



How is the Syria crisis impacting local markets?

Special Focus Syria

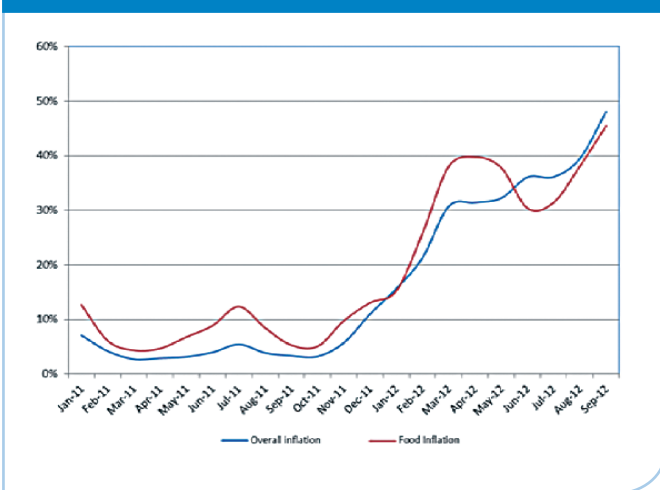
- This focus on Syria is an update of the Special Focus on Syria in June 2012 (Market Monitor No. 16).
- Overall the purchasing power of Syrians has deteriorated sharply. The average monthly inflation rate for 2012 was extremely high; at +32%. In comparison, Syria experienced a monthly inflation rate of +16% at the time of the 2008 global food price crisis.
- In addition to conflict related population displacement, food security is negatively impacted by a substantial loss of purchasing power, and market disruptions. Numerous distribution channels for wheat and bread (the major source of calories for households) have been badly disrupted.

Syrians' purchasing power has deteriorated alarmingly

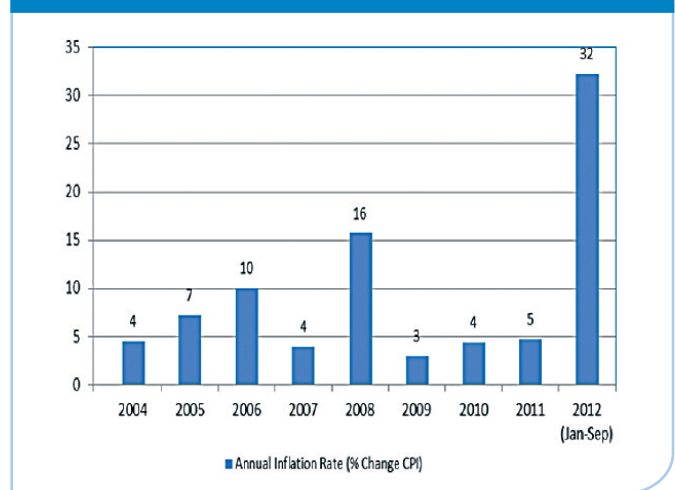
As of September 2012, **both general and food inflation are alarmingly high at about 50%**, compared to average monthly inflation in 2011. The average monthly inflation in 2012 (January-September) is double the rate of the 2008 global food price crisis year at 32%. Inflation is mainly driven by food inflation.

During January-September 2012, average monthly food inflation is high in all governorates, with the highest rates recorded in Aleppo and Homs (+36%), Al-Rakka, Deir-ez-Zor and Al-Hasak (+35%, respectively), due to the effects of the conflict, economic sanctions and trade restrictions from Turkey.

Year-on-year Inflation Trends



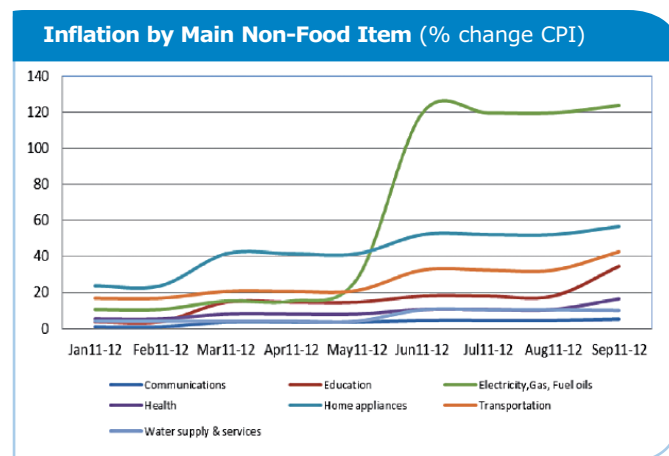
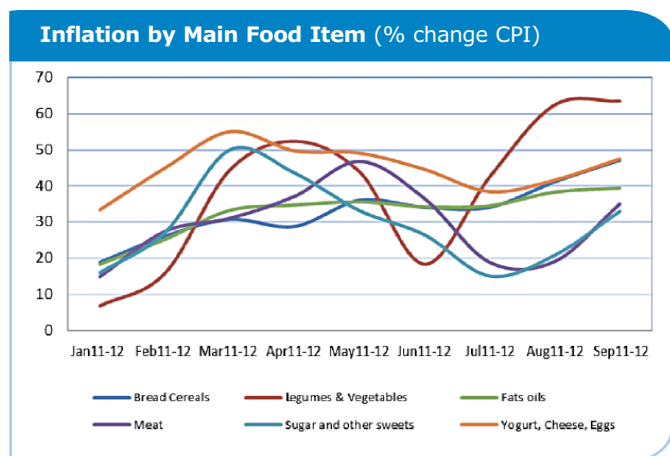
Annual Inflation Rate (% change CPI)



Main staple food items, energy sources and transportation are the main drivers of inflation

Compared to 2011, inflation is common to all commodities, though **food inflation is driven mainly by the most consumed food items**. Since July 2012, average monthly inflation rates of bread/cereals, dry legumes/vegetables, vegetable oils and dairy products (yoghurt and cheese) range from 37% to 56%, followed by meat (+24%) and sugar (+23%) and since July 2012. **Non-food inflation is driven by electricity, gas, fuel oils, home appliances**

and transportation. The average monthly inflation rate of electricity, gas and fuel oils is strikingly high, above 100% when compared to the same period in 2011. **The sharp increases in fuel prices and transportation costs are due to reduced availability of fuel, difficulties in transportation and insecurity**. Such increases are fuelling food production, processing and distribution costs and hence food prices on local markets.

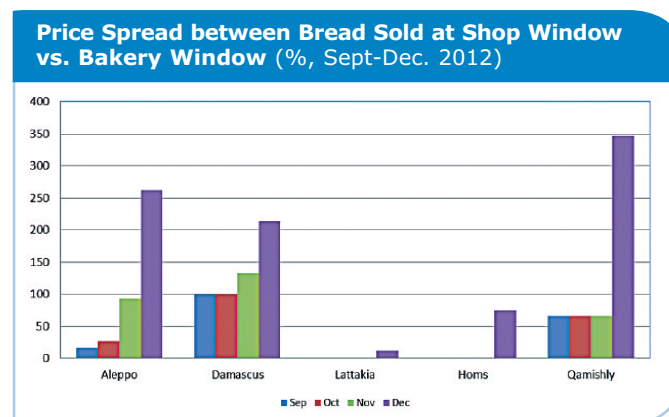


There are signs of wheat flour and bread availability problems

Wheat flour and bread, the main source of calories for Syrian households; have become much more expensive during the last quarter of 2012. WFP weekly price data indicate that average monthly price increase of subsidized bread sold at shop window is as high as 77% in Aleppo and 56% in Qamishly during the last quarter of 2012. The price of subsidized bread sold at bakery window has also increased in Aleppo and Tartous, 17% and 10% respectively, on average per month. **The spread between bakery and shop level prices of**

bread has widened over the last three months in several locations due to reduced wheat flour supply to bakeries, increased transaction costs (distance, insecurity, transport costs and time) in getting bread from bakeries to shops and demand pressure on subsidized bread sold at shop level. The sharp reduction in milling capacities (by about 75%) in Aleppo, is affecting the supply of wheat flour and bread in all Syria and particularly in eastern governorates of Lattakia, Idleb and Tartous.

	Bread (bakery)	Bread (shop)	Wheat flour
Aleppo	17	77	30
Damascus	0	17	11
Lattakia	7	10	6
Qamishly	0	56	24
Tartous	10	10	7



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