WFP VAM & Retail/Supply Chain Unit
Lebanon

National FSSWG – Situation Analysis

Monitoring Results for FSSWG Meeting

8 December 2020
Table of Content

- Supply Chain and WFP contracted shops situation
- Demand: food & non-food price developments and exchange rate fluctuations
- Key Risks
- Way Forward
Supply chain and WFP contracted shops situation
Port of Beirut Good Movement from January 2019 till November 2020 (in mt)

- A decrease of 18% in the unloaded imports weight of Food is registered when comparing Jan – Nov 2020 to the same period in 2019.
- A decrease of 28% is noticed when comparing Aug-Nov 2020 figures against the same period in 2019.
- A decrease of 18 percent is registered when comparing Nov 2020 figures to Nov 2019 figures.

Source: Port of Beirut data, 2019/2020 as of December 7, 2020, subject to change
Lebanese Customs Imports Statistics Periods Comparison – Net Weight (mt)

<table>
<thead>
<tr>
<th>Imports</th>
<th>Jan – Aug 2019</th>
<th>Jan – Aug 2020</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cereal</td>
<td>823,433</td>
<td>873,822</td>
<td>6.1%</td>
</tr>
<tr>
<td>Total Food (excluding cereals)</td>
<td>1,192,234</td>
<td>925,925</td>
<td>-22.3%</td>
</tr>
<tr>
<td>Total Food</td>
<td>2,015,667</td>
<td>1,799,747</td>
<td>-10.7%</td>
</tr>
<tr>
<td>Total</td>
<td>14,180,307</td>
<td>8,383,374</td>
<td>-40.9%</td>
</tr>
</tbody>
</table>

- Between January 2020 and August 2020, and in comparison, to the same period in 2019:
  - Total imports decreased by 41 percent.
  - Food Imports (excluding cereals) decreased by 22 percent.
  - Food imports decreased by 11 percent.
  - Cereal imports increased by 6 percent

Source: Lebanese Customs Data
• Between January 2020 and August 2020, Lebanon imported 457,566 tons of wheat, based on the Lebanese Customs published data, 28 percent higher than the same period in 2019 (see blue line).

• Based on WFP shipment data, Lebanon imported 588,043 tons of wheat between January 2020 and November 2020 through its Beirut & Tripoli ports (see orange line).

• Between August and November 2020, Lebanon imported 227,471 tons of wheat, based on shipment data, versus 173,490 for the same period in 2019, through Beirut and Tripoli ports (Source: WFP shipment data).
Animal Food Imports Evolution (in mt) – July 2019 to November 2020

Based on WFP shipment data, Lebanon imported, through its Beirut & Tripoli Ports:

- Between January 2020 and October 2020, 574,117 tons of animal food (corn, soya & Barley).
- Between August and November 2020, 232,018 tons, versus 199,358 tons for the same period in 2019.

Source: WFP Shipment Data (Beirut & Tripoli ports) (Blue line), November 2020, subject to change
82% (72% on July 24th) of WFP-contracted shops reported to have more than 2 weeks of stocks.

Based on December 4th weekly shops assessment survey results:

- 12% of WFP contracted shops reported scarcity in certain products, such as oil & fats and subsidized products.
- 32% of WFP-contracted shops reported suppliers not delivering the full ordered quantities.
- 91% reported having subsidized items at the rate of LBP 3,900.
- 84% reported that suppliers are accepting new orders for subsidized products.
- Only 2% of shops that received subsidized items reported receiving the full ordered quantities.

Source: Retail Weekly Shop Phone Survey – as of 4 December 2020 (December 4 numbers based on 414 reachable shops, out of a total of 475 contracted shops)
Weekly exchange rate based on Beirut contracted retailers’ feedback (national level)

- Exchange rates applied by suppliers of contracted shops continue to follow the informal market developments, albeit at a slower pace.

- **In the first week of December, 80% of WFP-contracted shops were using an exchange rate between LBP 8000 – 9000, while 20% were charged between LBP 7,000 – LBP 8,000.**

- December 4 numbers based on:
  - Total number of shops (including chains): 475
  - Number of reachable shops: 414

Source: Retail Weekly Shop Phone Survey – as of 4 December 2020
Demand: food & non-food price developments and exchange rate fluctuations
Daily (official and unofficial) exchange rate development between mid October 2019 and December 6 2020

- Black market rate heavily affected by developments on the political scene (red line). Rate has been witnessing increases lately.
- Parallel market rate inactive following central bank decision on August 6 to resume paying incoming money transfer in US dollar notes for non-financial institutes. Last recorded rate was LBP 3,800 (blue line).
- Rate for withdrawal from non-fresh money dollar account in LBP currently set at LBP 3,900 by the central bank currency exchange platform. Circular allowing such withdrawals extended till March 31st, 2021 (yellow line).
- Official exchange houses rate as set by the central bank currency exchange platform (Sayrafa) is between LBP 3,850 & LBP 3,900 (purple line).

Source: [http://lebaneselira.org](http://lebaneselira.org) & [https://lirarate.com](https://lirarate.com) – reported rates for black market and syndicate are the average of the buy and sell rates
• Food SMEB recorded a slight decrease in November 2020, at LBP 108,869.
• The cost of the SMEB is higher than October 2019 levels by 183 percent.
• At the national level, the m-o-m variation of the Food SMEB between October and November was minimal (down 0.4 percent).
• At the governorate level, Akkar recorded the highest m-o-m increase (up 1 percent), while Beirut recorded the highest decrease (down 5 percent).
• In parallel with the Food SMEB, the monthly average unofficial exchange rate remained nearly the same between October and November.

Source: WFP price data, 2019 & 2020, as of 7 December 2020, subject to changes
Monthly average change of SMEB food basket price in % per Governorate – Sep to Nov 2020

Source: WFP price data, 2020, as of 7 December 2020, subject to changes
Change of weekly food SMEB price in LPB (national average)

- Approx. 198% percent weekly food price (SMEB basket) increase between the week of 14 October 2019 and the week of 30 November 2020, based on preliminary data available from WFP contracted shops.

- An increase of 110% is registered between the week of March 16th, which marked the start of the General COVID-19 mobilization, and the week of November 30th.

Source: WFP price data, 2019 & 2020, as of 7 December 2020, subject to changes
WFP is currently monitoring a non-food basket based on the following products available in the database, which covers 9 out of 11 items of the original 2014 Non-Food Items basket, namely: baby diapers (90 pieces), dishwashing liquid (750 ML), disinfectant fluid (500 ML), soap (5 x 125 G), sanitary napkins (6 x 10 pieces), shampoo (500 ML), toilet rolls (4 pieces), toothpaste (2 x 75 ML) and washing powder (0.9 KG). Cooking Gas (1kg) and Hypoallergenic soap (125g per bar) are not included due to lack of data. In the graph on the left, the cost of the refill of a 10KG cylinder at the official price was used and switched to 1 KG, based on IPT Fuel Price website (https://www.iptgroup.com.lb/ipt/en/our-stations/fuel-prices). For Hypoallergenic soap: the cost was estimated based on the registered inflation between the cost of an individual soap as registered in the 2014 SMEB basket and the current cost that appears in WFP retail database.

- Between October 2019 and November 2020, an increase of 183 percent was registered.
- Between October and November 2020, a slight 0.2 percent decrease was registered.
Since the start of the tracking of the CPI & FPI in 2007, the highest annual increases were registered between October 2019 and 2020:

- The Consumer Price Index (CPI) witnessed an annual inflation of 137%.
- The Food Price Index (FPI) registered an inflation of 441%

Between September and October 2020, CPI increased by 4%, while FPI increase by 4.6%.

Source: Central Administration for Statistics (CAS)
Key Market Risks the Country is facing

- **Import Subsidies (for details, see VAM presentation given in October):**
  - Collapse of the subsidy system which all country citizens, including beneficiaries, depend on.
  - Lifting or modifying food and non-food subsidies (fuel, medicine, etc.), would lead to significant price peaks, impairing buying power, especially for the most vulnerable.

- **LBP Banknote Liquidity crisis**
  - Any escalation in the LBP Banknote liquidity crisis can further deteriorate the situation and lead to market shortages.
  - Access to food can deplete due to limited access to cash if controls on withdrawal limits and access to cash to escalate.
Import Subsidies:
- First ministerial meeting for import subsidies removal/modification took place yesterday place today (December 7th).
- Additional meetings taking place today (December 8th), decision expected to be taken soon.
- Suggestions include further rationing power supply to save fuel and end non-prescribed medicine subsidization.
- Reports emerged yesterday that a decision has been taken to end flour subsidization of all products except Pita bread.
- Removal of all subsidies is not expected, but rather a modification of included elements.
- Parliamentary Committees met on December 3 to discuss subsidies, however no decision was taken then.
- Central Bank governing board also exploring possibility of reducing minimum reserve threshold from 15 percent to 12 or 10 percent, in order to continue subsidization mechanism.
- Current foreign reserve estimated at USD 17.9 billion, of which USD 800 millions available for subsidy. Central Bank Governor announced last week that subsidies can continue for only two more months at the current rate.

Bread Price & Weight:
- Minister of Economy & Trade set the price of packet of bread at LBP 2,000 for 900 grams, and LBP 1,250 for 400 grams. Decision to run till January 5, 2021.

Revised SMEB:
- Revised SMEB/MEB basket has been presented to the BAWG/FSSWG partners and is being applied.

Source: Naharnet, MTV Arabic, Daily Star, Reuters, Ministry of Economy & Trade, S/MEB Revision Report
Thanks!

Questions?

WFP Lebanon

VAM (CO & RBC) Unit & Retail/Supply Chain Unit