



Highlights

- *Prices of food and fuel commodities continued to escalate in February 2017, and remained to be much higher than the pre-crisis levels.*
- *The cost of the minimum food basket further increased in February, and became 31% higher than the level estimated during the pre-crisis period.*
- *Availability of food and fuel commodities further deteriorated in February 2017 due to low imports and reduced level of informal cross border overland imports of commodities.*
- *According to Alert for Price Spikes (ALPS) methodology, in February 2017, wheat flour was on stress situation, alert status prevailed for vegetable oil and red beans, while the situation of sugar continued to be at crisis level. The ALPS indicator for the cost of the minimum food basket continued to be at alert status.*

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Macroeconomic Situation

With an estimated 17 million people at ‘emergency’ or ‘crisis’ levels of food insecurity, conflict-ridden Yemen is currently one of the worst hunger crises in the world. Twenty of the country’s 22 governorates are in ‘emergency’ or ‘crisis’ food insecurity phases and almost two-thirds of the population are now facing hunger and urgently require life and livelihood-saving assistance. Without additional humanitarian and livelihoods support, Taiz and Hodeidah, two governorates accounting for almost a quarter of Yemen’s population, risk slipping into famine.¹

The intensified conflict persisted for the past two years, coupled with restrictions and disruptions of commercial and humanitarian imports, mass population displacements, loss of livelihoods and income, scarcity and high prices of essential commodities including food and fuel, disrupted market systems, and suspension of safety net programmes and salaries for government employees have all contributed to the widespread food insecurity and malnutrition situation in Yemen.

Imports of essential commodities including food items are gravely affected by the lack of foreign currencies and continued depreciation of Yemen Riyal (YER) against US Dollar (USD) – with the average exchange rate in February 2017 reached to YER340/USD in parallel markets compared to the official rate of YER250/USD.

Key Facts and Figures

28 million	total population of Yemen; majority is suffering from the ongoing complex crisis
17 million	food insecure population; seven million of them requiring emergency food assistance
3 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

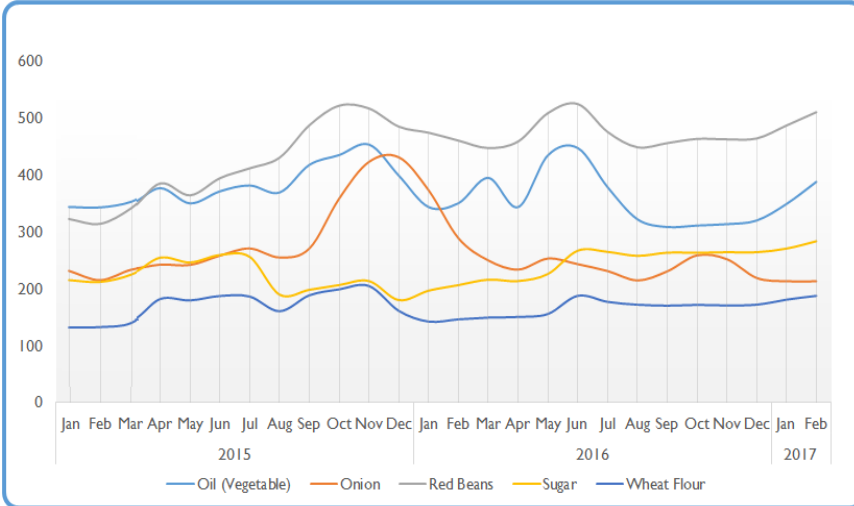
Sources: Yemen IPC March 2017, TFPM Reports, SWF Reports, CFSS/WFP, YHRP 2017

¹ Joint press release by FAO, WFP and UNICEF on the occasion of launching the latest Yemen IPC analysis results, 15 March 2017.

Food and Fuel Market Price Trends

Prices of essential food items continued to rise further in February 2017. The national average price of wheat flour was 37% higher in February than the pre-crisis period. Similarly, prices of red beans, sugar, and vegetable oil increased by 62%, 33%, and 13%, respectively, during the reporting period compared to those recorded in February 2015 (pre-crisis reference period) – Chart 1. Those governorates under active fighting and airstrikes such as Taizz, Hodiedah, Shabwa, Mareb, Al Jawf, Hajja and Sa’ada continued to suffer from high prices (Annex 2 and Annex 3).

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



The rising prices of food commodities since January have resulted in the escalation of the cost of the minimum food basket. During the reporting period, the average cost of the minimum food basket is stood at YER 2,595 compared to YER 2,500 in January (rose by 4%), and 31% higher than it was during 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 the minimum food basket reduced between January and February 2017 suggesting that the integration of markets has improved during the reporting period as a result of relatively reduced level of conflicts and airstrikes in many parts of the country that enhanced movements of traders and commodities. However, markets are still more disconnected and disintegrated compared to the pre-crisis period, and thus significant variation of prices of food commodities across governorates (Annex 2). The continued disruption of livelihoods and loss of income experienced by the large proportion of poor households in the highly conflict affected areas coupled with increasing prices of essential commodities may likely to have a devastating consequences in terms of complicating the severe level of food insecurity and malnutrition in many parts of the country.

Chart 2: Minimum Food Basket Cost (in YER)

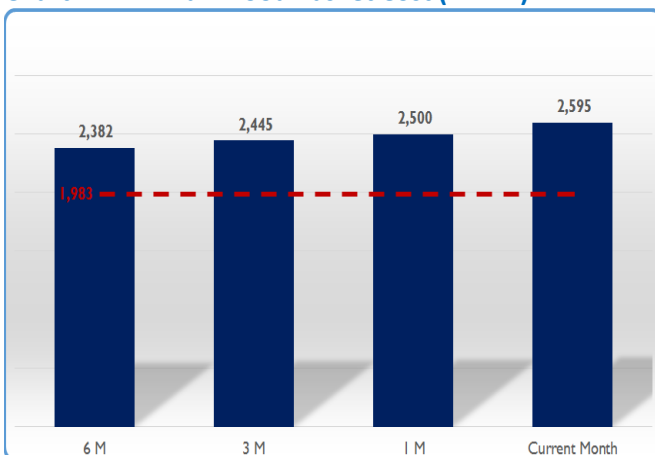
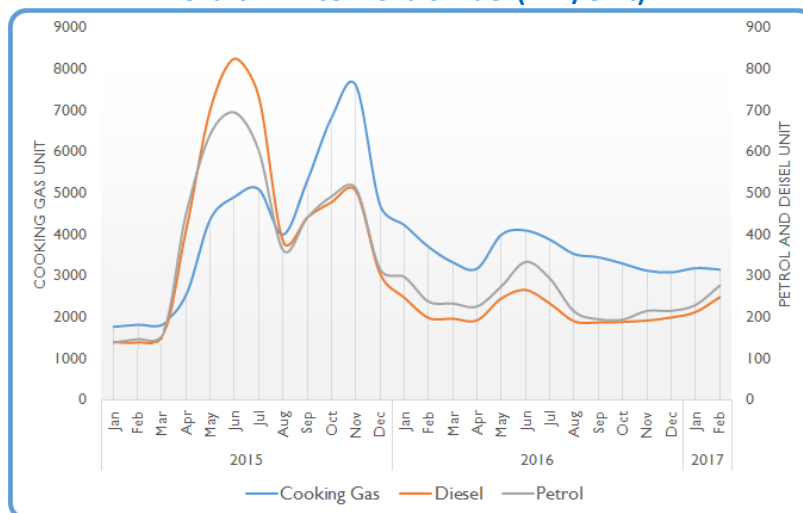


Chart 3: Min. vs. Max. Cost of Food Basket (in YER)



Between January and February 2017, the national average prices of diesel and petrol increased by 17% and 21%, respectively, while that of cooking gas remained unchanged. Moreover, the prices of fuel commodities continued to be largely higher in February 2017 than in pre-crisis time – cooking gas rose by 66%, petrol by 77%, and diesel by 68% compared to the level recorded before the crisis (Chart 4). Governorates with ongoing conflicts experienced the highest prices (Annex 2 and Annex 3).

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



Food and Fuel Availability

In February 2017, availability of food and fuel commodities further deteriorated in several governorates of Yemen due reportedly to reduced supplies to the local markets as a result of anticipated challenges of importation due to the impact of the liquidity crisis as well as restricted access to Hodeidah port (Table 1). In governorates where the conflict still ongoing, the scarcity of essential commodities has further worsened. The informal cross border overland imports of goods from Oman and Saudi Arabia still continues with reduced quantities of commodities and frequencies of supply, as reported by the traders interviewed. According to the qualitative information collected from the traders, the demand of consumers has continued to decline due to the impact of the suspension/disruption of salary payments for government employees which led to increased number of consumers requesting for purchase on credit which has become one of the most challenging obstacles for the traders who are constrained by lack of financial services from the banks to replenish stocks.

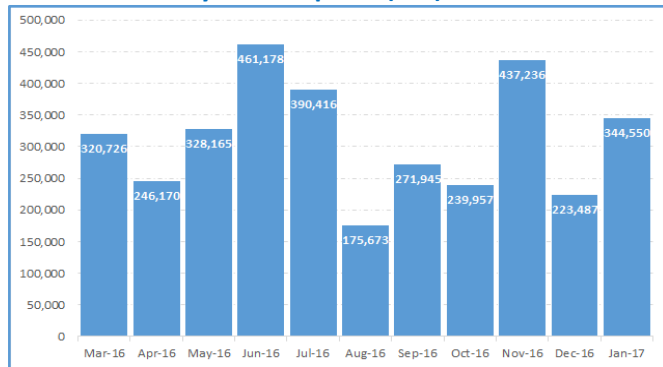
Table 1: Availability of basic commodities in February 2017 and previous months

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	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Addaleh	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Aden	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Baidha	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Hodeida	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Jawf	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Al Mahra	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	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	SAV	SAV	SAV	SAV
Amran	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Dhamar	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	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	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	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Laheg	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV	SAV
Mareb	SAV	SAV	SAV	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	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 city	SAV	SAV	SAV	SAV	SAV	SAV	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	SAV	SAV	SAV	SAV	SAV	SAV	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 Imports

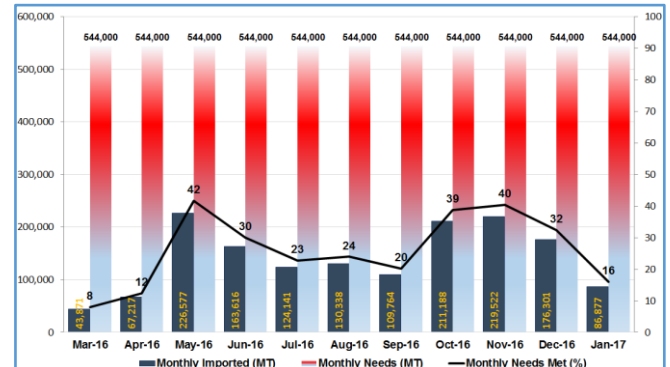
According to the information from Logistics Cluster released recently, a total of 344,550MT of various food items was imported into Yemen in January 2017 (both commercial and humanitarian) which is the second highest quantity during the past six months (Chart 5). On the other hand, a total of about 87,000MT of fuel commodities was imported in January 2017 which is the least quantity since May 2016 and only half of the imports registered in December 2016. The quantity of fuel imported in January is expected to cover merely about 16% of the monthly national fuel requirement which is estimated at 544,000MT⁴ (Chart 6). While level of food imports reported in January may have an easing impact on the availability of commodities in local markets and may result in slight reduction in prices, the low quantity of fuel imports will aggravate the scarcity and lead to escalated prices.

Chart 5: Monthly food imports (MT)



Source: Logistic Cluster, January 2017

Chart 6: Monthly fuel imports vs. needs



Source: Logistic Cluster, January 2017

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 February 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 February 2017, ALPS indicator for wheat flour has continued to be on stress situation (Chart 7). ALPS indicators for vegetable oil and red beans are on alert status (Charts 8 and 10). On the other hand, the ALPS indicator for sugar persistently maintained the crisis level (Chart 9). Consequently, following the deterioration of all indicators, the overall ALPS indicator for the monthly cost of minimum food basket remained to be on alert situation which prevailed since January 2017 (Chart 11).

Chart 7: ALPS for Wheat Flour – February 2017

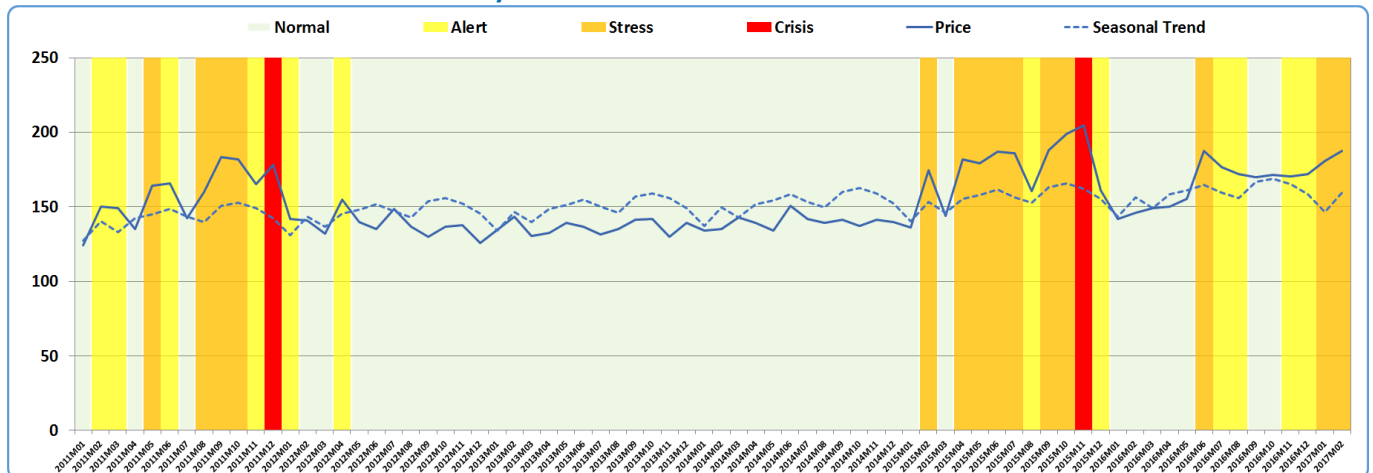


Chart 8: ALPS for Vegetable Oil – February 2017

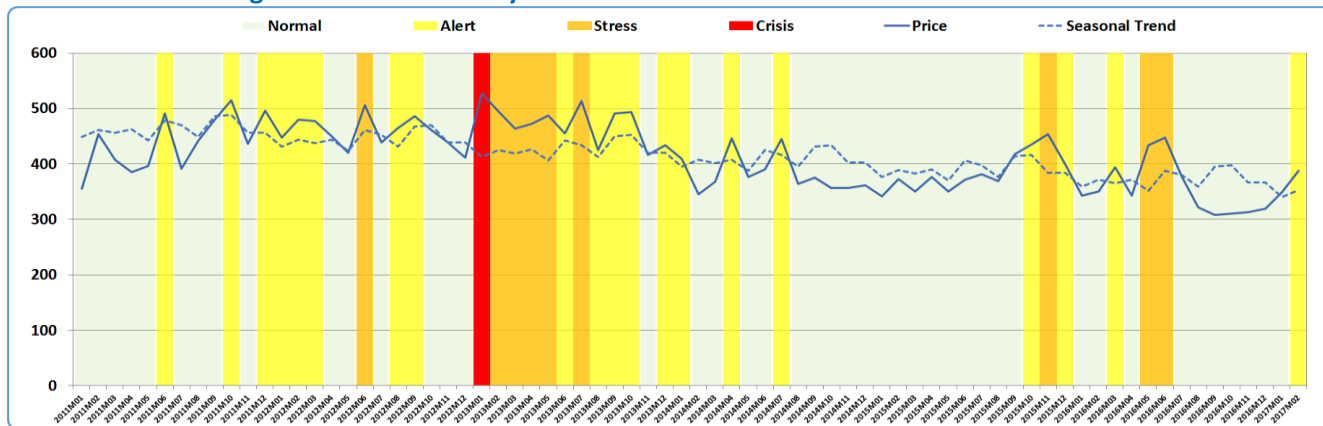


Chart 9: ALPS for Sugar – February 2017

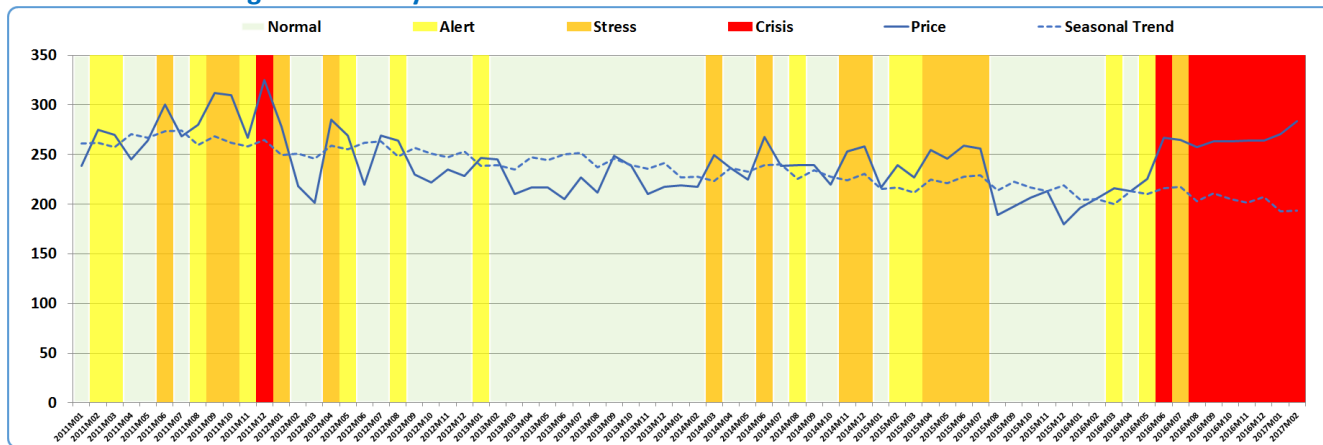


Chart 10: ALPS for Red Beans – February 2017

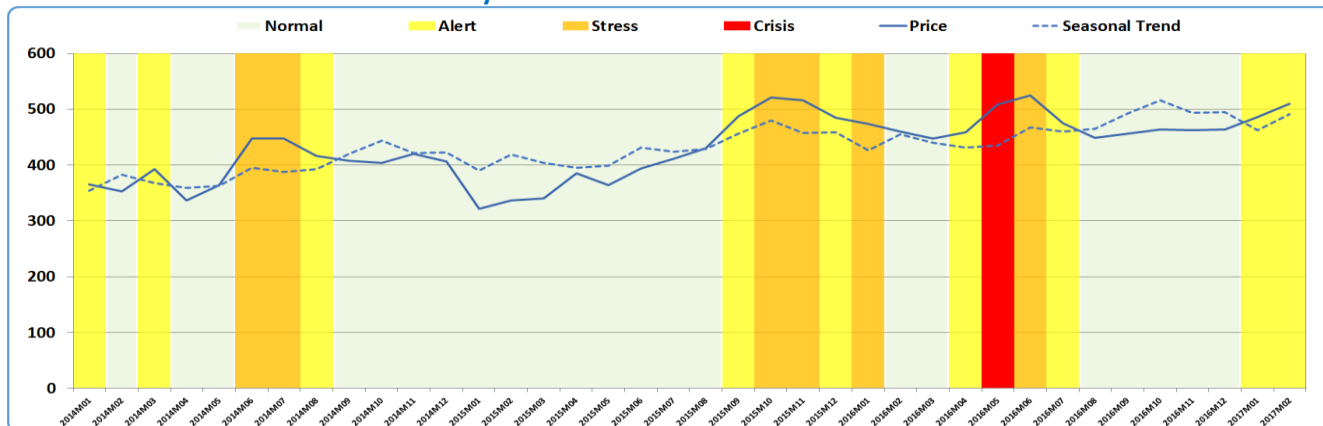


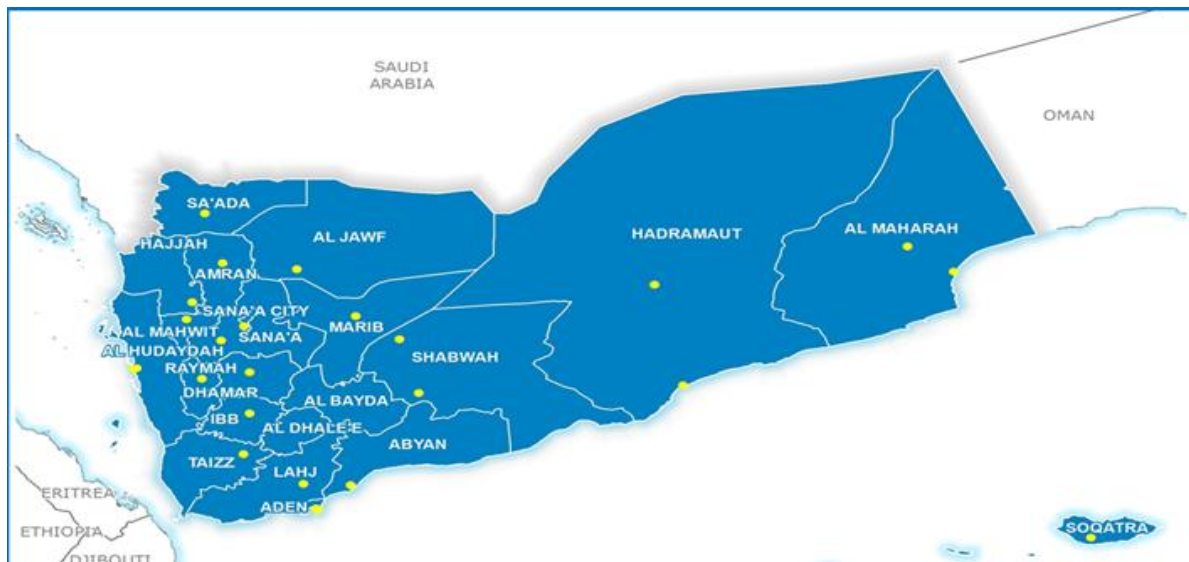
Chart 11: ALPS for Basic Food Basket Cost – February 2017



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 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 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	$0.25 \leq ALPS < 1$
Alert	$1 \leq ALPS < 2$
Crisis	$ALPS \geq 2$

