



mVAM MARKET UPDATE NEPAL # 20

December 2023

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Highlights



Prices of most essential commodities monitored decreased compared to November 2023, although a marginal increase in the price of certain food items such as eggs and chickpeas was reported. On average, the **cost of the food basket was 17.7 percent higher** in December 2023 than the reference month of April 2022. **The cost of the food basket in Karnali Province was 19.6 percent higher than the national average.**



Almost all traders reported **sufficient availability of both food and non-food commodities**. However, a few traders in the hilly districts of Sudurpaschim Province reported a potential scarcity of sugar in the coming month.



Demand for food and non-food commodities was reported as medium by 82.5 and 92.5 percent of traders respectively, compared to 84.6 and 94.9 percent in November 2023. Around 10 percent of traders reported high demand for food, mainly in the mountain districts of Karnali Province.



Stable supply and transportation of goods was reported by 95 and 90 percent of traders in December, compared to 97 percent for both in November 2023. Almost all traders reported stability in the cost of transportation compared to November 2023.



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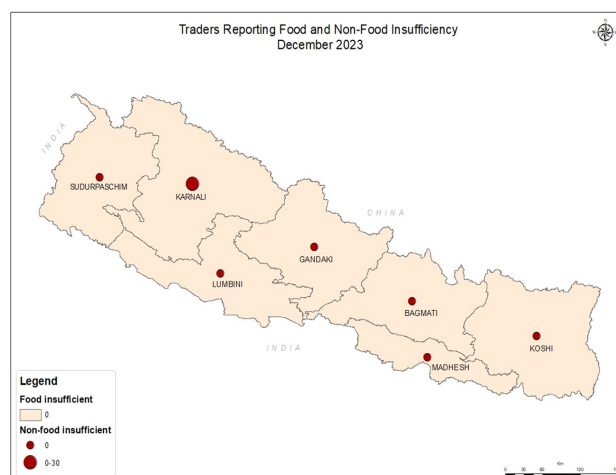
DECEMBER MARKET MONITOR

MARKETS

Availability: Food and non-food commodities monitored in December were reported as sufficiently available by almost all traders, as in the previous month. Almost all traders expect most commodities to be sufficiently available in the coming month. However, a few traders in Humla and Dolpa districts reported insufficient availability of some non-food items such as cooking gas, and raised concerns about a potential scarcity of sugar in the coming month, likely due to speculation of a continuation of the export ban from India and irregularity in air transportation due to seasonal weather conditions.

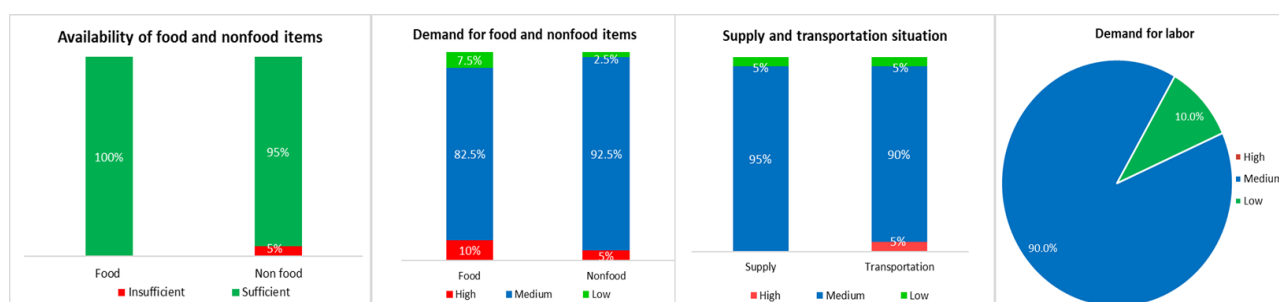
Demand: Demand for food and non-food commodities remained largely stable, with few fluctuations observed this month. Nearly 83 percent of traders reported medium level of demand for food commodities and 93 percent for non-food commodities, compared to 85 and 95 percent, respectively, in November 2023. High demand for food and non-food items was reported by 10 and 5 percent of traders, respectively, mainly from markets in the mountain districts of Karnali Province, an increase of 5 percent compared to November 2023, while 7.5 and 2.5 percent of traders reported low demand for food and non-food items. The relatively stable demand for food and non-food items with only marginal fluctuations indicates a smooth functioning of markets with no major disruptions to supply chains.

Supply and transportation: In line with the demand for commodities, supply and transportation of goods remained largely stable across the country. A moderate level



of supply and transportation of goods was reported by 95 and 90 percent of traders, respectively, a marginal decline of 2.4 and 7.4 percent compared to November 2023. Traders reporting a high level of transportation of goods increased to 5 percent from 2.6 percent in the previous month. Five percent of traders reported low level of supply and transportation, compared to 2.6 percent in November 2023. Overall, the findings show a stable supply and transportation situation across the country, with minimal fluctuations, mainly in the mountain districts.

Demand for labor: Demand for unskilled labor remained mostly stable, with around 90 percent of traders reporting a medium level of demand, compared to 97.4 percent in November 2023. About 10 percent of traders reported low demand for labor, compared to 2.6 percent in November 2023. No traders reported high demand for labor in December 2023, as in November, most likely due to limited employment opportunities and the start of the off-season for most agricultural activities.



PRICES

Retail prices of most food commodities monitored in 16 major markets across the country showed a decline compared to the previous month.

A marginal increase (less than 3 percent) in the average price of eggs, chickpeas and wheat flour was reported, while the prices of milk and apples remained stable. A marginal decline of the prices of rice, edible oils, lentils, sugar and chicken meat was observed compared to the previous month, while the price of potatoes and bananas decreased by more than 4 percent (see table 1 below).

A relatively higher decrease (over 12 percent) in the price of some vegetables (cabbage and tomatoes) and oranges was reported. This is a continuation of the trend observed over the last three months due to the onset of the main harvest season for these commodities.

Year-on-year price changes mostly showed an upward trend, with some fluctuations in the price of a few commodities. A sharp rise in the price of coarse rice and sugar by more than 16 percent was reported, while a relatively sharp decline was observed in the price of soybean oil. An increase in the price of rice (coarse), milk and apples (over 10 percent) was reported. A marginal decline was reported in the price of oranges, tomatoes and cabbage (over 2 percent).

Retail prices in major provincial markets monitored in December 2023 showed some regional disparities. A relative overall decline in the price of most food commodities was reported in Madhesh, Gandaki and Lumbini provinces, while a marginal increase was reported in Bagmati, Karnali and Sudurpaschim provinces. However, certain commodities increased in price across most provinces, including chickpeas and eggs.

Table 1: Average retail price and price trends, Dec 2023

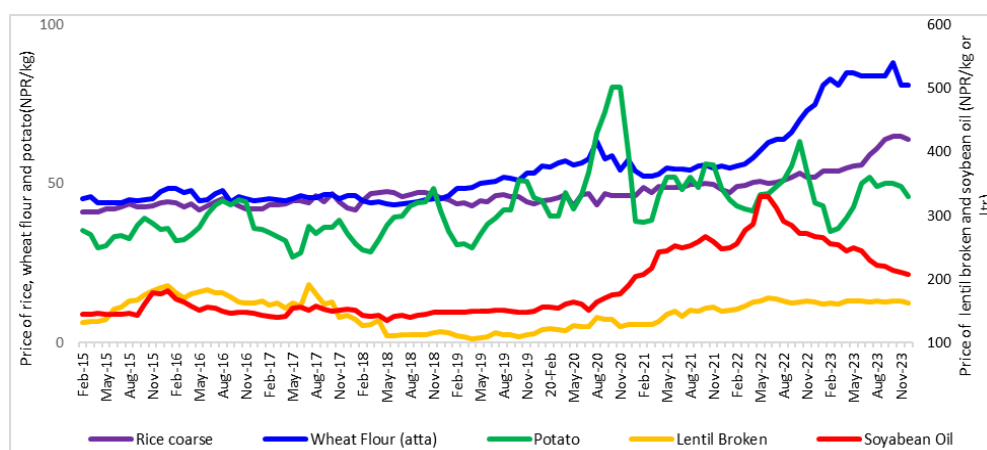
Commodity	NPR (kg or ltr or doz)	1 month	3 month	1 year
Rice coarse	64	-1%	0%	26%
Rice (Sona mansuli)	84	-1%	0%	10%
Wheat flour (atta)	81	1%	-3%	8%
Lentil broken	162	-2%	-1%	-1%
Chickpea	132	1%	2%	-1%
Sugar	112	-3%	2%	16%
Soyabean oil	208	-1%	-5%	-22%
Chicken meat	407	-3%	-10%	1%
Egg	19	3%	0%	5%
Milk	108	0%	0%	11%
Red potato	46	-7%	-8%	3%
Cabbage	47	-12%	-21%	-2%
Tomato	58	-20%	-41%	-3%
Apple	289	0%	1%	12%
Banana	115	-4%	-7%	2%
Orange	123	-18%	-51%	-2%

Inflation as measured by Consumer Price Index (CPI) increased by 4.95 percent year-on-year (y-o-y) and decreased by 1.36 percent month-on-month (m-o-m) in December 2023. The CPI of **food and beverages** was 5.1 percent y-o-y and -3.08 percent m-o-m (Source: Nepal Rastra Bank).

Fuel price, one of the largest contributors to food prices through transportation and production costs, decreased by 2 percent for petrol and diesel compared to November 2023, continuing the declining trend compared to November 2022 (Source: Nepal Oil Corporation).

Exchange rate of NPR against USD increased by 0.1 percent m-o-m in December 2023 and increased by 0.9 percent y-o-y.

Figure 1: Price of food commodities (January 2015 – December 2023)



PURCHASING POWER

Compared to November 2023, the purchasing power of daily wage laborers declined marginally in the mountains and hills and increased in the Terai, and overall remained relatively low, particularly in areas with a relatively high prevalence of food insecurity.

A daily wage laborer could purchase 8.9 kgs of medium rice in the mountains, 9.2 kgs in the hills and 10 kgs in the Terai from their daily wage in December 2023, compared to 9.1, 9.9 and 9.6 kgs, respectively, in November 2023. The decline in purchasing power mainly in the mountain and hills could be due to a relative decrease in employment opportunities with the start of the lean season, while in the Terai the increase is mostly due to a decrease in the price of rice compared to the daily wage.

At the provincial level, a daily wage laborer could purchase 10.7 kgs and 10.4 kgs of medium rice with a day's wage in Koshi and Lumbini provinces, respectively, and only 8.2 kgs and 8.6 kgs of rice in Sudurpaschim and Karnali provinces.

The provincial difference in purchasing power is mostly attributed to variations in the price of food commodities compared to wage rates due to relatively low competition and high transportation costs in remote areas, including the mountain regions.

COST OF THE FOOD BASKET

Overall, the cost of the food basket marginally declined compared to November 2023, however, remained relatively high in the traditionally food insecure regions due to higher transportation costs and lower availability of food.

In line with the observed changes in retail prices, the cost of the food basket (consisting of rice, pulses, oil, eggs and vegetables) was NPR 86.2 per person per day, 0.2 percent lower than in November 2023 (NPR 86.2) and 17.7 percent higher than April 2022 (NPR 73.2), the reference month for the food basket.

The cost of the food basket in Karnali Province¹ remained high at NPR 103.1 per person per day— a decline of 0.2 percent from November 2023, and 19.6 percent higher than the national average (Table 2). The cost of the food basket was lowest in Madhesh Province (NPR 76.9), followed by Lumbini Province (NPR 83.3).

The persistent high cost of the food basket, coupled with low purchasing power and limited employment opportunities, is a major concern in areas with a high prevalence of food insecurity and malnutrition, in particular Karnali Province and the mountain belt, as it can lead to limited access to essential food commodities and impact food and nutrition security.

Table 2: Cost of the food basket

Items	Grams (person/day)	Kcal	Cost / person / day (NPR) in Nepal April 2022	Cost / person / day (NPR) in Nepal December 2023	Cost / person / day (NPR) in Karnali December 2023
Rice white, medium grain	350	1,260	22.75	29.3	36.8
Lentils	90	309	13.95	14.6	16.6
Soybean oil	35	309	8.40	7.3	7.8
Egg	60	86	14.00	18.6	20.0
Sugar	35	135	2.80	3.9	5.0
Iodized salt	5	0	0.10	0.1	0.2
Milk, cow	100	61	8.50	10.9	14.4
Leaves, dark green e.g. broad mustard leaves	30	7	2.70	1.4	2.4
Total		2,167	73.2	86.2	103.1

¹ Calculations for the cost of the food basket in Karnali Province excludes Dolpa and Humla districts.

² The cost of food basket was updated in April 2022 and is taken as reference for this period.

OUTLOOK

Food prices, mainly for staple foods, vegetables and fruit, are likely to remain stable or decline with a steady demand and smooth supply of goods in the market in the coming month. The winter crop harvest in the mountain belt is expected to be favorable due to snow fall occurring by the end of December. Rainfall for January 2024 is expected to be normal in most parts of the country, with up to 40 percent probability of rainfall, which does not indicate a very positive outlook for winter crops such as wheat.

METHODOLOGY

WFP Nepal regularly monitors and conducts market surveys using the mobile Vulnerability Analysis and Mapping (mVAM) method. This market survey was conducted in the fourth week of November 2023 across the country with the aim of monitoring the prices of food and non-food commodities and assessing the impact of any market and supply chain disruptions.

In December 2023, 40 traders from 32 districts were interviewed both through the telephone and face-to-face. The information assessed includes availability of food and non-food items, demand and supply, transportation costs, demand for and wage rates for unskilled labor and retail prices of basic food items. The information on prices was reported directly by the traders, and therefore may not reflect the market price or the actual transaction value. To calculate purchasing power, the ratio between average minimum daily wage rate and the price of medium rice is compared, a method commonly used for estimating purchasing power as a terms of trade.

Table 3: Average retail price of essential commodities by province, December 2023

Commodities	Koshi	Madhesh	Bagmati	Gandaki	Lumbini	Karnali	Sudurpaschim
Apple	308	180	309	269	313	280	300
Banana	99	80	121	128	108	169	104
Blackgram	196	201	195	208	181	204	204
Cabbage	40	34	41	58	54	49	38
Carrot	76	75	69	85	78	114	88
Chicken meat	463	285	379	400	362	509	468
Chickpeas	139	125	133	134	125	153	135
Egg	19	16	19	19	19	20	19
Fish	413	325	358	472	388	788	400
Green leaves (<i>rayo sag</i>)	40	35	20	30	35	99	52
Lentil broken	158	143	151	163	153	186	174
Market wage of unskilled labour	813	725	725	788	850	900	750
Milk	88	95	108	106	96	146	98
Mustard oil	253	220	224	251	203	300	274
Orange	138	119	110	113	108	133	112
Peanut	211	220	230	218	209	544	250
Peas	174	143	169	159	137	155	146
Pumpkin (yellow)	40	50	57	80	41	65	38
Red potato	44	43	40	48	39	54	48
Rice (<i>Sona mansuli</i>)	76	74	84	90	82	105	91
Rice coarse	64	60	65	67	60	72	67
Salt	26	24	21	21	22	35	25
Soyabean oil	208	200	205	209	205	223	216
Sugar	108	89	115	108	112	145	114
Tomato	50	40	43	49	56	94	74
Wheat flour (<i>atta</i>)	88	79	85	80	79	96	77

Note: Red color indicates the highest price, while dark green indicates the lowest price of a commodity.

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