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Highlights

The price of the standard WFP-reference food basket edged up four percent in May 2023 reaching SYP 529,946 for a family of five. The rebound was on account of significant monthly increase in the price of sugar, up 22 percent. The May basket was three times more expensive than two years ago.

The Minimum Expenditure Basket, a measure to count the cost of living, for a household of five members remained subdued for the second consecutive month to reach SYP 1,341,020 in May 2023. However, remained 62 percent more expensive than a year earlier and 159 percent higher than at the start of the current MEB series, September 2021. The minimum wage, priced in Syrian pounds, plummeted to seven percent of the basket cost in May. For the vulnerable households, the increasing costs are hard to bear given limited government's fiscal space, and many will likely struggle to pay their bills.

In a country that imports many essentials, inflation continued to soar as the Syrian pound lost 25 percent of its value against the dollar in the first five months of 2023 on the parallel market, and the value has more than halved in 12 months, and depreciated by 82 percent in three years.

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Standard Food Basket

The price of the standard WFP-reference food basket¹ edged up four percent in May 2023 compared to the previous month to reach SYP 529,946 for a family of five. The rebound was mainly on account of significant increase in the price of sugar, up 22 percent, month-on-month, due to general upward trend on the global market, while domestically, border closure on Fishkhabur-Semalka crossing led to tighter supplies in the north-eastern region of the country.

The May basket cost of staples (bread, rice, lentils, vegetable oil and sugar) was 68 percent more expensive than a year earlier and more than tripled in two years. With the monthly minimum wage, at SYP 92,970, only able to cover 20 percent of the basket cost, the continued upward trajectory will be all more painful for vulnerable households given limited measures to soften the impact.

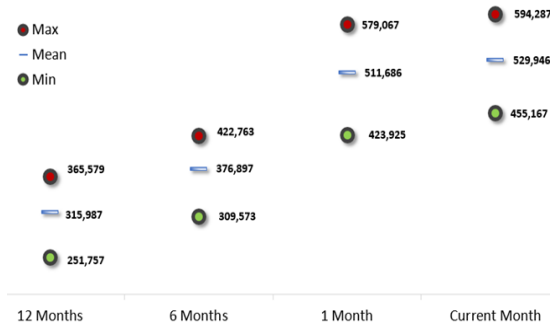
Idlib governorate had the highest monthly percentage increase for the food basket, at 11 percent, followed by Deir-ez-Zor at 8 percent. Sugar and rice being main sources of monthly pressure. Year-on-year (y-o-y), the percentage increase ranged from 46 percent to 84 percent with Tartous having the lowest percentage increase while Idlib was on the other end of the spectrum.

In May 2023, the gap between the highest and lowest average food basket cost at governorate level decrease by 10 percent compared to the previous month, reflecting, to some extent increased levels of integration.

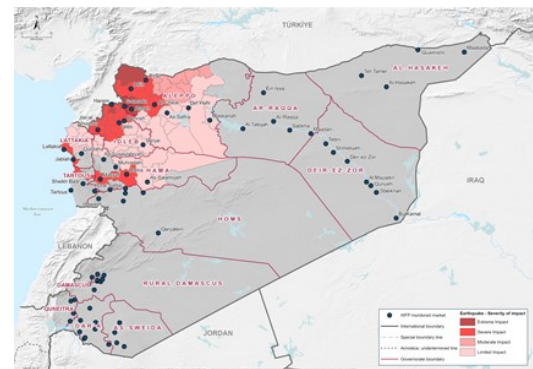
Figure 1: Food basket cost and changes, SYP

Governorate	May 2023	1 month change	6 months changes	12 months changes
Aleppo	512,525	4%	41%	71%
Damascus	542,241	-2%	34%	59%
Dar'a	594,287	3%	44%	66%
Deir-ez-Zor	456,837	8%	44%	66%
Hama	553,888	2%	36%	67%
Al-Hasakeh	455,167	4%	39%	81%
Homs	535,874	3%	30%	55%
Idlib	487,216	11%	57%	84%
Lattakia	572,887	2%	36%	67%
Ar-Raqqa	476,037	6%	47%	76%
Rural Damascus	558,816	2%	38%	62%
As-Sweida	589,529	2%	43%	69%
Tartous	533,943	-1%	27%	46%
Quneitra	591,988	4%	53%	75%
Average	529,946	4%	41%	68%

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



Map 1: Location of markets monitored by WFP, including earthquake affected areas.



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.

Minimum Expenditure Basket (MEB)²

The Minimum Expenditure Basket (MEB), a measure to count the cost of living, for a household of five members remained subdued for the second consecutive month to reach SYP 1,341,020 in May 2023. The May cost was just one percent lower than the previous month however remained 62 percent more expensive than a year earlier and 159 percent more expensive than at the start of the current MEB series, September 2021.

Subdued cost in May was underpinned by monthly drops in prices of onions (down 34 percent), gas on parallel market, potatoes and chicken, down 10 percent, which were counterbalanced by increases in internet bundles (up 44 percent), sugar (up 22 percent), apples (up 11 percent).

The minimum wage, priced in Syrian pounds, plummeted to seven percent of the basket cost in May. In a country that imports many essentials, inflation continued to soar as the Syrian pound lost 25 percent of its value against the dollar in the first five months of 2023 and has more than halved in 12 months. For the vulnerable households, the increasing costs are hard to bear given limited governments fiscal space, and many will struggle to pay their bills.

Global food prices, freight costs, and inflation trends

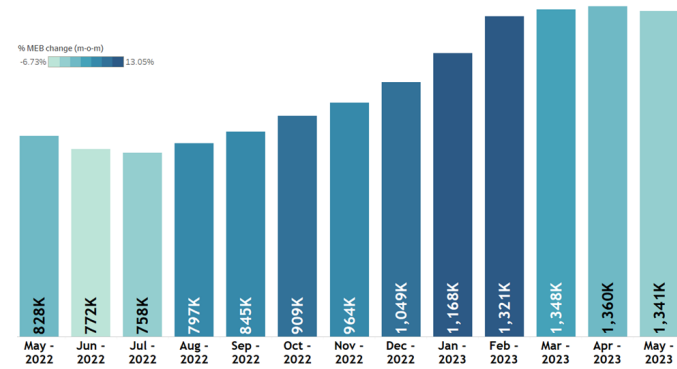
The May 2023 FAO Food Price index³, a measure of the monthly change in international prices of a basket of food commodities, returned to downward trajectory. It averaged 124.3 points, down 2.6 percent from the April 2023 and was 21 percent lower than same time last year. The monthly decrease was largely on account of reduced prices of vegetable oil, cereals and dairy.

While the FAO Cereal Price Index continued the downward spiral, reflecting ample supplies in the upcoming season and the extension of the Black Sea Grain Initiative. The index decreased by 4.8 percent, month-on-month, to average 129.7 points, and as much as 25 percent below the record-high value one year ago. Significant monthly decreases in wheat, maize, barley and sorghum that offset in the increase in rice led much of the overall downward trend in cereal prices.

The May 2023 International Grain and Oilseed Freight Index (GOFI)⁴ decreased by seven percent, month-on-month, to average 137.4 points after two consecutive months of upward trend. All sub-indices decreased, m-o-m, shipment originating from Australia led much of the decrease at nine percent while Black Sea freight costs were down by four percent.

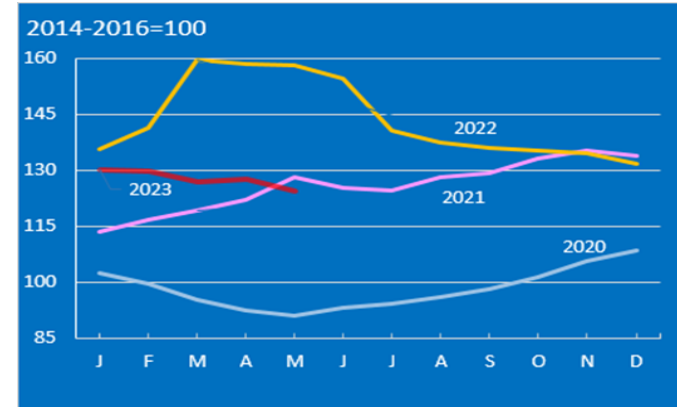
Food inflation continued to soar in Egypt⁵, origin of key Syrian imports, to 60 percent in May 2023. In Lebanon, inflation soared to 260.22 percent in May 2023, as the Lebanese pound continued to lose value in the after-math of the 90 percent devaluation in February 2023. Türkiye headline inflation continued the downtrend in May reaching 39.6 percent owing to strong base effects. Similar declines were observed in Ukraine at 15.3 percent compared to 17.9 percent in the previous month.

Chart 2: MEB Trend in Syria, SYP



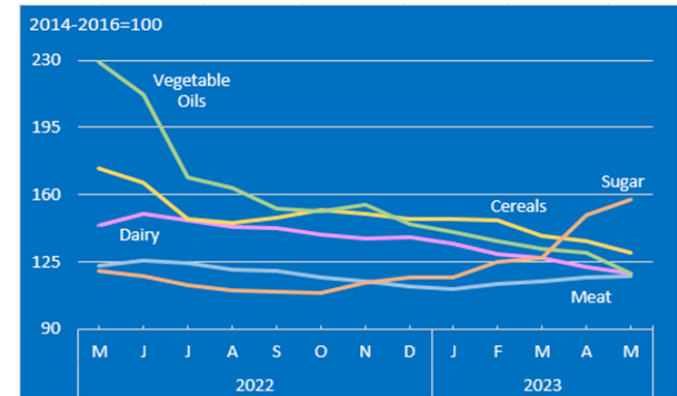
Source: Damascus Cash Working Group

Chart 3: FAO Food Price Index (2020 –2023)



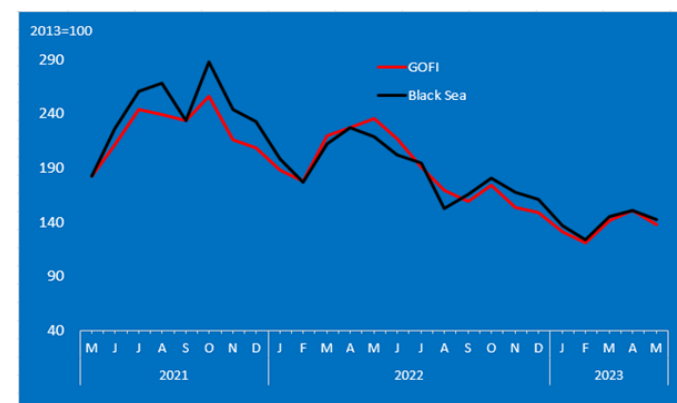
Source: FAO

Chart 4: FAO Food Commodity Price Indices (2020 –2023)



Source: FAO

Chart 5: FAO Food Commodity Price Indices (2020 –2023)



2. A Minimum Expenditure Basket (MEB) is defined as what a household requires to meet essential needs, conceptually equivalent to a poverty line. It includes the cost of food, utilities, services and re-sources required monthly. For Syria, it was developed through an interagency collaborative process under the Humanitarian Country Team Cash Working Group (HCT-CWG). 3. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>; 4. <https://www.igc.int/en/markets/marketinfo-freight.aspx> 5. Trading Economics "Inflation Rate"

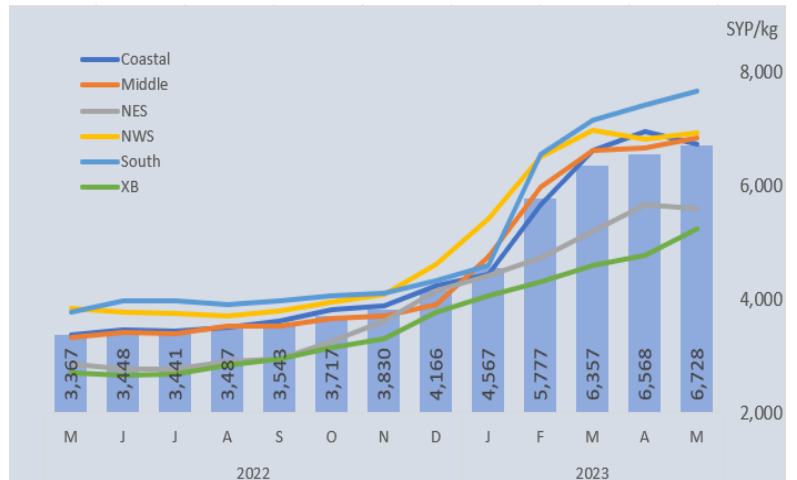
Retail prices for key commodities

Wheat Flour

Wheat flour is a key staple in the Syrian diet and with local consumption needs covered by local production and imports. The May 2023 price of wheat flour remained relatively stable for the second consecutive month. At an average of SYP 6,728, the cereal's price was only two percent higher than the previous month, likely influenced by ongoing harvests. However, the May 2023 wheat flour prices doubled compared to a year earlier and were 10 times above May 2020 values. Regionally, cross-border areas had the lowest nominal prices at SYP 5,250/kg while southern areas had the highest recorded prices at SYP 7,684/kg.

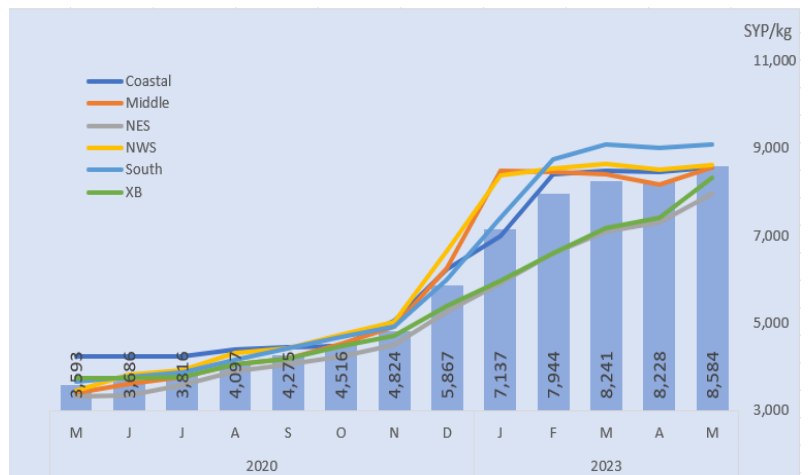
Wheat flour prices are expected to remain relatively subdued in the short-run given on-going harvests, extension of the Black Sea Grain Initiative, and the ample global supplies in the upcoming 2023/24 season.

Chart 6: Retail Prices of Wheat flour, SYP



Source: WFP

Chart 7: Retail Prices of rice, SYP



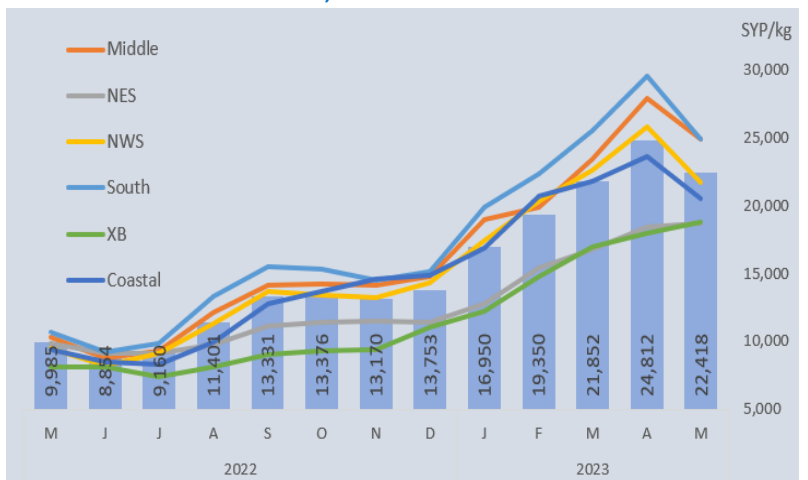
Source: WFP

Rice

An uptick in the price of Egyptian rice was observed in May 2023 compared to the previous month. At the national average of SYP 8,584/kg, the cereal increased by four percent compared to the previous month and up 139 percent in one year and increased eight-fold in three years. The monthly upward trend reflected increase in the global rice prices.

Regionally, middle areas recorded the highest, yearly, percentage increase at 151 percent while the coastal areas had relatively lowest percentage increase at 102 percent.

Chart 8: Retail Prices of Chicken, SYP



Source: WFP

Chicken and eggs

After six months of consecutive increase, the May 2023 price of chicken decreased by ten percent compared to the previous month to average SYP 22,418/kg. The May cost was 125 percent more expensive than a year ago and a 12-fold increase was observed in the last threes. The monthly decrease was observed across all regions except in the cross-border areas.

Related, the price of a carton of 30 eggs increased by four percent in May 2023 to reach SYP 23,511. The May price doubled compared to a year earlier. The southern areas recorded the highest price, SYP 25,610 per 30 eggs, among the six regions.

Exchange rate⁶

The Central Bank of Syria introduced a managed-floating exchange rate in early February 2023, running in parallel to the fixed exchange rate, to cater for remittances and earth-quake response transactions, in a move seen to attract foreign currency in the formal market systems. Since its introduction, the managed-floating exchange rate and the parallel rate have moved in tandem. As at end of May 2023, the Syrian pound lost almost 20 percent since February 2023 under the managed-floating exchange rate regime, almost the same level of depreciation was observed on the parallel market (Chart 9).

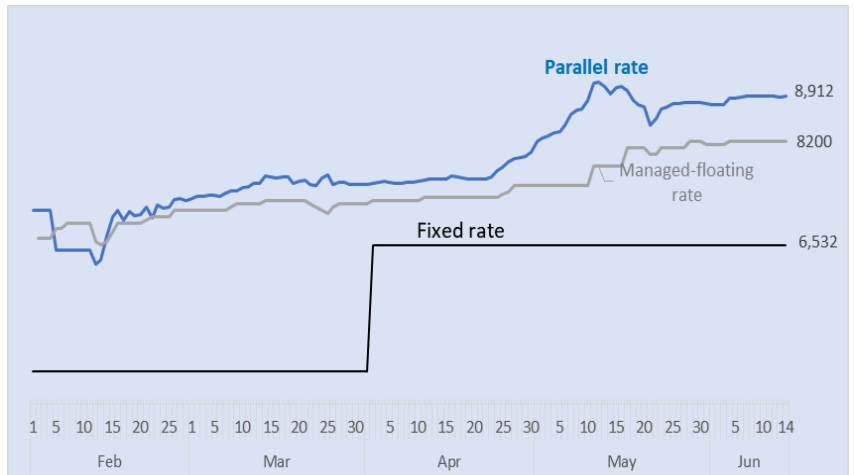
Historically, before conflict 50 Syrian pounds were worth one dollar; as of May 2023, the local currency was trading around 0.6 percent of its pre-conflict value in dollars on the parallel market. In the first five months of 2023, the local currency lost 25 percent of its value on the parallel market, depreciated by 55 percent in one year, and lost 82 percent of its value in three years (Chart 10).

Sugar prices

The national average price of sugar increased by 22 percent, m-o-m, to reach SYP 8,768/kg, mainly on account of global upward price pressure. The May price more than doubled in 12 months, and increased by twelve times in three years. Regionally, the highest monthly percentage increase was observed in north-eastern areas, up 29 percent, mainly due to the border closure on Fishkhabur-Semalka crossing, a key supply route.

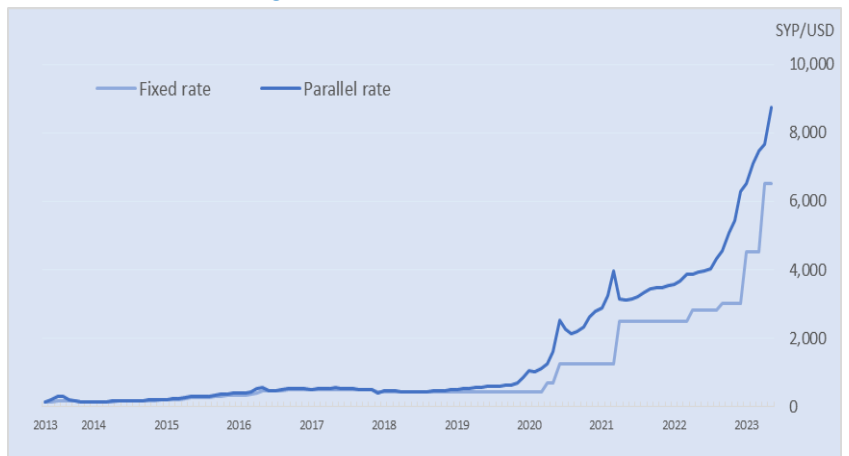
The May monthly gains reflected increase in the global sugar prices which have been on an upward trajectory for four consecutive months.

Chart 9: Daily exchange rate trends in 2023, SYP/USD



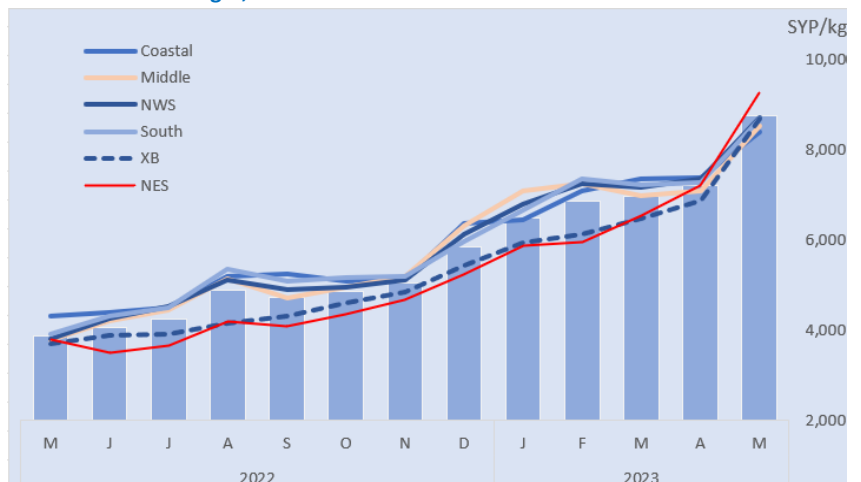
Source: WFP, CBS

Chart 10: Historical exchange rate trends: 2013-2023



Source: WFP

Chart 11: Price of Sugar, SYP



Source: WFP

6: 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).

Terms of Trade (ToT)

Term of trade between wage labour and wheat flour

The national average non-skilled wage increased by 10 percent in May 2023 compared to the previous month and the increase was across all regions, except cross-border and coastal areas where the wage rate remained mild. In the last 12 months, the non-skilled wage rate has nearly doubled with much of the increase emanating from the middle and cross-border regions.

Using the terms of trade (TOT) between wheat flour and wage labour as proxy indicator for purchasing power, the TOT increased by seven percent between April 2023 and May 2023, reaching 3.15 kg of wheat flour/daily wage (Chart 13). However, the May 2023 ToT was lower compared to 12 months ago as the national average daily wage of a non-skilled worker could buy 3.27 kg of wheat flour in May 2022 compared to 3.15 kg in May 2023.

This denotes that the rate of increase in wheat prices has been higher more than the corresponding increase in the daily wages in last 12 months. As such the purchasing power for non-skilled labour dependent households has been shrinking while food prices have been on the rise. In the last five years, the terms of trade for the non-skilled labour has been eroded by 66 percent.

Terms of trade between sheep and wheat flour

In May 2023, the national average price of a two-year old male alive sheep increased by eight percent, m-o-m, to SYP 1,520,732/sheep. The May price was 166 percent more expensive than the same time last year. Broken down by region, north-east areas recorded the highest percentage increase at 208 percent, y-o-y, while the lowest percentage increase, still at 84 percent, was observed in coastal areas.

The May ToT between wheat flour and a live two-year old sheep increased by seven percent compared to the previous month at 226kg per sheep. The terms of trade increased by 33 percent over the last 12 months. The monthly increase in the TOT reflected relatively subdued prices of wheat flour given on-going harvests.

Chart 12: Daily wage for unskilled labor, SYP

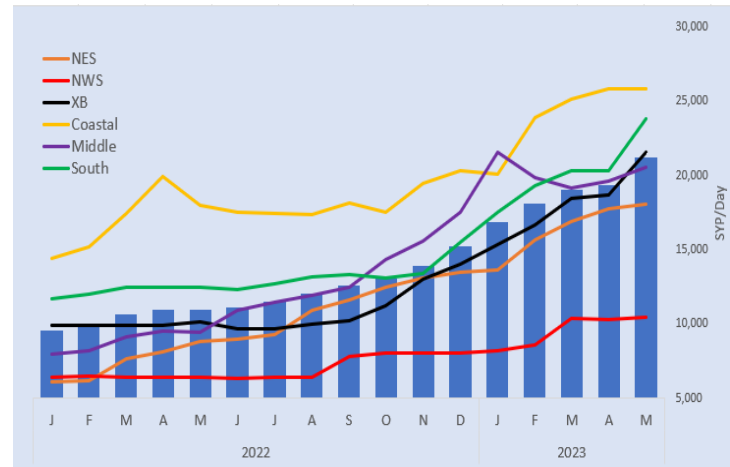


Chart 13: Terms of trade between wheat flour and wage

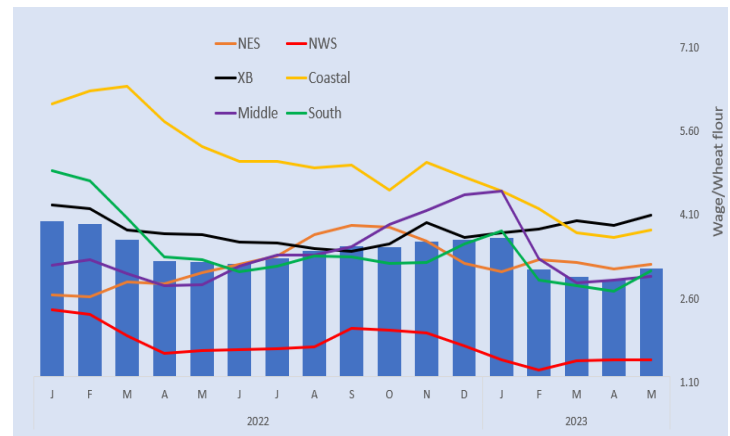
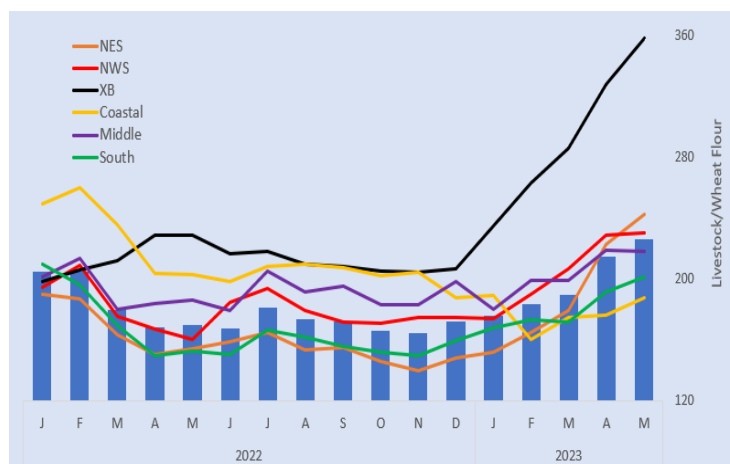


Chart 14: Terms of Trade between wheat flour and the price of a 2 year old sheep



Source: WFP