



Highlights

- *Availability of food and fuel commodities further deteriorated in January 2017 due to reportedly reduced imports and hoarding of essential commodities by opportunistic traders in anticipation of increased prices.*
- *In-country stocks of wheat and sugar expected to run out by end of April 2017 while rice and vegetable oil merely cover one month national requirement.*
- *Prices of food and fuel commodities increased in January 2017, and continued to be significantly higher than the pre-crisis levels.*
- *The cost of the minimum food basket rose in January by nearly 4% compared to December, and 26% higher than in the pre-crisis period.*
- *According to Alert for Price Spikes (ALPS) methodology, in January 2017, normal situation prevailed for vegetable oil, while wheat flour was on stress level and red beans on alert status and sugar continued to be at crisis level. The ALPS indicator for the cost of the minimum food basket still remain at normal condition.*

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Macroeconomic Situation

Yemen's Gross Domestic Product (GDP) declined by 32.9% between 2014 and 2015, and according to MoPIC's projection the GDP might have shrunk further by about 12.8% in 2016. The ongoing conflict which adversely affected Yemen's infrastructure, public and private enterprises, including Islamic and commercial banks, disrupted economic activities, such as oil and gas production and exportation, and caused a suspension in donor development support programs and all forced the government to shut down its public service programs, leaving many Yemenis without welfare assistance as well as disruption of salaries that led to rising needs for humanitarian assistance.¹

An estimated 18.8 million people require some kind of assistance or protection in order to meet their basic needs, including 10.3 million who acutely need aid to save or sustain their lives. This represents an increase of almost 20 per cent since late 2014 and is driven by growing needs in all sectors after nearly two years of conflict.²

Imports of essential commodities continue to suffer from lack of foreign currencies and the continued depreciation of Yemen Riyal (YER) against US Dollar (USD) – with the average exchange rate in January 2017 reaching as high as YER330/USD in parallel markets compared to the current official rate of YER250/USD.

Key Facts and Figures

27.5 million	total population of Yemen; majority is suffering from the ongoing complex crisis
17.1 million	food insecure population of which 7.3 million requiring emergency food assistance
3.1 million	displaced population of concern (IDPs and returnees)
30%	of Yemeni population depend on government salaries and pensions
35%	of the population who are dependent on salaries and pensions were already food insecure before the crisis.
1.5 million	Poorest Yemeni households still suspended from the cash assistance they used to get through SWF prior to the crisis
63%	of those poorest families under SWF assistance were already food insecure before the crisis

Source: CSO, OCHA/YHRP 2017, EFSNA Preliminary, TFPM, SWF, CFSS 2014.

¹Yemen Socio-Economic Update, Issue 21 – December 2016, MoPIC, Economic Studies and Forecasting Sector.

²Yemen Humanitarian Response Plan for 2017, OCHA, February 2017.

Food and Fuel Availability in Local Markets

Availability of food and fuel commodities further deteriorated in January 2017 in most of the governorates of Yemen as a result of reduced supplies to the markets (Table 1). Reportedly, hoarding of commodities by some distributors and wholesalers anticipating escalation of prices due to increasing challenges related to imports resulted from the impact of the liquidity crisis. According to the qualitative information from interviewed traders, the volume of commodities supplied through the informal overland imports in January 2017 is much lower than those in previous months. The impact of the ongoing conflict-induced crisis has been devastating for the country, aggravating an already deteriorating pre-conflict economic performance with serious impacts on imports, transportation network and market supply, and hence led to scarcity of commodities in local markets.

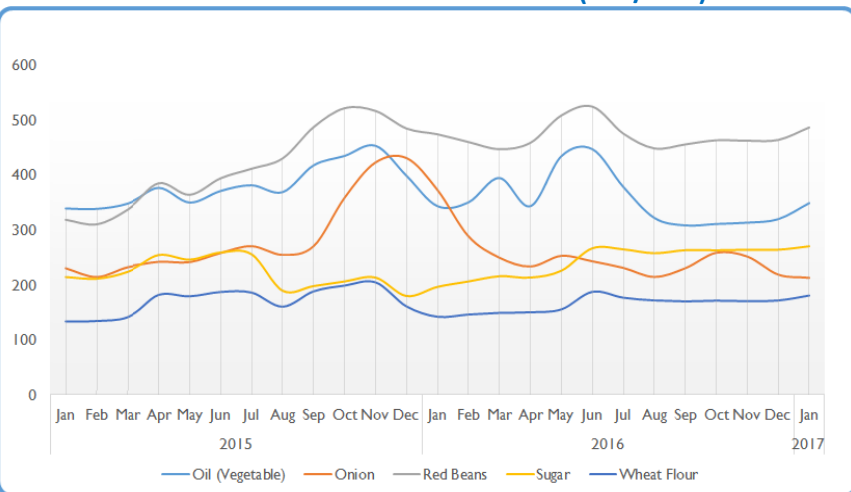
Table 1: Availability of basic commodities in January 2017 (current month) and previous months

Commodity / Governorate	Current Month							Commodity / Governorate	Previous Month							Commodity / Governorate	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
Abyan	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Addaleh	SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Aden	SAV	SAV	AV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Baidha	SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Hodieda	SAV	SAV	SAV	SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Jawf	SAV	SAV	WAD	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Mahra	AV	AV	AV	AV	AV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Mahweet	AV	WAD	AV	AV	AV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Amran	AV	SAV	WAD	SAV	AV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Dhamar	AV	WAD	WAD	AV	WAD	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Hadramout	AV	AV	AV	AV	AV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Hajja	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Ibb	AV	SAV	WAD	AV	WAD	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Laheg	SAV	SAV	SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Mareb	SAV	SAV	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	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
Sa'ada	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Sana'a	AV	SAV	AV	AV	WAD	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Sana'a city	AV	SAV	AV	AV	WAD	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Shabwa	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Soqatra	WAD	SAV	WAD	WAD	WAD	WAD	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Taiz	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV

Food and Fuel Market Price Trends

In January 2017, prices of essential food items started to increase after staying stable during the previous four months (Chart 1). Consequently, the national average price of wheat flour was 32% higher in January than in the pre-crisis period.

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



Similarly, prices of red beans and sugar also rose by 55.5% and 26.3%, respectively, during the same comparison periods. (Chart 1). In terms of geographic pattern of prices of food commodities, those governorates which were under active conflict during the reporting month including Taizz, Hodiedah, Shabwa, Mareb, Al Jawf, Hajja and Sa'ada continued to suffer from high prices (Annexes 2 and 3). The increased prices of food

commodities during the reporting period has led to escalation of the cost of the minimum food basket. Accordingly, the average cost of the minimum food basket is estimated at YER 2,500 in January compared to YER 2,409 in December 2016 (rose by 3.8%), and 26.1% higher than in the pre-crisis period (Chart 2). The pattern of the cost of the food basket across the governorates varies due to differences in the prices of food commodities (Annex 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 bigger the difference between the minimum and the maximum values, the lesser the market integration and vice versa. As shown in Chart 3 below, the magnitude of the difference between the minimum and maximum values of the cost of basic food basket became wider during the reporting period compared to the previous few months. This clearly shows that the integration of markets has deteriorated due to the ongoing intensified ground fighting and airstrikes in several governorates negatively affecting the movements of traders and commodities.

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

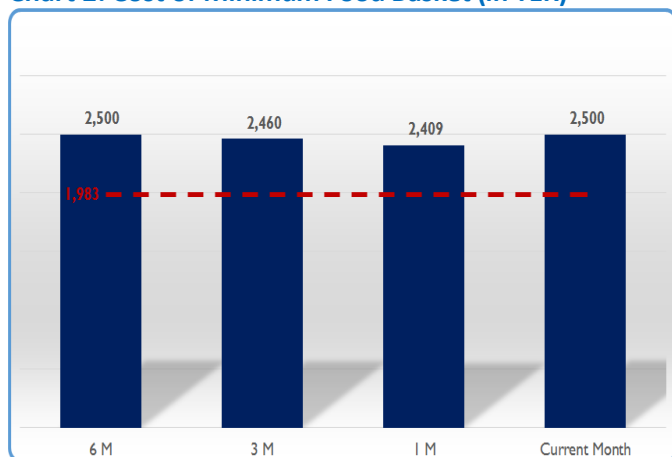
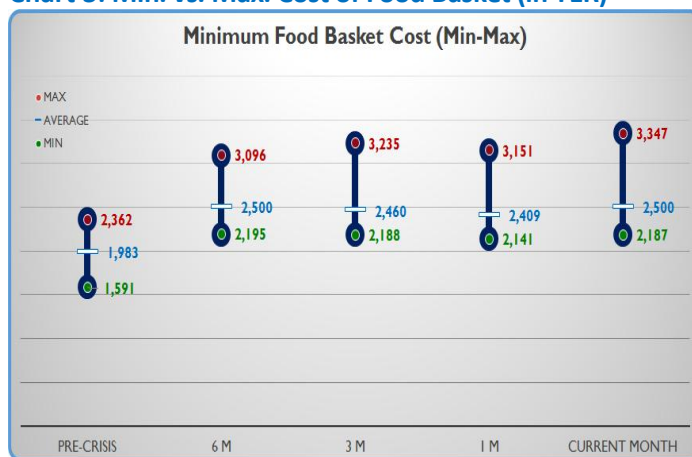


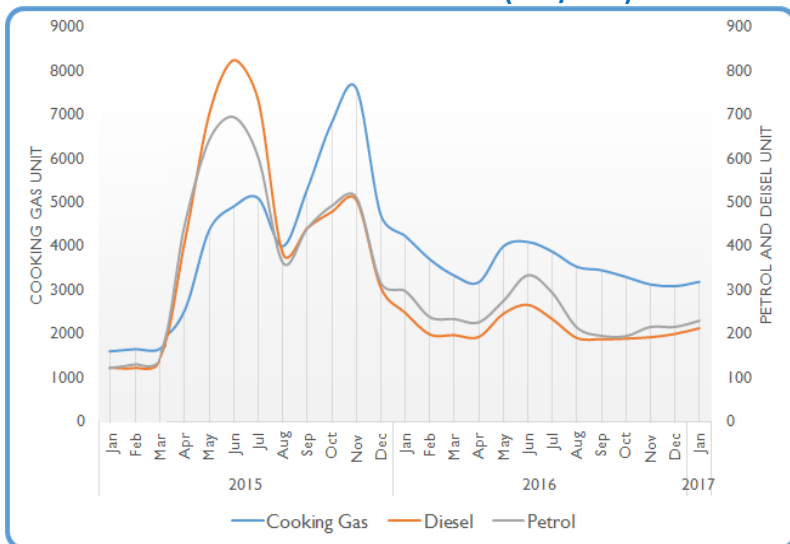
Chart 3: Min. vs. Max. Cost of Food Basket (in YER)



As markets continued to be less integrated and disconnected each other compared to the pre-crisis period, significant variation of prices of food commodities prevails across governorates (Annex 2). Consequently, the food security situation of poor households is expected to deteriorate due to increasing cost of living and disruption of their livelihoods and loss of income as well as continued weakening of purchasing power.

The persistent scarcity of fuel commodities in the local markets has led to further rising of prices in January 2017. The national average prices of diesel and petrol increased by 6.5% and that of cooking gas rose by 3.3% in January 2017 compared to those reported in December 2016. Moreover, the prices of fuel commodities continued to be significantly higher during the reporting period than in pre-crisis time – cooking gas rose by 66%, petrol by 45%, and diesel by 42% (Chart 4). Governorates with ongoing conflicts experienced the highest prices (Annex 2 and Annex 3).

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



Current estimated in-country stock availability of key food commodities

According to most recent consolidated information from various sources including the analysis results from the Food security and Agriculture Cluster (FSAC), as of January 2017, a total of 1,254,450MT of wheat (grain and flour) is estimated to be available in the country. This amount includes 150,000MT of wheat that came into Yemen in January 2017. The current estimated total amount of wheat available in the country is expected to cover the national wheat requirements for about three months (until end of April 2017). The total quantity of sugar currently available in the country is estimated at 88,950MT and expected to meet the total requirement of the population for about three. However, the stock level of vegetable oil and rice is very low that stood at 21,100MT and 46,600MT, respectively, and are expected to run out within a month time unless new imports are made in the coming few weeks.

Figure 1: In-country stock availability of wheat, oil, sugar and rice (MT) – January 2017



Source: FSAC food availability brief released in 2nd week of February 2017; latest information from the big importers; consolidated data from WFP's Procurement Unit

Alert for Price Spikes (ALPS)

The Alert for Price Spikes (ALPS) indicator was developed for each of the basic commodities in Yemen using historical market data on the monthly national averages from January 2011 to January 2017. 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. According to the results of the analysis for January 2017, ALPS indicator for wheat flour has deteriorated to stress situation compared to the alert status in December (Chart 5). ALPS indicator for red beans also deteriorated from normal condition to an alert status while that for vegetable oil maintained its normal condition since August (Charts 6 and 8). The ALPS indicator for sugar persistently maintained the crisis level (Chart 7). The overall ALPS indicator for the monthly cost of the minimum food basket continued to show normal situation which prevailed since August 2016 (Chart 9).

Chart 5: ALPS for Wheat Flour – January 2017

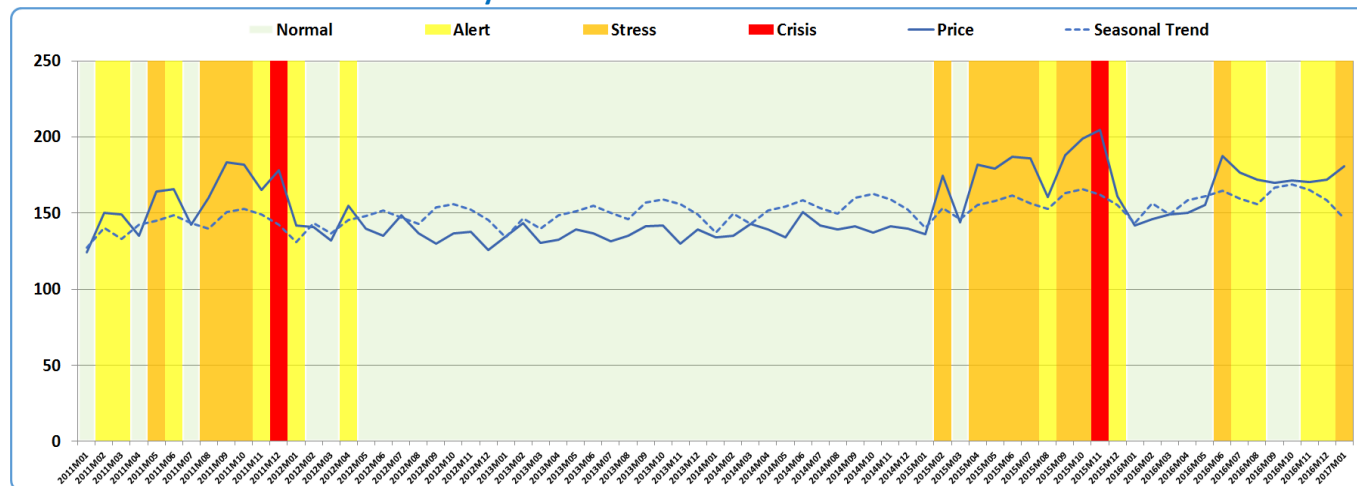


Chart 6: ALPS for Vegetable Oil – January 2017

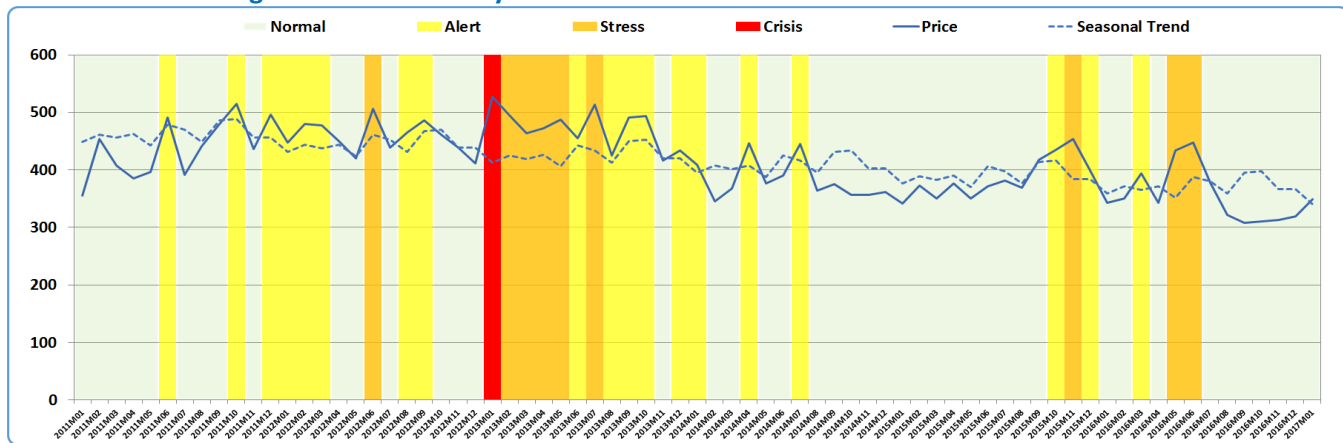


Chart 7: ALPS for Sugar – January 2017

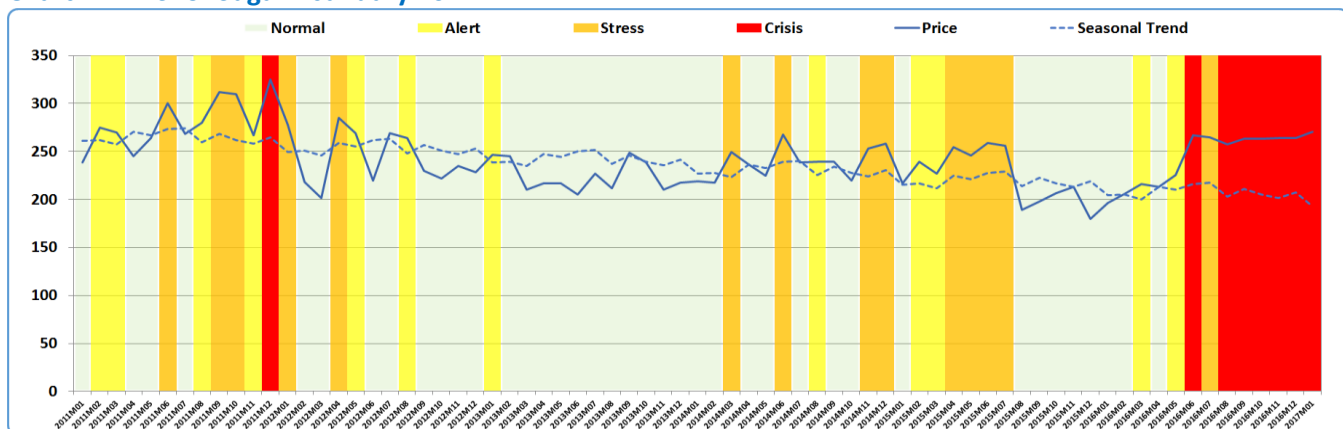


Chart 8: ALPS for Red Beans – January 2017

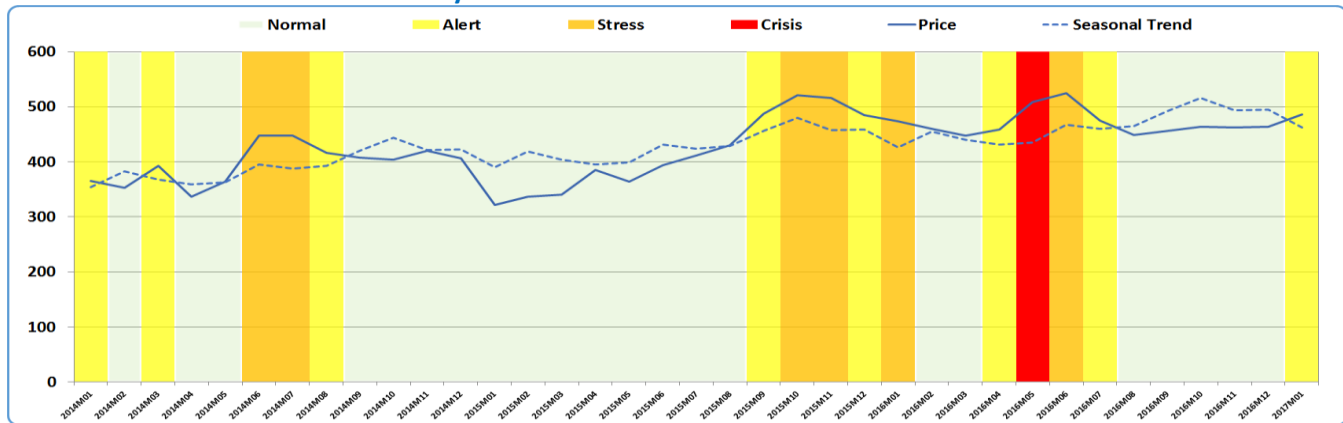
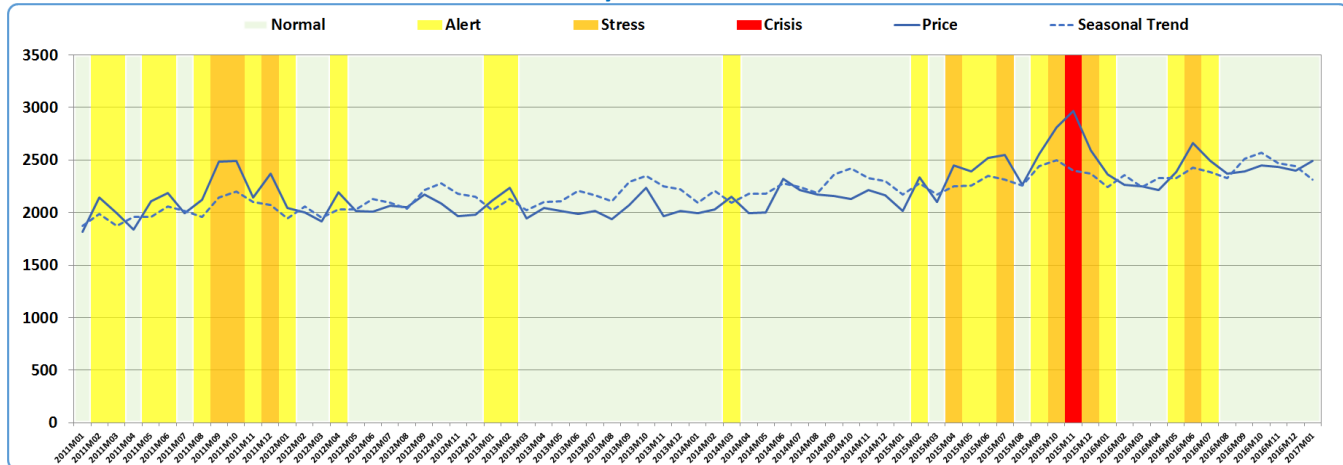


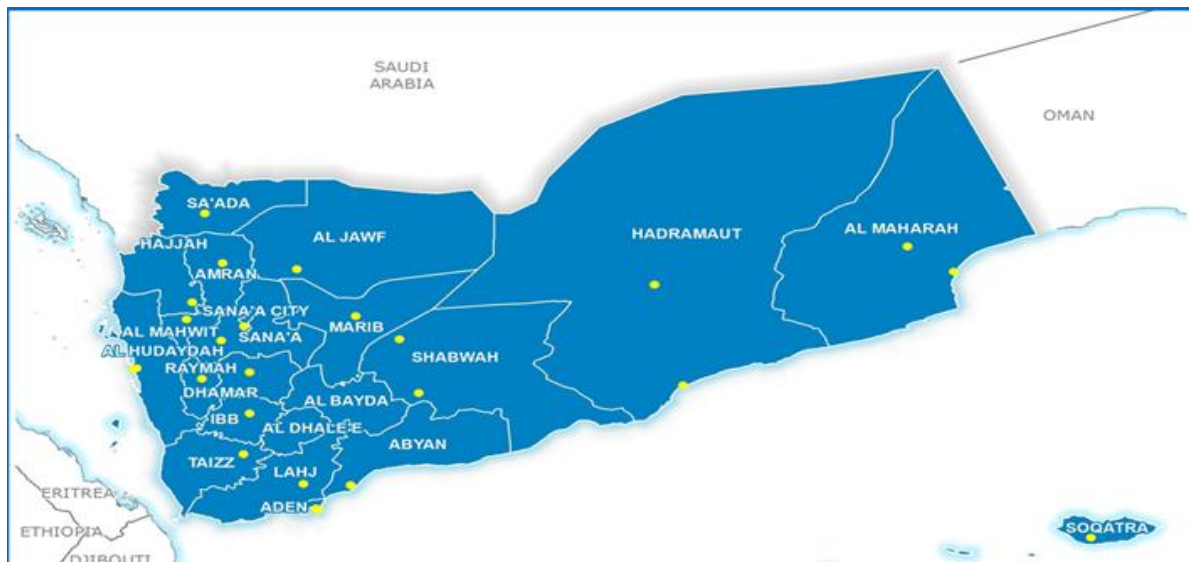
Chart 9: ALPS for Basic Food Basket Cost – January 2017



Annex 1: Methodology

Market information is collected on a weekly basis from all the 22 governorates of Yemen. WFP collects market data remotely through key informants located at capitals of all governorates as well as partners operating in different parts of the country. Data are then cleaned and consolidated. Monthly averages are used for the Yemen Monthly Watch Report. Map 1 shows the locations of markets (yellow pinned) current information collected from.

Map 1: Locations 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 from selected major markets of governorates capitals, 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 (σ_{ϵ}). 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

