



Issue No. 28  
September 2018

# YEMEN Market Watch Report

## Highlights

- The Yemeni Riyal further weakened in September 2018, and continued to go down sharply in the first two weeks of October 2018, losing over 200% of its pre-crisis purchasing power.
- In-country food stocks are estimated at 1.244 million MT as of October 2018. Wheat stock may cover the national requirement for about two and half months, rice for one and half months while vegetable oil may last only for two weeks. Fuel commodities (petrol and diesel) continued to be scarcely available. Al Hudaydah suffers the most from scarcity of commodities in the markets due to the intensification of fighting.
- Retail prices of food commodities increased by 9%-17% in September 2018 compared with those in August, and 65%-136% higher than in pre-crisis period. National average fuel prices rose by about 23-41% from August 2018; and 101-232% higher in September 2018 than those recorded in the pre-crisis period.
- The average cost of the monthly minimum food basket in September 2018 rose by 15% from August, and 110% higher than in pre-crisis time.
- The Alert for Price Spikes (ALPS) indicators for all basic food items and the cost of food basket remained at their crisis levels in September 2018.

## Macroeconomic situation

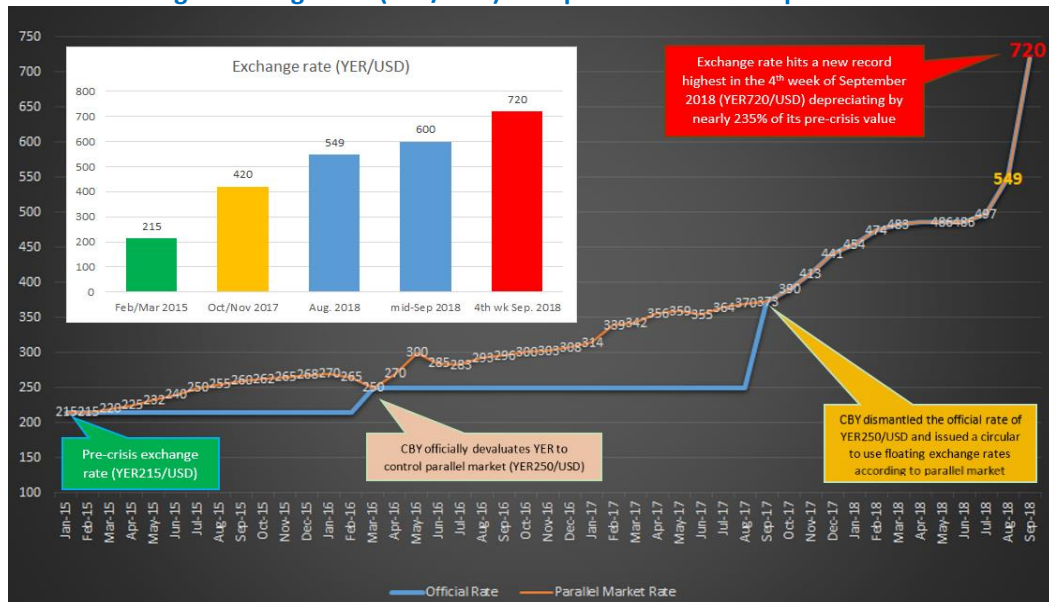
The multi-faceted impacts of the ongoing prolonged war in Yemen caused unprecedented humanitarian crisis in the country, labelled as the worst human-made disaster in the modern history of the world. The macroeconomic situation has severely deteriorated partly due to plummeted national revenue from exports and other sources of the GDP. Consequently, most of the basic social services have been collapsed and the well-being of millions of Yemenis have been seriously compromised.

The currency crisis driven by the rapid depreciation of Yemen Riyal further complicated the dire humanitarian situation in the country. The national average exchange rate in September

was about 630YER/USD, while it had reached to 720YER/USD during the last week of the month (Chart 1). It further dropped sharply to 800YER/USD in the first week of October 2018, and stabilized at about 730YER/USD during the second week of October. The exchange rate recorded in the last week of September was 70% lower than last year and the Yemeni Riyal purchasing power gone down by 235% from the pre-crisis time.

During the month of reporting, governorates such as Ibb, Al Mahweet, Sana'a City, Abyan, Ad Dale, and Hajja have had worse exchange rates than the national average (Chart 1). Weekly trends are presented in Annex 2 covering the period between the first week of October 2017 to second week of October 2018.

Chart 1: Average exchange rate (YER/USD) in September 2018 and previous months



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## Food and fuel supply and availability

As of mid-August 2018, the quantity of in-country available stock of food commodities was approximately estimated at around 1.244 million MT of which 651,844MT of wheat (grain/flour); 50,175MT of rice; 68,061MT of sugar; 8,332MT of vegetable oil; 95,932MT of dry pulses; and about 370,000MT of various types of canned beans and other food items. As of October 2018, the in-country available stock of wheat commodities expected to cover the national requirement for about two and half months, the quantity of rice sufficient nearly for a month and half months and that of sugar for about four months. However, the estimated amount of vegetable oil would only last in two weeks. Nonetheless, most of the essential food items are abundantly available in all governorates except in Al Hodieda where basic commodities are scarcely available due to the escalation in fighting which, has disrupted the markets and movements of traders and commodities.

On the other hand, fuel commodities continued to be in short supply and scarcely available in local markets across most of the governorates of Yemen (Table 1). During the first two weeks of September 2018, the scarcity of diesel and petrol has led to long queues of cars for several hours and days in most fuel stations across several parts of the country including the capital, Sana'a City. The situation for cooking gas was even worse in many parts of the country.

**Table 1: Availability of basic commodities during current month (September 2018) and previous months**

Availability Analysis on Monthly Averages (Comparison with previous periods)																															
		Current Month							Previous Month							3 Months Ago															
Commodity / Governorate		Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas	Diesel	Petrol	Commodity / Governorate		Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas	Diesel	Petrol	Commodity / Governorate		Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas	Diesel	Petrol		
Abyan		AV	AV	AV	AV	AV	AV	SAV	SAV	Abyan		AV	AV	AV	AV	AV	AV	AV	WAD	WAD	Abyan		AV	AV	AV	AV	AV	AV	AV	WAD	WAD
Addaleh		AV	AV	AV	AV	AV	AV	SAV	SAV	Addaleh		AV	AV	AV	AV	AV	AV	AV	SAV	SAV	Addaleh		AV	AV	AV	AV	AV	AV	AV	SAV	SAV
Aden		AV	AV	AV	AV	AV	AV	SAV	SAV	Aden		AV	AV	AV	AV	AV	AV	AV	SAV	SAV	Aden		AV	AV	AV	AV	AV	AV	AV	SAV	SAV
Al Baidha		AV	AV	AV	AV	AV	AV	NA	MNA	Al Baidha		AV	AV	AV	AV	AV	AV	AV	SAV	SAV	Al Baidha		AV	WAD	AV	AV	AV	AV	MNA	SAV	
Al Hodieda		SAV	SAV	AV	SAV	SAV	SAV	SAV	SAV	Al Hodieda		SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	Al Hodieda		WAD	WAD	AV	WAD	WAD	SAV	SAV	SAV	
Al Jawf		AV	AV	AV	AV	AV	AV	WAD	WAD	Al Jawf		AV	AV	AV	AV	AV	AV	AV	AV	AV	Al Jawf		AV	AV	AV	AV	AV	AV	AV	AV	
Al Mahra		AV	AV	AV	AV	AV	AV	WAD	WAD	Al Mahra		AV	AV	AV	AV	AV	AV	AV	AV	AV	Al Mahra		AV	AV	AV	AV	AV	AV	AV	AV	
Al Mahweet		AV	AV	AV	AV	AV	SAV	SAV	SAV	Al Mahweet		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Al Mahweet		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Amran		WAD	AV	AV	AV	WAD	SAV	SAV	SAV	Amran		AV	AV	AV	AV	AV	SAV	SAV	SAV	Amran		AV	AV	AV	AV	AV	SAV	SAV	SAV		
Dhamar		WAD	WAD	AV	AV	WAD	SAV	SAV	SAV	Dhamar		AV	AV	AV	AV	AV	SAV	SAV	SAV	Dhamar		AV	AV	AV	AV	AV	SAV	SAV	SAV		
Hadramout		AV	AV	AV	AV	AV	AV	SAV	SAV	Hadramout		AV	AV	AV	AV	AV	AV	SAV	SAV	Hadramout		AV	AV	AV	AV	AV	AV	SAV	SAV		
Hajja		WAD	WAD	AV	WAD	WAD	SAV	SAV	SAV	Hajja		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Hajja		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Ibb		WAD	WAD	AV	AV	WAD	SAV	SAV	SAV	Ibb		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Ibb		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Laheg		AV	AV	AV	AV	AV	AV	SAV	SAV	Laheg		AV	AV	AV	AV	AV	AV	AV	WAD	WAD	Laheg		AV	AV	AV	AV	AV	AV	WAD	WAD	
Mareb		AV	AV	AV	AV	AV	AV	WAD	WAD	Mareb		AV	AV	AV	AV	AV	AV	AV	AV	AV	Mareb		AV	AV	AV	AV	AV	AV	AV	AV	
Rayma		WAD	AV	AV	AV	WAD	SAV	SAV	SAV	Rayma		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Rayma		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Sa'ada		WAD	WAD	AV	AV	WAD	SAV	SAV	SAV	Sa'ada		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Sa'ada		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Sana'a		WAD	WAD	AV	AV	WAD	SAV	SAV	SAV	Sana'a		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Sana'a		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Sana'a city		WAD	WAD	AV	WAD	WAD	SAV	SAV	SAV	Sana'a city		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Sana'a city		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Shabwa		AV	AV	AV	AV	AV	SAV	SAV	SAV	Shabwa		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Shabwa		AV	AV	AV	AV	AV	SAV	SAV	SAV	
Soqatra		SAV	AV	AV	NA	AV	SAV	SAV	SAV	Soqatra		AV	AV	AV	NA	AV	AV	SAV	SAV	SAV	Soqatra		AV	AV	AV	NA	AV	SAV	SAV	SAV	
Taiz		WAD	WAD	AV	WAD	WAD	SAV	SAV	SAV	Taiz		AV	AV	AV	AV	AV	AV	SAV	SAV	SAV	Taiz		AV	AV	AV	AV	AV	SAV	SAV	SAV	

AV Available  
WAD Widely Available  
SAV Sparsely Available  
MNA Mostly Not Available  
NA Not Available

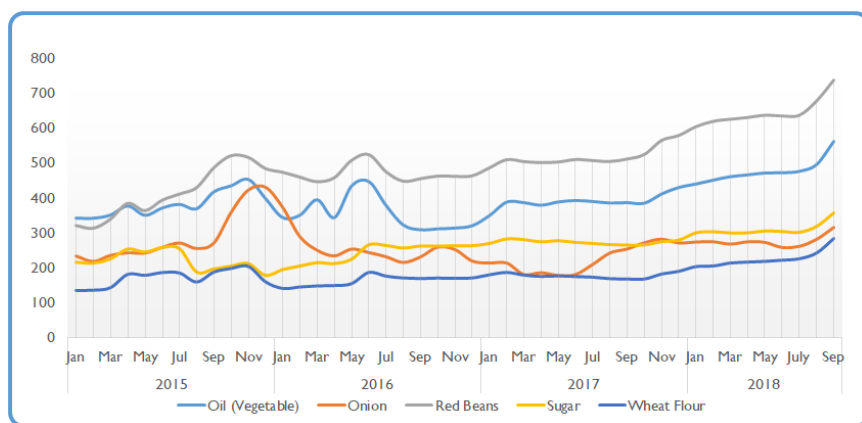
AV Available  
WAD Widely Available  
SAV Sparsely Available  
MNA Mostly Not Available  
NA Not Available

AV Available  
WAD Widely Available  
SAV Sparsely Available  
MNA Mostly Not Available  
NA Not Available

## Retail prices of food commodities and cost of minimum food basket

The sudden unprecedented currency crisis in September 2018 has quickly led to sharp increase of prices of essential commodities across most parts Yemen. Although prices of food commodities have steadily been growing in the previous months, the spikes observed since September 2018 has mostly been associated with the currency crisis.

**Chart 2: Price trend of main food commodities (YER/Unit)**

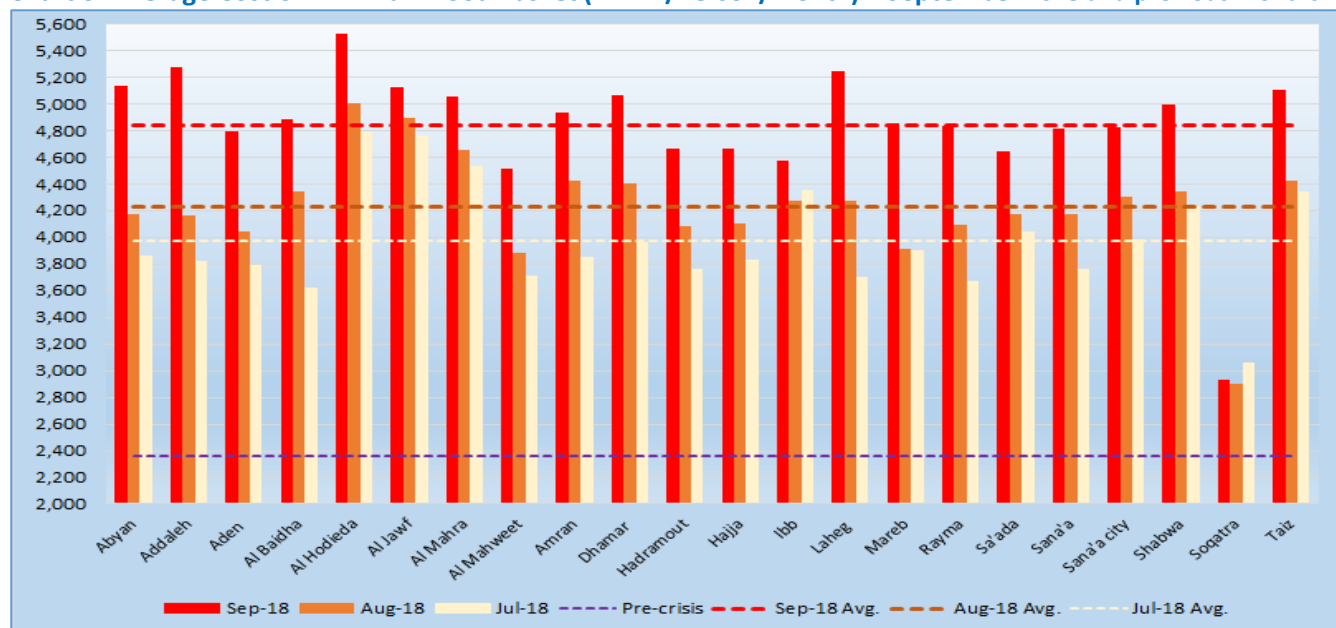


In September 2018, the national average retail prices of wheat flour, red beans, sugar, and vegetable oil sharply increased by 17%, 9%, 12% and 13%, respectively, compared with the prices recorded in August. Moreover, the prices of those same basic food items were 107%, 136%, 67%, and 66%, respectively, higher than in pre-crisis period (Chart 2). Compared to last year, prices of food commodities in September rose by 42%-85%.

The rapidly increasing prices of food commodities was largely attributed to the currency crisis coupled with other reasons that reportedly include increased transportation costs due to shortages and high prices of fuel; movement restrictions and insecurity associated with the ongoing escalated conflicts that led to further disintegration of markets; double taxation of commodities; lack of foreign currency in banks and heavy reliance of importers on parallel foreign exchange markets; lack of credits for traders and dysfunctionality of banking systems; and the rapid depreciation of the Yemeni Riyal. Governorates including Hodieda and Sa'ada that are experiencing intensified conflicts continued to suffer the most from soaring prices of basic commodities. More geographical details are presented in Annexes 1, 2, 3, and 4.

Following the steep rise in the prices of basic food commodities, the national average monthly per capita cost of minimum food basket gone up by about 15% between August and September (increased from 4,229YER in August to 4,840YER in September 2018). The cost of the minimum food basket during the last week of September and first two weeks of October 2018 further worsened (over 5,000YER). The cost of food basket in September 2018 was nearly 60% more expensive than last year and about 110% higher than in the pre-crisis period. The cost of minimum food basket significantly exceeded the national average in Al Hodieda, Ad Daleh, Laheg, Abyan, Al Jawf, Al Mahra, Taiz, Amran, Shabwa, and Dhamar governorates, suggesting that markets in those governorates became more disintegrated than the previous months due to challenges of movements of traders and essential goods (Char 3).

**Chart 3: Average Cost of Minimum Food Basket (in YER/Person/month) – September 2018 and previous months**

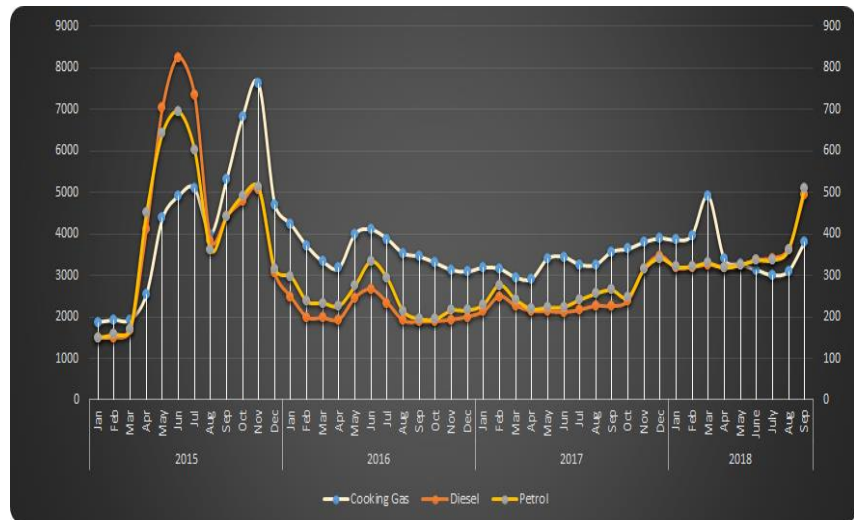


## Retail prices of fuel

In September 2018, the prices of all types of fuel commodities significantly increased compared with the previous month. Just in one month time (between August and September 2018), the national average prices of cooking gas, diesel and petrol rose by 23%, 36%, and 41%, respectively. Moreover, the national average prices of cooking gas, petrol, and diesel in September 2018 were 101%, 232%, and 222%, respectively, higher than in pre-crisis period (Chart 4). Main reasons for scarcity and soaring prices of fuel include low level of imports, currency crisis, and poor supply.

As a result of the severe scarcity of fuel commodities across most of the governorates, prices of fuel rose sharply in most markets, particularly those with escalated and intensified conflicts such as Hodieda, Sa'ada, Hajja, and Sana'a as well as other neighboring areas are suffering from highest prices (Annexes 2, 3, and 4 contain more details). Since the second half of September, long queues of car observed in fuel stations in Sana'a City.

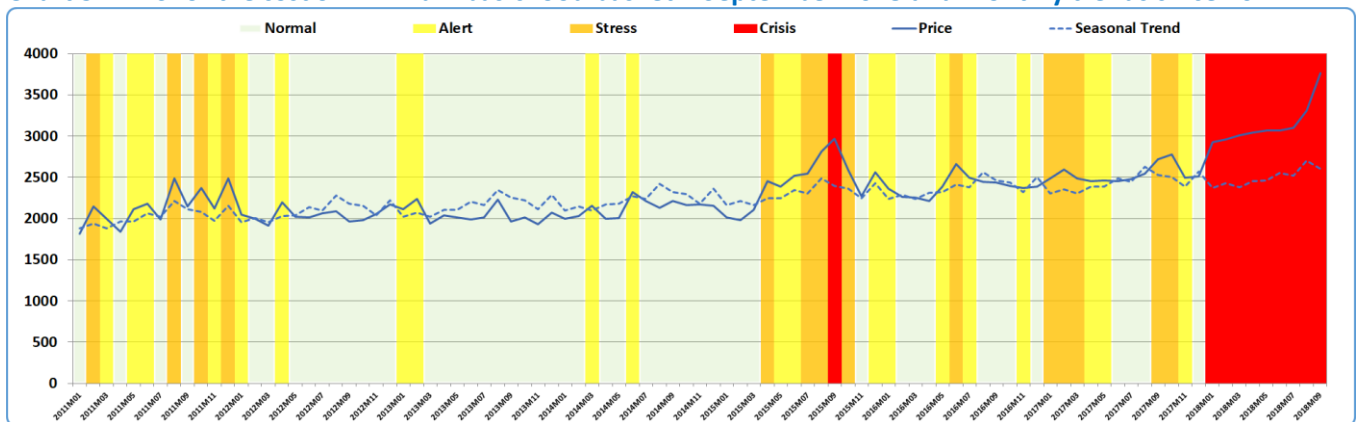
Chart 4: Price Trend of fuel commodities (YER/Unit)



## Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) indicator developed for each of the basic food commodities in Yemen using historical market data on the monthly national averages from January 2011 to September 2018. The results of the ALPS analysis reflect the changes in the prices and availability of essential food commodities as well as the cost of the minimum food basket. According to the results of the analysis for the month of September 2018, the ALPS indicators for all the basic food commodities (wheat flour, vegetable oil, red beans, and sugar) continued to be on crisis level since the beginning of the year. As a result of persistently worsening situation on those indicators coupled with the rapidly rising prices of food commodities in the past few months, the ALPS indicator for the monthly cost of the minimum food basket has remained at its crisis level since January 2018 (Chart 5).

Chart 5: ALPS for the cost of minimum basic food basket – September 2018 and monthly trends since 2011



For methodological notes related to the ALPS, please refer our previous reports.

Due to the multi-dimensional impacts of high/rising prices of basic commodities and lack/diminishing of income sources coupled with the rapidly deteriorating purchasing power of Yemeni Riyals and exhaustion of coping strategies, millions of Yemenis who have been struggling to sustain their needs may likely fall down to seek external assistance, while those living on humanitarian assistance may like to face famine without humanitarian aid.

## Imports and market supply outlook

Yemen largely relies on import of food and fuel to meet their needs. More than 20 million Yemenis rely on the markets to meet their food and fuel needs. The central bank of Yemen needs to provide letters of credits to the importers of food and fuel on a timely basis to facilitate imports at official exchange rates and that these importers do not have to use the money exchangers for meeting their dollar requirements and expose YER to risk of speculation.

Purchasing power of people is diminishing with time, prices are going up and this will create a situation where the importation of food may start going down – less demand and high prices mean that importers will bring less food. This will have an adverse impact on the market availability in general. Delays in issuing letters of credit by central bank of Yemen for food and fuel commodities will have a great impact on the availability in the market.

At the same time, Decree 75 has been passed by GoY which prohibits entry of 5 basic food items and fuel commodities into Yemen if this is not imported through letters of credit. Heavy congestion of containerized cargo at the port of Aden and containerized shipping lines not calling on port of Hudaydah will have a serious impact on availability and prices of other commodities such as oil, sugar, pulses etc.

For instance, one trader reportedly lost 2.5 million dollars recently when his LC was refused and he could not make alternate payment arrangements as his funds were tied up as part of the deposit paid for LC application. The company he procured the vessel from decided to impose penalties when he could not provide the LC and could not pay the money.

The ongoing tension between the authorities and money changers and banks could have further negative consequences on availability of foreign exchange. The delay in issuance of LCs means that working capital of importers is tied up with central bank of Yemen.

Furthermore, the Aden port congestion should be immediately resolved to ensure that importers do not lose money, incur huge demurrages that they will pass on to the consumers and perishable items are not lost while waiting for clearances. The GoY and decision makers in Sanaa need to work on strategy for enforcing rules that prevent profiteers and hoarders from increasing prices and creating black market through hoarding. Further, the informal taxation across the different routes need to be examined and removed if the burden on consumer is to be reduced

Annex 1: Graphs on weekly trends of prices of selected basic food commodities

Chart 6: Retail prices of wheat flour (YER/Kg) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018

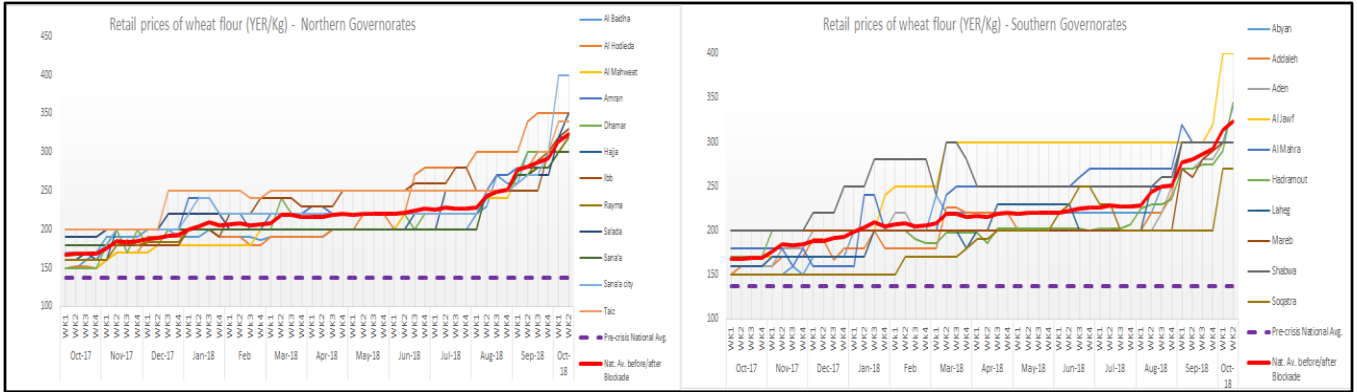


Chart 7: Retail prices of red beans (YER/Kg) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018

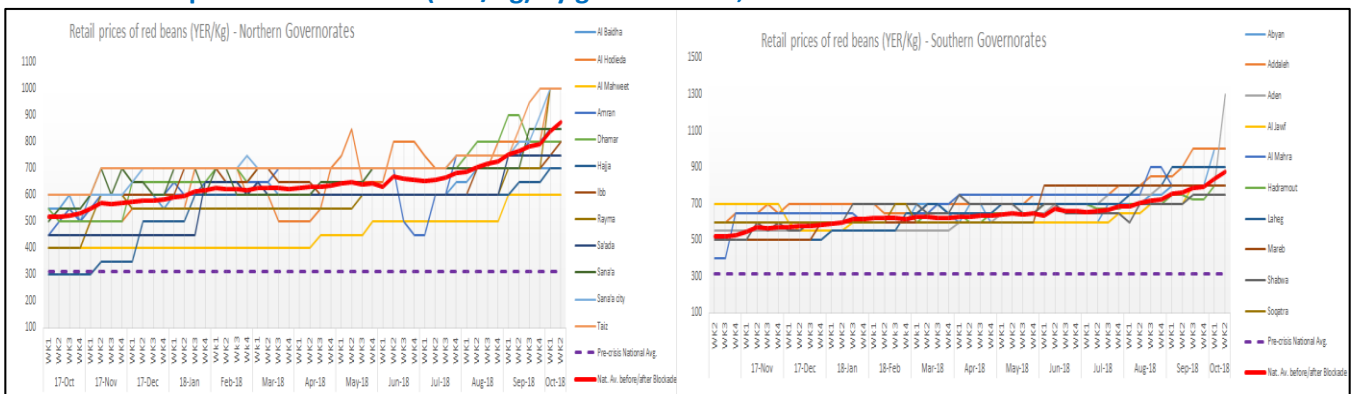


Chart 8: Retail prices of veg. oil (YER/L) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018

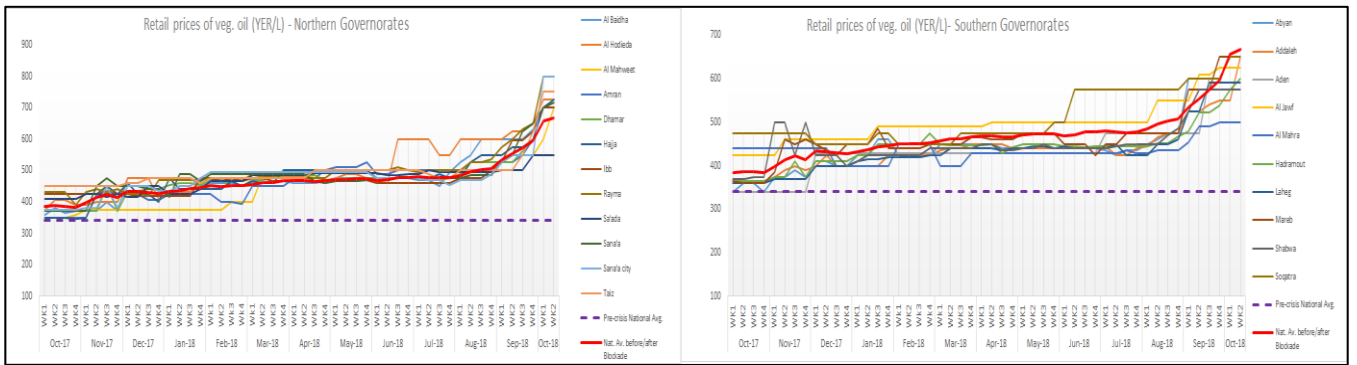
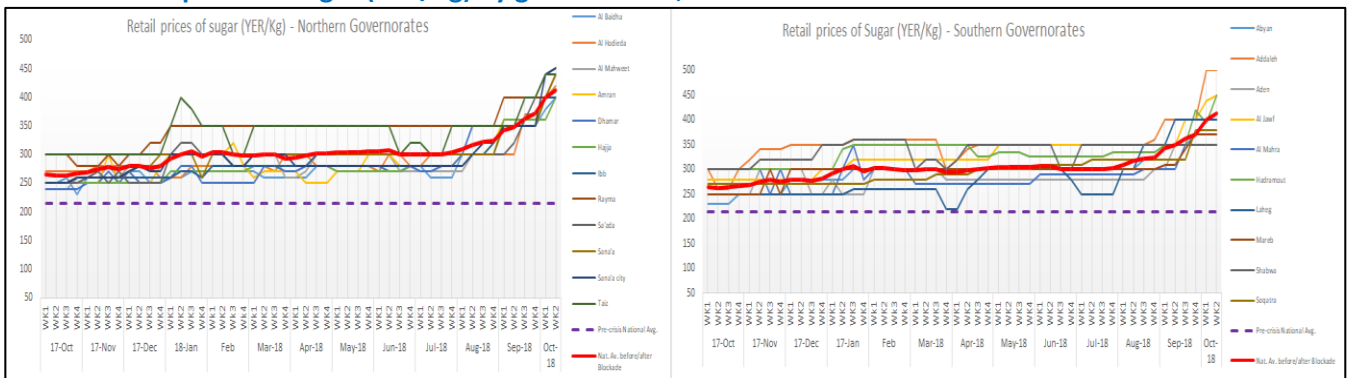


Chart 9: Retail prices of sugar (YER/Kg) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018



Annex 2: Graphs on weekly trends of prices of fuel commodities and exchange rates

Chart 10: Retail prices of cooking gas (YER/18Kg) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018

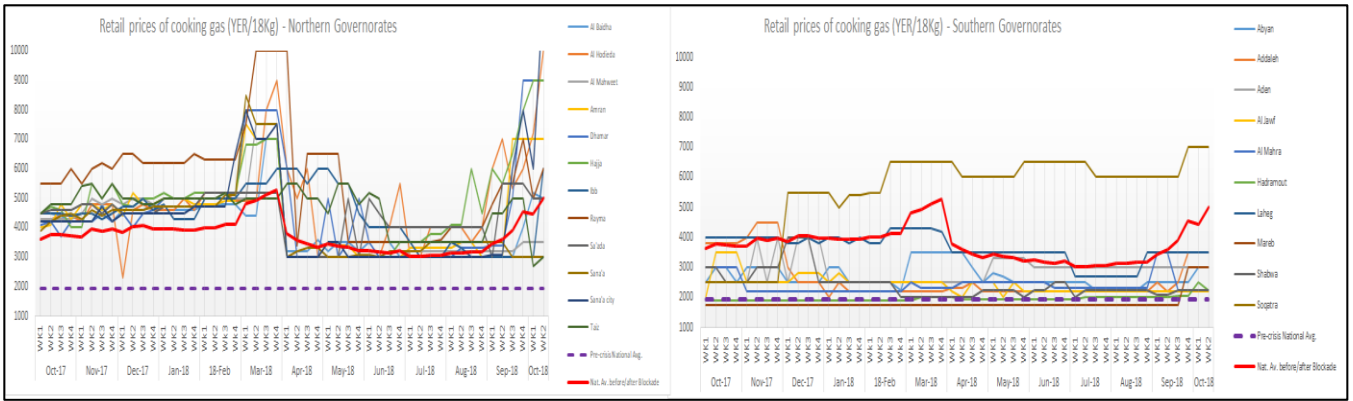


Chart 11: Retail prices of diesel (YER/L) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018

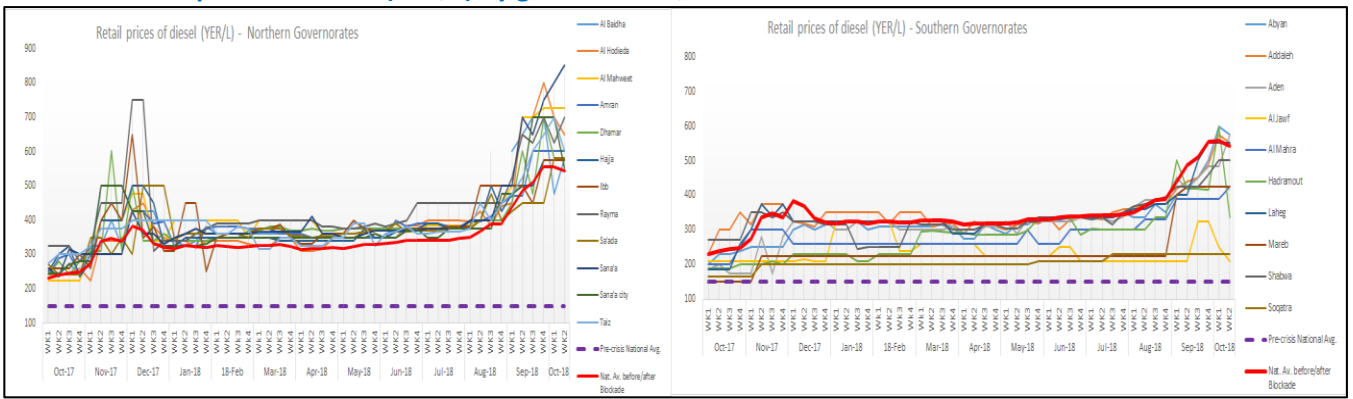


Chart 12: Retail prices of petrol (YER/L) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018

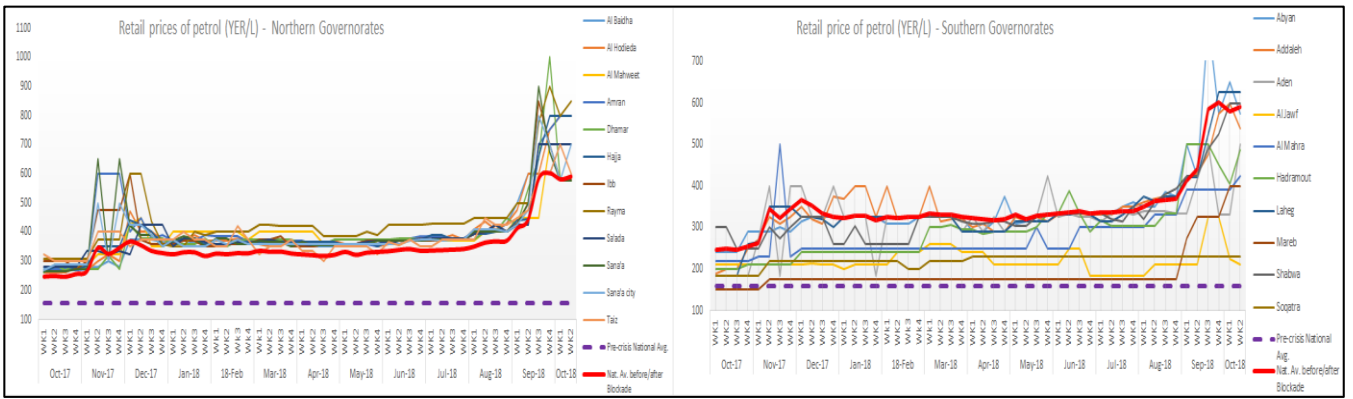
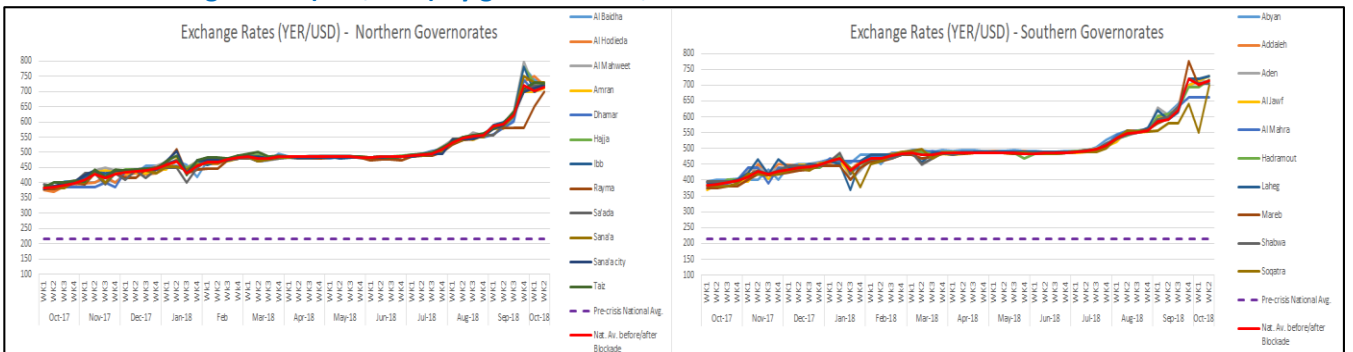


Chart 13: Exchange rates (YER/USD) by governorates, 1<sup>st</sup> week of Oct. 2017 – 2<sup>nd</sup> week of Oct. 2018







Annex 4: Average retail prices by commodity during current month (September 2018) and previous months

Table for Cooking Gas: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Diesel: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Petrol: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Red Beans: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Oil (Vegetable): Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Sugar: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Wheat Flour: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).

Table for Onion: Columns include Commodity, Governorate, Current Month, Previous Period (1M, 3M, 6M, Pre-Crisis), and Direction of Change (+/-5%, +/-10%, +/-10%, +/-10%).