MARKET PRICE MONITORING BULLETIN

ISSUE NO.10: DECEMBER 2022

The World Food Programme carries out market analysis on monthly basis to monitor the market situation in Armenia. Observing foreign currency exchange rates (namely USD and Russian Ruble) and retail market price fluctuations WFP tries to draw possible implications on the overall socio-economic situation and purchasing power of the society. Based on the interest, the bulletin contains descriptive information about the market prices of selected food and non-food items.

WFP ARMENIA: RAM

Market Price Bulletin Issue No.10 December 2022

This bulletin focuses on market prices of the period of **November 2021 – November 2022**. Main sources used for the bulletin are the Statistical Committee of the Republic of Armenia and Central Bank of the Republic of Armenia.

HIGHLIGHTS

The exchange rate of USD (United States Dollar)/AMD (Armenian Dram) kept decreasing since the end of March 2022. According to the Central Bank, in November 2022, the USD exchange rate was AMD 395, and had declined by 7.1 percent compared to October 2022. Mostly maintaining upward tendency since April 2022, the exchange rate of RUB (Russian Ruble)/AMD slightly decreased in November 2022 comprising AMD 65 per 1 Ruble.

Price inflation exists for both food and non-food items in Armenia. Consumer Price Index increased by 8.8 percent in November 2022 compared to November 2021. Food inflation was 11.1 percent in November 2022 compared to November 2021, hence weakening food access particularly for vulnerable households.

Diesel price increase comprises 22 percent in November 2022 compared to November 2021 and inflation of diesel is 5 percent and fuel is 3 percent compared to November 2021.

The highest level of Consumer Price Index (CPI) is detected in Yerevan (9.6%), Kotayk region (8.7 %) and Lori region (8.2%).

The highest food price inflation was seen in Tavush (12.1 percent), Yerevan (11.9 percent), Lori (11.1 percent), followed by Kotayk (10.5 percent) and Gegharkunik (10.2 percent) compared to November 2021.

In November 2022, the School Feeding food basket cost has increased by 15 percentage points compared to November 2021 reaching AMD 5478 (USD 14).

EXCHANGE RATE, AMD vs. USD and RUB

The decrease in the exchange rate between foreign currencies, in particular USD and Euro, is a sign of the stabilization of AMD. The continuous appreciation of AMD vs USD was observed starting from March 2022, reaching from AMD 503 per USD to AMD 395 per USD in November 2022. The exchange rate for USD decreased by 7.14 percent in November 2022 compared to October 2022.
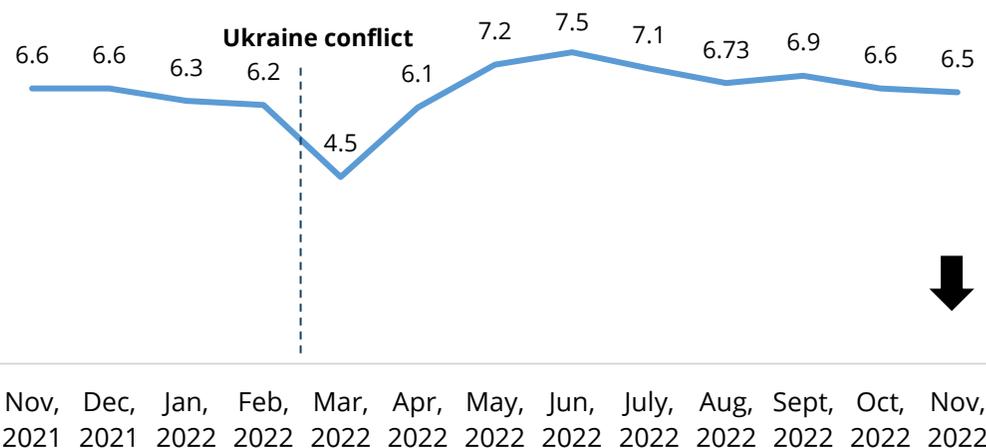
The stabilization of exchange rate may be one of the factors helping to compensate food production and other costs, thus making food more accessible to people.

The lowest exchange rate of the Armenian Dram and Russian Ruble was recorded in March 2022 comprising AMD 4.5 per Ruble. However, in a very short period Ruble started appreciating against the Armenian Dram and in November 2022 was AMD 6.5 per Ruble, which is hasn't changed much since October 2022. This appreciation is primarily conditioned by the newly imposed requirement of the Russian Federation to pay for its exported fossil fuels exclusively in Russian Rubles, thus increasing demand for Ruble.

Figure 1: Exchange rate (AMD/USD), November 2021 – November 2022 (in AMD)

Ukraine conflict

478 485 482 480 503 470 458 423 410 406 410 403 395

Nov, 2021 | Dec, 2021 | Jan, 2022 | Feb, 2022 | Mar, 2022 | Apr, 2022 | May, 2022 | June, 2022 | July, 2022 | Aug, 2022 | Sept, 2022 | Oct, 2022 | Nov, 2022

Figure 2: Exchange rate (AMD/RUB), November 2021 – November 2022 (in AMD)

Ukraine conflict

6.6 6.6 6.3 6.2 4.5 6.1 7.2 7.5 7.1 6.73 6.9 6.6 6.5

Nov, 2021 | Dec, 2021 | Jan, 2022 | Feb, 2022 | Mar, 2022 | Apr, 2022 | May, 2022 | Jun, 2022 | July, 2022 | Aug, 2022 | Sept, 2022 | Oct, 2022 | Nov, 2022

Source: Central Bank of Armenia

CONSUMER PRICE INDEX AND FOOD PRICE INFLATION

Consumer Price Index (CPI) and food prices in Armenia increased steadily since 2020. In November 2022, the CPI including food and non-food items comprised 8.8 percent compared to November 2021. Comparing to October 2022 CPI has recorded an insignificant 0.7 percent decrease.

In November 2022 food price inflation was 11.1 percent compared to November 2021. Monthly fluctuation comprised of food price inflation comprised 1.4 percent. Likewise ,the CPI, food inflations also showed a slight decrease.

Despite the observed fluctuations the prices continue remaining relatively high and putting pressure on already strained purchasing power of particularly vulnerable households in Armenia.

The prices were collected in Yerevan and regions, particularly from shops in the biggest cities. The highest increase of CPI is detected in Yerevan (9.6%), Kotayk region (8.7%) and Lori region (8.2%).

The monitoring of food and non-alcohol beverages in urban areas of the regions showed the highest price inflation in Tavush (12.1 percent), Yerevan (11.9 percent), Lori (11.1 percent), followed by Kotayk (10.5 percent) and Gegharkunik (10.2 percent) compared to November 2021.

Figure 3: Consumer Price Index and Food Price Inflation, November 2021-November 2022, %
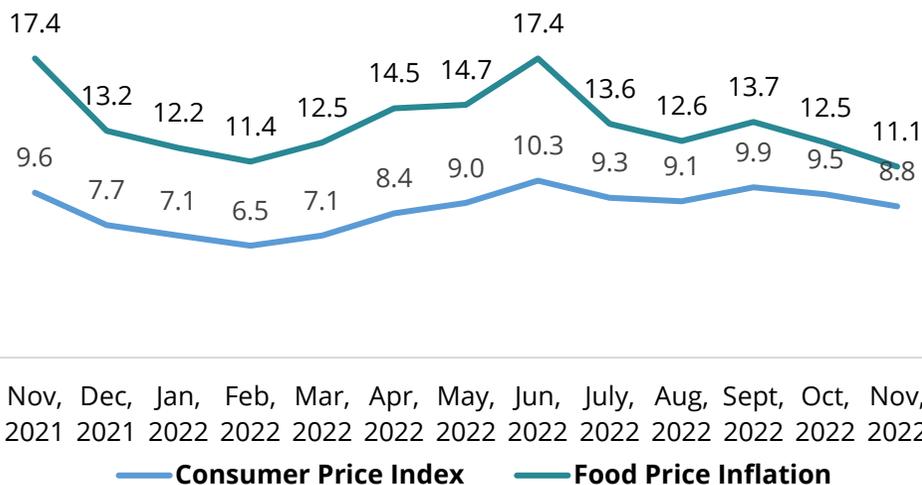
Figure 4: Consumer Price Index and Food Price Inflation per region, November 2022, %

Source: Statistical Committee of the Republic of Armenia Consumer Price Index in the Republic of Armenia January-November 2022
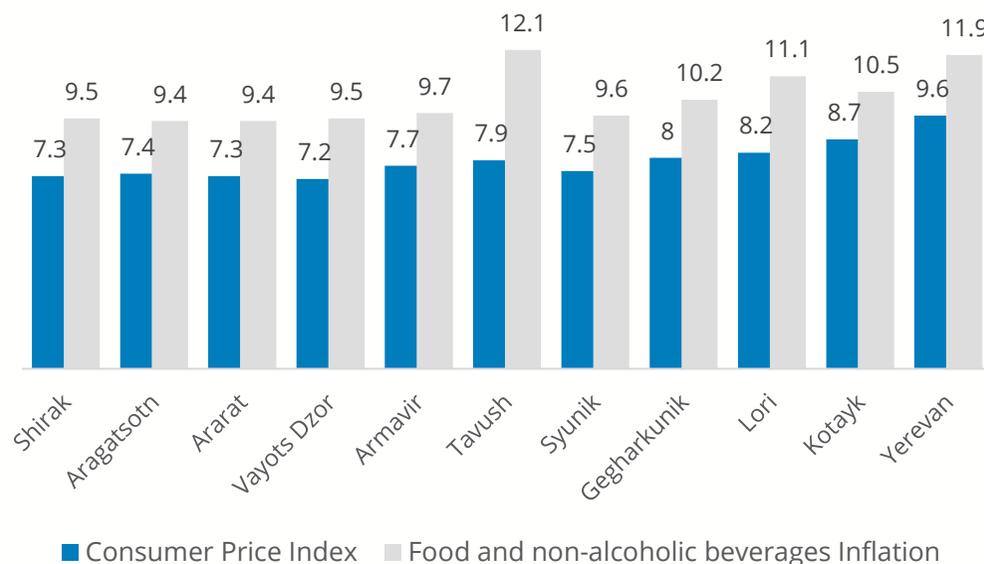
Source: Statistical Committee of the Republic of Armenia Price Index in the Republic of Armenia January-November 2022

PRICE INFLATION OF SELECTED FOOD GROUPS

Among the essential food groups only "Oils and fats" has shown tiny price hasn't changed compared to October 2022). "Meat" and "Fish and seafood" groups haven't recorded any price changes either. "Vegetables" have experienced 17.5 percent price increase and fruits prices have increased by 2.3 percent. The latter can be conditioned with the seasonality of these commodities.

Considering annual inflation rates of various food groups, it becomes clear that "bread and cereals" is the group with the highest inflation rate (15.7 percent). As per Statistical Committee of RA, bread and bakery products constitute more than one-third of the value of food basket of Armenian families. Since almost two-thirds of wheat consumption is imported, bread prices in Armenia depend heavily on the structure of Armenian wheat import market, in particular from Russian Federation.

"Meat" recorded the second highest annual inflation rate of 11.7 percent compared to November 2021. "Fruit" is the third group demonstrating higher inflation rate of 11.1 percent compared to November 2021 followed by "Milk, cheese and eggs" with 11 percent of price increase.

Figure 5: Monthly consumer price index of selected food groups, November 2022 vs November 2021, %
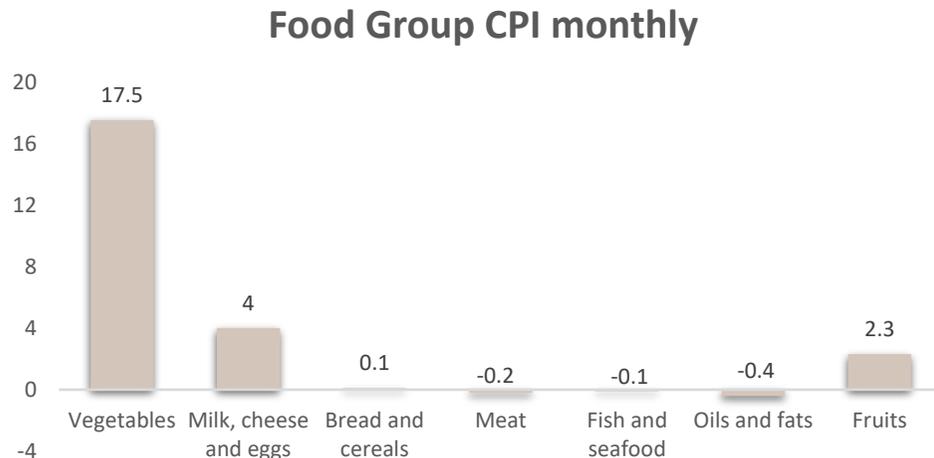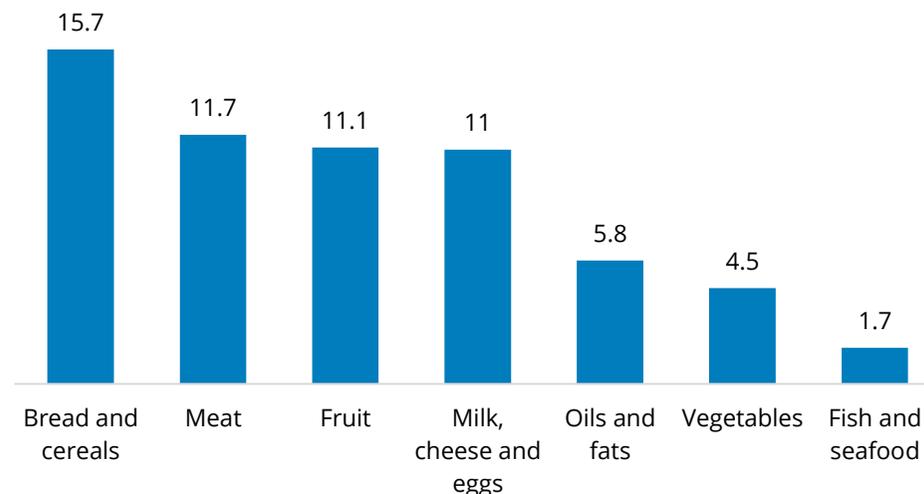

Food Group CPI monthly

Figure 6: Annual Inflation of selected food groups, %

Source: Statistical Committee of the Republic of Armenia

MARKET PRICES OF SELECTED FOOD COMMODITIES

Among the most consumed food commodities pasta has the highest annual inflation rate of 32 percent, followed by lentils, recording price increase of 21 percent compared to November 2021. Buckwheat is the third food item with comparatively high annual inflation rate of 12 percent. Pasta, lentils and buckwheat are imported mainly from Russia, and the increased prices are likely tied to mainly appreciation of Russian Ruble and fuel price hikes.

Analysis of monthly price inflation of selected food commodities showed insignificant decrease compared to October 2022, with exception of pasta, rice, wheat flour and chicken the prices of which have not changed.

Table 1: Annual and monthly inflation of selected food items

| Commodity	November 2021 (in AMD)	November 2022 (in AMD)	% change November 2022 vs November 2021 (+/10%)	October 2022 (in AMD)	November 2022 (in AMD)	% change October 2022 vs November 2022 (+/10%)
Pasta	644	848	32	822	848	3
Lentils	1178	1420	21	1452	1420	-2
Buckwheat	1205	1345	12	1362	1345	-1
Rice	957	1027	7	1024	1027	0
Wheat Flour	471	501	6	493	501	2
Oil (Vegetable)	1094	1071	-2	1094	1071	-2
Chicken	1654	1661	0	1658	1661	0
Fuel (diesel)	490	596	22	627	596	-5
Fuel (petrol-gasoline)	514	479	-7	493	479	-3

Source: Statistical Committee of the Republic of Armenia

MARKET PRICES OF FUEL

Rising oil prices globally connected with the situation in and around Ukraine had its impact on fuel prices in Armenia too. Diesel fuel price increase in November 2022 comprised 22 percent compared to November 2021, whereas petrol price decreased by 7 percent for the same period. One of the negative consequences of the situation is that fuel price increase has led to higher cargo and passenger traffic tariffs. Moreover, high fuel prices are going to disrupt household budgets augmenting the part of transportation costs in their budgets. If remaining constant or rising further, the situation is going to be critical for the households in Armenia, particularly for the vulnerable ones considering the approaching heating season.

The prices diesel decreased by 5 percent and the price of petrol decreased by 3 percent compared to in October 2022. It is important to note that a major part of import and export of goods to and from Armenia are basically done through Georgia (Upper-Lars border crossing point) and the trucks predominantly have diesel engines. Thus, this also impacts the increase of food and non-food items' prices.

Figure 7: Price of fuel (petrol-gasoline and diesel), AMD
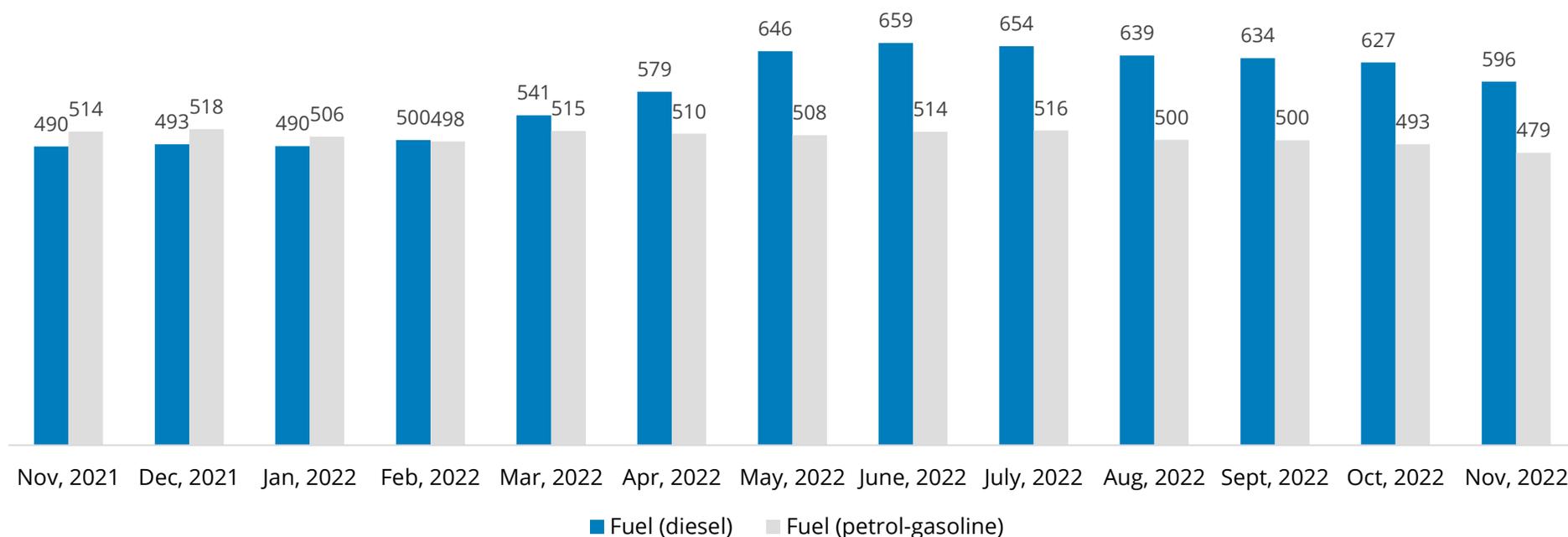
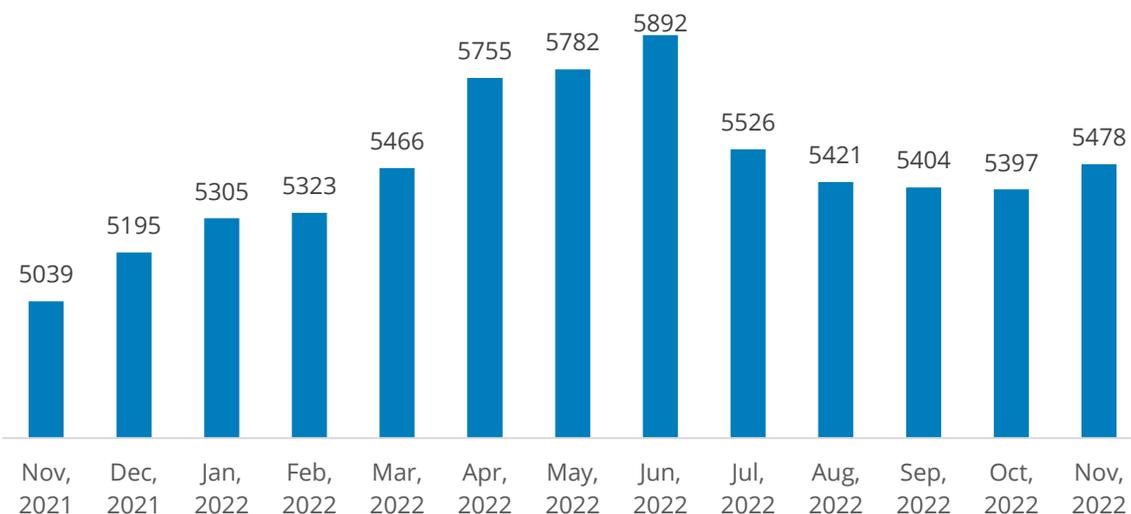Source: Statistical Committee of the Republic of Armenia

SCHOOL FEEDING FOOD BASKET

School Feeding (SF) in Armenia includes provision of hot meals at schools through either in-kind or cash assistance to purchase food for meals. Under the in-kind assistance, WFP provides six commodities: buckwheat, pasta, rice, vegetable oil, wheat flour and lentils. Parents contribute to diversify food baskets by providing additional home-grown seasonal fruits and vegetables. The food basket which determines the cash transfer is based on 20 commodities.

Since 2020, the price of WFP SF in-kind assistance basket keeps increasing. The Increase of SF food basket from November 2021 to November 2022 constitutes 15 percent. Over the period of November 2021 and November 2022 the monthly cost of SF cash assistance increased from AMD 5039 (USD 10) to AMD 5478 (USD 14).

Figure 8: SF cash assistance food basket cost (in AMD) for 20 commodities, November 2021 and November 2022

Month	Cost (AMD)
Nov, 2021	5039
Dec, 2021	5195
Jan, 2022	5305
Feb, 2022	5323
Mar, 2022	5466
Apr, 2022	5755
May, 2022	5782
Jun, 2022	5892
Jul, 2022	5526
Aug, 2022	5421
Sep, 2022	5404
Oct, 2022	5397
Nov, 2022	5478

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Food and basic needs price information can be found in WFP's online database: dataviz.vam.wfp.org