



JANUARY 2015

## HIGHLIGHTS

- In January 2015, the year-on-year consumer price indices (CPI) decreased. The overall index decreased 1.3% while consumer price index for food and non-alcoholic beverages also fell by 6.8% primarily attributed to the low price of cereals and bread since the beginning of the year, a reflection of post-harvest season.
- Due to foreign currency scarcity, the spread between the official and unofficial exchange rates against the US\$ remained huge. In January 2015, the unofficial exchange rate ranged from SSP 5.70 to SSP 6.20 whereas the official government rate was SSP 3.10. During the month, the rate of increase was relatively steady as compared to previous months.
- The retail prices of diesel and petrol varied from SSP 6 to SSP 8 per litre in Juba, Torit and Bor markets. However, the prices ranged from SSP 10 to SSP 11 in Aweil and Wau, and they are as high as SSP 15 -18 in Malakal. Prices of oil have been exceptionally high the further the location from Juba, primarily explained by the shortage of foreign exchange for traders (fuel traders included) and the many check-points along the routes leading these states.
- In January 2015, the prices of staple food commodities (sorghum and maize) showed a downward trend though at higher levels than the five-year average prices. A malwa<sup>1</sup> of sorghum retailed at SSP 13 to SSP 17 in most markets except in Bentiu that reported a malwa at SSP 34, though still 19% less compared to December 2014 in Bentiu.
- Prices of food commodities in conflict affected states remained substantially higher than the rest of the markets. This is attributed to higher than normal transportation costs and disruption of supply routes. It was estimated that transport and other transactional costs account for up to 60% of retail prices for cereals in the conflict states.
- The terms of trade between the daily non-agricultural labourers wage and sorghum remained stable in Wau and Malakal but declined in Aweil (21%) and Bor (15%) compared to December 2014. A daily wage rate of non-agricultural labour was able to purchase 2.6 malwas of sorghum in Malakal, 1.75 malwas in Wau and 1.6 malwas in Aweil and Bor markets.

<sup>1</sup> A malwa of cereal is estimated to be roughly 3 -3.5 kg

## I. CONSUMER PRICE INDICES

In January 2015, the year-on-year consumer price indices (CPI) decreased: the overall index decreased by 1.3%; food and non-alcoholic beverages by 6.8% and non-food & Tobacco by 3.8%. The National Bureau of Statistics has identified the main drivers for the decrease in overall CPI as: - a 1.35% decline in bread and cereals index, 1.39% decline in milk cheese and eggs index as well as a decrease in costs of communications by 6.4% over the same period. The largest declines in food and non-alcoholic beverages, were observed in Juba (5.5%) and Wau (2.2%). For the non-food component of the CPI, decline was observed in costs housing, water, electricity, gas (43.6 %); health (19.7 %); clothing and footwear (7.2 %) and alcoholic beverages and tobacco (3.8 %). On the other hand, a-month-on-month<sup>2</sup> overall CPI has decreased by 3.2% compared to the preceding month. Furthermore, a month-on-month food and non-alcoholic beverages CPI decreased by 4.5%.

## II. OIL PRICES AND FOREIGN EXCHANGE RATES

As it was reported in previous price bulletins, the continued downtrend in prices of crude oil on the international markets exacerbated by reduced oil production have impacted severely on the oil dependent economy of South Sudan. The Republic of South Sudan pays to the Government of Sudan US\$26 per barrel of crude oil as a transit fees irrespective of oil prices on the international market. With the current drop in crude oil prices, transit fees accounts for more than 50% of crude oil revenue to South Sudan. The Sudan Tribune (free media) has reported that the South Sudan Government has begun negotiations with Sudan to reconsider the transit fees. If the transit fees are renegotiated, the country may gain a bit of additional revenue.

Due to foreign currency scarcity, the spread between the official and unofficial exchange rates against US \$ remained high, with the black market rate currently doubling the official exchange rate. In January 2015, the unofficial exchange rate ranged from SSP 5.70 to SSP 6.20. However, the rate of increase for the unofficial exchange rate was relatively stable as compared to the rate of increases in the previous months.

The retail prices of diesel and petrol also varied from SSP 6 to SSP 8 per a litre in markets of Juba, Torit and Bor. However, the prices are SSP 10 -11 in Aweil and Wau and highest in Malakal at SSP 15-18. Considering the huge demand for fuel to run high capacity generators across the country, these high retail prices are invariably impacting on final prices of goods and services produced using fuel as input. The negative impact of higher fuel prices is greater for the poor urban residents than in rural areas.

## III. STAPLE FOOD COMMODITIES PRICES

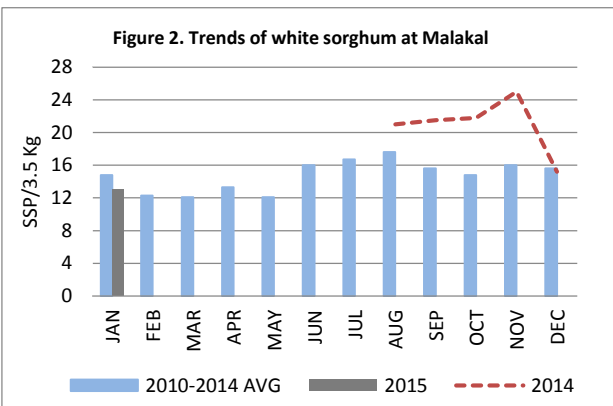
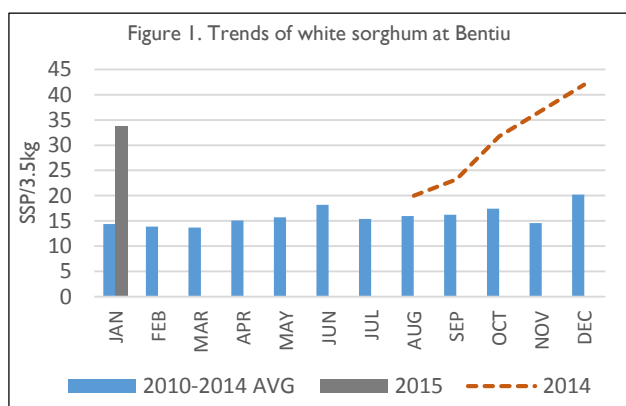
In January 2015, the prices of staple food commodities mainly sorghum and maize depicted a downward trend in line with seasonal availability in the post-harvest period. Typically, prices of staples in South Sudan peak in and around June-August declines starting the harvest season in October through to February/March of the following year. Following indications of increased production in the seven non-

<sup>2</sup> Month-to month CPI shows the changes in the consumer price index between two successive months.

conflict states, prices have showed significant decline from the November levels, although still substantially higher than their five-year averages. In terms of monetary value, the prices of sorghum per malwa varied from SSP 13 to SSP 17 in most markets except in Bentiu where the same malwa of sorghum retailed for SSP 34, nearly three times as high as its price in Juba. Cereal prices were stable in most markets of Northern Bahr el Ghazal (typically characterized by high prices) with both Aweil town and Wanyjok markets showing relatively low prices for white sorghum remained relatively low (SSP 13-14 per malwa) and a minimal variation in Malek Alel and Nyamlel markets at SSP 14-15 per malwa. The flow of food commodities coming from Sudan to Aweil market through Gokmachar and War-Awar increased in January—primarily due to drying of roads making them more accessible but also due to relative low-scale conflict as opposed to the high tension and uncertainties in 2014. Thus, surrounding markets that receive their supplies from Aweil have also observed improved physical availability of food commodities.

In Warrap State, food commodities were available in markets. However, prices were generally higher than the same period in 2014 with prices of white sorghum ranging from SSP16 to SSP 23 per Malwa at Warrap (Tonj North) and Kuajok market respectively, about 36% increase between the two periods.

In Unity, it is also notable that the sorghum price in Bentiu had declined by a significant 19% less than the price levels in December 2014 (Figure 1). Commodities are largely available in markets within the non-conflict states but low in the Greater Upper Nile States.



The high prices of food commodities in conflict affected states were attributed by high transport costs and disruption of supply routes amidst lower than normal productions. For example, disruption of supply routes has led to extremely transactional costs, constituting up to 60% of sorghum price in Guit market. Prior to conflict, the main supply route to Guit (Unity) were: Juba-Wau-Mayom; Bentiu-Guit; Juba-Port Adok-Leer-Guit; and Renk-Malakal-Port Adok-Guit. However, due to conflict the current supply route is Port Tharjar-Port Adok-Leer-Guit, a route characterized by roads blocks and exorbitant taxations—leading to very high commodity prices in Guit. For instance, road transport from Port Adok to Guit costs SSP 120 and a taxation of SSP 15 for a 50 kg bag of cereals. Thus a 50 kg bag of sorghum purchased at SSP 100 will cost additional SSP 210 (SSP 170 transport and SSP 40 taxes) to deliver to Guit market. This is reflected in the retail price of the commodities with a malwa retailing for SSP 25 in Guit.

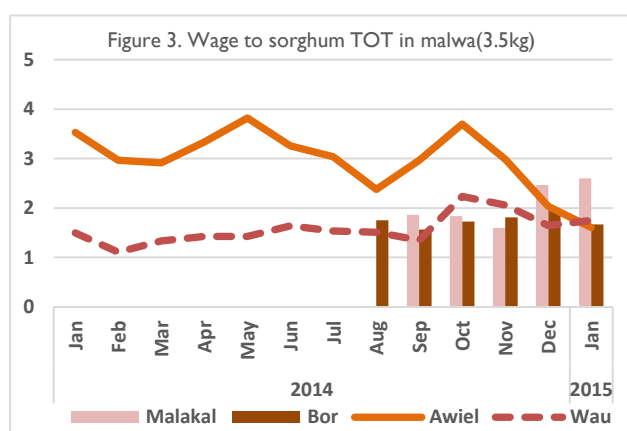
The retail prices of maize ranged from SSP 8 in Torit to SSP 18 in Malakal, one of the conflict affected markets. Due to the security challenges, most food commodities in conflict affected markets of Bentiu and Malakal originate from Juba via air cargo services. In Bentiu, it is estimated that cargo flights charge as high as SSP 11 per kg of assorted commodities as transport cost to the destination from Juba. This cost is

reflected in the price levels, thus the exorbitant prices of cereals in Bentiu. Inland markets supplied by Bentiu and Malakal therefore charge even higher prices factoring the costs of transport, beyond the purchasing power of poor households.

The prices of imported commodities including vegetable oil showed mixed signals during the month. Wheat flour prices in Equatorias remained stable at SSP 7 per kg. However, wheat flour price increased in Aweil by 10% but decreased in Wau and Bentiu by 8% and 61% respectively but remained constant in Malakal. Similarly, vegetable oil prices were lowest at Juba and Bor (ranges SSP 10-12 per litre) but highest in Malakal, Wau and Bentiu (ranging from SSP 15 to SSP 17 per litre in Bentiu). In Bentiu market, price of vegetable oil increased by 25% from December 2014.

## Terms of Trade

The daily wage rate of non-agricultural labour was SSP 34 in Malakal, SSP 28 in Bor, SSP 26 in Wau and SSP 23 in Aweil. Terms of trade between the daily wage rate and sorghum remained stable in Wau and Malakal (Figure 3) but declined in Aweil (21%) and Bor (15%) compared to December 2014. This is attributed to the relative decrease in price of sorghum in the two markets between December 2014 and January 2015. Wage rate at Aweil decreased (18%) while sorghum price has slightly increased resulting to a deterioration in TOT for casual labourers in Aweil. Similarly, the increased of sorghum price (10%) and reduced wage rate (6%) contributed to the deterioration of terms of trade in Bor. A day's wage was equivalent to 2.6 malwas of sorghum in Malakal, 1.75 malwas in Wau and 1.6 malwas in Aweil and Bor markets respectively.



## IV. Food security outlook

Market infrastructures have substantially been disrupted in many areas within the conflict affected states. However, the recent signing of peace agreement between the two warring parties has raised some hopes of possible stability and therefore recovery of markets. It is however premature to speculate the outcome. As such, most markets in Greater Upper Nile states are expected to remain volatile with limited food commodities within the markets and the prices are likely to remain high in the near future. This will be exacerbated by the below normal harvest experienced in the last season within the conflict areas. Thus, hunger is likely to be widespread with the onset on hunger season witnessed as early as March 2015.

However in the non-conflict affected states, food is expected to be abundant in the markets and prices are likely to stabilize at their current levels in the next 2-3 months. Traders are restocking during this period. The only constraint is the limited availability of foreign currency from official sources. Limited foreign exchange will mitigate against further decline in prices. However, price increases are likely to be insignificant if any in these stable states.