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Highlights

The standard reference food basket has increased by 33 percent since the beginning of the crisis in Ukraine, up 87 percent compared to same time last year, reaching SYP 313,784 (USD 111.51 at the official exchange rate of SYP 2,814/USD).

FAO Food Price Index continued to decrease for the fourth consecutive month. It averaged 140.9 points in July 2022, down 8.6 percent from June 2022 though still 13.1 percent above its value a year ago. The decline is led by reduced prices for vegetable oils and cereals.

The Minimum Expenditure Basket marginally decreased by two percent m-o-m, largely driven by decreases in nominal prices of edible oils, vegetables and fruits. However, the July 2022 MEB remained 16 percent higher than at the beginning of the crisis in Ukraine and 46 percent higher since September 2021.

July 2022 marks six months since the onset of the Ukrainian crisis, and although food prices were already on an upward trajectory, the conflict has exacerbated the trend. The UN backed deal to resume grain and oil exports seem to have cooled the market.

The official exchange rate remained at SYP 2,814/USD since the April 2022 devaluation while the July 2022 informal exchange rate stood at SYP 4,032/USD.

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Standard Food Basket

The national average price of a standard reference food basket¹ marginally decreased by two percent between June and July 2022, reaching SYP 313,784, marking the fourth consecutive monthly decline. The July 2022 UN backed deal to resume Ukraine grain and oil exports through the Black Sea is likely to have helped to cool the market, at least for now. Despite the recent mild decline, the price of the standard reference food basket was 33 percent more than February 2022 (start of the Ukraine crisis) and 87 percent more than the same time last year. The elevated price levels denote continued food access challenges in the face of relatively low local production due to drought coupled with a volatile exchange rate which make imported commodities more expensive.

At governorate level, most areas experienced relatively mild changes in the price of the food basket in July 2022 compared to June 2022, except for Ar-Raqqa that reported an uptick of three percent, while a five percent decrease was observed in Hama. The decline in Hama reflects a 15 percent drop in the price of oil and a two percent decrease in the price of lentils. Over the last 12 months, the price increase ranged from 56 percent to 136 percent, with Ar-Raqqa having the lowest percentage increase and Tartus on the other end of the spectrum.

The gap between the highest and lowest average food basket prices decreased by 13 percent from SYP 111,470 in June 2022 to SYP 97,359 in July 2022. However, the gap has more than doubled compared to a year ago (Chart 1). The disparity principally reflects diverse market settings being faced by households in each governorate in the wake of pandemic-induced supply-chain constraints, and more recently, disruptions caused by the crisis in Ukraine.

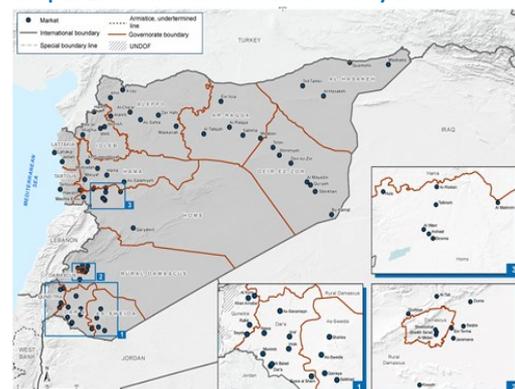
Figure 1: Food basket cost and changes, SYP

Governorate	Price July 2022	1 month change	6 months changes	12 months changes
Aleppo	SYP 295,015	0%	33%	81%
Damascus	SYP 321,127	-3%	47%	91%
Dar'a	SYP 349,396	-3%	47%	103%
Deir- ez-Zor	SYP 266,947	2%	28%	86%
Hama	SYP 310,509	-5%	39%	83%
Al-Hasakeh	SYP 255,906	1%	24%	76%
Homs	SYP 328,199	-1%	53%	87%
Idlib	SYP 330,545	0%	27%	77%
Lattakia	SYP 336,263	-3%	50%	89%
Ar-Raqqa	SYP 277,052	3%	21%	56%
Rural Damascus	SYP 324,359	-3%	47%	93%
As-Sweida	SYP 328,780	-4%	53%	94%
Tartous	SYP 353,266	-3%	40%	136%
Quneitra	SYP 323,215	-3%	41%	80%
Average	SYP 313,784	-2%	39%	87%

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



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.

Impact of the Ukrainian crisis on global food prices

In July 2022, the global inflation rates remained at elevated levels manifested through increases in food and energy prices. Much as the global food prices were already on an upward trend since mid-2020 as measured by the FAO's Food Price Index², the index reached new record level in March 2022 at 156.3 points soon after the start of the Ukraine crisis. The jump was mainly through strong growth in the prices of cereals and oils as a result of the blockade in the Black Sea ports from which the bulk of wheat, oil and corn is exported (Russia and Ukraine being major exporters). The blockage and the subsequent increase in fuel costs have also exacerbated shipping costs as measured by the Grain and Oils Freight Index (GOFI)³. Shipping costs, like global food prices, had been on the rise since 2020 due to the COVID-19 pandemic, however, the conflict in Ukraine exacerbated this trend and reversed a temporary decline in shipping costs observed towards end of 2021 and the very beginning of 2022 (chart 6).

Despite the drop in world wheat prices for two consecutive months of July and June 2022, after reaching near-record level in May 2022, international wheat prices remained well above their values a year earlier. The July decline, by almost 14.5 percent, is partly in reaction to the UN backed agreement reached between Ukraine and the Russian Federation to resume grain, oil and fertilizer exports in the Black Sea ports. Even with the resumption of exports under the existing agreement, current shipment of Ukrainian grain is still under one million tonnes per month compared to six million tonnes per month before the conflict, indicating relatively lower supplies accessible to the global market.

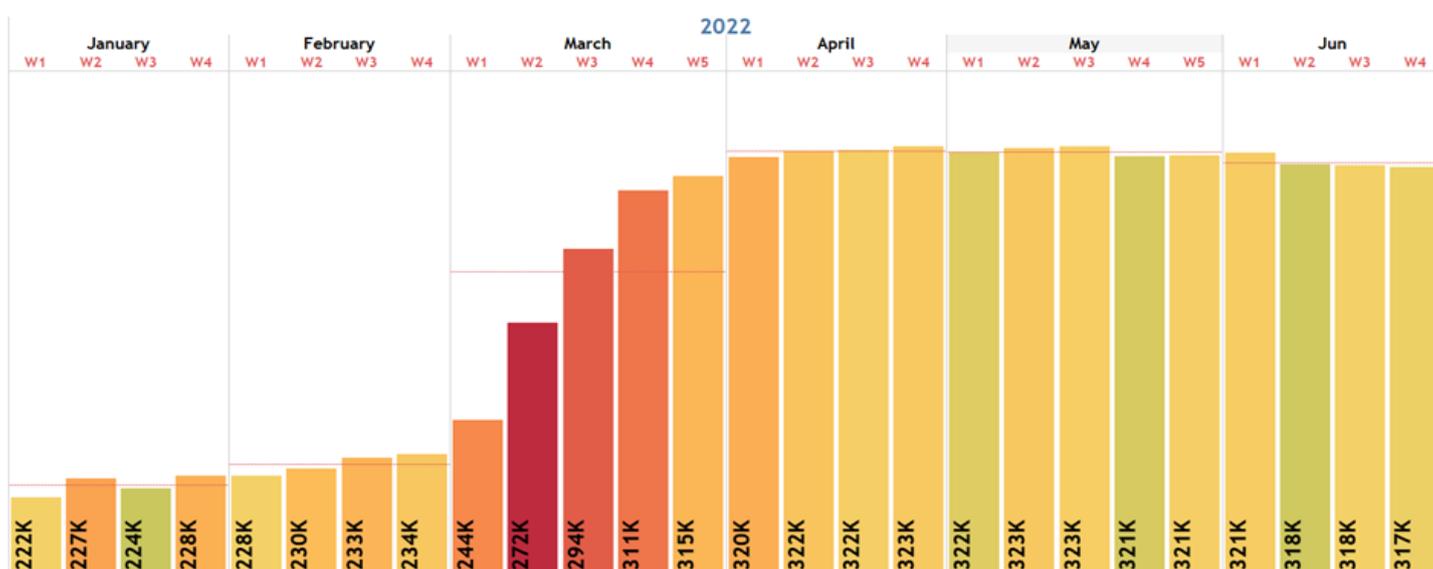
Syria, being dependent on food imports, including for humanitarian purposes, has been directly affected by the conflict that resulted in domestic price spikes of both food and energy. As part of the mitigation measures, the Government has instituted several measures within its fiscal space to tackle the strain on public finances driven by the general increase in prices. This has included reducing number of people on the national subsidy program of essential commodities (which includes fuel and bread), export restrictions, and release of strategic domestic stocks.

Impact on prices in Syria

July 2022 marked six months since the onset of the Ukrainian crisis, and although food prices were already on an upward trajectory, the conflict has exacerbated the trend. At the peak of the Covid-19 pandemic, WFP's reference food basket increased by 25 percent between February 2021 and July 2021. Comparatively, the basket has now increased by 33 percent during the similar period (February 2022 and July 2022), reinforcing the notion that the Ukrainian crisis has exacerbated the pre-existing drivers of food insecurity. Edible oils and bread have led the upsurge in the last six months, increasing by 35 percent and 41 percent, respectively.

The July 2022 UN backed deal to resume Ukraine grain and oil exports through the Black Sea may partly account for the recent mild decline in the price of the food basket.

Chart 2: National weekly average food basket cost between Jan 2022 week 1 and July 2022 week 4, SYP



Source: WFP²

² <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

³ "Freight Rate Index / Freightos Baltic Container Index"

Minimum Expenditure Basket (MEB)

MEB Trend

In July 2022, the national average MEB (HCT Cash Working Group) for a household of five members decreased for the third consecutive month, recorded at SYP 757,858 (USD 269). The MEB decreased marginally by two percent m-o-m. Edible oils led the decline as well as decreases in the price of vegetables and some fruits, which became more available in the local market as the harvest season progressed. However, the July 2022 MEB remained 16 percent higher than at the beginning of the crisis in Ukraine and 46 percent higher than in September 2021, start of MEB monitoring. Notable monthly price decreases within MEB were observed for tomatoes (down 22 percent), eggplants (down 20 percent), potatoes (down 19 percent), apples and vegetable oils (down nine percent). While on the other hand, significant increases were observed for onions (up 19 percent) and eggs (up 13 percent).

The proportion of the food component (*vis-à-vis* non-food) of the MEB marginally increased to 83 percent in July 2022 compared to 82 percent in September 2021. This means that food price increases have relatively been moving in tandem with the upward movement of non-food items, especially gas that accounts for more than 40 percent of the non-food component. Overall, the elevated levels for the Minimum Expenditure Basket underpinned relatively high levels of the cost of living.

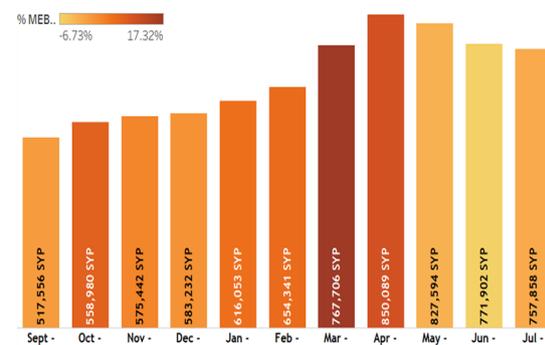
Worldwide food prices, freight costs and overall inflation trends

Global food prices, measured by the FAO Food Price Index⁴, fell sharply in July 2022 to average 140.9 points. The drop marks the fourth consecutive monthly decline since the upsurge in March 2022, following the start of the Ukraine crisis. Nevertheless, it remains four percent higher than six months ago and a further 13 percent higher than same time last year (Chart 4). The decline is mainly on account of significant drop in vegetable oil and cereal indices. The UN backed deal to resume Ukraine grain exports through the Black Sea has likely helped to cool the market and provided some comfort, in addition to seasonal availability from ongoing harvests in the northern hemisphere. Furthermore, the FAO Cereal Price Index decreased by 11.5 percent, m-o-m, to average 147.3 points. This was a second consecutive monthly decline in cereal index, mainly on account of 14.5 percent drop in wheat prices and a 10.7 percent drop in maize. Monthly declines were also observed for Vegetable Oil Price index.

The July 2022 Grain and Oils Freight Index (GOFI)⁵, a measure of global freight costs for grains and oilseeds, decreased by 12 percent, m-o-m, to reach 190.8 points. This marked a second consecutive decrease since the start of the Ukraine crisis which has led to stifling trade and logistics in the Black Sea region. Consequently, the fewer grain shipments over longer distances contributed to soaring global food prices. Trend-wise, shipping costs have been on the rise since 2020 due to the COVID-19 pandemic, however, the conflict in Ukraine exacerbated this trend and reversed a temporary decline in shipping costs observed towards the end of 2021 and beginning of this year.

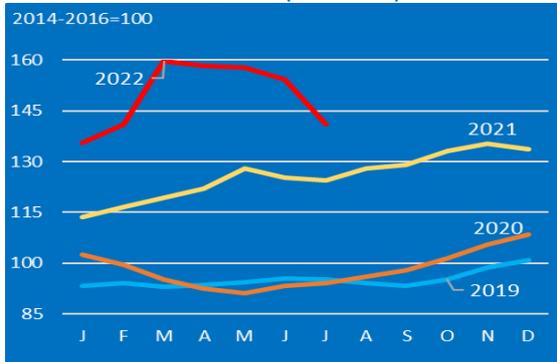
Regional and global inflation rates⁶ remained elevated in July 2022, hurting investment and making most vulnerable people poorer. Lebanon continued to record the highest inflation at 210.08 percent, mainly due to long-lasting economic crisis since second half of 2019; Türkiye's inflation surged to almost 80 percent in July, the highest in nearly two decades, while Egypt annual inflation accelerated to 13.6 percent. Despite a drop in headline inflation for the US to 8.5 percent in July, food inflation still increased to 10.5 percent, while the Euro area increased to 8.9 percent. Ukraine's annual inflation accelerated to 22.2 percent, an increase of 0.7 percentage points m-o-m while Russia's rate decreased to 15.1 percent.

Chart 3: MEB Trend in Syria (HCT), SYP



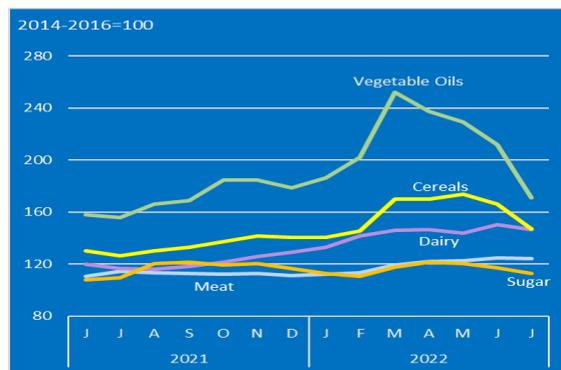
Source: Damascus Cash Working Group

Charts 4 FAO Food Price Index (2019 –2022)



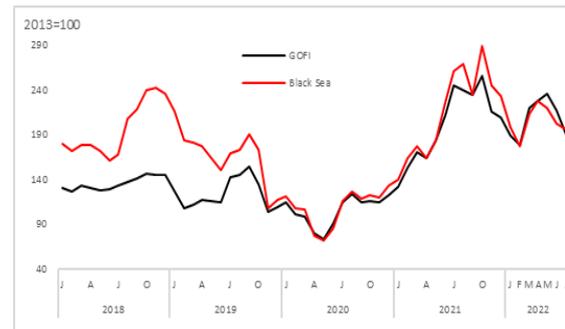
Source: FAO

Charts 5. FAO Food Commodity Price Indices (2021 –2022)



Source: FAO

Chart 6: Grain and Oilseeds Freight index (GOFI) m-o-m



Source: IGC GOFI

Legend on regions : 'Northwest'=Aleppo; 'Cross-border'=Idleb & Aleppo [A'zaz, Atarib & Afrin]; 'Coastal'=Lattakia & Tartous; 'Northeast'=Ar-Raqa, Al-Hasakeh & Deir-ez-Zor; 'Middle'=Hama, Homs and Idleb [Senjar]; 'South'=Damascus, Rural Damascus, Dar'a, As-Sweida & Q

Retail prices for key commodities

Wheat Flour

The monthly nominal price of wheat flour eased for the first time in nearly 12 months. At an average of SYP 3,441/kg as observed in July 2022, the cereal remained almost unchanged compared to the previous month and only increased by two percent compared to the previous two months. The moderation was partly in reaction to the resumption of the Ukraine grain exports through the Black Sea ports as part of the UN backed agreement. Nevertheless, the current wheat flour prices are still 79 percent above July 2021 values.

Regionally, Southern area recorded the highest average retail price for wheat flour at SYP 3,985/kg, almost double compared to same time last year. North-east region recorded the lowest price at SYP 2,765/kg, up 32 percent y-o-y.

Rice

The national average retail price of Egyptian white rice continued to edge up in July 2022, although moderately. At SYP 3,816/kg, the July price is four percent higher than the previous month, 33 percent more than six months ago, and a further 55 percent more than the same time last year. At global level, the FAO All Rice Price index (2014-2016) averaged 108.4 points in July 2022, although it has marginally declined m-o-m, it remained 7.2 percent above its value a year-earlier.

At regional level, for the 10th consecutive month, the Coastal area continued to record the highest monthly average price of Egyptian white rice, at SYP 4,235/kg in July, 76 percent above its value a year-earlier. The Cross-border and middle regions recorded the lowest percentage increases, y-o-y, at 49 percent and 43 percent, respectively.

Bulgur

The price of bulgur, a common ingredient in Syrian cuisine, remained stable in July 2022. At a national average price of SYP 5,155/kg, it has been relatively steady for the last four consecutive months. The weakening trend was likely on account of recent wheat harvests in some of the production areas.

However, July 2022 price was more than double (up 155 percent) compared to a year ago. A trend depicted in all regions. The highest percentage increase at 190 percent, y-o-y, was observed in the coastal region while it remained lowest in the cross-border region at 98 percent. Bulgur has experienced the highest price increase among the monitored staples, due to wheat production shortfalls mainly resulting from drought.

Sugar

The price of sugar continued to steadily increase on the local market despite global sugar prices reaching a five-month low in July 2022. The national average price of sugar increased by four percent to reach SYP 4,250/kg in July and was more than double the July 2021 value.

Globally, the FAO Sugar Price Index continued to decrease for the third consecutive month to average 112.8 points in July, 3.8 percent lower than the previous month and only three percent more than a year earlier. Trend-wise, this portrays some level of divergence in the direction and magnitude of the global vis-à-vis domestic prices in the last 12 months.

Chart 7: Retail Prices of Wheat flour, SYP

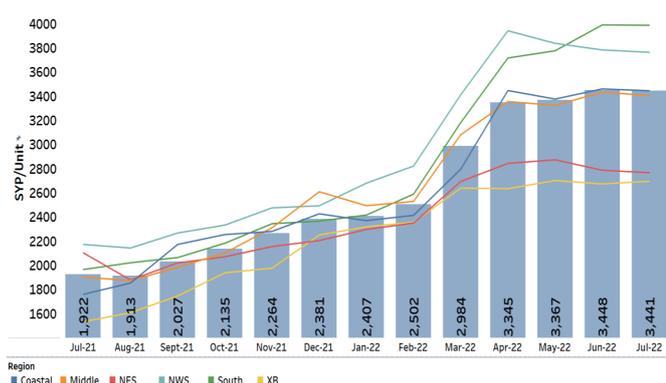


Chart 8: Retail Prices of rice, SYP

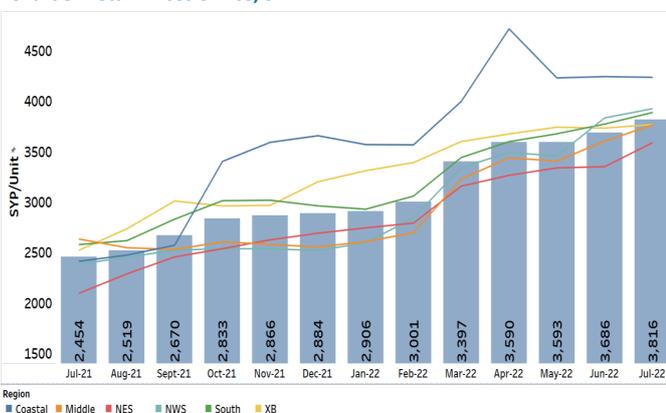


Chart 9: Retail Prices of Bulgur, SYP

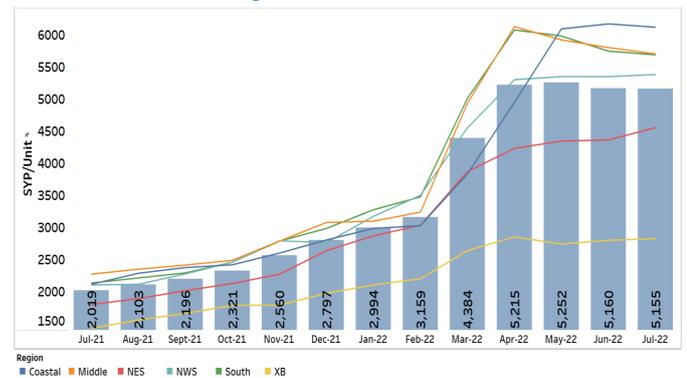


Chart 10: Retail Prices of Sugar, SYP



Source: WFP Field Offices

*Starting from March 2021, WFP-monitored commercial bread has been switched from resold public bread bundles to commercial bread sold at shops. Prices for the past year have been adjusted to include commercial bread resold from shops. Moreover, all prices have been adjusted to reflect bread bundle size of 1.1 kg instead of 1.3 kg since November 2020.

Exchange rate**

The local currency, Syrian Pound, continued to fall on the parallel market in July 2022. It traded at an average of SYP 4,032/USD, depreciating by one percent, m-o-m, and 20 percent loss within a year (Table 1). With the official rate at SYP 2,814/ USD, the gap between the parallel market and the official rate in July increased to 43 percent from 28 percent a year ago.

At governorate level, Homs had the highest exchange rate on the parallel market trading at SYP 4,106/USD in July, while Lattakia and Tartous had the lowest at SYP 3,980/USD. The UN operational rate at SYP 2,800/USD has remained unchanged since May 2022.

Furthermore, chart 11 depicts exchange rate fluctuations in relation to food prices, reinforcing the notion that current local currency depreciation relative to the USD will tend to lead to rise in domestic food prices for imported items (Syria imports a significant amount of food items).

Diesel

Local prices of informal transport diesel increased across the country during July 2022, except, in the coastal region where it marginally decreased by three percent. At SYP 4,676 per litre, the national average price was 10 percent more than the previous month, and more than double y-o-y. Nominal prices in all regions more than doubled, y-o-y, except for north-east and cross-border that increased by 71 percent and 78 percent, respectively. Rising costs of diesel remained major contributor to high food prices, increasing the cost of local production and that of imports.

The formal diesel prices at both national and regional levels remained unchanged for the last 10 months, reflective of the government’s subsidized price. The July 2022 national average price at SYP 481 per litre was 27 percent more than 12 months ago.

Butane gas prices

The informal butane gas prices remained elevated at national level despite being stable for three consecutive months. The July price at SYP 84,305 per 25L gas cylinder was almost the same as the previous three months, however, it has more than doubled since July 2021.

The July 2022 national average price of formal butane gas cylinder (25L) was recorded at SYP 10,942, almost the same level since November 2021 when the Government made the last upward revision. The July 2021 price was more than double compared to same time last year.

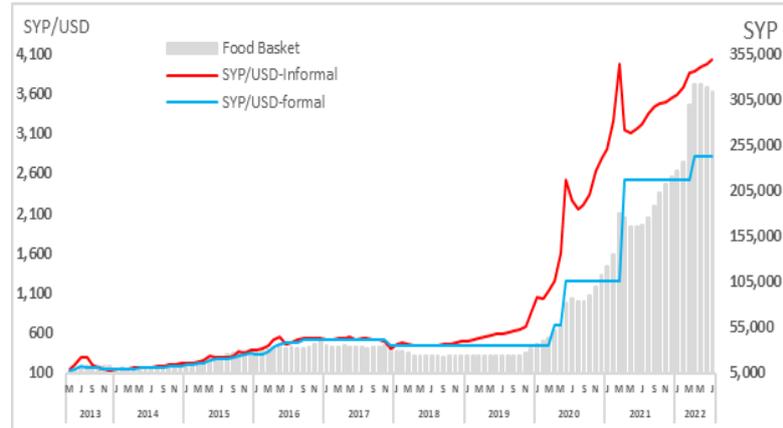
With intermitted electricity supply, gas remains an essential energy source for cooking and heating hence elevated gas price levels would likely weigh on overall purchasing power of households.

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

Governorate	July 2022	Percent change (m-o-m)	Percent change (y-o-y)
Al-Hasakeh	4,040	-2%	-20%
Aleppo	4,027	-2%	-21%
Ar-Raqqa	4,040	-2%	-20%
As-Sweida	4,030	-1%	-20%
Damascus	4,053	-1%	-19%
Dar'a	4,030	-1%	-21%
Deir-ez-Zor	3,985	0%	-19%
Hama	4,090	-3%	-21%
Homs	4,106	-3%	-21%
Idleb	3,999	-1%	-19%
Lattakia	3,980	0%	-20%
Quneitra	4,030	-1%	-21%
Rural Damascus	4,053	-1%	-20%
Tartous	3,980	0%	-20%
National average	4,032	-1%	-20%
Official rate	2,814	0%	-11%
UN operational rate	2,800	0%	-11%

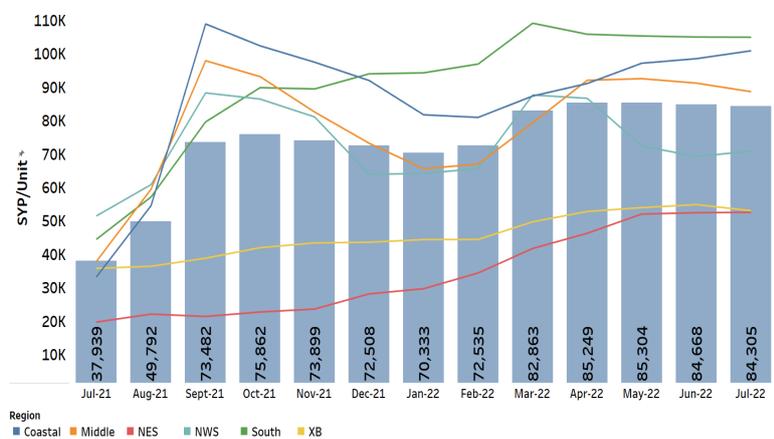
Source: WFP

Chart 11: Official and informal exchange rate trends



Source: WFP

Chart 12: Informal butane gas cylinder prices, 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).

***No formal prices have been reported in the cross-border region because there is no subsidized diesel or butane gas in the region.

Terms of Trade (ToT)⁹

ToT between wage labour and wheat flour

The national average non-skilled wage continued to edge up in July 2022 across all regions, except in the coastal areas where it stabilized. At the national average of SYP 11,475/ day, the July wage rate was three percent higher, m-o-m, and up 63 percent y-o-y (Chart 11). The coastal region accounted for much of the yearly increase as its wage rate increased by 143 percent while the northwest region only increased by eight percent.

Using terms of trade between wheat flour and wage labour as a proxy indicator of purchasing power, the TOT increased by three percent between June 2022 and July 2022, reaching 3.33 kg of wheat flour/daily wage (Chart 12). The monthly increase denotes a marginally improved purchasing power in July 2022 compared to the previous month as the national average daily wage of non-skilled worker could buy 3.33 kg of wheat flour compared to 3.23 kg in the previous month. The monthly improvement was on account of easing of wheat flour prices and an uptick in wage rates.

Trend-wise, purchasing power has been deteriorating over the years as the increase in nominal wage rates has not matched with the rate of increase in the domestic wheat flour prices. Regionally, the coastal area has had relatively better TOT in the last two years mainly on account of higher wage rates compared to other areas, followed by the cross-border areas which has benefited from relatively lower wheat flour prices.

ToT between sheep and wheat flour

In July 2022, the national average price of a two-year old male live sheep increased by eight percent to SYP 623,614/sheep. The July price was 27 percent more than six months ago and 21 percent more than the same time last year. The middle region recorded the highest percentage increase in the price of the two-year male live sheep across Syria at 14 percent, m-o-m, followed by the southern areas at 11 percent, while an increase of one percent was observed in the cross-border region.

The July 2022 TOT between wheat flour and an alive two-year old sheep increased by eight percent compared to previous month at 181 kg per sheep. The monthly improvement, provided temporal relief to pastoral communities. The improvement emanated from the eight percent increase in the price of sheep in July while at the same time the price of wheat flour remained unchanged.

Trend-wise, the purchasing power has been decreasing across the country.

Chart 11: Daily wage for unskilled labor, SYP

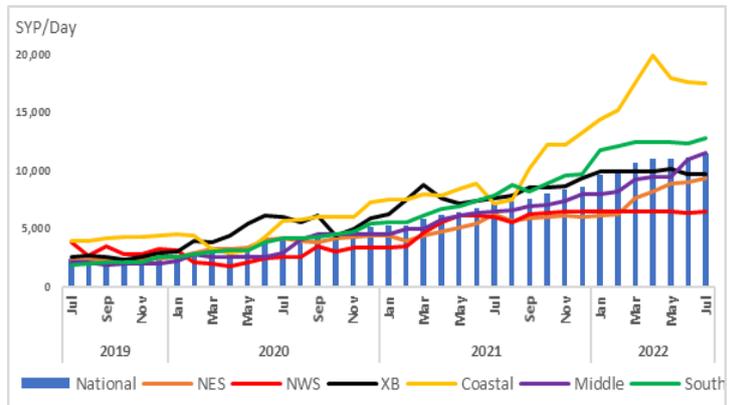


Chart 12: Terms of Trade (ToT) between wheat flour and wage rate

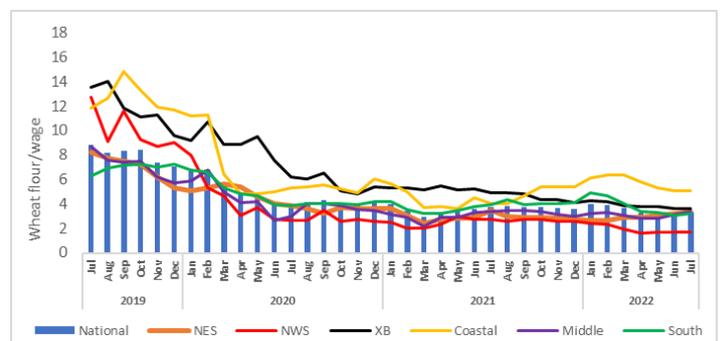


Chart 13: Price of livestock, SYP/one 2Y old sheep

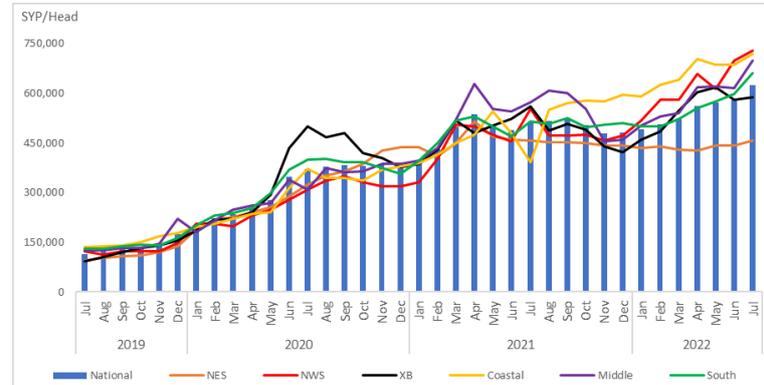
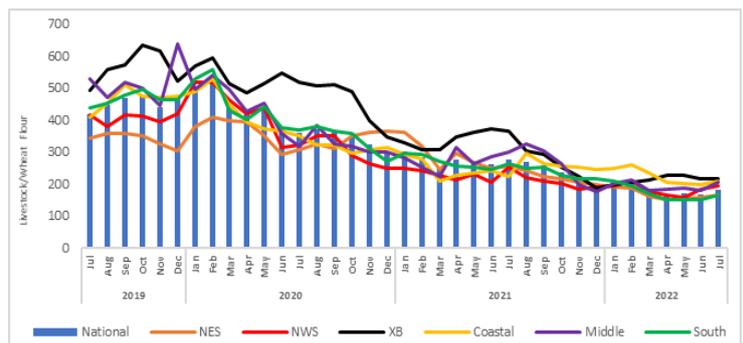


Chart 14: Terms of Trade (ToT) between wheat flour and the price of a 2 year old sheep



Source: WFP

9. The ToT are proxy indicators of the purchasing power of households that rely on livestock and/or casual labour as their main source of income for the purchase of cereals from local markets. 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 dependent on food purchases through income from daily wage labour and/or the sale of livestock.