



# YEMEN Market Watch Report

## Highlights

- *Prices of food and fuel commodities further declined in August but still remain significantly higher than the pre-crisis levels.*
- *The cost of the minimum food basket also reduced by 9.5% between July and August 2016 but is still 19.5% higher than the pre-crisis level.*
- *Low level of imports persisted and availability of food and fuel commodities continued to be scarce in most markets of the country.*
- *According to Alert for Price Spikes (ALPS) methodology, in August 2016, normal situation prevailed for vegetable oil and red beans while wheat flour was on alert status and sugar was on crisis.*

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## Macroeconomic Situation

The national Yemen currency balance outside banks increased by YER 296 billion during January-June 2016 compared to the annual increase by YER 26.1 billion in 2014 and by YER 222.8 billion in 2015. Moreover, the increase was significant in June 2016, reaching YER 133 billion representing 44.9% of the increase in currency outside banks during the first half of 2016. This clearly shows the severe pressure imposed on liquidity in the banking system during June 2016; thereby resulting in an unprecedented liquidity crisis<sup>1</sup>.

The economic impact of the ongoing conflict-induced crisis has been devastating for Yemen, aggravating an already deteriorating pre-conflict economic performance. Salary payments are now irregular due to funding constraints of the Central Bank of Yemen (CBY). The black market exchange rate of the Yemen Riyal (YER) in August ranged from 295 to 315 per one US Dollar, which is much higher than the official rate (YER250/USD)<sup>2</sup>. The current poor functioning of the country's financial system coupled with highly depleted foreign currency reserve has created

serious obstruction to the traditional trade financing instruments such as Letters of Credit, further complicating the ongoing humanitarian crisis.

## Humanitarian Response

The 2016 Yemen Humanitarian Response Plan (YHRP) had originally planned to provide some form of assistance to 80% of the population affected by the crisis with a total budget requirements of US\$ 1.8 billion. However, only 26 percent of the requirement was funded as of mid-August. The Revised 2016 YHRP targets about 12.65 million crisis affected Yemenis for a range of humanitarian assistance with a total required budget of about US\$ 1.63 billion<sup>3</sup>.

### Key Facts and Figures

<b>27.4 million</b>	total population of Yemen; majority is suffering from the ongoing complex crisis
<b>14.1 million</b>	food insecure population; half of them requiring emergency food assistance
<b>3.2 million</b>	displaced population of concern (nearly 70% are IDPs; and the rest are returnees)
<b>80%</b>	of Yemeni population need some form of humanitarian assistance
<b>26%</b>	of the 2016 YHRP financial requirement funded (as of mid-August)
<b>545 billion YER</b>	deficit during Jan-Jun 2016; almost doubled from same duration last year
<b>18 months</b>	of total black out of public electricity in most parts of the country
<b>25%</b>	average monthly fuel imports cover below 25% of the monthly requirements

Sources: IPC (June 2016); TFPM (Aug. 2016); OCHA/YHRP; Logistics Cluster

<sup>1</sup>Yemen Socio-Economic Update, Issue (17), August 2016; Ministry of Planning & International Cooperation (MoPIC).

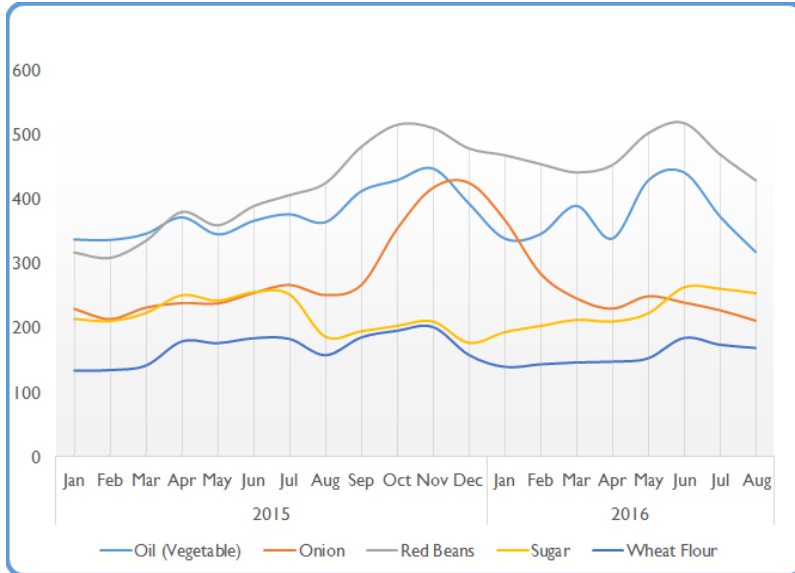
<sup>2</sup>WFP Yemen Market Monitoring Data, August 2016.

<sup>3</sup><http://reliefweb.int/report/yemen/revised-2016-yemen-humanitarian-response-plan>

## Food and Fuel Market Price Trends

The national average prices of the basic food commodities continued to decline further in August 2016. Particularly, the prices of vegetable oil and red beans dramatically decreased by 10% and 16%, respectively, in August compared to the previous month. Similar reduction was observed on the prices of onion (by 8.2%) and wheat flour (4.2%), while the price of sugar slightly increased (Chart 1). However, prices of wheat flour, sugar and red beans were 26.4%, 21.3% and 25% higher than those in the pre-crisis period. In terms of geographic pattern of prices, many of the governorates under active fighting and airstrikes such as Taiz and Sa'ada continued to suffer from the highest food prices in August (Annex 2).

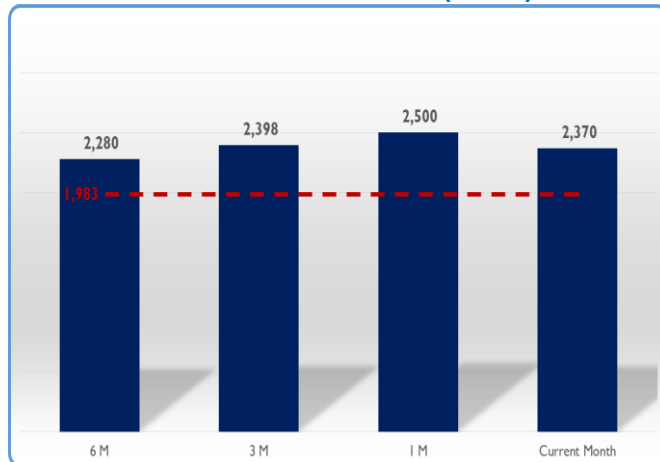
**Chart 1: Price Trend of Main Food Commodities (in YER/Unit)**



Following the reduction of prices of the basic food commodities, the cost of the minimum food basket decreased from YER 2,500 in July to YER 2,370 in August (dropped by 9.5%). While all governorates except five have seen a reduction in the cost of the minimum food basket, the decrease in seven governorates (Abyan, Ad Dhale, Al Bayda, Al Hodieda, Rayma, Hajja and Amran) was significant (Annex 3). However, compared to the pre-crisis period, the cost of the minimum food basket rose by 19.5% in August 2016 (Chart 2).

The minimum and maximum values of the cost of the minimum food basket are used to assess the level of market integration among the various market locations across all the governorates. The wider the difference between the minimum and the maximum values the lesser the market integration and vice versa. Chart 3 shows those values in August (current month) and the previous months as well as during the pre-crisis period. Accordingly, the magnitude of the difference between the minimum and maximum values is higher in August compared to that in July indicating that markets were less integrated during August as a result of intensified conflicts and airstrikes during the month which affected movements of traders and commodities. Compared with the pre-crisis period, markets are currently more disconnected and disintegrated, and prices of commodities vary significantly across governorates.

**Chart 2: Minimum Food Basket Cost (in YER)**

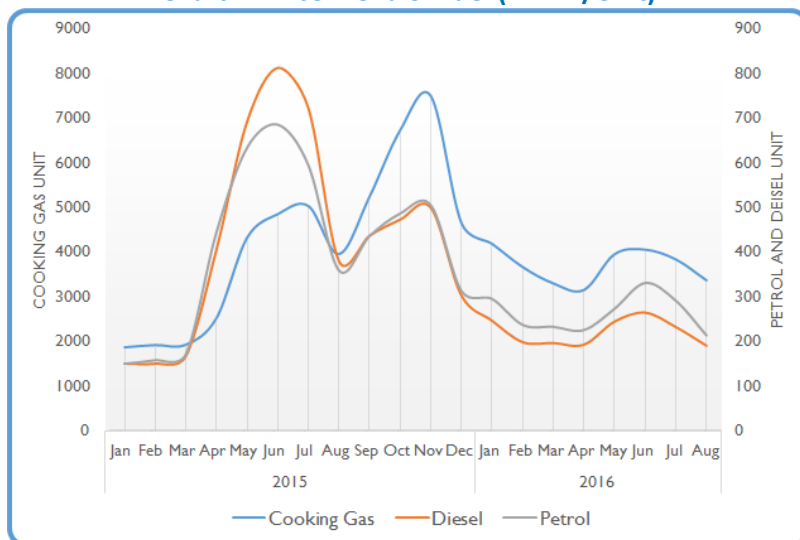


**Chart 3: Min. vs. Max. Cost of Food Basket (in YER)**



Despite the low level of imports and scarce availability in markets, prices of fuel commodities continued their declining trend since July 2016 (Chart 4). The national average price of petrol decreased by about 28% between July and August while that of diesel and cooking gas reduced by 8.2% and 1.4%, respectively. However, the prices of petrol, diesel and cooking gas were 36%, 41% and 109% higher (respectively) in August 2016 than those in the pre-crisis period.

Chart 4: Price Trend of Fuel (in YER/Unit)



### Food and Fuel Availability

Due to the low level of imports in July and previous months coupled with the continued conflicts and airstrikes in several parts of the country which restricted movements, essential food and fuel commodities continued to be scarcely available in local markets during August. Availability has further deteriorated in August compared to July and three months ago (Table 1). In Abyan and Mareb, diesel was unavailable during most times of the month under reporting. However, wheat flour and red beans were reportedly in good supply in more than half of the governorates. Due to the increased insecurity related to AQAP in Hadramout, Abyan and Shabwa governorates, scarcity of basic commodities persisted.

Table 1: Availability Analysis (Compared to Previous Period)

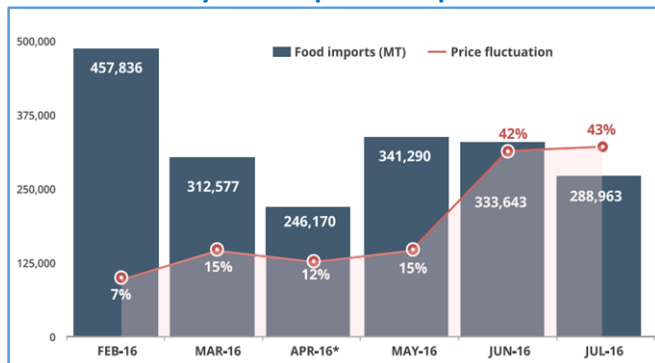
Commodity / Governorate	Current Month								Previous Month								3 Months Ago								
	Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas	Diesel	Petrol	Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas	Diesel	Petrol	Wheat Flour	Oil (Vegetable)	Onion	Red Beans	Sugar	Cooking Gas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

The continued decline in food prices despite the reported scarce availability and limited imports of commodities suggests the existence of informal networks that facilitate food movement into the country.

## Food and Fuel Imports

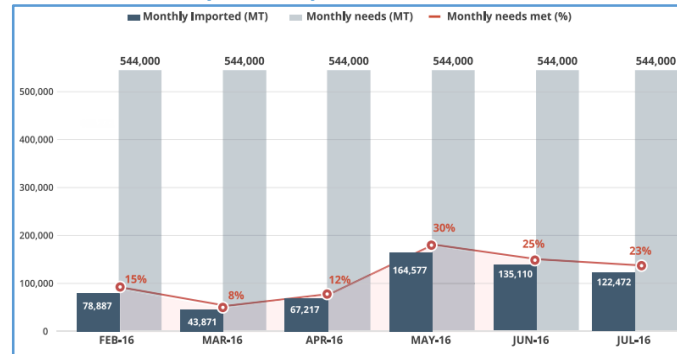
According to the Logistics Cluster report released in August 2016, a total of 288,963MT of various food commodities were imported in July 2016 through the ports of Aden, Al Hudaydah and Saleef. The report further indicated that wheat flour imports constituted 66% of the overall food imports. Food imports in July declined by 15.3% and 13.4% compared with May and June, respectively, which has led to price fluctuation rates to maintain the rising trend (Chart 5). On the other hand, a total 122,472MT of fuel was imported in July through the ports of Aden and Al Hudaydah. The fuel imported in July was lower by 25.3% and 9.4% compared with imports in May and June, respectively. July fuel imports cover only 23% of the monthly national fuel requirement which is estimated at 544,000MT<sup>4</sup> (Chart 6). Inadequate level of imports resulted in poor supply of commodities in markets.

**Chart 5: Monthly food imports and price fluctuation**



Source: Logistic Cluster, August 2016

**Chart 6: Monthly fuel imports vs. fuel needs**



Source: Logistic Cluster, August 2016

## Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) indicator was developed for each of the basic commodities in Yemen using historical data on the monthly national averages from 2011 to August 2016. The results of the ALPS analysis reflect the changes in the prices and availability of the essential food commodities as well as the cost of the minimum food basket. Accordingly, ALPS indicator for wheat flour maintained the alert situation since last month (Chart 7). ALPS indicators for vegetable oil and red beans show positive outlooks. ALPS indicator for vegetable oil maintained normal situation since last month while that for red beans improved from alert level in July to normal status in August (Charts 8 and 10). In contrast, ALPS indicator for Sugar which was in stress situation has deteriorated to crisis status in August (Chart 9). The ALPS indicator for the monthly cost of minimum food basket is improved to normal situation from its alert level in July (Chart 11).

**Chart 7: ALPS for Wheat Flour – August 2016**



<sup>4</sup> Logistics Cluster: Yemen: Snapshot on Shipping, Food and Fuel Imports, August 2016 <http://reliefweb.int/report/yemen/yemen-snapshot-shipping-food-and-fuel-imports-july-2016>

Chart 8: ALPS for Vegetable Oil – August 2016

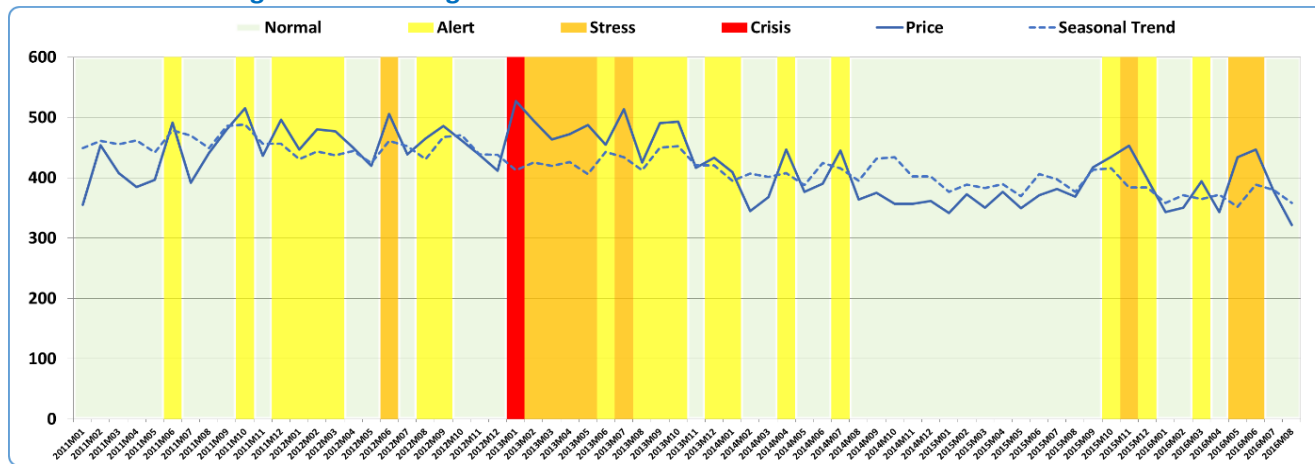


Chart 9: ALPS for Sugar – August 2016

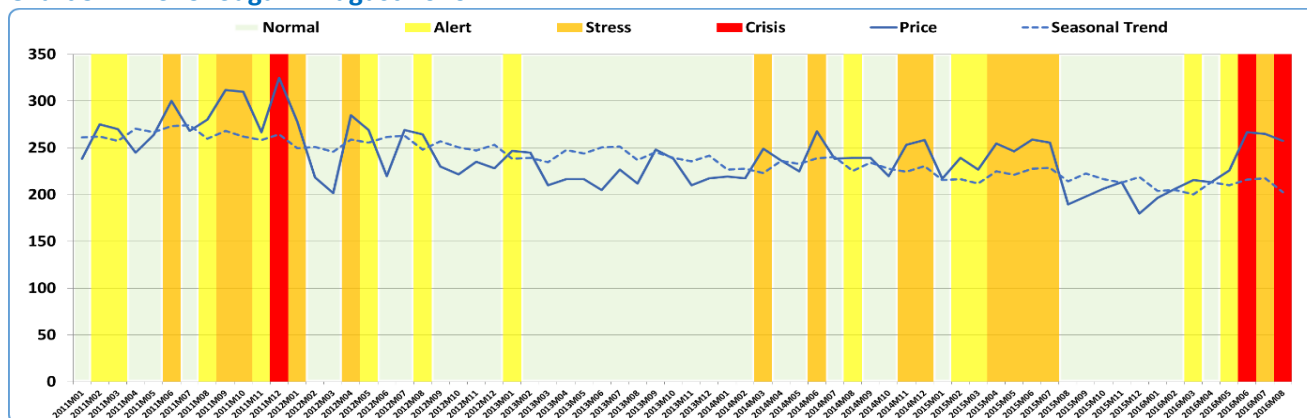


Chart 10: ALPS for Red Beans – August 2016

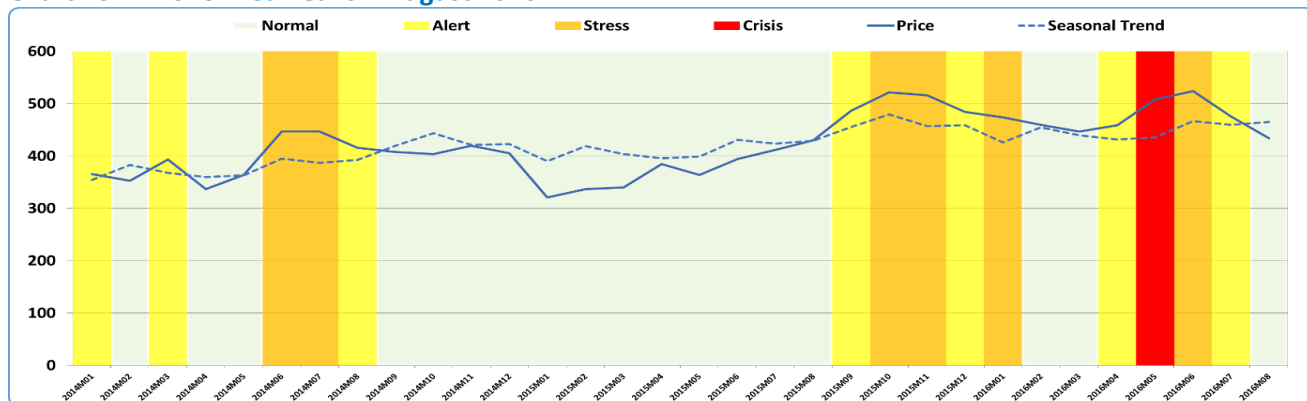


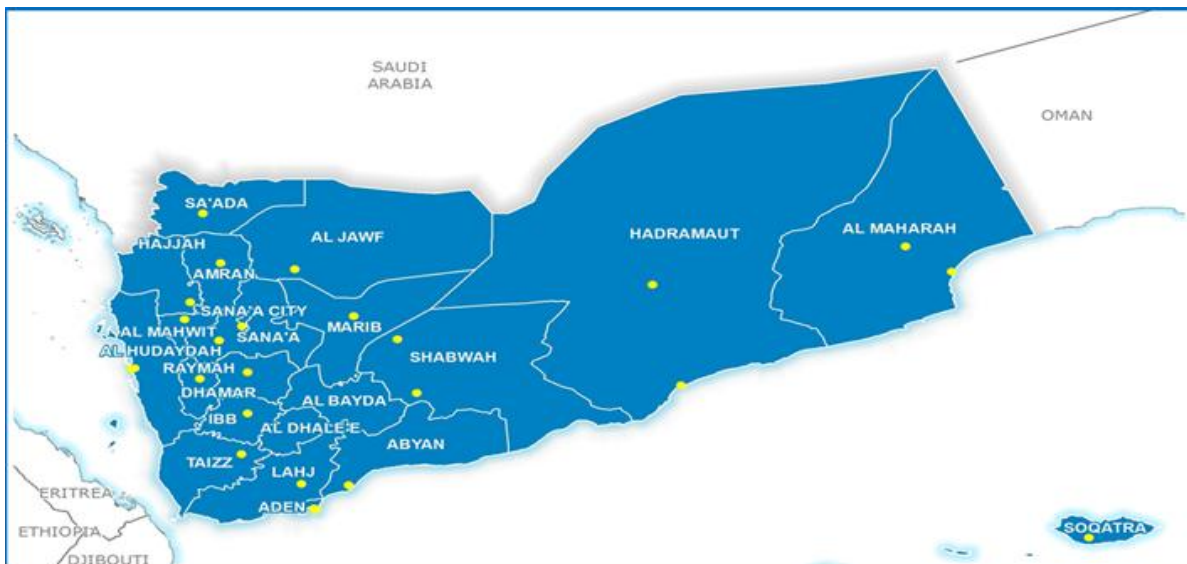
Chart 11: ALPS for Basic Food Basket Cost – August 2016



**Annex 1: Methodology**

Market information is collected on weekly basis by WFP field monitors from all the 22 governorates of Yemen. Additionally WFP collects market data remotely from key informants in those governorates where access is restricted. Data are then cleaned and consolidated. Monthly averages are used for the Yemen Monthly Watch Report. Map 1 shows the location of the WFP monitored markets (yellow pinned).

**Map 1: Location of markets monitored by WFP**



The report is produced based on the Automated Market Analysis Tool (AMAT). The AMAT is an agile market monitoring tool that was developed for Yemen Country Office (CO) and is aimed at storing raw data collected by field monitors and key informant, and creating contextualized analyses. The tool analyzes trends of main food and fuel commodities, minimum food basket, and provides indications about how much the markets are integrated across governorates. Food and fuel prices are analyzed against previous periods, including key baselines, such as the pre-crisis values of February 2015.

The AMAT also includes information regarding the availability, which is collected by field monitors and key informants. The classification of the availability is based on the monthly averages. A commodity is classified as **Available** when it is found available at every visit in all markets of a specific governorate; **Widely Available** when for only one visit the availability is not full; **Sparsely Available** when in at least half of the visits, the commodity is recorded as rare in the market; a commodity is **Mostly Not Available** when it was found only in rare cases in a governorate during the analyzed month; finally a commodity is classified as **Not Available** when it is not found in any market of a governorate at any time.

The minimum food basket monitored by WFP contains five main food commodities. The quantities are adjusted against the survival caloric intake needs. The five commodities are wheat flour, sugar, red beans, vegetable oil and onion. The Alert for Price Spikes (ALPS) is a WFP-developed indicator calculated as follows  $ALPS = (Price_{it} - Season_{it}) / \sigma_{\epsilon}$ . It is computed for each month (t) by dividing the difference between the observed and estimated seasonal price (automatically derived from historical data and constantly updated) of a specific commodity (i) by the standard deviation of the error term ( $\sigma_{\epsilon}$ ). The results of the analysis are presented in the report in the form of charts using four categories based on the ALPS thresholds describing the market situation either as normal, stress, alert, or crisis.

Situation on a given market:	ALPS thresholds:
Normal	ALPS < 0.25
Stress	0.25 ≤ ALPS < 1
Alert	1 ≤ ALPS < 2
Crisis	ALPS ≥ 2



