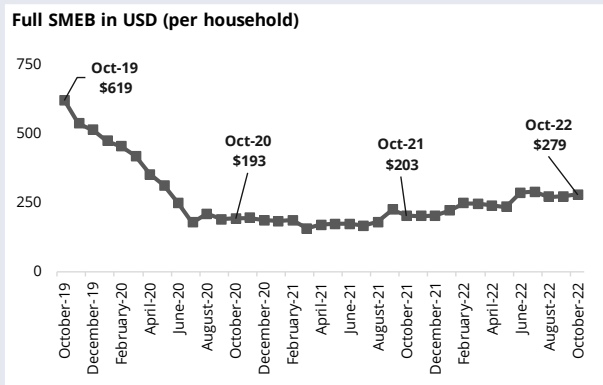
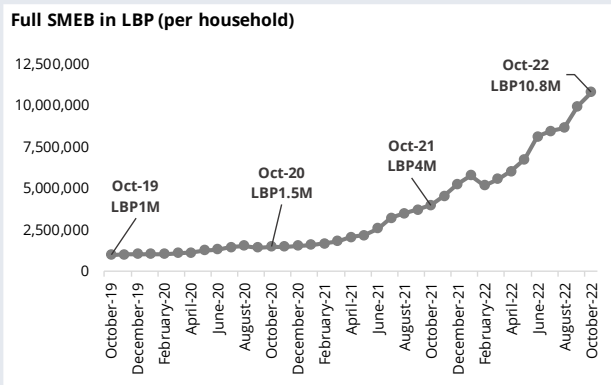


TV Coverage of Non-Food SMEB - Refugee Response



Source: WFP VAM Unit

SMEB Evolution (Oct 19 – Oct 22)



\*Composition of the Non-Food Services components was revised in June 2022  
Source: WFP VAM Unit

## Price and percentage variation of SMEB commodities (as of October 2022)

SMEB Components		Price		Percentage Variation			
		Oct-22	Sep-22	Jan-22	Oct-21	Oct-19	
<b>Food SMEB Components (SMEB per Individual Weights)</b>	Apples (1.5Kg)	LBP 28,500	9%	28%	197%	1325%	
	Bread (7.02 Kg)	LBP 146,857	16%	120%	234%	1293%	
	Brown Bulgur (1.95 Kg)	LBP 73,176	8%	85%	160%	2200%	
	Cabbage (2.7 Kg)	LBP 32,940	-9%	195%	179%	984%	
	Carrots (0.6 Kg)	LBP 9,780	-20%	39%	51%	1121%	
	Chickpeas (0.9 Kg)	LBP 55,729	17%	51%	132%	1858%	
	Eggs (0.45 Kg)	LBP 37,305	12%	76%	144%	2953%	
	Lentils (0.75 Kg)	LBP 43,569	1%	36%	132%	2379%	
	Pasta (1.8 Kg)	LBP 105,862	11%	75%	161%	1780%	
	Potatoes (2.1 Kg)	LBP 41,790	43%	46%	107%	1890%	
	Powder Milk (0.6 Kg)	LBP 148,954	4%	46%	107%	2967%	
	Egyptian Rice (2.4 Kg)	LBP 88,117	11%	64%	142%	2311%	
	Salt (0.12 Kg)	LBP 1,107	33%	86%	166%	1369%	
	Sardine (0.45 Kg)	LBP 100,560	12%	45%	144%	2390%	
	Sugar (0.6 Kg)	LBP 19,826	10%	68%	158%	3802%	
	Sunflower Oil (0.51 L)	LBP 43,699	7%	63%	152%	4299%	
	Tea (0.12 Kg)	LBP 38,667	-3%	41%	104%	2075%	
	Tomato Paste (0.6 Kg)	LBP 46,019	19%	72%	187%	1398%	
	White Beans (0.3 Kg)	LBP 18,429	1%	31%	88%	1797%	
<b>Non-Food Items Components (per family)</b>	Toilet Paper (4 PCs)	LBP 21,432	6%	88%	225%	1971%	
	Toothbrush (5PCs changed every 3 months)	LBP 48,921	68%	116%	212%	2104%	
	Toothpaste (150 MI)	LBP 42,073	-12%	23%	65%	949%	
	Laundry soap/detergent (900 G)	LBP 49,731	20%	81%	187%	2060%	
	Liquid Dish detergent (750 MI)	LBP 39,083	89%	169%	293%	3507%	
	Sanitary napkins (60 PCs)	LBP 177,693	-1%	29%	92%	1362%	
	Individual soap (5 PCs of 125 G)	LBP 98,990	12%	59%	112%	1564%	
	Shampoo (50 MI)	LBP 103,588	4%	53%	116%	1617%	
	Diapers (90 PCs)	LBP 486,653	1%	54%	158%	1862%	
	Disinfectant fluid / Bleach	LBP 35,057	-17%	20%	78%	1906%	
	Blanket (5 PCs per Year)	LBP 106,780	6%	47%	97%	2340%	
	Cooking gas (12.73 Kg)	LBP 543,721	15%	41%	117%	3040%	

Source: WFP VAM and Retail Units

## Items with the highest price variation since October 2021



**Liquid dish detergent**  
+293%



**Bread**  
+ 234%



**Toilet paper**  
+ 225%



**Toothbrushes**  
+212%



**Apples**  
+ 197%

**Starting October 2022**, WFP price monitoring is based on a representative sample of 987 shops across the eight governorates. A total of 315 municipalities were randomly selected and three different shops of different sizes are visited bi-weekly in each municipality.

Price monitoring of key commodities and products across Lebanon supports programmatic decision-making and reporting on current trends in the market in addition to benchmarking WFP contracted shops against the market average. A total of 24 food items and 10 non-food items are monitored for the calculation of the monthly MEB and SMEB baskets.



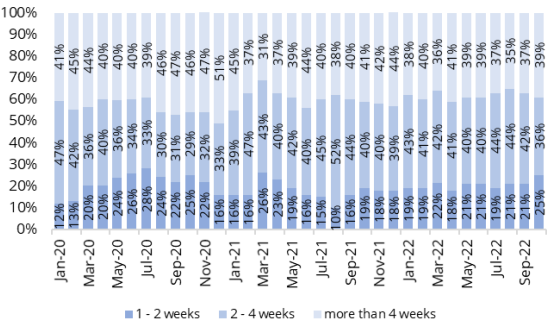
FOOD AND WHEAT

Stock levels in October 2022 remained stable at WFP-contracted shops. 75 percent of shops reported having enough stock to cover two weeks or more, while 15 percent of shops reported disruptions in receiving new orders.

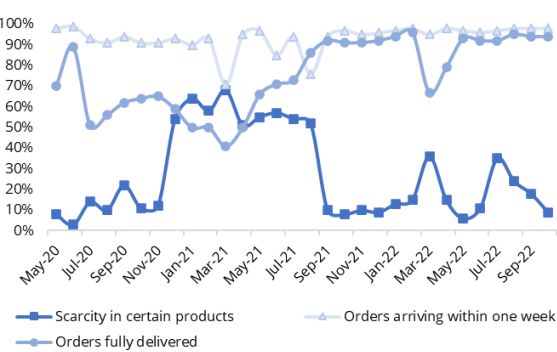
Some 9 percent of suppliers reported scarcity in products in October 2022, compared to 18 percent in September, 24 percent in August and 35 percent in July 2022, mainly due to bread availability issues. 98 percent of suppliers reported a timely delivery of products, while 94 percent reported a full delivery of all quantities and items ordered, similar to last month.

Unloaded food weight at the Port of Beirut registered a year-on-year decrease of 12 percent in October 2022. The segments driving the overall decrease in imports are coffee, tea, matte and spices (43 percent decrease), animal or vegetable fats (27 percent decrease) and live animals (26 percent decrease).

Stock Coverage of WFP Contracted Shops (Jan 20 - Oct 22)

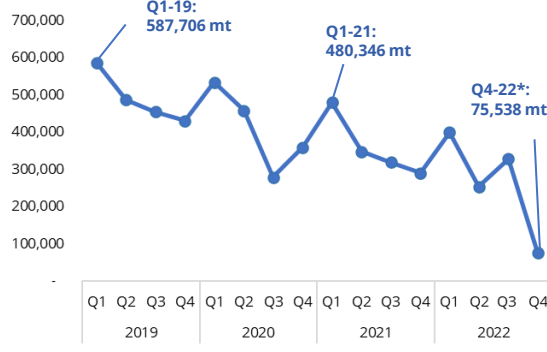


Supply Chain (May 20 - Oct 22)



Sources: WFP VAM Unit; Port of Beirut

Port of Beirut Unloaded Food Weight (metric tons)



\*As of October 2022

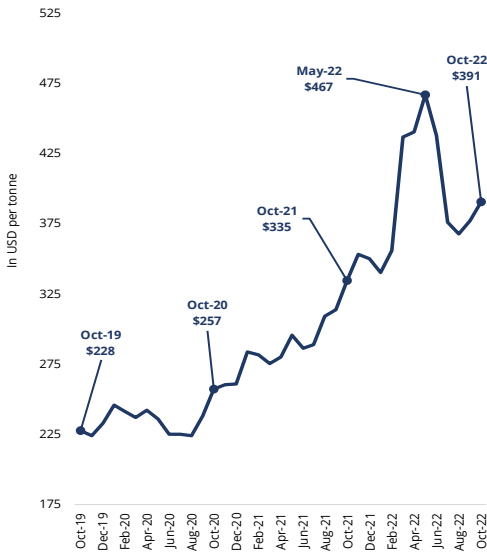
According to the FAO, the cereal import requirements for the 2022/2023 marketing year, mainly common wheat for human consumption and maize to feed livestock and poultry, are forecasted at 1.9 million tonnes, about 10 percent below average. Domestic cereal production covers, on average, less than 20 percent of the consumption needs.

Wheat has traditionally been sourced mostly from the Black Sea Region to take advantage of geographical proximity. During the past four years, average wheat imports from Ukraine and the Russian Federation were about 55 and 30 percent, respectively, of the total imports. Disruptions to global export flows related to the war in Ukraine and related global price increases led to a rapid decline of the already meagre in-country stocks..

At the end of July 2022, the Parliament approved a loan agreement with the World Bank worth USD 150 million to finance immediate wheat imports. The loan is expected to cover wheat requirements for up to 10 months at the current price of wheat on international markets. The loan is intended to serve as a temporary import mechanism while the country phases out of its subsidization of wheat imports at the official exchange rate.

In late October 2022, Russia announced it would donate 25,000 tons of wheat to Lebanon, in addition to 10,000 tons of fuel oil.

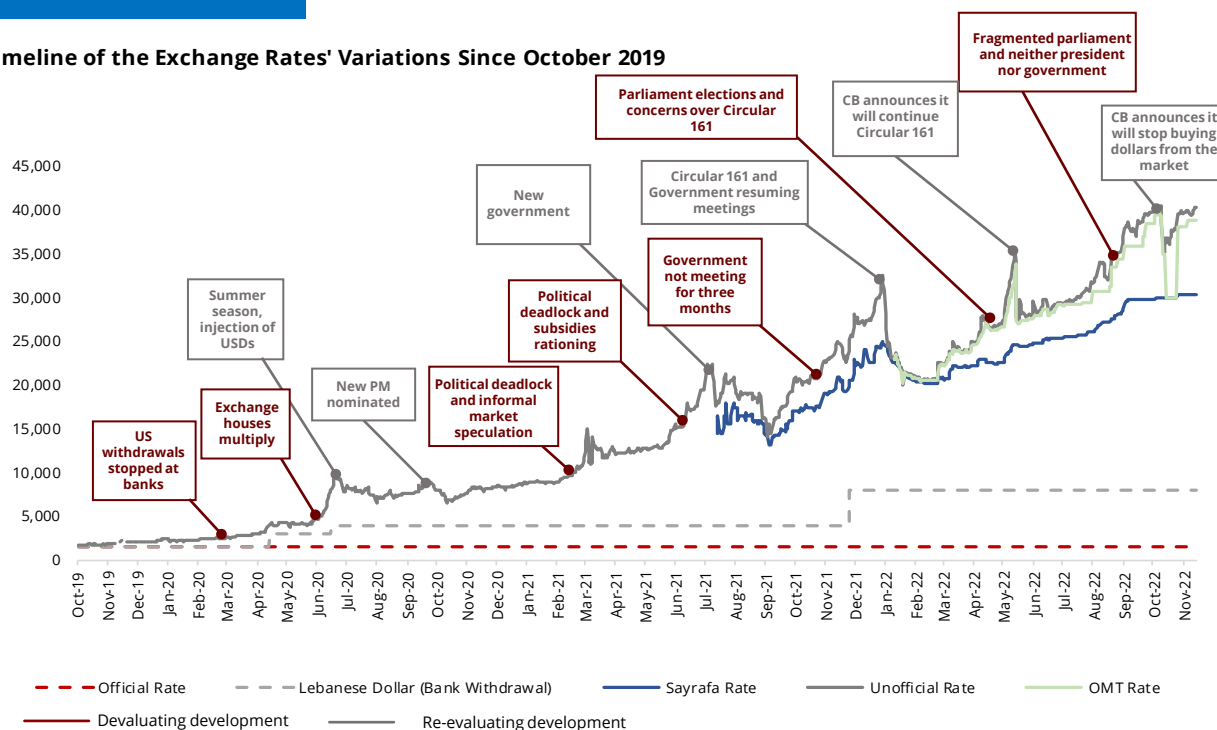
Global wheat prices (Oct 19 - Oct 22)



Source: Food and Agriculture Organization; Average of US Hard Red Winter, US Soft Red Winter, Argentina Wheat, Australia Wheat, and Canada Wheat

## EXCHANGE RATES

### Timeline of the Exchange Rates' Variations Since October 2019



Source: Lirarate.org

In November 2022, the LBP continued to depreciate against the U.S. Dollar as the parallel exchange rate reached an average of LBP/USD 38,800 registering an increase of 6 percent with respect to October 2022. The parallel exchange rate reached a maximum of LBP/USD 40,900 on November 30.

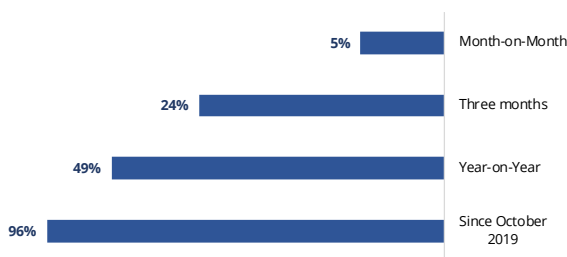
On November 21, the central bank announced that a new exchange rate of LBP/USD 15,000 will be in place for dollar withdrawals as of February 2023. The Ministry of Finance previously announced it will introduce a similar LBP15,000 exchange rate for taxes and customs duties as of November 2022. This comes after the announcement from the Ministry of Finance of a new official exchange rate of USD/LBPs 15,000 in October 2022. However, the establishment of a new official exchange rate is yet to be formalized and the country's LBP1,507 peg to the USD remains in place for loan payments and accounting purposes. Once the new exchange rate for dollar withdrawals will be implemented, there will be an additional exchange rate for dollar withdrawals.

Currently, depositors can withdraw their frozen USD deposits at a rate of either 8,000 or 12,000 to the dollar depending on the central bank circular they subscribed to. In addition, the Sayrafa rate, which currently trades at LBP30,300 to the dollar, is used for dollar withdrawals from LBP deposits under circular 161 and captures transactions done by commercial banks and registered exchange houses. A new rate for bank accounting purposes would inevitably influence the value of banks' liabilities in dollars which will decrease by 10 times. This would lead to a more realistic evaluation of the banking sector's assets and thus represent a step forward towards the resolution of Lebanese banks' protracted crisis.

Following the enactments of the new exchange rate on customs duties, data from WFP-monitored shops showed an increase in the price of food items between September 2022 and November 2022 affecting mostly processed cheese (52 percent increase), potatoes (30 percent increase), canned green peas (27 percent increase), salt (16 percent increase) and white lentils (15 percent increase).

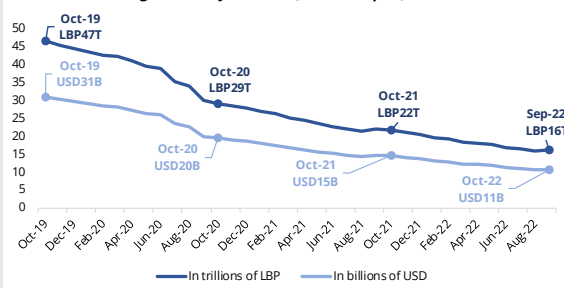
Sources: Reuters, L'Orient Today

#### Lebanese Pound Depreciation (as of Oct 22)



Source: lirarate.org

#### Central Bank Foreign Currency Reserves (Oct 19 - Sep 22)



Source: BLOM Bank Analysis; foreign currency reserves are still officially estimated in LBP at the LBP1,500/USD rate

MACROECONOMIC UPDATES

On November 3<sup>rd</sup>, 2022, Law 306 and its amendments entered into force upon its publication in the Official Gazette. This law was a key requirement set out by the April 2022 IMF Staff Level Agreement. This latest modification of the banking secrecy law was approved by the parliament in late October, following a request from the IMF to review the law previously approved in July to bring it in line with best international practice. Remaining key conditions to access the IMF funds include enacting capital control legislation and restructuring the banking sector.

As the US-mediated maritime border agreement came into effect, the first activities were launched. French TotalEnergies and Italian Eni inaugurated exploration for offshore gas in the Kana-Sidon field in mid-November. The Qatari company Energy Consortium is expected to replace the Russian company that was supposed to work together with TotalEnergies and ENI.

On Thursday, November 24, the Central Bank announced the successful completion of an audit of its gold reserves with the cooperation and agreement of the IMF. These reserves were estimated at USD16.4 billion as of mid-November.

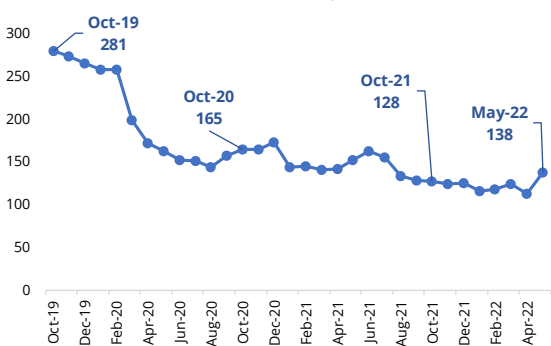
Figures published by the Ministry of Finance estimated Lebanese public debt denominated in Lebanese pounds at LBP92.6 trillion in late July. This amount was equivalent to USD61.4 billion at the official exchange rate or USD3.6 billion at the Sayrafa exchange rate that prevailed in July 2022. The debt denominated in foreign currency stood at USD40.2 billion.

Slow advances on the reform front, continuous inflation and political tensions have led indicators of economic activity down, with the BLOM Bank's Purchasing Managers Index showing a continuous decline in private non-oil activity and the transaction amounts on the Sayrafa platform displaying a progressive slowdown since its June 2022 peak.

On the monetary front, there was an LBP3.4 trillion decrease in circulating money, following an LBP32 trillion increase between September and October 2022.

As reported by the World Bank, state expenditures have decreased by a greater degree than revenues, leading to an overall surplus of the country's balance of payments, despite the worsening situation.

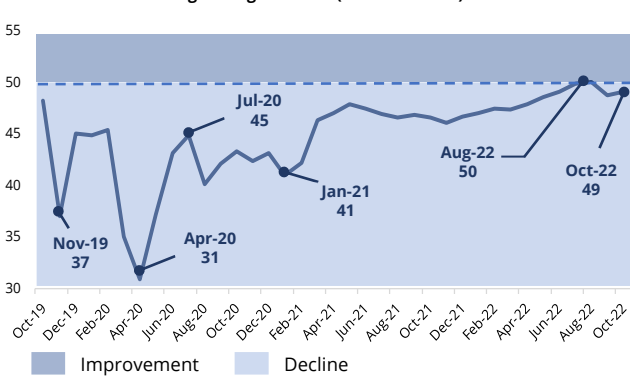
BDL Coincident Indicator (Oct 19 - May 22)



**The Coincident Indicator** is a gauge used to measure Lebanon's macroeconomic activity and comprises the import of petroleum derivatives, electricity production, check clearing activity, cement deliveries, foreign passengers, foreign trade, and the M3 monetary aggregate (i.e. currency in circulation in addition to all deposits, both in LBP and USD).

Source: Central Bank of Lebanon

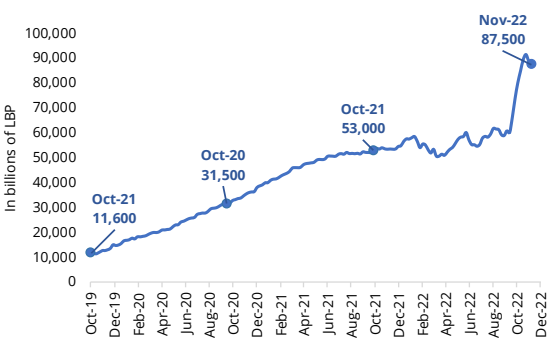
BLOM Bank's Purchasing Managers Index (Oct 19 - Oct 22)



**The Purchasing Managers Index** is designed to provide a single-figure snapshot of the performance of the non-oil private sector. It is calculated as a weighted average of five components: new orders, output, employment, suppliers' delivery times and stocks of purchases. A reading below 50 indicates that the economy is generally declining, a reading of 50 signals no change, and a reading above 50 indicates an overall improvement. The greater the divergence from 50, the greater the rate of change.

Source: BLOM Bank Analysis

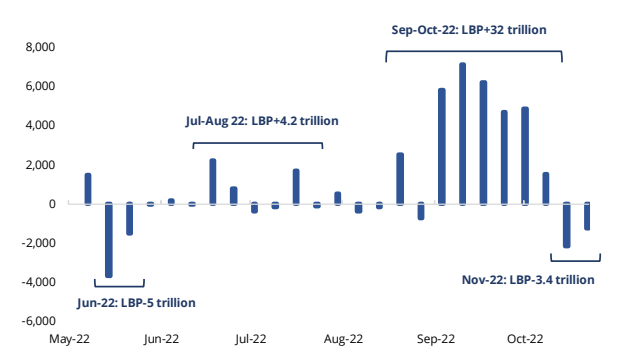
M1 Supply (Oct 19 - Nov 22)



**M1 Supply** includes all local currency in circulation in addition to demand deposits (i.e. current account deposits) in LBP.

Source: Central Bank of Lebanon

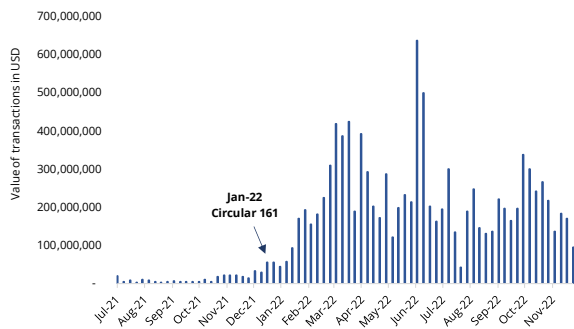
Weekly change in circulating money (May 22 - Oct 22)



Source: Central Bank of Lebanon

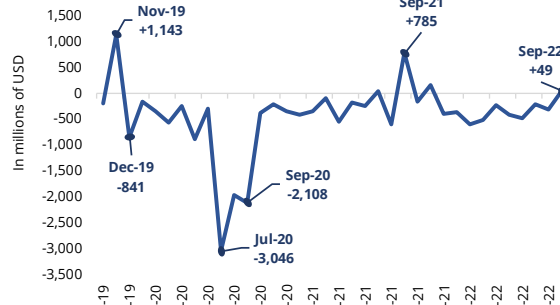


Weekly Transactions on the Sayrafa platform (Jul 21 - Nov 22)



Source: Central Bank of Lebanon

Balance of Payments (Oct 19 - Sep 22)



Source: BLOM Bank Analysis

**The balance of payments (BOP)** is the method by which countries measure all of international monetary transactions within a certain period. All trades conducted by both the private and public sectors are accounted for in the BOP to determine how much money is going in and out of a country.

## ENERGY

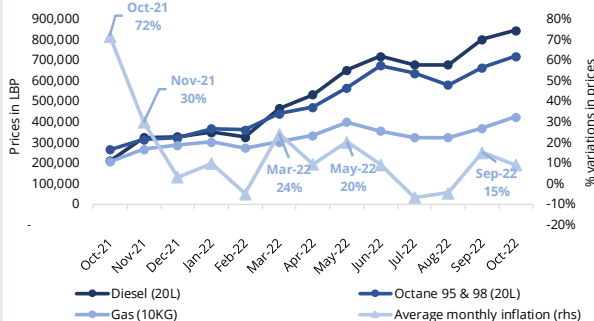
Exchange rate devaluations continued to negatively affect energy prices, with the price of 20 litres of motor fuels (Octanes 98 and 95) rising from an average of LBP266,000 in October 2021 to an average of LBP720,000 in October 2022. During that same timeframe, the price of 20 liters of diesel rose from LBP212,000 to LBP847,000, while the price of a 10Kg gas can increased from LBP207,000 to LBP427,000.

As a result, prices of transportation and generators have consequently increased. The fixed price of 5 Amperes increased from LBP30,000 in October 2021 to LBP125,000 in October 2022, while the price of every kilowatt per hour increased from LBP5,200 to LBP17,380. Moreover, many private generator owners impose prices that are notably higher than those set by the Ministry of

Economy and Trade and have started accepting payments in US dollars only. Meanwhile, the Central Administration of Statistics reported that transportation costs increased by 196 percent between October 2021 and October 2022.

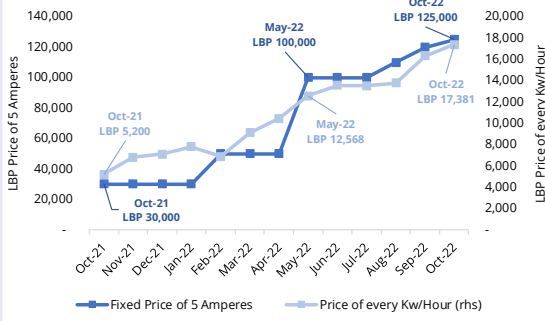
On the electricity front, Lebanon's state power company Electricite du Liban (EDL) announced increased tariffs for the first time since the early 1990s. Electricity will be priced at 10 cents per kilowatt-hour (kWh) for the first 100 kWh consumed, and 27 cents per kWh for consumption above that. New power costs would be calculated in Lebanese pounds at the Sayrafa platform exchange rate. Invoices will be issued starting February 2023 for collection.

Energy Prices (Oct 21 - Oct 22)



Source: IPT Group Data

Generator prices (Oct 21 - Oct 22)



Source: Ministry of Energy and Water