SOUTH SUDAN MONTHLY MARKET PRICE MONITORING BULLETIN

January 2017

HIGHLIGHTS

- *In December 2016, year-on-year overall and food inflation rates for South Sudan stood at 479 percent and 517 percent, respectively, indicating a significant increase in the cost of living compared to the same month last year. The month-on-month cost of living based on Consumer Price Indices increased by 23 percent from November to December 2016.*

- *The South Sudan Pound (SSP) against the US$ has continued to depreciate with divergence between the parallel and official market exchange rates. In Juba, the SSP was exchanging at SSP 100.5/US$ in the parallel market in January while the official rate stood at SSP 82/US$. This indicates a depreciation of SSD by 13 percent in the parallel market and by 6 percent as per the official rate, compared to December.*

- *Compared to last month, fuel prices increased in Bor by 28 percent and in Yida by 45 percent whilst the price has declined in Aweil by 40 percent. The retail prices of petrol in the parallel market stood at SSP 96 in Aweil, SSP 160 in Yida and SSP 180 in Juba. The official rate of fuel in Juba was SSP 22 per litre; however, supply from fuel stations was very limited.*

- *The distribution of in-kind humanitarian assistance and minimal production in pocket areas led to a reduced prices of staples in some markets. The price of white sorghum declined against the preceding month in Yida (40 percent) and Bentiu (52 percent) and in Bor white maize declined by 8 percent. However, Juba has experienced continued price surges (higher than 100 percent) of white sorghum and white maize.*

- *The supply of field beans (janjaro), vegetable oil and wheat flour were constrained by the scarcity of hard currency and high transaction costs. On average, the retail prices of field beans (janjaro), vegetable oil and wheat flour have increased within ranges of 19-31 percent, 15-107 percent and 14-35 percent, respectively against the preceding month in most WFP monitored markets.*

- *The prevailing localized insecurity has limited trade flows from local production to deficit area markets. Given the sporadic blockade of roads compounded by unpredictability of the economic and political situation, the flow of commodities from source markets to demand areas is not likely to improve in the coming months.*

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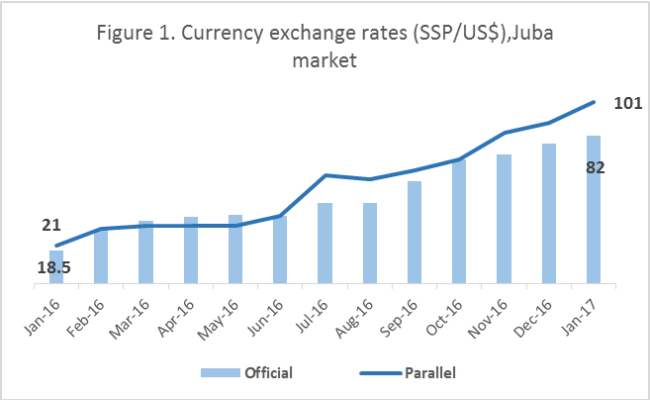
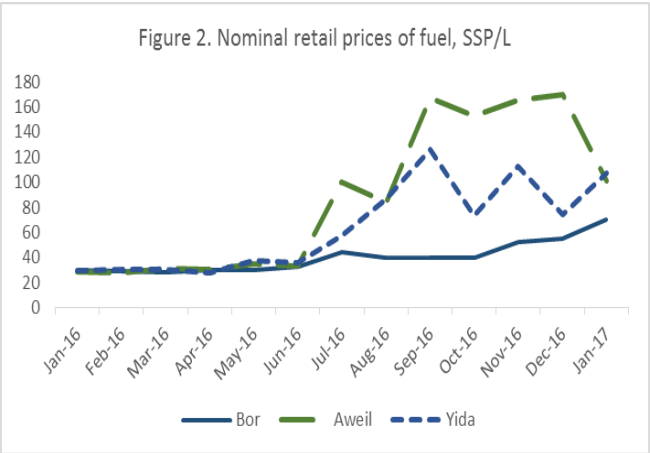
Shortage and continued depreciation of local currency affecting the purchasing power

The South Sudan Pound (SSP) has continued to depreciate. Throughout January 2017, the SSP continued to drop in value, exchanging at SSP 100.5 against the US$ in the parallel market of Juba - 22 percent higher than the official rate of SSP 82/US$. These rates were SSP 89 and SSP 77.5 respectively in the previous month. Over the last 12 months, such a gap between the official and parallel rates was recorded in the aftermath of renewed fighting in the capital where the gap was 33 percent and 29 percent in July and August 2016, respectively. Given the high dependence of South Sudan on imports and high proportion of net-buyer households, the depreciation of local currency, instability and scarcity of hard currency impacted negatively the purchasing power of the population. The most vulnerable include urban poor households, women and child headed households, the elderly and households with limited income. In the absence of macro-economic measures that increase availability and access to hard currency from official sources at stable rates, economic vulnerability of households is likely to increase further.



Fuel price and availability continues to be a bottleneck for transport

The Government of South Sudan has set retail prices of fuel applicable at fuel stations. The imbalance between demand and supply of fuel triggered by the scarcity of hard currency and insecurity along trade routes has driven fuel prices upward. The retail price of a liter of petrol ranges from the minimum price at SSP 22 in Juba (official rate, however, it is SSP 180 in the parallel market) to SSP 160 in Yida; whereas, diesel prices range from the lowest value at SSP 22 in Juba (official price) to SSP 107 in Yida. In January 2017, fuel prices were the highest in Juba (parallel market) followed by Yida (SSP 160). Compared to last month, fuel prices have increased in Bor by 28 percent and in Yida by 45 percent whilst it has declined in Aweil by 40 percent.

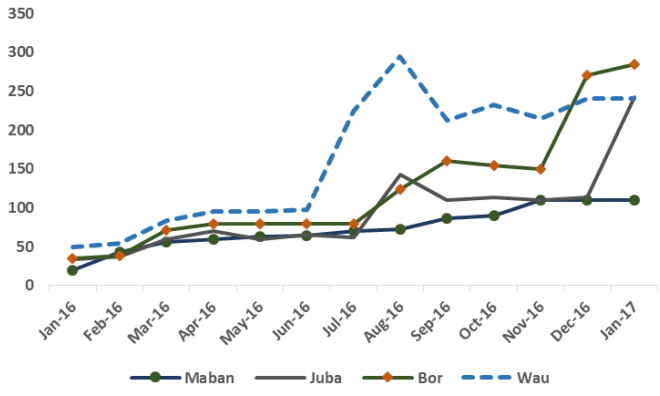


Cereal prices continue to rise while household incomes remain stagnant

Under a normal situation immediately after the harvest period, which is typically in October - November local cereal production enters markets and pushes commodity prices downward. The prevailing localized insecurity in surplus production areas and intermittent blockade of key transport corridors, coupled with less than expected production have limited the trade flows to deficit area markets. The combination of all

these factors resulted in price increases in many areas, contradicting the normal seasonal trends. Compared to December 2016, the price of white sorghum in January 2017 declined in Yida (40 percent) and Bentiu (52 percent). On the contrary, white sorghum prices have increased by 19 percent and 32 percent in Aweil and Mingkaman, respectively. The Juba market has experienced a continued surge in prices of white sorghum (113 percent) and white maize (101 percent) against December 2016. In other markets such as Wau, Maban and Bor, prices either remained the same or changed slightly, not exceeding 5 percent. In terms of nominal monetary values, the highest price of a *malwa* (3.5kgs) of white sorghum was observed in Bor (SSP 285), followed by Konyokonyo and Minkaman; while the prices in Bentiu, Yida, Bunj and Aweil were on the lower side at 110 SSP or less.

Figure 3. Nominal retial prices of white sorghum, SSP/3.5KG

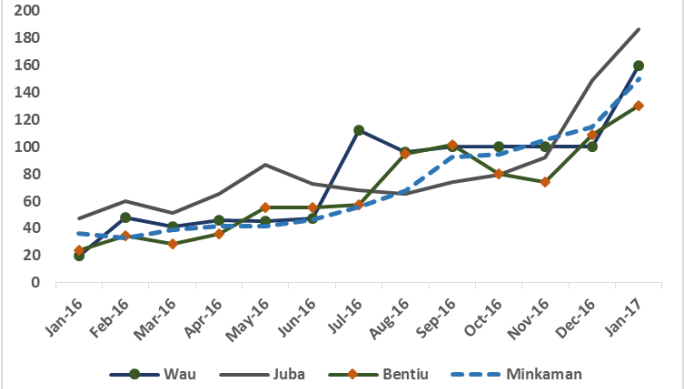


In January, retail prices were much higher than the same month in 2016 across all monitored markets. Compared to this time last year, prices of white sorghum have increased by a minimum of 86 percent in Bentiu to 629 percent in Juba. Similarly, white maize prices increased between 263 percent in Aweil to 1,017 percent in Juba. Such extreme increases in prices have had a serious adverse impact on the purchasing power and the food security of poor households.

Imported food commodities in short supply

Among imported food commodities, field beans (*Janjaro*)**,** vegetable oil and wheat flour are in high demand, particularly by urban dwellers. The supply of imported commodities were constrained by the scarcity of hard currency, insecurity along trade route and high transaction costs that led to surges in prices. In January 2017, the retail prices of these commodities stood far the levels a year ago beyond (higher than 150%) across the monitored markets. Compared to last month, retail prices of field beans (*Janjaro*), vegetable oil and wheat flour have increased within ranges of 19-31 percent, 15-107 percent and 14-35 percent, respectively. Exceptionally, retail prices of field beans and wheat flour have declined by 16 percent and 20 percent in Bor; and in Aweil prices have declined for wheat flour (8 percent) and vegetable oil (36 percent). Despite the introduction of reduced customs duty on imported food to relax the pressure on prices in 2016, the continued increase in prices of food commodities has devastating impact on the the purchasing power of households with limited incomes. **Figure 4** shows the nominal retail prices of field beans (*Janjaro*) in selected WFP monitored markets.

Figure 4. Nominal retial prices of field beans (janjaro), SSP/KG

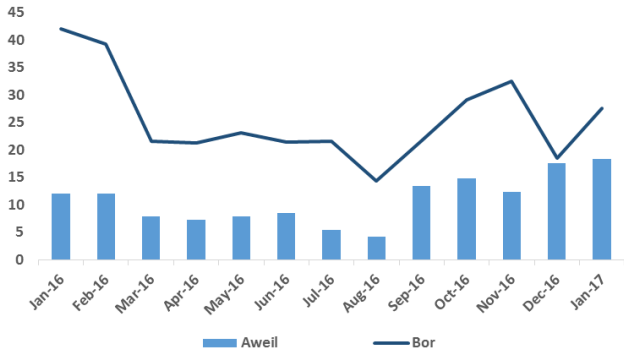


Purchasing power-Terms of Trade (ToT)

The purchasing power of labour dependent households in Juba has deteriorated by 7 percent as compared to December 2016. The change in price of white sorghum outweighed increases in non-agricultural wage and hence the terms of trade deteriorated as described. The TOT has improved by 13 percent against the same month a year ago. In January 2017, a daily wage of non-agricultural labour fetched 1.07 *malwa*[1] of white sorghum while it was 1.15 *malwa* in December 2016.

Terms of trade between a medium size goat and white sorghum in the Aweil market demonstrated slight improvement (5 percent) as compared to December 2016. This value has increased by 51 percent compared to a year ago. In the same veil, ToT in Bor market showed improvement against December 2016 by 49 percent but deteriorated by 34 percent compared to the same month last year. In January, an average goat was exchanged with 27 *malwa* of white sorghum in Bor and 18 *malwa* of sorghum in Aweil market. Generally, households who depend on livestock as their main income sources have maintained at least what they previously received one month ago while exchanging goat for sorghum.

Figure 5. Trends of goat to white sorghum TOT, malua/goat



Outlook

There are indications that crop production from recent harvests was lower than last year and the cereal crop deficit in South Sudan in 2017 could be as high as half a million metric tonnes, thus implying the need for additional imports. However, the macroeconomic situation in the South Sudan and the regional situation is not favourable to this requirement.

The East Africa Cross-Border Trade bulletin has indicated that sorghum exports from Sudan to northern South Sudan are expected to increase through March but likely to be below the recent five year average, attributable to insecurity-related trade disruptions. The same report indicates that export of maize and dry beans from Uganda to South Sudan is expected to continue seasonally but volumes are expected to be below last year and four year average levels; the export parity prices are relatively high.

The functionality of markets plays a key role in moving food commodities from local production or imports from source markets. Given the sporadic blockade of roads compounded by the unpredictability of the economic and political situation of the country, the flow of commodities is not likely to improve in the coming months. Furthermore, traders are less likely to aggregate and stockpile commodities in large quantities during such a volatile situation. Imports are also likely to be affected negatively by scarcity of hard currency, high transport costs and the prevailing insecurity across the country.

[1] 1 *Malwa* = 3.5 Kgs