Highlights

- The overall analysis of the market information in October 2013 indicates that food availability has continued to be normal and food access is believed to have remained unchanged compared to the previous month. However, household purchasing power remains markedly lower than the same period in 2012 and the food security situation of poor households remains precarious.

- The general inflation rate of the country in September 2013 was 9.43 percent while that of food inflation was 8.05 percent. The general Consumer Price Index (CPI) during August 2013 was recorded at 172.36 while the food CPI was 166.33 and that of cereals stood at 141.03.

- The average wholesale prices of wheat fell by about 2 percent while prices of wheat flour increased slightly - by 1.4 percent. The slight decline in the wholesale prices of wheat flour may help stabilise retail prices in the coming months.

- Between September and October, the average retail prices of wheat and wheat flour have increased by 2.9 percent and 0.7 percent, respectively. These changes could be due to the stabilization of the wholesale prices since the past three months.

- The supply of essential food commodities has continued to be normal in most of the monitored markets and is expected to remain unchanged in the coming months.

- In October 2013, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour was 18.24Kg/day – an improvement of 2.6 percent compared with September. The ToT were 22 percent lower in October 2013 than during same month last year.

- The average TOT between a sheep and wheat flour was 254Kg/sheep – a slight decline from September (by 1 percent). However, they were 30 percent lower than they were in October last year.

- The FAO Food Price Index averaged 205.8 points in October 2013, 1.3 percent above September, but still 5.3 percent below its October 2012 value. The Cereal Price Index averaged nearly 197 points in October, up by 1 percent from September, but 22 percent below its October 2012 level.

- International wheat prices have risen by 6 percent between September and October 2013 but remain lower than the price recorded during the same month last year – down by 9 percent.

A. Inflation and Consumer Price Index (CPI)

The general inflation rate in Yemen fell between August and September 2013 – from 11.26 percent in August to 9.43 in September – based on a 12 month moving average. The same trend was observed in the inflation rate for food which fell from 9.76 percent in August to 8.05 in September.

The general Consumer Price Index (CPI) during September 2013 was recorded at 172.36 while the Food CPI was 166.33 and that of cereals stood at 141.03 (Figure 1). The general CPI was 171.26 in August 2013 while that of Food CPI during the same month was 166.15. The annual inflation rates for all of the non-staple food items also fell between August and September. The inflation rates in September 2013 ranged from 0.07 percent for cooking oil to 31.30 percent for vegetables.

1 The CPI is a measure of the average change in the prices of consumer items over time compared with a base year — goods and services that people buy for day-to-day living. The CSO of Yemen uses the 2005/06 Household Budget Survey as a base year. Inflation is the percentage change of the CPI over the period of 12 months – percentage changes in the CPI during current month compared with the same month last year.
B. Wholesale Prices of Wheat and Wheat Flour

During the month of reporting, the average wholesale price of 50Kg wheat grain was 4,600YR while that of wheat flour was 5,375YR. The average domestic nominal\(^2\) wholesale prices of wheat dropped by about 2 percent while those of wheat flour slightly increased by 1.4 percent (Figure 2 and Figure 3). The minor decline in the wholesale prices of wheat flour may help stabilise retail prices of wheat and wheat flour in the coming months.

In October 2013, the wholesale prices of all non-staple food commodities, except white beans and cooking oil, have remained steady compared with September. Wholesale prices of cooking oil and white beans rose by 9.4 percent and 5 percent, respectively.

C. Retail Prices of Wheat and Wheat Flour

The average nominal retail prices of wheat and wheat flour were 119YR/Kg and 142YR/Kg, respectively. Between September and October, the average retail prices of wheat and wheat flour increased by 2.9 percent and 0.7 percent, respectively (Figures 4 and 5). These minor changes could be due to the stabilization on the wholesale prices since the past three months.

Regarding the pattern of retail wheat prices across the main markets, the lowest price of wheat in October was recorded in Amran, Hodieda and Sa‘ada (110YR/Kg) while the highest price was reported from Sana’a (135YR/Kg). On the other hand, while Aden had the lowest retail price of wheat flour (130YR/Kg), the highest retail price was reported from Sa‘ada market (150YR/Kg). The price variations between different markets reflect variations in the quality of wheat, relative distance from the port and transportation costs.

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\(^2\) Nominal prices denote the current monetary value of a good or service i.e. as seen or actually observed by the monitor in the field, in a shop or at a market stall. Real prices are prices adjusted for inflation using a consumer price index of the corresponding year. The process of adjusting for inflation is called deflating by a price index in order to determine the real value of some monetary magnitude in reference to a “base period”.

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The supply of essential food commodities has continued to be normal in October 2013 in most of the monitored markets. However, as a result of continued localized conflicts and instability in some southern and northern parts of the country, the flow of food commodities was disrupted which created food availability problems. The volume of imported wheat stocks was adequate for national consumption needs during the month of reporting and the supply is expected to remain normal in the coming months.

**E. Terms of Trade (TOT)**

The TOT are proxy indicators of the purchasing power of households which rely on livestock and/or casual labour as their main source of income for the purchase of cereals from the market. TOT are important components of food security analysis. Changes in the terms of trade between wages/livestock and staple food commodities are indicative of the trends in purchasing power and the impact on the food security situation of households which are dependent on food purchases through income from daily wage labour and/or the sale of livestock.

**TOT between wage labour and wheat flour**

During the month under reporting, the nominal average daily wage rate was recorded at 2,583YR, a slight increase by 3.3 percent compared with wage levels recorded in the previous month. Consequently, during of reporting, the average TOT between the daily unskilled labour wage rate and the retail price of wheat flour was 18.24Kg/day – a minor improvement (2.6 percent) compared with September. At a regional level, the ToT improved in Sana’a, Aden and Hajja markets, but deteriorated in Amran and Hodieda while remained unchanged in Sa’ada. The ToT between wage labour and wheat flour were 22 percent lower in October 2013 than during same month last year, i.e. in October 2012 the average daily wage purchased 23.4Kg of wheat flour but only 18.2Kg in October 2013 (Figure 6).

**TOT between sheep and wheat flour**

In October 2013, the average price of a two-year old male sheep was 36,000YR – which is the same as reported in September 2013. Prices of a sheep ranged from 30,000YR in Amran to 43,000YR in Sa’ada market. During the month under reporting, the average TOT between a sheep and wheat flour was 254Kg/sheep – a slight decline compared with September (by 1 percent). Households which derive some of their income from the sale of sheep were able to purchase an average of 2kgs less wheat flour in October than in September 2013. The highest TOT during the month were recorded in Aden (307.7Kg/Sheep) while the lowest were observed in Amran (214.3Kg/Sheep). Apart from peaks in July and October 2012 the ToT between sheep and wheat flour have remained fairly constant since January 2012. However, they were 30.4 percent lower during the month of reporting than they were in October last year, i.e. one sheep purchased 365.19Kg of wheat flour in October 2012 but only 254.12Kg in October 2013 (Figure 7).

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The terms of trade (TOT) is a measure of the relative value of one commodity to another (or the inverse of their relative prices) and thus a measure of the exchange value of the good or service to be traded. Wage to cereal terms of trade is a standard indicator for purchasing power. The livestock to cereal ratio gives an indication of the purchasing power of households selling livestock and purchasing staple foods. Purchasing power is a measurement of the relative value of money in terms of the quality and quantity of goods and services it can buy. It represents the ability of a household to acquire goods and services based on its access to money or other forms of wealth.
F. Global Food Prices

The FAO Food Price Index averaged 205.8 points in October 2013, 1.3 percent above September, but still 5.3 percent below its October 2012 value (Figure 8). Last month’s small increase is the first recorded since April 2013. It was largely driven by a surge in sugar prices, although prices of the other commodity groups were also up.

The FAO Cereal Price Index averaged nearly 197 points in October, up by 1 percent from September, but 22 percent below its October 2012 level (Figure 8). However, wheat prices have notably increased, reinforced by firm import demand and deteriorating prospects for production in Argentina and the Black Sea region. Following a marked fall in September, rice prices moved up slightly.

International wheat prices have risen by 6 percent between September and October 2013 but still lower than the price recorded during the same month last year – down by 9 percent (Figure 9). Although the transmission of international prices to the domestic markets in Yemen is not particularly high (only 20 percent)\(^4\), the current increase in the international wheat prices is likely to affect the domestic prices. However, given the fact that the domestic wholesale and retail prices of wheat in Yemen are largely determined by the big importers and their agents, the upward trend in the international prices may not be exactly reflected domestically.

The overall analysis of the market information in October 2013 indicates that food availability has continued to be normal and food access is believed to have remained unchanged compared to the previous month. However, household purchasing power remains markedly lower than the same period in 2012 and the food security situation of poor households remains precarious. The current market situation in the northern parts of the country, particularly in Sa’ada, is being closely monitored as the ongoing intensified conflict is feared to have a negative impact on markets in the affected areas.

\(^4\) Source: WFP Yemen Market Study conducted in 2010 and could be accessed at the link: http://www.wfp.org/content/yemen-market-study-december-2010.
## Important Remark

The market price data contained in the report should be interpreted with caution as they do not capture the impacts of long-term trends in food prices. This approach does not measure or indicate the severity of the likely impact that changes may have on different households due to different income and food basket variations by wealth, by livelihood groups and households’ capacities to cope with changes.

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