**Highlights**

- The price of the standard WFP reference food basket increased by 11 percent, m-o-m, in July 2023 reaching SYP 588,666 for a family of five. Three years ago, SYP 86,197, one-seventh of the July 2023 cost, bought the same standard food basket. The surge in the cost was driven in large part by significant gains in rice and sugar prices.

- The Minimum Expenditure Basket, a measure to count the cost of living, for a household of five members increased by seven percent after being relatively subdued for three consecutive months to reach SYP 1,440,841 in July 2023. The July cost was 90 percent more expensive than a year earlier. Policy-wise, the Government of Syria doubled the minimum wage to SYP 185,940 in August 2023, the first of such raise since December 2021. However, the new minimum wage was still only 13 percent of the July 2023 MEB.

- In another policy directive aimed at reducing the strain on public finances, the Government raised prices of oil derivatives for various uses, including subsidized petrol and diesel, between 35 percent and 186 percent. Since oil features in everything from agriculture production, electricity generation, heating and transportation, higher oil prices will likely erode any positive gain from the increase in minimum wage.

- Over the last three years, the Syrian pound has been devalued eight times, and in the process the local currency lost 91 percent of its value on the parallel market as of the third week of August 2023.

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**Standard Food Basket**

In July 2023, the national average price of a standard reference food basket increased by 11 percent compared to the previous month, reaching SYP 588,666 for a family of five. The cost of the basket was 27 percent more than six months ago and nearly doubled in one year. Three years ago, July 2020, SYP 86,197, one-seventh of the July 2023 cost, bought the same standard food basket. The surge in the cost was driven in large part by significant gains in rice and sugar prices. Rice export ban by India, fallout in the Black sea grain initiative, and significant depreciation of the Syrian Pound on the parallel market, nearly 60 percent loss in value since January 2023, contributed to rising prices.

Aleppo governorate had the highest monthly percentage increase for the food basket, 17 percent, followed by Idlib at 16 percent with rice and sugar being key sources of monthly pressure in the two governorates (Fig 1). Over the last 12 months, food basket more than doubled in Aleppo, driven by strong price increases in lentils (up 121 %), rice (up 163%) and sugar (up 189%). Tartous had the lowest yearly increase among the governorates, but still increased by nearly 70 percent.

The gap between the highest and lowest average food basket costs across governorates was at 31 percent in July 2023 compared to 38 percent a year earlier, reflecting relatively higher convergence of the markets over the 12 month period.

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5 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)\(^2\)

The Minimum Expenditure Basket (MEB), a measure to count the cost of living, for a household of five members increased by seven percent after being relatively subdued for three consecutive months to reach SYP 1,440,841 in July 2023. The July cost was 90 percent more expensive than a year earlier and 178 percent more dearer than at the start of the current MEB series, September 2021.

Overall, food prices within the MEB were 93 percent higher in July 2023 than a year earlier while the nonfood prices increased by 75 percent during the same period. Increases in the price of onions (up 215 %), rice (up 168 %), chicken (up 146 %), sugar and eggs (up 143 %) led much of upward trajectory.

Policy-wise, in the wake of upsurge in the cost of living, the Government of Syria doubled the monthly minimum wage to SYP 185,940 from August 2023—the first of such raise since December 2021. However, the new minimum wage was still only 13 percent of the July 2023 MEB.

In another policy directive aimed at reducing fiscal deficit and related strain on public finances, the Government raised prices of subsidized (consumer) diesel by 186 percent, petrol (Octane 90) by 167 percent, diesel (private bakeries) by 40 percent, and other oil derivatives under various uses were also raised between 35 percent and 114 percent. Since oil features in everything from agriculture production, electricity generation, heating, and transportation, higher oil prices will likely erode any positive gain from the increase in minimum wage. As such, overall outlook is skewed to continued upward trend in the cost of living.

Global food prices, freight costs, and inflation trends

Global food prices, measured by the FAO Food Price Index, rebounded in July 2023 led by increases in vegetable oils. The index average 123.9 points, up 1.3 percent from the previous month. While moderate decline in sugar and cereals prices did offset the surge in oils. In addition, the July 2023 FAO Cereal Price index decreased, fractionally, by 0.5 percent, m-o-m, to average 125.9 points. The decline reflected downward trend in global prices of maize and sorghum which offset increases in wheat and rice prices. The increase in wheat prices was mainly driven by the uncertainty over Ukraine’s exports following the termination of the of Black Sea Grain Initiative.

In July 2023, the global freight costs for grains and oil seeds, measured by the Grains and Oils Freight Index (GOFI)\(^4\) declined by 3 percent, month-on-month, to average 120 points. This marked the third consecutive monthly decrease. Black Sea Freight sub-index fell by 4 percent, month-on-month, and decreased by 39 percent, year-on-year.

Food prices remained key source of pressure for the inflation in the region in the month of July 2023. \(^5\)Inflation hit a new all-time high of 36.5 percent in Egypt with food inflation at 68.4 percent. In neighboring Lebanon, annual inflation soared to 251.5 percent amid economic meltdown with food inflation at 278.5 percent. Türkiye’s annual inflation soared to 47.83 percent driven by high tax hikes and sharp depreciation of the lira. Ukraine’s food inflation slowed down to 13.3 percent while Russia food inflation increased to 2.2 percent.

\(^2\) 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 food, utilities, services and re-sources required monthly. For Syria, it was developed through an interagency collaborative process under the Humanitarian Country Team Cash Working Group (HCT-CWG).

\(^4\)https://www.fao.org/worldfoodsituation/foodpricesindex/en/;

\(^5\)https://www.igg.int/en/markets/marketinfo-freight.aspx;

Trading Economics “Inflation Rate”
Retail prices for key commodities

**Wheat Flour**

An uptick in the nominal price of wheat flour was observed in July 2023. At SYP 6,876 per kilogram, the July prices were four percent more than the previous month and nearly doubled in 12 months. In three years, the price of wheat flour increased 7 times. Regionally, southern areas recorded the highest average retail price at SYP 7,535/kg, almost double compared to the corresponding month last year. North-east region had the lowest price level at SYP 6,008/kg, still 117 percent higher year-on-year.

In terms of outlook, non-renewal of the Black Sea Grain Initiative deal will likely upend wheat flour prices in the coming months.

**Rice**

White rice prices surged in July 2023 by 16 percent compared to the previous month, the highest percentage change in six months. The cereal prices averaged SYP 10,230/kg, up 168 percent from a year earlier and increased seven-fold in three years. At regional level, Northwest Syria had the highest monthly increase at 34 percent and the July nominal price was three times more than the same time last year. The lowest price was recorded in cross-border areas of Aleppo and Idlib at SYP 8,953, still 10 percent more than the previous month and up 150 percent, year-on-year.

At global level, the FAO All Rice Price index (2014-2016) averaged 129.7 points in July 2023, nearly 20 percent more than a year-earlier and the highest level since September 2011. Export ban in India and concerns over the potential impacts of El Niño on production in some suppliers areas provided further underpinning to prices.

**Chicken and eggs**

Chicken prices moderated for the third consecutive month reaching SYP 22,554/kg in July 2023. The July price was almost the same as the previous month, up 146 percent in one year, and increased seven times in three years. At regional level, cross-border areas had the lowest observed price at SYP 20,190/kg but still more than doubled in one year.

While the price of a carton of 30 eggs also increased for the eighth consecutive month to reach SYP 30,397 in July 2023. Nominal price of the carton of eggs increased by 14 percent compared to the previous month and was 143 percent more expensive than a year earlier. Regionally, southern areas had one of the highest prices.
Exchange rate

In early February 2023, the Central Bank of Syria introduced a managed-floating exchange rate to cater for remittances, and later for earthquake response transactions. The move seen to attract foreign currency in the formal market system as the spread between fixed and parallel market exchange rates widened. Since its introduction, the managed-floating exchange rate and the parallel rate have moved, more or less, in tandem. As of third week of August 2023, the Syrian pound was trading around SYP 10,900 to a dollar under the managed-floating exchange rate regime, in the process lost almost 40 percent of its value since inception. During the same period, the local currency lost 52 percent of its value on the parallel market (Chart 9).

Over the last three years, the Syrian pound has been devalued eight times, and in the process lost 91 percent of its value on the parallel market. Since Syria is a net-food importer, the sharp depreciation of the local currency makes imported good expensive. Chart 10 juxtaposes exchange rate fluctuations in relation to food prices, as measured by the WFP standard reference food basket cost. The graph depicts and reinforces the notion that increases in domestic food prices and depreciation of the currency are strongly inter-related.

Sugar prices

The national average price of sugar increased by 14 percent, month-on-month, to reach SYP 10,340/kg in July 2023. The July price was 143 percent more than a year earlier and eight times more than a year earlier. Regionally, the highest annual percentage increase was observed in the cross-border areas of Aleppo and Idlib areas, where sugars prices tripled within a year.

Globally, sugar prices have been on a decline, at least in the past two months, however, the continued upward trend on the domestic market reflect continued loss of Syrian pound which makes imported commodities expensive.

6: 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)

Daily wage
The national average non-skilled wage increased by six percent in July 2023 compared to the previous month. The upward trajectory was across all regions, except minor decrease in middle regions comprising of Homs, Hama and parts of Idlib governorates. In the last 12 months, the non-skilled wage rate nearly doubled with much of the increase emanating from the cross-border areas.

Terms of trade between wage labour and wheat flour
Using the terms of trade between wage labour and wheat flour as a proxy indicator of purchasing power, the TOT marginally increased by two percent between June and July 2023, reaching 3.23 kg of wheat flour/daily wage.

The TOT decreased by 3 percent when compared to a year earlier. The national average daily wage of a non-skilled worker could buy 3.23 kg of wheat flour in July 2023 compared to 3.33 kg in July 2022. This denotes that the rate of increase in the wheat flour prices has been slightly more than the corresponding rate in the daily wages over the last 12 months. As such the purchasing power of non-skilled labour dependent households has been shrinking as they bought less than before. Regionally, over the last 12 months, only the cross-border areas had an improved TOT for the non-skilled labour dependent households.

Terms of trade between sheep and wheat flour
In July 2023, the national average price of a two-year old male live sheep increased by six percent, m-o-m, to SYP 1,781,599/sheep. The July price was 122 percent more than six months ago and nearly tripled compared to the same time last year. The cross-border region recorded the highest percentage increase in the price of the two-year male alive sheep across Syria at 284 percent, year-on-year, followed by north-eastern areas at 231 percent, while the coastal region, the lowest, still increased by 113 percent.

The July 2023 terms of trade between alive two-year old sheep and wheat flour increased by 2 percent, m-o-m, to reach 259 kg of wheat flour per sheep. Over the last 12 months, the TOT increased by 43 percent, reflecting increased purchasing power for pastoral communities as the rate of increase in livestock price outweighed the corresponding increase in wheat flour prices.

Source: WFP