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# Market & Trade Bulletin, Yemen

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## KEY HIGHLIGHTS

- **The YER in GoY areas continued to lose ground to the US\$ for the third successive month since hitting historic lows in November 2023:** the exchange rate between the Yemeni Riyal (YER) and US Dollar (US\$) was unchanged in February 2024 in areas under the Sana'a Based Authorities (SBA) but depreciated by 5 percent in Government of Yemen (GoY) controlled areas month-on-month (m-o-m) (**Fig. 1**). The YER has lost significant ground to the USD in GoY areas having depreciated by 24 percent and 35 percent year-on-year (y-o-y) and against the 3-year average (3-YA), respectively, correspondingly while gained value in SBA areas by 4 percent and 10 percent, respectively. The currency depreciation, driven by depleted reserves and depleted export earnings from crude oil and gas exports, is largely responsible for increased food prices in GoY areas.
- **Food and fuel import volumes remained normal despite severe maritime disruptions in the Red Sea:** basic food and fuel imports through the three major seaports of Al Saleef, Al Hodeidah and Aden are still flowing uninterrupted despite the upheavals in the Red Sea, enabling ample food and fuel availability country wide (**Figure 2**).
- **Fuel prices remained very high in GoY areas although recently stabilized:** Fuel (diesel and petrol) prices in SBA and GoY controlled areas remained unchanged during February 2024 from their levels in January 2024 due to sufficient stocks (**Figure 4**). However, prices of petrol and diesel in GoY areas increased by 25 percent compared to the same period in 2023, while dropped by 20 percent and 5 percent, respectively, for diesel and petrol in SBA areas. The increased fuel price in GoY areas is partly driven by depreciated value of the local currency and is contributing to increased food prices.
- **Food prices remained very high in GoY areas notwithstanding recent modest increase:** Staple basic food items (Basmati rice, kidney beans, cooking oil, and wheat flour) remained largely unchanged m-o-m in SBA areas but increased slightly (about 4 percent) in GoY areas, on account of reduced global food prices and stable import flows. However, food prices are higher compared to the same month last year in GoY areas (3 to 25 percent) while lower by 8 to 20 percent in SBA areas over the same period. The former because of reduced value of the local currency (YER) and increased fuel prices. Prices of other basic food items are significantly elevated (33 - 54 percent) in GoY areas but slightly reduced in SBA areas against the 3-year average (**Figure 5**).
- **The cost of the Minimum Food Basket (MFB) remained very high in GoY areas even with recent modest increase (Figure 5).** At the same time, populations in SBA areas have relatively lower purchasing power than their counterparts in GoY areas despite SBA's price interventions and exchange rate control measures. Monitoring data indicate that about 35 percent of the population rely on government salaries as their main source of income in GoY areas while casual labour (54

**Table 1:**

| Area | Commodity                                   | Feb 2024 Price (YER) | Price changes |       |      |
|------|---|----------------------|---------------|-------|------|
|      |   |                      | m-o-m         | y-o-y | 3YA  |
| GoY  | Agricultural Labor - Per day                | 11,931               | -1%           | 22%   | 43%  |
|      | Basmati Rice - 1 kg                         | 2,441                | 4%            | 22%   | 54%  |
|      | Diesel (Official) - 1 L                     | 1,305                | 0%            | 25%   | 87%  |
|      | Imported Kidney Beans (Grain) - 1 kg        | 2,833                | 1%            | 11%   | 50%  |
|      | Imported Sunflower Oil - 1 L                | 3,146                | 4%            | 6%    | 38%  |
|      | Imported Wheat Flour - 1 kg                 | 976                  | 3%            | 3%    | 33%  |
|      | Minimum Food Basket                         | 130,903              | 3%            | 6%    | 38%  |
|      | Petroleum (Official) - 1 L                  | 1,197                | 1%            | 25%   | 70%  |
|      | Unskilled / Casual Labor - Per day          | 11,344               | 1%            | 14%   | 33%  |
|      | Unofficial Exchange Rate - Buying - YER/USD | 1,635                | -5%           | -24%  | -35% |
| SBA  | Agricultural Labor - Per day                | 5,015                | 1%            | 2%    | 11%  |
|      | Basmati Rice - 1 kg                         | 982                  | 0%            | -1%   | 0%   |
|      | Diesel (Official) - 1 L                     | 478                  | 0%            | -20%  | -13% |
|      | Imported Kidney Beans (Grain) - 1 kg        | 1,104                | 0%            | -8%   | 11%  |
|      | Imported Sunflower Oil - 1 L                | 1,164                | -1%           | -9%   | -2%  |
|      | Imported Wheat Flour - 1 kg                 | 364                  | 1%            | -17%  | -6%  |
|      | Minimum Food Basket                         | 49,086               | 0%            | -13%  | -1%  |
|      | Petroleum (Official) - 1 L                  | 473                  | 0%            | -5%   | 8%   |
|      | Unskilled / Casual Labor - Per day          | 5,144                | 0%            | -1%   | 9%   |
|      | Unofficial Exchange Rate - Buying - YER/USD | 527                  | 0%            | 4%    | 10%  |

*m-o-m: % change from previous month; y-o-y: % change from the same month last year; 3YA: % change from the same month in 2021, 2022, & 2023*

**Note on the dual exchange rate regime in Yemen:** *There are currently two exchange rates split by monetary governance between the Sana'a based authorities (SBA) and the Government of Yemen (GoY) based in Aden. This was after the Central Bank in Aden printed new notes starting from Nov 2019 and the SBA banned the use of these new notes in their areas. As a result, the Yemeni Rial in GoY areas depreciated significantly against the US\$ while the YER in SBA areas remained largely stable and controlled. Food prices followed the same trend by rising significantly in GoY areas in local currency terms but remained stable in SBA areas starting from November 2019. It's important to note, however, that while prices in GoY areas may seem 'double their levels in SBA areas', the US\$ equivalent of the prices in both areas are nearly the same, in fact sometimes slightly higher in US\$ equivalent in SBA areas.*

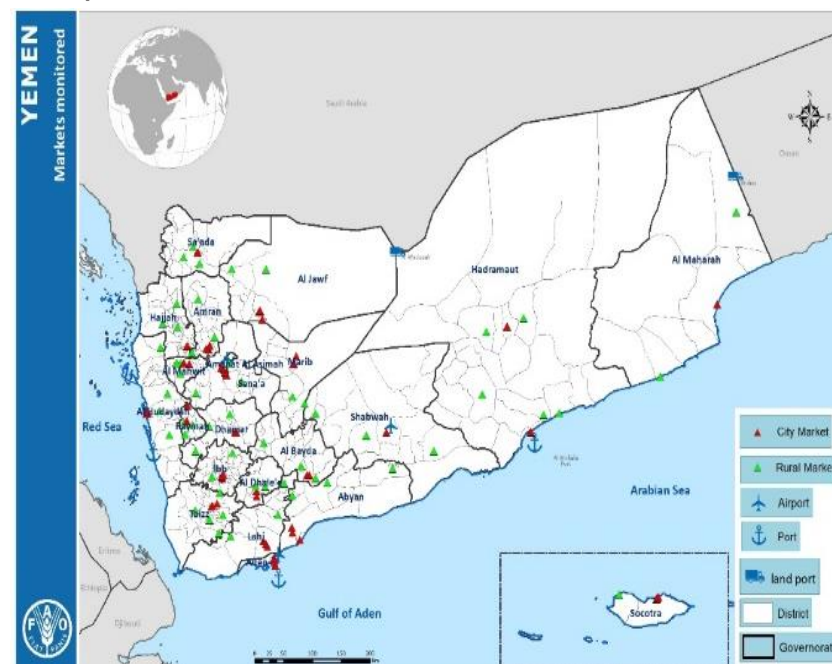
percent) and humanitarian food assistance (18%) are the primary income sources in SBA areas. SBA controlled areas suspended payment of salaries to civil servants, while the GoY continues to pay salaries to its civil servants although intermittently.

- **Livestock prices increased in response to pre-Ramadhan peak demand but remained below the 3-year average in SBA areas:** the February 2024 market prices of goat and sheep increased slightly (2-3 percent) in both areas m-o-m. However, the livestock prices are significantly higher (24-48 percent) in GoY areas but reduced by 5-6 percent in SBA areas when compared to the same month last year and the three-year average (**Table 2 and Figure 6**).
- **Casual labor wage rates slowed down in line with reduced agricultural and off-farm economic activities:** casual labour rates remained generally unchanged in both GoY and SBA areas over the month of February against the preceding month. Compared to the same period in 2023, casual labor wage rates went up by 14 percent in GoY areas but remained stable in SBA areas (**Figure 6**). Although casual labour wage rates are higher than three-year average in both GoY (35 percent) and SBA (9 percent) areas, the capacity of casual laborers to afford basic food items is low because of a more rapid increase in food prices (38 percent increase in MFB) and the erosion of the value of the YER in GoY areas but also reduced labour opportunities and non-payment of salaries in SBA areas.
- **Purchasing power for casual laborers decreased while those of livestock keepers increased over the reporting month:** The terms of trade (ToT) between casual/agricultural labour rate and cereal (wheat flour) decreased m-o-m in both GoY and SBA areas in line with increased wheat flour prices and stable labor wages. On the other hand, the rate of exchange between livestock (sheep/goat) and cereals (wheat flour) appreciated slightly over the reporting month in both areas because of marginal increase of livestock prices. Livestock and labour ToT against cereals trended above their levels a year ago and the 3-YA, but household capacity to afford food from markets is still lower because of reduced livestock asset holdings and diminished labour opportunities. The latter because of typical seasonal decline in agricultural activities in addition to general economic decline (**Figure 7**).
- **Widespread food security deterioration to emergency levels is projected from June 2024 in the absence of/ reduced humanitarian food assistance,** coinciding with the peak of the lean season, continued exchange rate volatility and localized conflicts, and amplified impacts of the ongoing Red Sea crisis. Basic food commodity prices are expected to increase from through May 2024 in response to increased demand during Ramadan and Eid festivities, but also because of the knock-on effects of the conflict in the Red Sea. The increased prices will limit access to food to most poor households and worsen food insecurity, albeit temporarily mitigated somewhat by increased household resource sharing during Ramadan. FAO High Frequency Food Security Monitoring already show pockets of significant increased inadequate food consumption after WFP paused humanitarian food assistance for more than four months in SBA areas. **An increase in funding for the Yemen response and a de-escalation of the Red Sea crisis are required now. Immediate activation and scale-up of targeted humanitarian food assistance is needed in the prioritized hot-spot districts to avert the impending crisis.**

**Table 2: Livestock prices**

| Area | Commodity                                  | Feb 2024 Price | percentage price changes |       |     |
|------|--|----------------|--------------------------|-------|-----|
|      |  |                | m-o-m                    | y-o-y | 3YA |
| GoY  | Local Goat Is 6 Months Old - average 12 kg | 119,263        | 2%                       | 24%   | 48% |
|      | Local Sheep - average 12 kg                | 116,892        | 3%                       | 29%   | 47% |
| SBA  | Local Goat Is 6 Months Old - average 12 kg | 41,491         | 3%                       | -5%   | -6% |
|      | Local Sheep - average 12 kg                | 42,218         | 2%                       | -6%   | -5% |

**Map 1: Markets monitored.**



# ANNEXES

Figure 1: Exchange Rates: YER vs. 1US\$

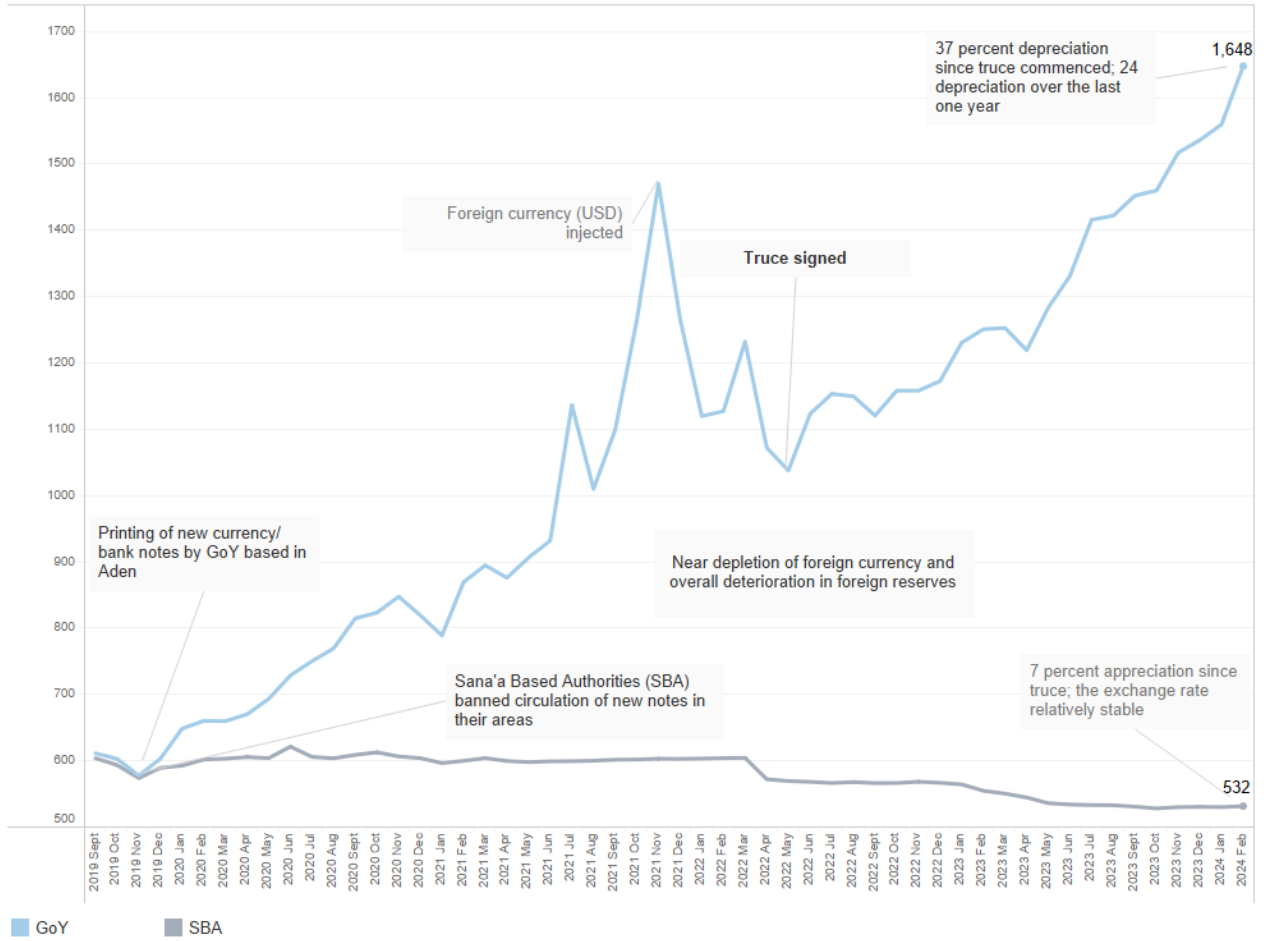


Figure 2: Wheat Imports

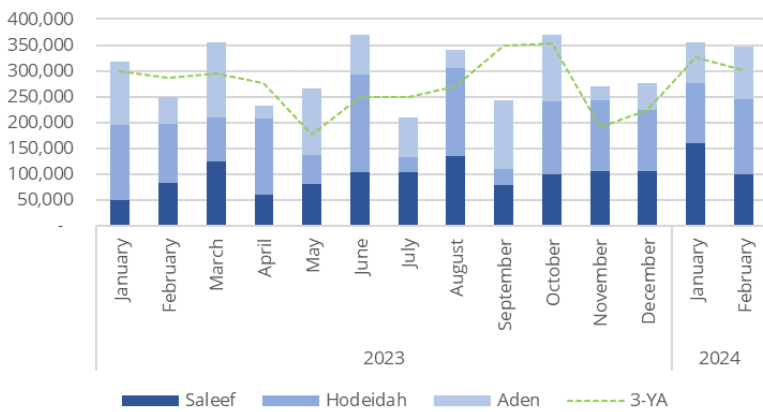


Figure 3: Diesel and Petrol Imports

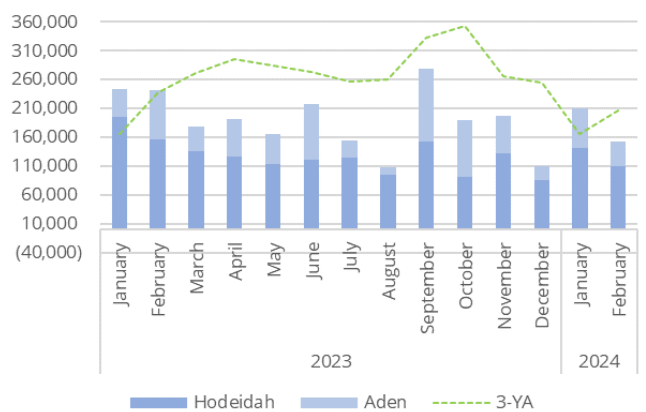


Figure 4: Diesel and Petrol Price Trends (YER)

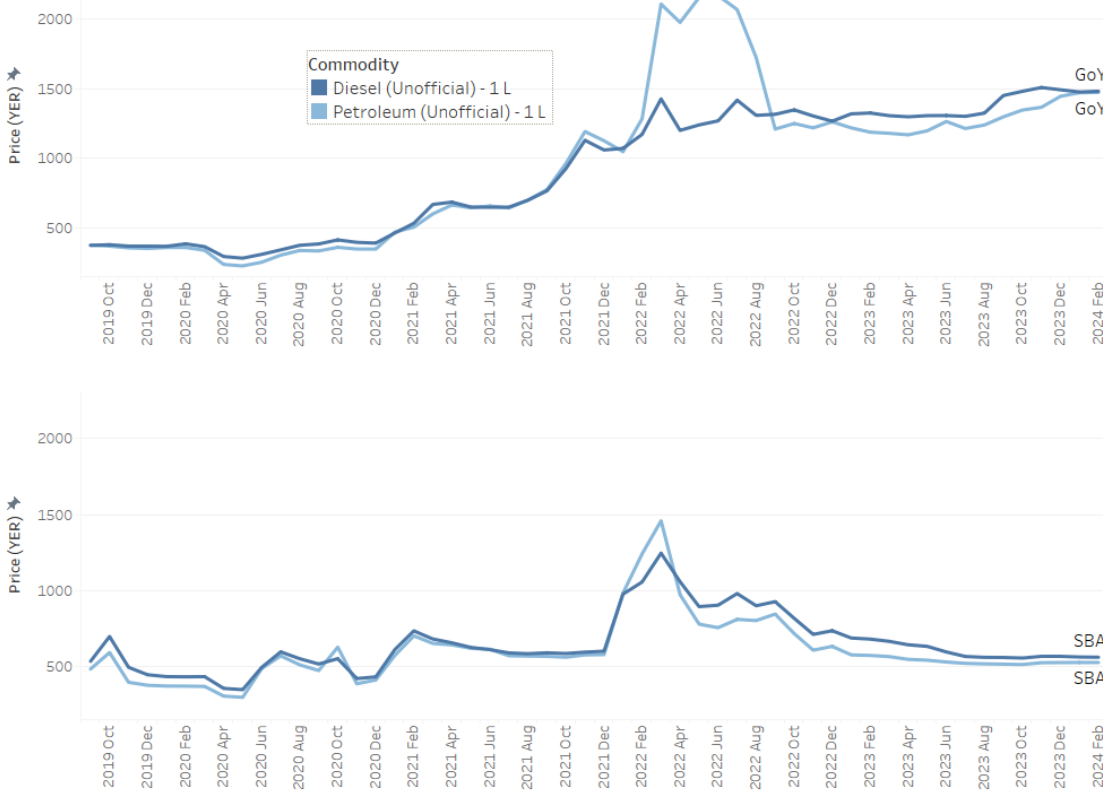
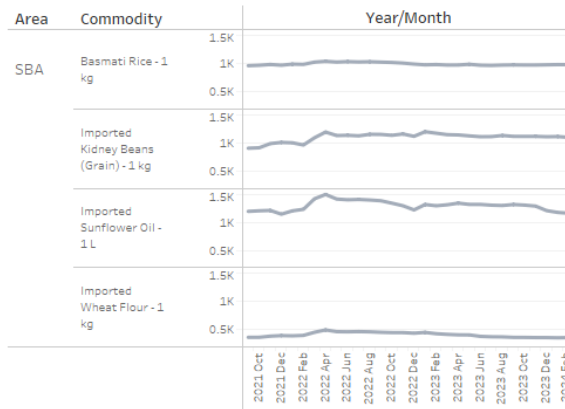
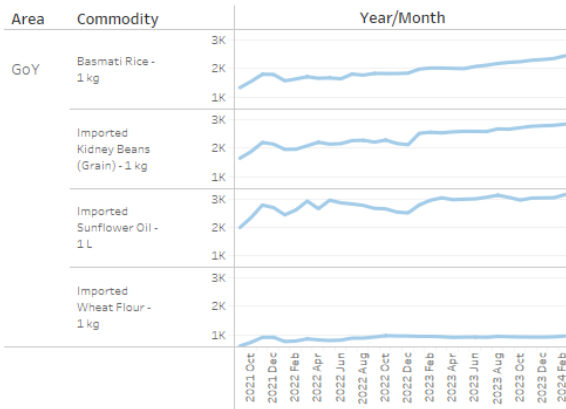
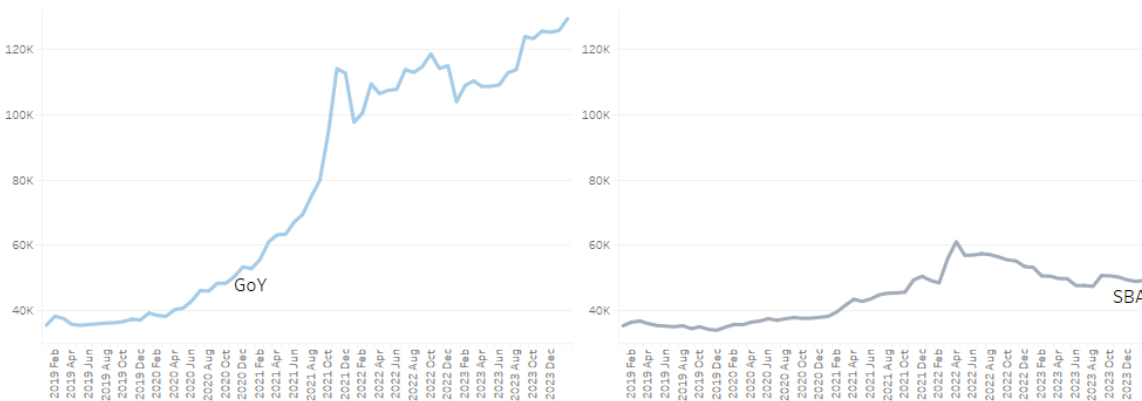
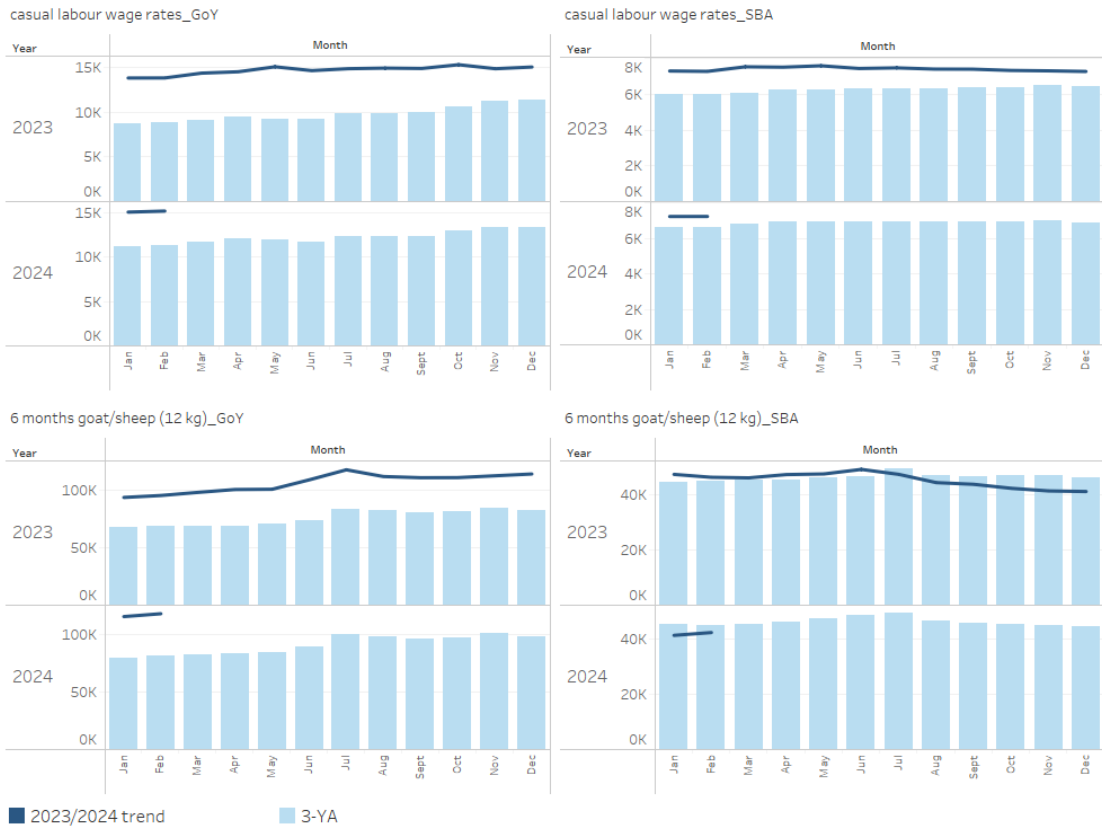


Figure 5: Minimum Food Basket/ food prices



**Figure 6: Trends in Daily Casual Labour Wage Rates and livestock prices**



**Figure 7: Terms of Trade (purchasing power)**

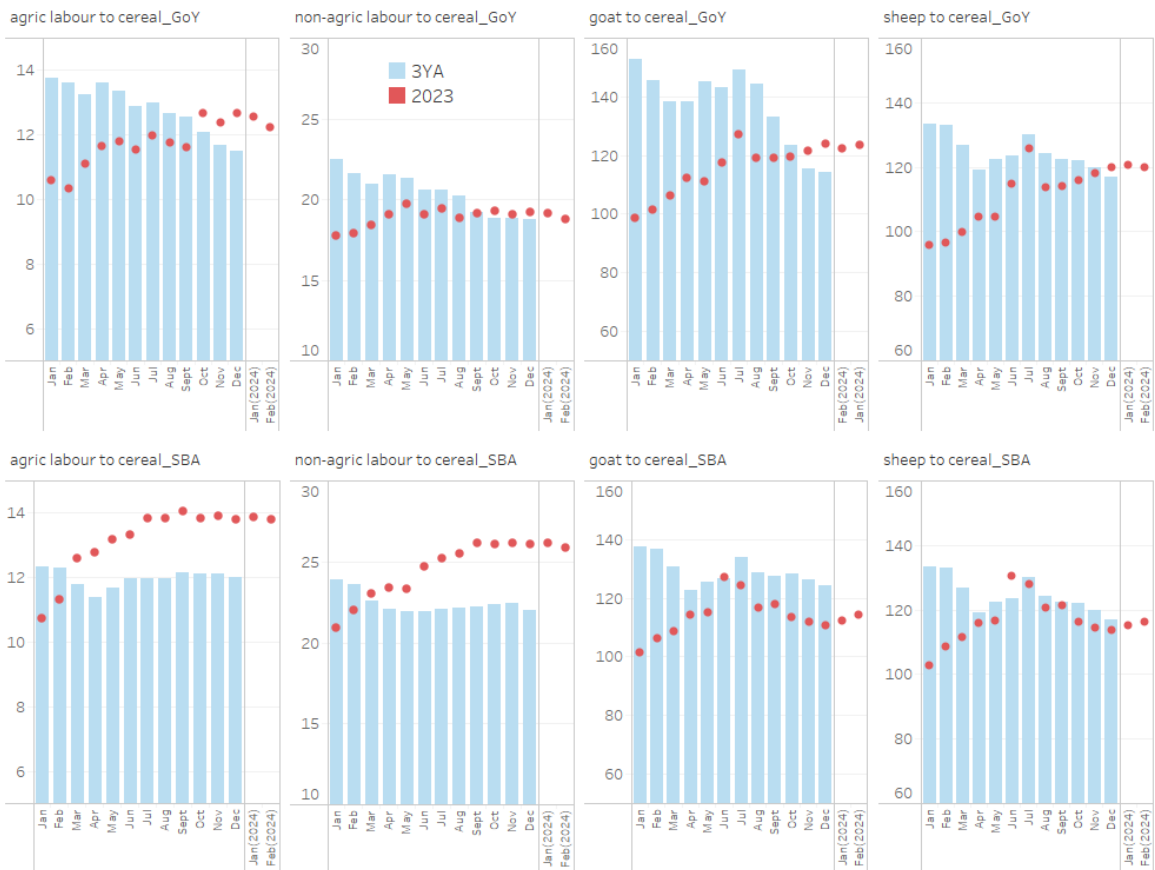
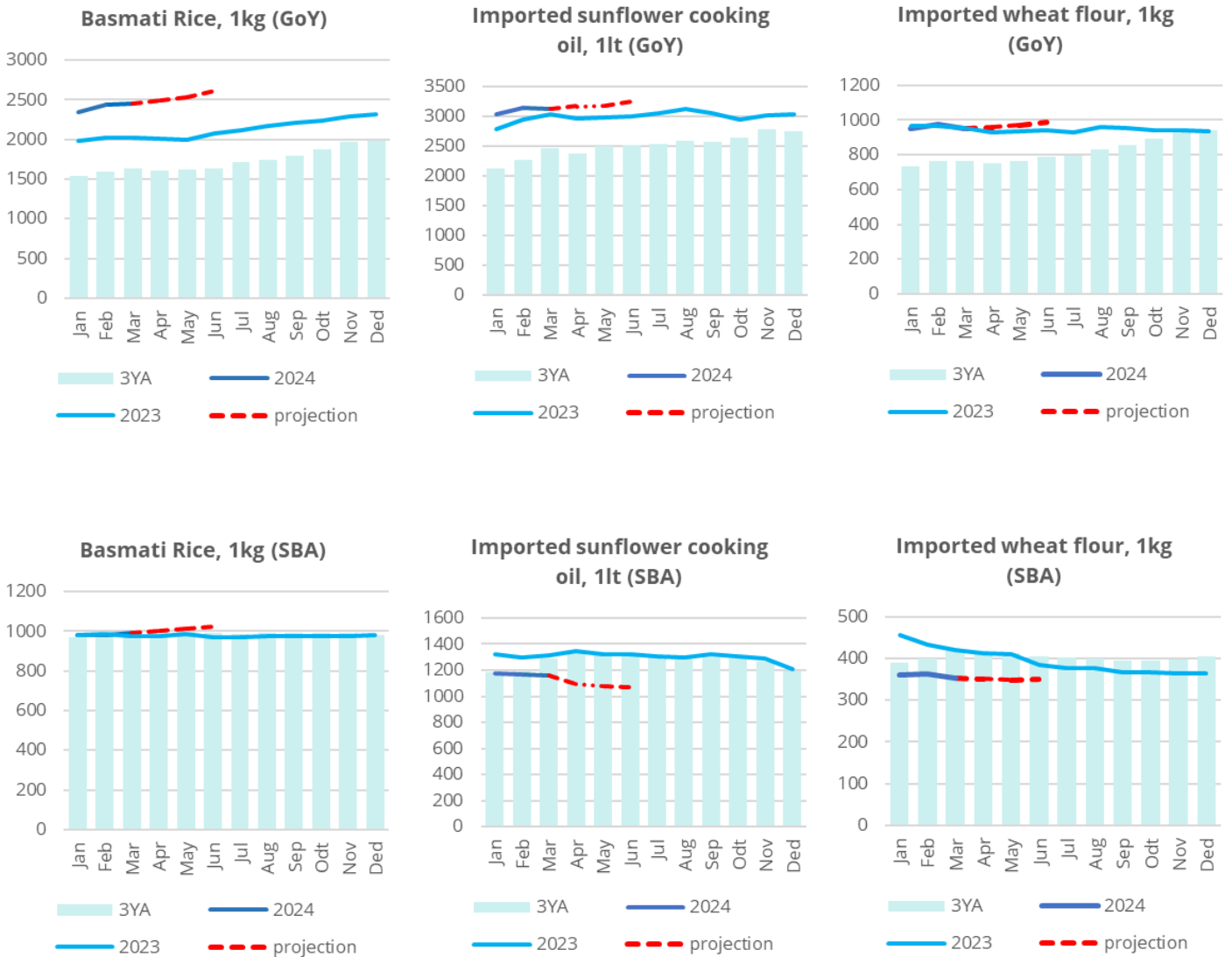


FIGURE 8: Staple food commodity price (YER) forecasts/ projections (March – June 2024)





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