



The devastating earthquake likely to upend food prices

KEY HIGHLIGHTS

Prices of key food commodities:

It is nearly two weeks to the day since earthquake struck northern Syria and southern Türkiye on 6th February 2023. The natural disaster happened at a time when food prices were already skyrocketing, as measured by the WFP standard reference food basket, and the earthquake is likely to upend the food prices.

As of the second week of February 2023, week after the disaster, nominal price of key commodities in the food basket (bread, lentils, vegetable oil, sugar and rice) increased in almost all of the heavily hit governorates (of Aleppo, Hama, Idlib and Lattakia) compared to the week before the disaster (Figure 1). As shown in Figure 1, lentils increased by 14 percent in Lattakia, eight percent in Aleppo, three percent in Hama and one percent in Idlib, compared to the week before the disaster. Lattakia, on the coast, experienced significant increases in the prices of vegetable oil and rice as well.

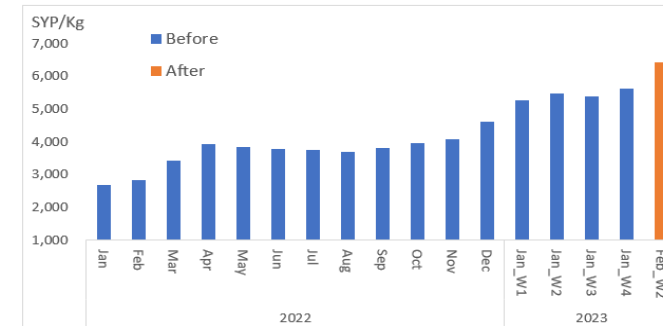
Fig 1. Price trends of key food commodities

Governorate	Commodity	Percentage change from previous period			
		Feb-W2	Jan-W4	1M	1Y
Aleppo	Bread (commercial)	5,500	▲ 3%	▲ 10%	▲ 123%
	Lentils	10,688	▲ 8%	▲ 10%	▲ 109%
	Oil	19,194	▲ 0%	▲ 6%	▲ 94%
	Sugar	7,208	▲ 4%	▲ 11%	▲ 141%
	Rice	8,521	▲ 0%	▲ 2%	▲ 200%
Aleppo XB	Bread (commercial)	4,506	▲ 3%	▲ 5%	▲ 77%
	Lentils	6,889	▲ 2%	▲ 5%	▲ 60%
	Oil	11,710	▲ 4%	▲ 8%	▲ 75%
	Sugar	5,450	▼ -1%	▲ 4%	▲ 59%
	Rice	6,944	▲ 8%	▲ 16%	▲ 87%
Hama	Bread (commercial)	5,658	▲ 13%	▲ 13%	▲ 118%
	Lentils	10,208	▲ 3%	▲ 4%	▲ 118%
	Oil	19,208	▲ 1%	▲ 2%	▲ 102%
	Sugar	7,375	▲ 8%	▲ 11%	▲ 154%
	Rice	8,500	▲ 2%	▼ -36%	▲ 214%
Lattakia	Bread (commercial)	5,656	▲ 4%	▲ 5%	▲ 106%
	Lentils	10,533	▲ 14%	▲ 13%	▲ 119%
	Oil	19,933	▲ 15%	▲ 13%	▲ 120%
	Sugar	7,033	▲ 7%	▲ 3%	▲ 148%
	Rice	9,278	▲ 30%	▲ 28%	▲ 227%
Idlib	Bread (commercial)	3,914	▼ -2%	▲ 8%	▲ 96%
	Lentils	6,811	▲ 1%	▲ 2%	▲ 61%
	Oil	13,159	▼ -1%	▲ 7%	▲ 67%
	Sugar	6,422	▼ -2%	▲ 4%	▲ 100%
	Rice	6,194	▼ -5%	▲ 10%	▲ 112%

Price of wheat flour

The disaster brought significant damage to infrastructure including bakeries and related warehouses in the affected areas. Wheat flour, a key ingredient in the making of the staple bread, increased by 20 percent in Hama within a week after the disaster, was up 14 percent in Aleppo and increased by eight percent in Lattakia. The grain more than doubled within a year in Aleppo, Hama and Lattakia, partly due to the crisis in Ukraine and bad weather, and now the earthquake is likely to exacerbate the upward trajectory.

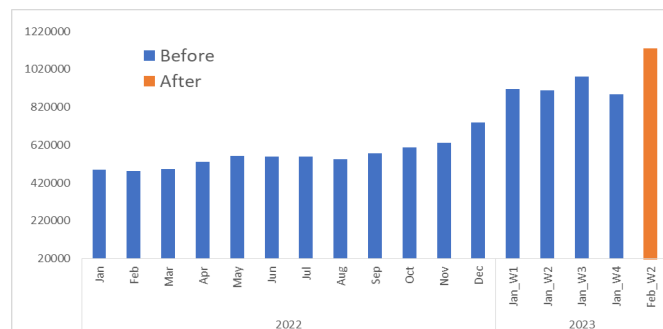
Fig 2. Wheat flour price trend in Aleppo



Price of Livestock:

Initial estimates indicated high loss of livestock in the heavily affected areas, with negative impact in particular on pastoral communities. In Aleppo (cross-border), the price of a two-year old male live sheep increased by 27 percent within a week of the occurrence of the earthquake (Fig 3). During the same period, significant nominal price increases of sheep were also observed for Lattakia (up 20 %), Aleppo (up 19 %), and Hama (up 17%). In Idlib the price remained unchanged, however, the nominal price of the

Fig 3. Price of a two-year old male live sheep in Aleppo



two-year old male sheep remained 70 percent more than the same time last year.

Exchange rate policy in the awake of earthquake

The Central Bank of Syria (CBS) has mainly been operating a managed exchange rate policy, however, due to some imbalances emanating from exogenous shocks, *among other factors*, there has been misalignment between supply and demand in the foreign exchange market. The local currency has been devalued six times in the last two years. The latest came soon after the New Year, 2nd January 2023, where the Syrian pound was pegged at SYP 4,522/USD from SYP 3,015/USD.

As shown in the figure 4 below, the lead up to the 2nd January 2023 devaluation saw substantial spread between the official and parallel exchange rate. Within a month, on 2nd February 2023, in a move seen to encourage remittances to be channeled through the formal banking system, CBS announced a new official floating exchange rate that mirrored the parallel market rate at SYP 6,650/USD. Three days after the devastating earthquake, the Government added transfers for earthquake emergency funds to be pegged to the new official floating exchange rate. The new official floating exchange rate has fluctuated between SYP 6,550/USD and SYP 6,900/USD since the introduction two weeks ago.

In another policy directive, likely aimed at increasing cash liquidity for support towards earthquake response, *inter alia*, the CBS, on 14th February 2023, increased the daily maximum amount of electronic transfers within local banks to SYP 5M from SYP 2M for individuals. The second upward revision in 2023.

Fig 4. Official and parallel market exchange rates

