

Enhancement of Food Security and Resilient Livelihoods Programme (EFRLP)

برنامج تحسين الأمن الغذائي وصمود سبل العيش

Brief Update on the impact of rapid depreciation of Local Currency (YER) against US dollar on the Prices of Essential Food and Fuel Commodities¹

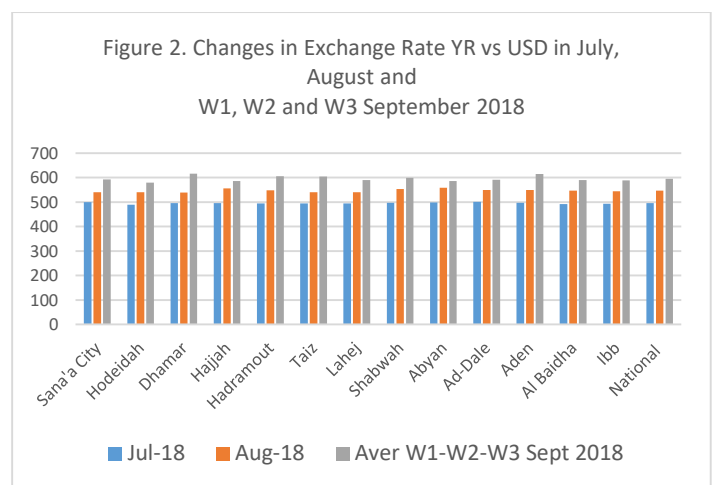
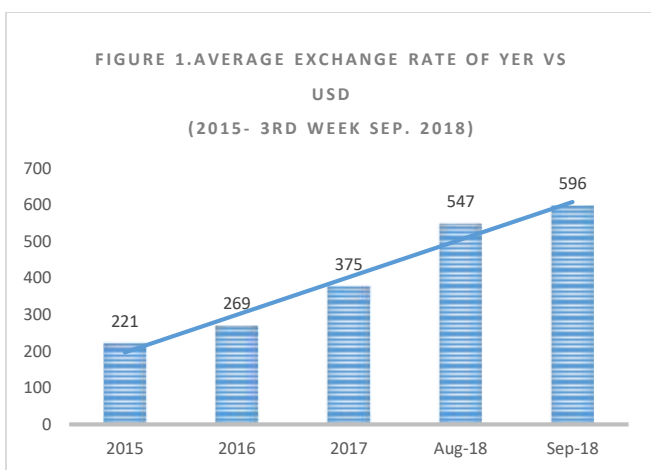
20th September 2018

Summary:

This update is a supplementary brief provided to serve as early warning to various stakeholders highlighting the latest impact of the ongoing fall in exchange rate of the local currency value against foreign currencies in particular to US dollar. Prices of imported and processed commodities such as sugar, wheat, rice, cooking oil and fuel, cooking gas continued with an upward trend at a much steeper rate in the past three weeks of September, following the fast depreciation, due to market factors including trader's prices increase to match the YER value losses. For a country dependent for more than 90 % import requirements coupled with the fast depreciation of the currency will continue to worsen the livelihoods and food security of the population at famine risk. The escalated conflict in the main port of Hodeidah which handle more than 60-70 % of the import will further constrain availability and escalate the prices of essential commodities coupled with the currency depreciation. It is also important to note that, the nominal wage and income of the Yemenis further deteriorated while the commodity prices in 2nd week of September 2018 increased by 100% on average for the minimum food basket compared to pre-crisis prices in February 2015. Besides, the rapid depreciation of the currency, scarcity and the rise in nominal price of fuel will further push upward the prices of all commodities (imported and locally produced) through inflated transport costs.

Currency depreciation:

Over the years, the value of the Yemeni Rial (YER) has been on a downward trend against the foreign currencies. The unofficial exchange rate (buying rate) and prices of essential food commodities and fuel are collected from key markets within main capital cities and towns in 13 governorates (Abyan, Aden, Al Baidha, Ad-Dale, Al Hodeida, Dhamar, Hadramout, Hajjah, Ibb, Lahej, Shabwa, Sana'a City and Taiz). The exchange rate still continued showing increasing trend in the third week affecting the price fluctuations and increase on essential commodities compared to August 2018. At Governorate level, Aden, Hadramout (Mukalla), Ad-Dale and Hodeidah had the highest increase in exchange rate by 13%, and 12% respectively, followed by Sanaa City, Taiz, Lahej and Shabwah with an increase of 11% compared to the average exchange rates in August 2018. Hadramout and Aden are the most affected governorates during the third week of September 2018.



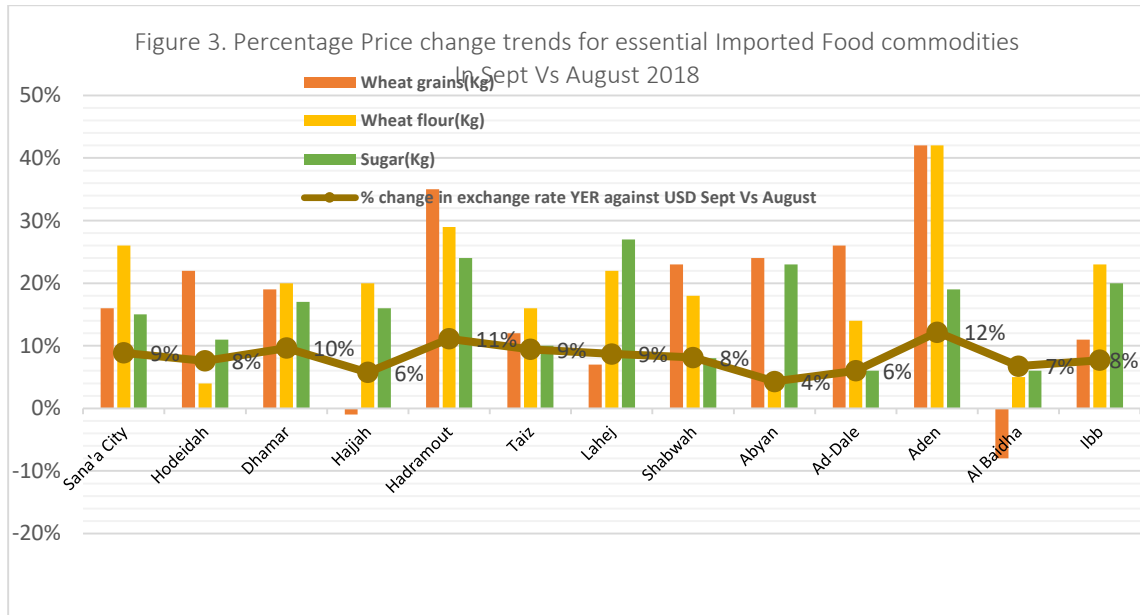
¹ The prices data and information is collected by FAO led Enhancement Food Security and Resilient Livelihoods Programme (EFRLP) targeted Governorates through the Governorate Focal Units (GFU) and Food Security Technical Secretariat (FSTS) of MoPIC

Enhancement of Food Security and Resilient Livelihoods Programme (EFRLP)

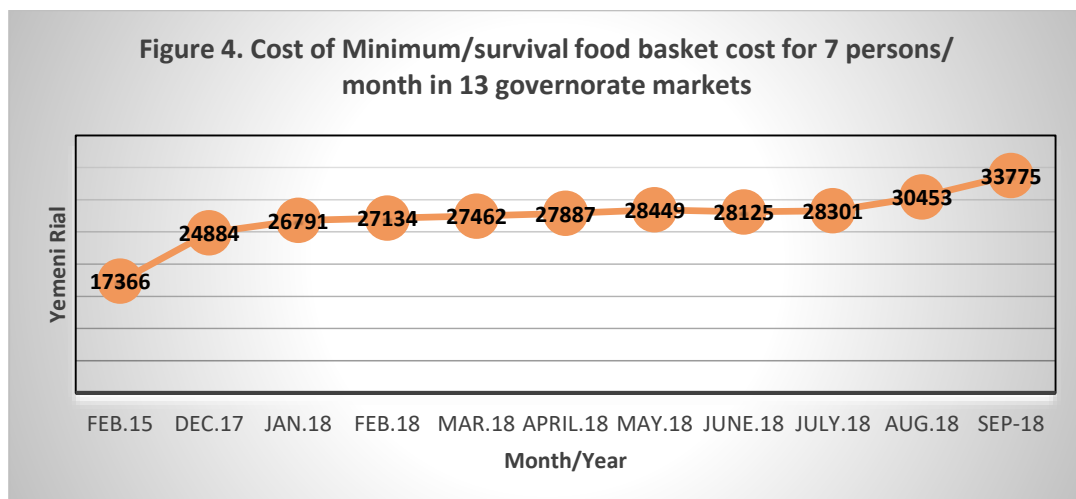
برنامج تحسين الأمن الغذائي وصمود سبل العيش

Impact of Exchange rate on the Prices of key commonly consumed Imported Food Commodities

The different data collected from 13 governorates correlate with the changes in the exchange rate value of Yemeni Rial and the rise in the prices of basic food commodities. It should also be noted, the nominal prices are not only influenced by devaluation of YER but also by general security situation in the country and within the governorate, absence of official controls and price manipulation by traders (like hoarding, strikes etc.) and the political agenda of different parties/players. Governorates of Hadramout, Aden, Dhamar, Abyan, Hodeida and Shabwah are the most affected, followed by Ad-Dale and Ibb. A number of basic food items disappeared in the markets such as imported and locally processed cooking oil in Ad-Dale.



Cooking gas in Hajjah, Diesel, Petrol and Cooking Gas in Al Baidha. Markets in Hadramout recorded the highest increase of 96% for imported cooking oil and 35% for wheat grains. Similarly, the highest price increase for wheat grains was recorded in Aden (42%) followed by 22 in Hodeidah. Generally, wheat flour rose by over 40% in Aden, 29% in Hadramout 26% in Sana'a City and by equal 20% in Dhamar and Hajjah Governorates. The following graph shows the average cost of minimum food basket for a family of 7 persons per month in the 13 monitored markets.



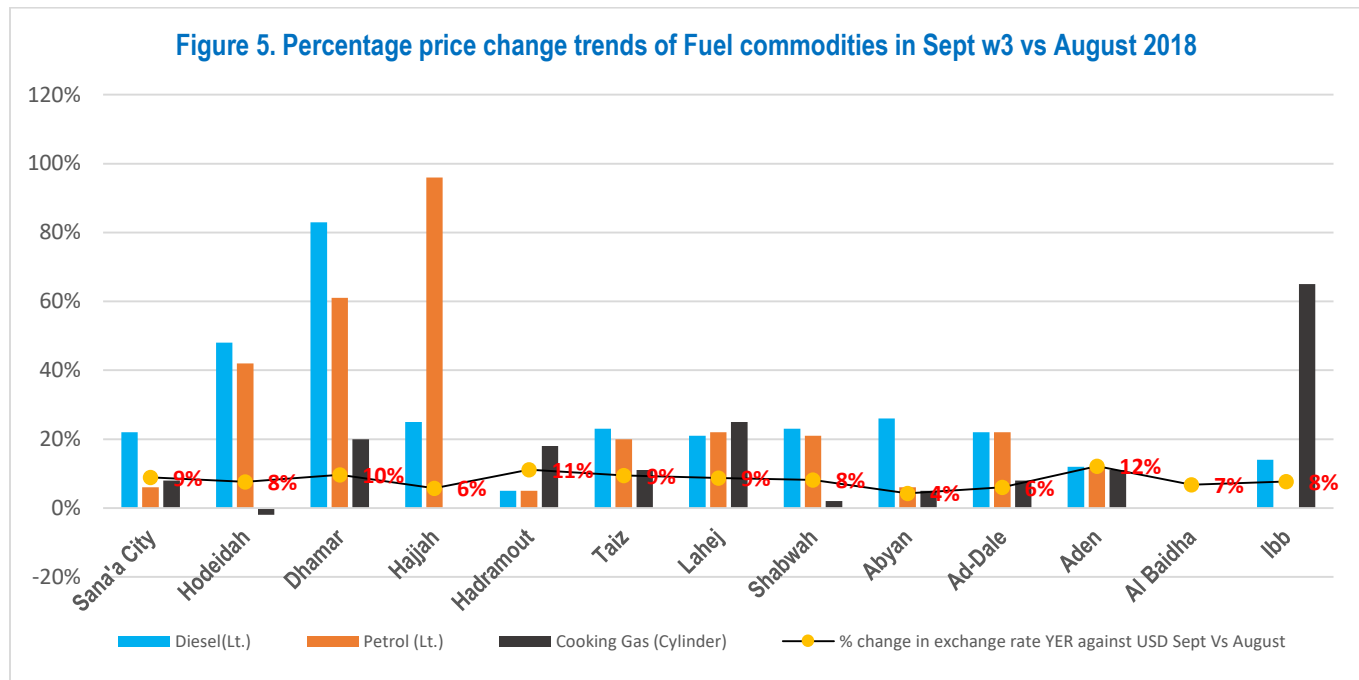
Enhancement of Food Security and Resilient Livelihoods Programme (EFRLP)

برنامج تحسين الأمن الغذائي وصمود سبل العيش

Although some governorates had few products with decreased prices like nearly 8% decrease in wheat grains in Al Baidha, the general trend is upward price increases. Figure two below shows percentage trends in price fluctuations in third week of September compared to the average prices in August 2018 with a line showing the percentage loss of value of YER against US dollar

Impact of Exchange Rate on the Prices of Fuel Commodities

Shortages and scarcity of diesel was reported in all monitored governorates and it was unavailable in Al Baidha. The price trend showed significant increase across the 13 governorate markets. The highest increase of 83% was recorded in Dhamar followed by 48% in Hodeidah, 26% in Abyan and by above 20% in Ad-Dale, Lahej, Hajjah, Sana'a City, Taiz and Shabwah. Petrol prices followed the same trend, where it rose in most the targeted governorates, with the highest increase of 96% in Hajjah, followed by 61% in Dhamar, 42% in Hodeidah and by above 20% in Lahej, Shabwah and Ad-Dale. The highest price of cooking gas was registered in Ibb an increase of 65% and by 25% in Lahej that was due to acute shortage of the supply in the market.



The other governorates with higher increase in cooking gas were Dhamar, Hadramout, Taiz and Aden governorates respectively with percentage price increase of 20%, 18% and 11% respectively. Generally, prices of cooking gas had minimal changes compared to the trends of other commodities and even some governorates recorded slight decrease. Figure 2 above summarizes prices changes across governorates in the third week of September 2018 compared to average prices in August 2018; the line shows the percentage change of YER against US dollar.

For more information, please contact: Mr. Belihu Negesse: Chief Technical Advisor (CTA) FAO - EFRLP/FSIS- email: Belihu.Negesse@fao.org
Dr. Abdul Wahed Mukred Head of FSTS/MoPIC: dr.abdulwahedmukred@gmail.com