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Highlights

The December 2022 standard reference food basket facing consumers reached SYP 425,585, almost doubled in 12 months, and increased four times compared to two years ago. The prolonged crisis in Ukraine and weakened local currency, among other factors, remained key fundamental drivers behind the price pressure to an uncomfortable degree in 2022. By the end of 2022, the minimum wage, SYP 92,970, could only afford one fifth of the food basket.

The Minimum Expenditure Basket continued to stay on the rise, reaching SYP 1,049,235 in December 2022, more than doubled since the series started in September 2021. The surge in energy prices remained one of the key sources of pressure. The December MEB was 11 times more than the minimum wage, which reflected plummeting living standards.

The Syrian Pound traded at an average of SYP 6,307/USD on the informal market in December 2022, while the official rate was SYP 3,015/USD. The local currency depreciated by 44 percent in 2022, fell by 57 percent in two years, and depreciated by 87 percent in three years. Due to some imbalances, the local currency was allowed to slide again on 2nd January 2023, settling at SYP 4,522, a drop of 33 percent.

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Standard Food Basket

In December 2022, the national average price of standard reference food basket facing consumers reached SYP 425,585, almost doubled compared to the same time last year. Within two years the cost of the basket across the country had increased four times, and was thirteen times more than three years ago.

Almost all commodities in the basket increased (except subsidised bread) by more than five percent, month on month, and nearly doubled within 12 months.

The crisis in Ukraine and weakened local currency, among other factors, remained key fundamental drivers behind the surge in the cost of food basket in 2022. By the end of 2022, the minimum wage, SYP 92,970, could only afford one fifth of the food basket.

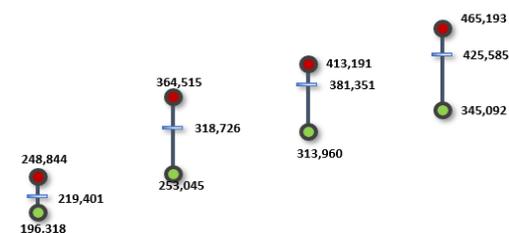
Dar'a governorate had the highest monthly percentage increase at 14 percent, followed by Quinetra, Hama and Aleppo at 13 percent. Rice and sugar were key sources of monthly pressure in Dar'a. Over the last 12 months, the food basket more than doubled in Damascus, Hama, Homs, Lattakia, Rural Damascus, and As-Sweida governorates.

In December 2022, the difference between the maximum and minimum values in the cost of the food basket among the governorates moved to 35 percent compared to 27 percent a year earlier. The increase in the disparity in the food cost reflect some level of diverse market settings.

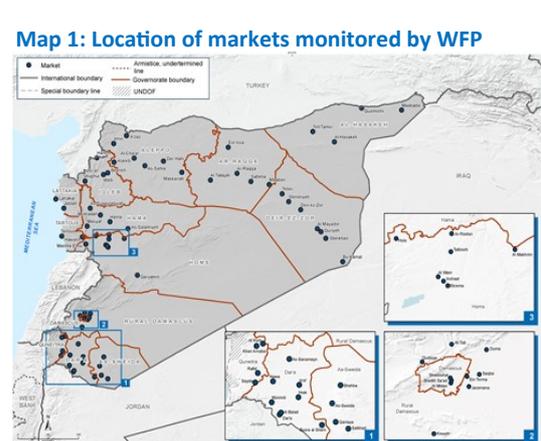
Figure 1: Food basket cost and changes, SYP

Governorate	December 2022	1 month change	6 months changes	12 months changes
Aleppo	409,549	13%	38%	88%
Damascus	446,285	10%	35%	108%
Dar'a	465,193	14%	29%	108%
Deir-ez-Zor	345,092	10%	32%	76%
Hama	456,771	13%	40%	112%
Al-Hasakeh	350,342	8%	38%	77%
Homs	455,827	12%	38%	115%
Idleb	426,723	12%	29%	71%
Lattakia	461,335	12%	33%	107%
Ar-Raqqa	362,758	12%	35%	68%
Rural Damascus	444,936	10%	33%	107%
As-Sweida	453,910	10%	33%	113%
Tartous	459,884	12%	26%	87%
Quneitra	437,690	13%	32%	88%
Average	425,585	12%	34%	94%

Chart 1: National min., max. and mean food basket



Map 1: Location of markets monitored by WFP



1. The standard food basket is a group of essential food commodities. In Syria, the food basket is set at a group of dry goods providing 2,060 kcal a day for a family of five during a month. The basket includes 37 kg bread, 19 kg rice, 19 kg lentils, 5 kg of sugar, and 7 liters of vegetable oil.

Minimum Expenditure Basket (MEB)²

MEB Trend

The minimum expenditure basket continued to stay on the rise for five consecutive months to reach SYP 1,049,235 in December 2022, more than double since the series started in September 2021. The December 2022 MEB was 11 times more than minimum wage of SYP 92,970 which reflected plummeting living standards. In the last 12 months, the MEB increased by four-fifth and by nine percent compared to November 2022.

The monthly increase was mainly influenced by significant increase in the prices of gas on the parallel market (up 18 %), eggplants (up 28%), rice (up 23%), onion (up 25%), sugar (up 17 %) tomatoes (up 16 %), commercial bread (up 15%), apples (up 15%), Oil (up 10 %). As of December 2022, the nonfood component of the MEB increased by 84 percent since December 2021, with the cost of gas on the parallel market, accounting for 45 percent.

The continued fall in the value of the Syrian Pound increased the value of imported commodities, food and non-food, on the local markets and remained one of the key drivers of relentless surge in prices. Underperformance of the agriculture seasons, lack of access to regular income, and relatively reduced government transfers meant vulnerable households having limited options to positively cope with the cost-of-living squeeze.

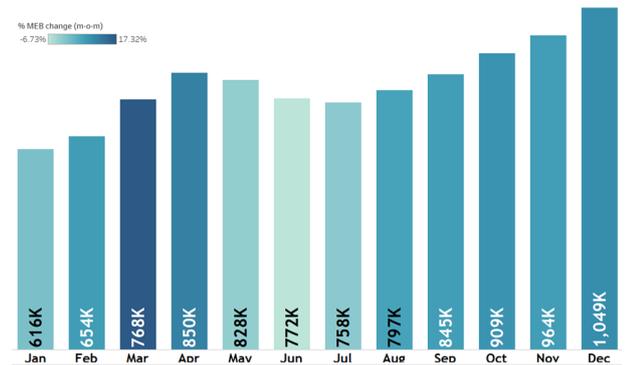
Worldwide food prices, freight costs and overall inflation trends

Global food prices fell for the ninth consecutive month in December 2022. The FAO Food Price Index (FFPI)³, a measure of the monthly change in international prices of a basket of food commodities, averaged 132.4 points, 1.9 percent lower than November 2022. The decrease reflected the fall in the vegetable oil price index, cereals and meat. The FFPI decreased marginally compared to a year earlier, however, the overall 2022 FFPI was 14.3 percent higher than in 2021. Specifically, vegetable oil price index decreased by 6.7 percent in December 2022 to average 144.4 points, the lowest level since February 2021. Overall, the 2022 vegetable oil price index was 13.9 percent higher than 2021, reflecting the impact of the crisis in Ukraine. Similarly, the December 2022 FAO Cereal Price Index decreased by 1.9 percent to average 147.3 points from the previous months, but was still 4.8 percent above December 2021 value. Overall, the 2022 FAO Cereal Price Index averaged 154.7 points, 17.9 percent higher than 2021.

In financial terms, 2022 was bad for most countries as inflation soared, year-on-year, on account of high food and energy prices which slashed household incomes. In December 2022 Egypt's annual inflation⁴ jumped to 24.4 percent while Türkiye's annual inflation slowed to 64.27 thanks mainly to a favorable base effect. Lebanon headline inflation also slowed down to 122 percent in December 2022 from 142 percent in the previous month. Ukraine inflation reached 26.6 percent, while Russia's headline inflation eased further to 11.9 percent.

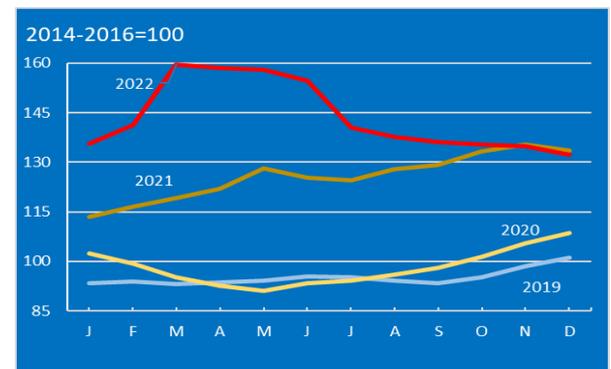
In December 2022, the Grains and Oilseed Freight Index (GOFI)⁵, declined for the second consecutive month to an average of 149 points, three percent lower than the previous month and down 29 percent a year earlier. The Black Sea-sub-index Freight rates also decreased by four percent, the decline reflected the ongoing deal for vital grain and oil export through the southern Black Sea ports.

Chart 2: MEB Trend in Syria (HCT), SYP (2022)



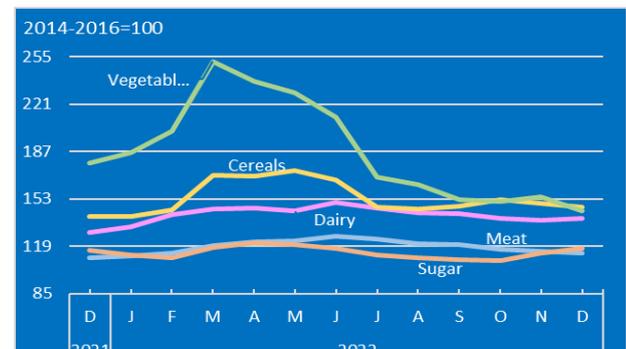
Source: Damascus Cash Working Group

Chart 3: FAO Food Price Index (2019 –2022)



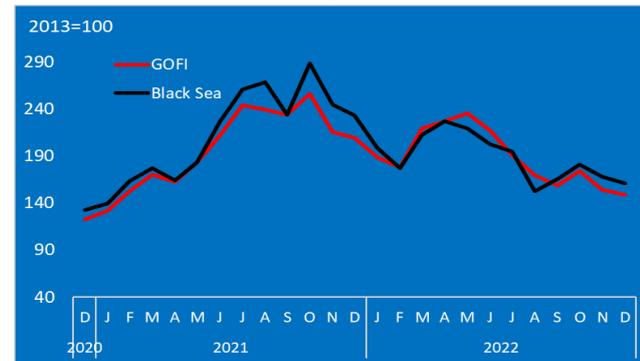
Source: FAO

Chart 4. FAO Food Commodity Price Indices (2021 –2022)



Source: FAO

Chart 5: Grain and Oilseeds Freight index (GOFI) m-o-m



Source: IGC GOFI

2. A Minimum Expenditure Basket (MEB) is defined as what a household requires to meet essential needs, conceptually equivalent to a poverty line. It includes the cost of good, utilities, services and resources required monthly. For Syria, it was developed through an interagency collaborative process under the Humanitarian Country Team Cash Working Group (HCT-CWG).

3. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>; 4 Trading Economics "Inflation Rate"; 5 "Freight Rate Index / Freightos Baltic Container Index"

Retail prices for key commodities

Wheat Flour

The monthly average price of wheat flour, principal ingredient for making bread, increased by nine percent to reach an average of SYP 4,166/kg as observed in December 2022. The cereal increased by 75 percent in 12 months and was 67 percent above the February 2022 prices, onset of the crisis in Ukraine. The yearly surge reflected availability challenges due to significantly low wheat production in the face of drought, and the supply chain disruptions on account of the crisis in Ukraine. Regionally, north east had the highest yearly increase at 90 percent, followed by north west at 85 percent, while wheat flour increase by half in the middle region.

Rice

The national average retail price of Egyptian white rice jumped 22 percent in December 2022 compared to the previous month, the highest monthly increase since March 2021. At the national average of SYP 5,867/kg the cereal doubled in 12 months. The significant monthly increase reflected the pass-on effect from the recent surge in food inflation in Egypt, the key source market. Globally, rice prices have been on an upward trend as measured by the FAO All Rice Price Index (2014-2016=100), which averaged 114.6 point in November 2022, up 2.3 percent from the previous month and 14.7 percent above year-earlier value.

Chicken and eggs

After three consecutive months of relative stability, the December 2022 price of chicken increased by four percent compared to the previous month to average SYP 13,753/kg. Over the last 12 months, the price of chicken increased by 60 percent and by half since the onset of the crisis in Ukraine.

Regionally, the cross-border had the highest monthly percentage increase at 18 percent despite having the lowest observed price at SYP 11,046/kg. On the global level, the December 2022 FAO Poultry Index declined marginally by two percent, m-o-m, however was 13 percent more than a year earlier.

Related, the price of a carton of 30 eggs also increased by six percent in December 2022 to reach SYP 17,162. The December price was 61 percent higher than a year earlier. North west Syria recorded the highest prices among the six regions.

Chart 6: Retail Prices of Wheat flour, SYP

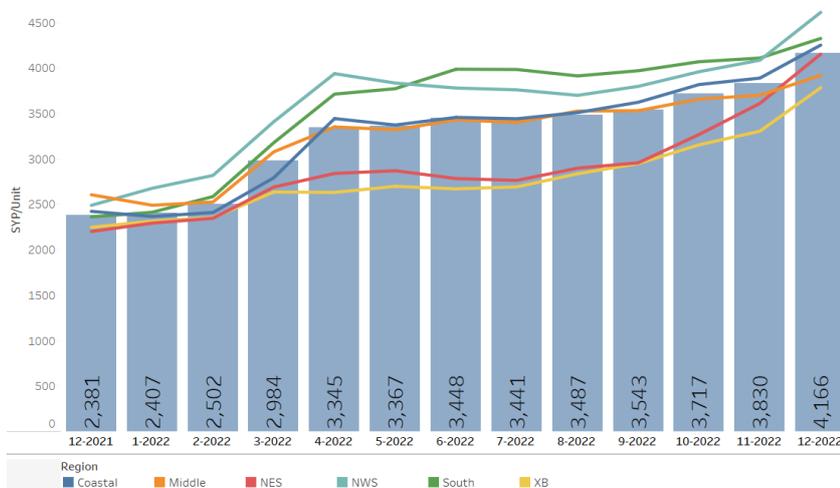


Chart 7: Retail Prices of rice, SYP

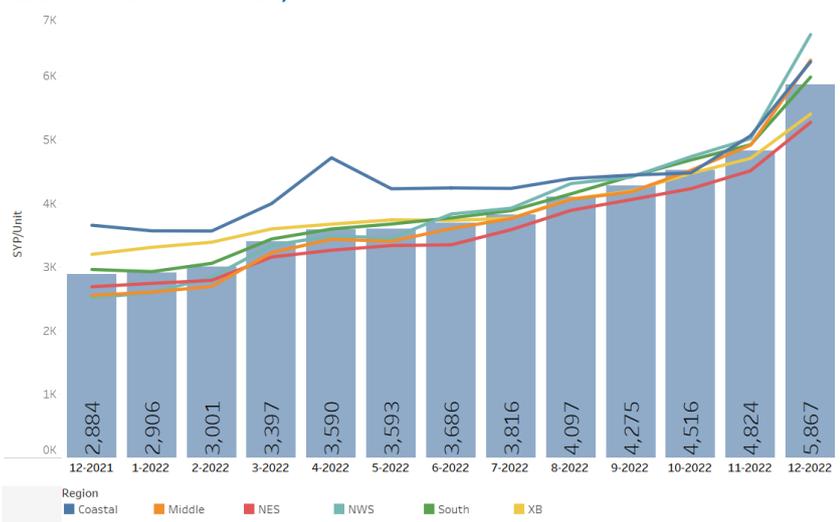
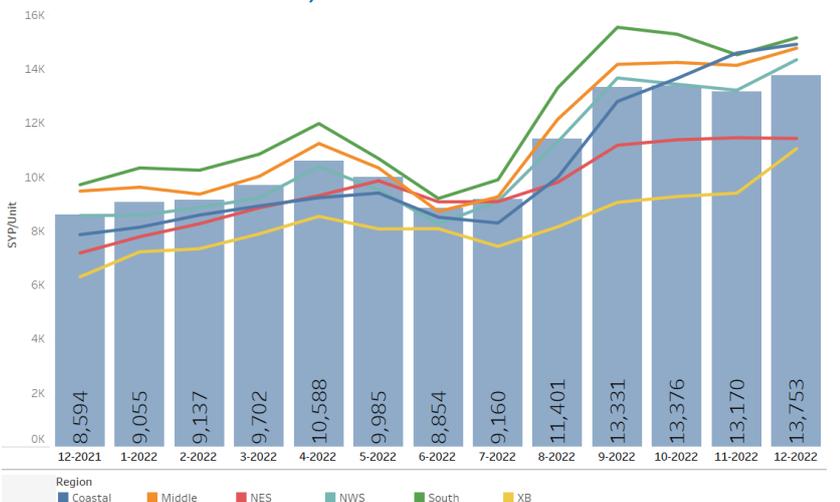


Chart 8: Retail Prices of Chicken, SYP



Exchange rate**

In December 2022, the Syrian Pound continued to lose value against the US dollar on the informal market reaching SYP 6,307 from SYP 5,429 in the previous month. The local currency lost 44 percent of its value in 2022, depreciated by 57 percent in two years, and 87 percent loss in three years. Officially, the local currency was allowed to slide again on 2nd January 2023, settling at SYP 4,522/USD from SYP 3,015/USD in December 2022, a drop of 33 percent. The lead up to the 33 percent devaluation saw increasing shortages of fuel in much of December 2022 and subsequent surge in fuel prices on the parallel market.

Syria is a net-food and oil importer, as such the weakened currency makes imported goods expensive. Chart 9 juxtaposes exchange rate fluctuations in relation to food prices, as measured by the WFP standard reference food basket. The graph depicts and reinforces the notion that increases in domestic food prices and the depreciation of the currency are strongly interrelated.

Energy prices

The December 2022 price of diesel for heating on the informal market increased by 35 percent to reach SYP 7,824 per litre, the highest monthly surge on record. The jump in price reflected, among other factors, significant supply chain challenges in the face of ongoing crisis in Ukraine. The December 2022 price level was three times more than the cost in February 2022, onset of the Ukraine crisis. Similarly, the December 2022 price of diesel for transportation on the informal market increased by 30 percent, m-o-m, to reach SYP 7,843 per litre. In 12 months, the price increased by 184 percent.

Related, the December 2022 national average price of informal butane gas cylinder (25L) increased by 15 percent, m-o-m, to reach SYP 136,554. In the last 12 months, gas prices increased by 88 percent and seven times more in two years.

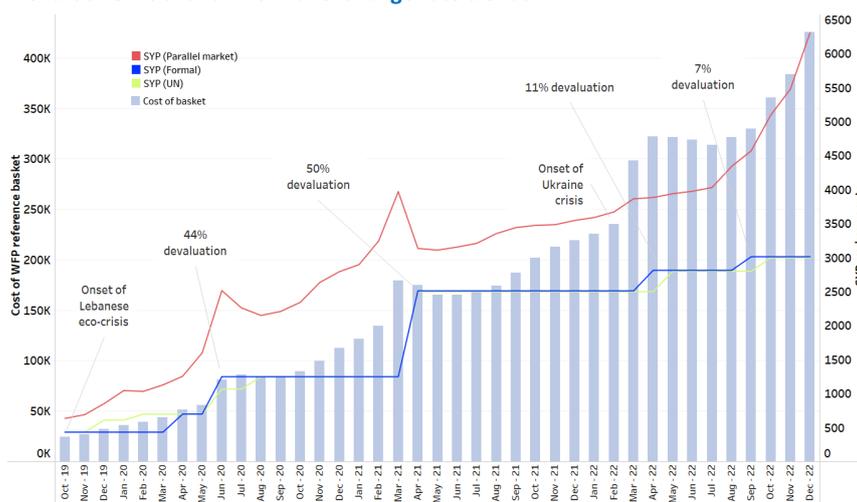
Energy features in everything from agriculture production, electricity generation, heating, and transportation. The surge in the price of diesel led, in part, to the significant price increase in food prices. Continued rising energy costs will remain a hurdle to taming food inflation.

Table 1: Informal market exchange rate, 1 US \$ to SYP

	December 2022	Percentage Change (m-o-m)	Percentage Change (y-o-y)
Al-Hasakeh	6,263	-13%	-43%
Aleppo	6,380	-14%	-44%
Ar-Raqqa	6,273	-13%	-43%
As-Sweida	6,594	-17%	-46%
Damascus	6,550	-16%	-46%
Dar'a	6,313	-13%	-44%
Deir-ez-Zor	6,313	-14%	-44%
Hama	6,275	-15%	-44%
Homs	6,300	-15%	-44%
Idlib	6,024	-11%	-41%
Lattakia	6,263	-14%	-44%
Quneitra	6,369	-14%	-45%
Rural Damascus	6,450	-15%	-45%
Tartous	6,263	-14%	-44%
National average	6,307	-14%	-44%
Official rate	3,015	0%	-17%
UN operational rate	3,000	0%	-17%

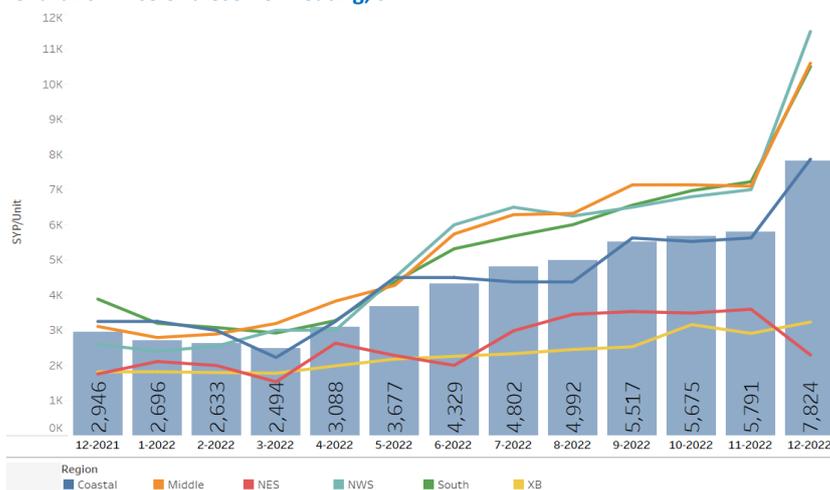
Source: WFP

Chart 9: Official and informal exchange rate trends



Source: WFP

Chart 10: Price of diesel for heating, SYP



Source: WFP

**When measuring exchange rates, there are two quotations. The first is the direct quotation where the US dollar is the base of measuring the change in exchange rate against the local currency. The second one is the indirect quotation where the local currency is the base of measuring the change in the exchange rate against the US dollar. The change in the exchange rate used below reflects the indirect quotation (measuring how much has the Syrian pound improved (appreciated) or worsened (depreciated) against the US dollar).

Terms of Trade (ToT)

ToT between wage labour and wheat flour

The national average non-skilled wage continued to edge up in December 2022 across all regions, except in north west areas where it stabilized. At the national average of SYP 15,249/ day, the December wage rate was 10 percent higher, m-o-m, and up 77 percent y-o-y (Chart 11). The northeast region accounted for much of the yearly increase as its wage rate increased by 123 percent while the northwest region only increased by 26 percent.

Using terms of trade between wheat flour and wage labour as a proxy indicator of purchasing power, the TOT remained almost the same between November and December 2022, reaching 3.66 kg of wheat flour/daily wage (Chart 12). The relatively stable terms of trade denote that white flour and wage labour increased by almost the same percentage, m-o-m, nine percent, and 10 percent, respectively. Similarly, remained unchanged compared to the same time last year, however, it improved compared to six months ago.

Regionally, the coastal area had relatively better TOT where average daily wage could buy 4.78 kg of wheat flour compared to 1.75kg of wheat flour in north west, denoting relatively higher wage rates in coastal areas of Lattakia and Tartous compared to other areas.

ToT between sheep and wheat flour

In December 2022, the national average price of a two-year old male live sheep increased by 14 percent, m-o-m, to SYP 716,821/sheep. The December price was 24 percent more than six months ago and increased by half compared to the same time last year. The northeast region recorded the highest percentage increase in the price of the two-year male alive sheep across Syria at 22 percent, m-o-m, followed by cross boarder areas at 16 percent, while the coastal region remained relatively stable.

The December 2022 TOT between wheat flour and an alive two-year old sheep increased by four percent compared to previous month at 172 kg per sheep. The monthly improvement provided some relief to pastoral communities. The improvement emanated from the 14 percent increase in the price of sheep in December 2022 while at the same time the price of wheat flour increased by nine percent. In the last 12 months, the purchasing power had been declining, as rate of increase in wheat flour prices had been higher than the corresponding increase in price of sheep.

Chart 11: Daily wage for unskilled labor, SYP

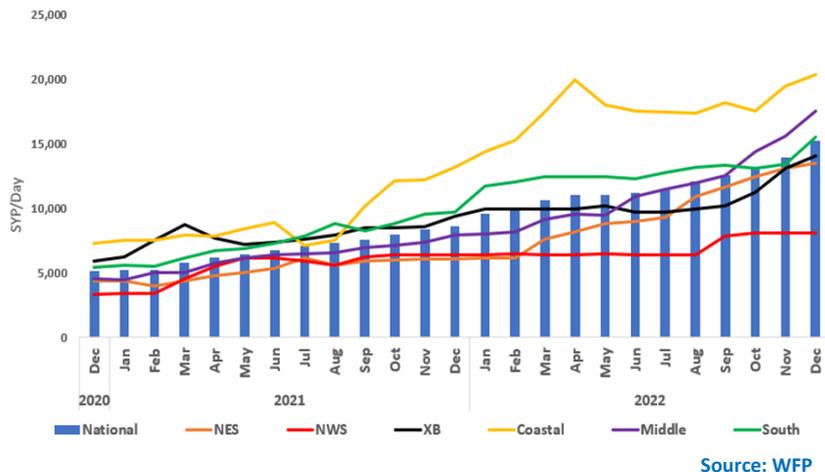


Chart 12: Terms of Trade between wheat flour and wage rate

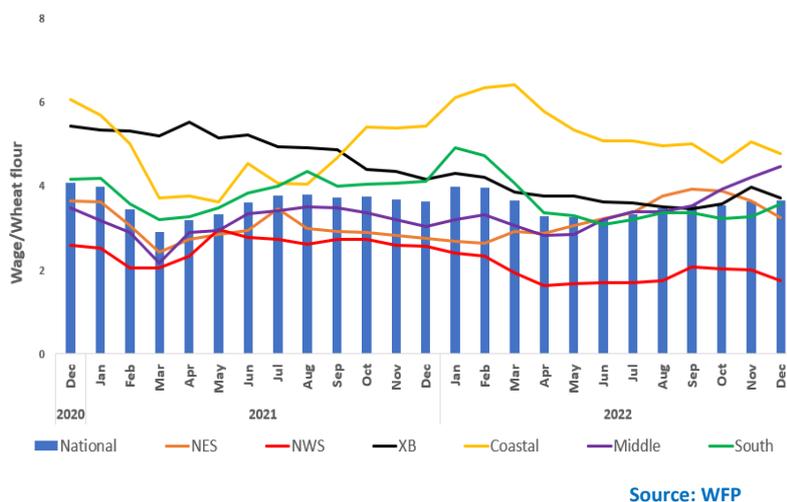


Chart 13: Terms of Trade between wheat flour and the price of a 2 year old sheep

