



WFP/Hussam Al Saleh

Highlights

The first half of 2023 has seen the national average price of standard reference food basket increase by 27 percent reaching SYP 530,028 (USD 81) as of June 2023. The June cost of the basket was 70 percent dearer than 12 months ago and nearly seven times more than three years ago. In the second half of 2023, the non-renewal of the Black Sea grain initiative, recent rice export ban by India, and continued fall of the Syrian pound will likely exert upward pressure on domestic food prices in near-term.

The June 2023 Minimum Expenditure Basket reached SYP 1, 346,638 (USD 206), 74 percent more than a year ago and 160 percent dearer than in September 2021, start of the current MEB series.

Following the July 2023 Central Bank of Syria publication of the devaluation of the Syrian pound, third time in 2023, to trade at SYP 8,542 to a dollar from SYP 6,532, the local currency traded at SYP 13,180 on the parallel market at the end of the month. The July end parallel rate meant that the Syrian pound lost 51 percent of its value in 2023, fell 69 percent in one year, and lost 95 percent of its value since October 2019, the start of the Lebanese economic crisis.

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Standard Food Basket

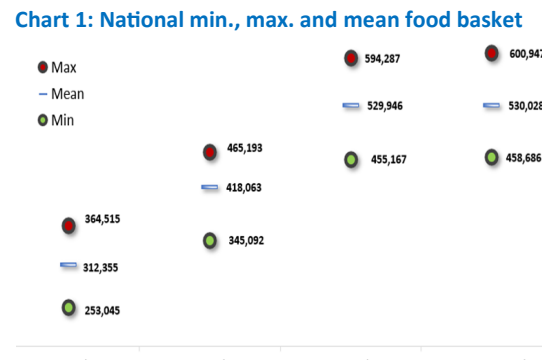
The first half of 2023 has seen the national average price of standard reference food basket¹ increase by 27 percent reaching SYP 530,028 for a family of five as of June 2023. The June cost of the basket was 70 percent dearer than 12 months ago and nearly seven times more than three years ago. Key commodities in the basket — rice, lentils, sugar — increased between 70 percent to 140 percent, year-on-year (y-o-y), including substitute commodities, which denote limited options for vulnerable households in switching to alternatives.

In the second half of 2023, the non-renewal of the Black Sea grain initiative and the recent rice export ban by India, which account for 40 percent of global trade by volume, will likely exert upward pressure on domestic food prices in the coming months. In addition, the rapid loss in value of the Syrian pound will continue to make imported food commodities more expensive.

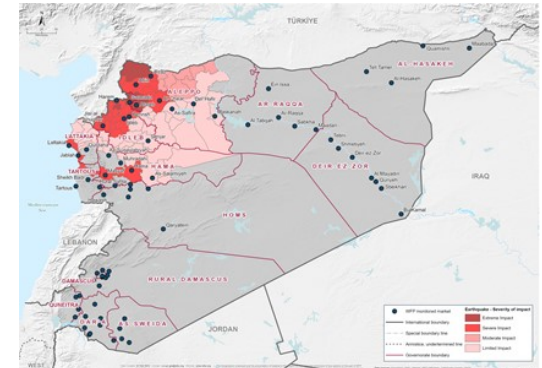
Idleb governorate had the highest yearly percentage increase for the food basket, at 90 percent, followed by Al-Hasakeh at 81 percent (figure 1). Rice, lentils and sugar remained key sources of yearly pressure. On the other end of the spectrum, Tartous governorate had the lowest yearly increase at 46 percent. Furthermore, the gap between the highest and lowest average food basket prices across the governorate was at 31 percent in June 2023 compared to 44 percent a year earlier, indicating some improved levels of integration.

Figure 1: Food basket cost and changes, SYP

Governorate	June 2023	1 month change	6 months changes	12 months changes
Aleppo	520,076	1%	27%	75%
Damascus	556,334	3%	25%	59%
Dar'a	600,947	1%	29%	67%
Deir-ez-Zor	464,117	2%	34%	73%
Hama	554,763	0%	21%	70%
Al-Hasakeh	458,686	1%	31%	81%
Homs	540,020	1%	18%	63%
Idleb	492,255	1%	42%	90%
Lattakia	584,625	2%	27%	59%
Ar-Raqqa	477,400	0%	32%	77%
Rural Damascus	548,623	-2%	23%	64%
As-Sweida	565,156	-4%	25%	65%
Tartous	532,276	0%	16%	46%
Quneitra	552,413	-7%	26%	66%
Average	530,028	0%	27%	70%



Map 1: Location of markets monitored by WFP, including earthquake affected areas.



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

In the first half of 2023, the Minimum Expenditure Basket (MEB), a measure to count the cost of living for a household of five members increased by 15 percent to reach SYP 1,346,638 (USD 206) . In one year, the cost has surged by 74 percent, and 160 percent dearer than in September 2021, at the start of the current MEB series.

Overall, food prices within the MEB were 76 percent higher in June 2023 than a year earlier. Increases in the price of onions (up 250 %), Chicken (up 154%), eggs (up 142 %), rice (up 138%), and sugar (up 123 %) led much of upward trajectory.

In June 2023, the minimum wage priced in Syrian pound, was only seven percent of the cost of MEB as wages continued to lag behind the painful inflation. The non-renewal of the UN-backed Black Sea grain deal and continued fall of the local currency are a stark reminder of the near-term threat to any price moderation.

Global food prices, freight costs, and inflation trends

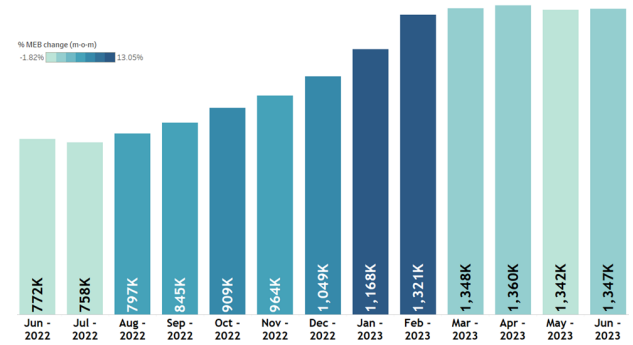
The June 2023 FAO Food Price Index³, a measure of the monthly change in international prices of a basket of commonly traded food commodities, continued to decreased for the second consecutive month. It averaged 122.3 points, down 1.4 percent from the previous month (Chart 3) and 21 percent lower than same time last year. The June decreased is largely on account of reduced prices of cereals, sugar, vegetable oil and dairy products.

The June 2023 Cereal Price Index decreased for the fifth consecutive month to reach 126.6 points, down 2.1 percent from May 2023 and 23.9 percent below its value a year ago. Monthly decrease were observed for all major cereals driven by seasonal supplies from ongoing harvests for maize in South America, apple wheat supplies in Russian federation and subdued demand for rice. Looking ahead, the non-renewal of the Black Sea grain deal will likely contribute the upward pressure in cereal index. While the Oil index also continued its downward trajectory, for the seventh consecutive month, to reach 115.8 points due to lower palm and sunflower oils.

In June 2023, the global freight costs for grains and oil seeds, measured by the Grains and Oils Freight Index (GOFI)⁴ declined by 10 percent, month-on-month, to average 123 points. This marked the second consecutive monthly decrease. Similarly, the Black Sea Freight sub-index fell by 13 percent, month-on-month, and decreased by 36 percent, year-on-year. However, the non-renewal of the Black Sea Grain deal will likely reverse the current downward trend in the sub-index.

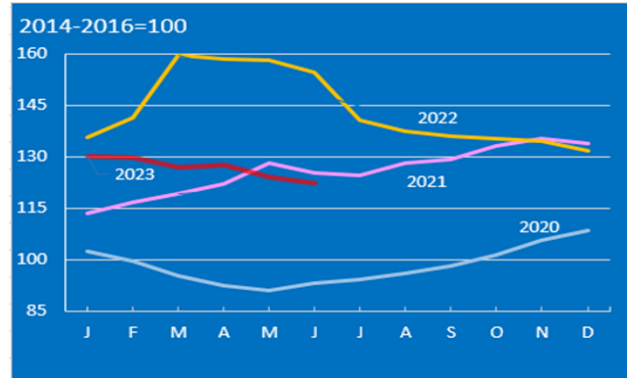
Consumer prices continued to soar in Egypt⁵, origin of key Syrian imports. Egypt's annual price inflation rose to a record 35.7 percent in June 2023 driven primarily by food and beverages. While the neighbouring Lebanon, whose economy is closely linked to Syria, food inflation remained very high at 279.54 percent in June 2023. Food inflation inched up by 1.09 percent in Russian Federation in June 2023, while a 3.6 percentage points decline was observed in Ukraine.

Chart 2: MEB Trend in Syria , SYP



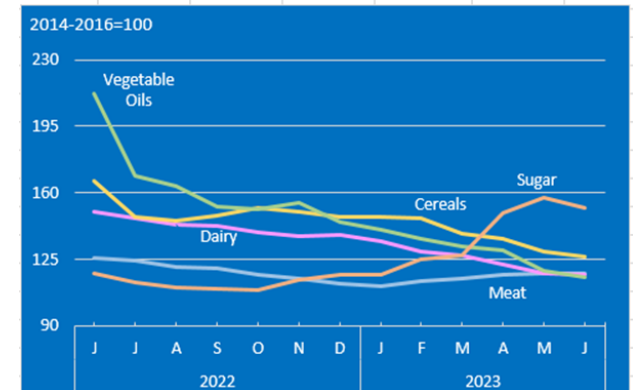
Source: Damascus Cash Working Group

Chart 3: FAO Food Price Index (2020 –2023)



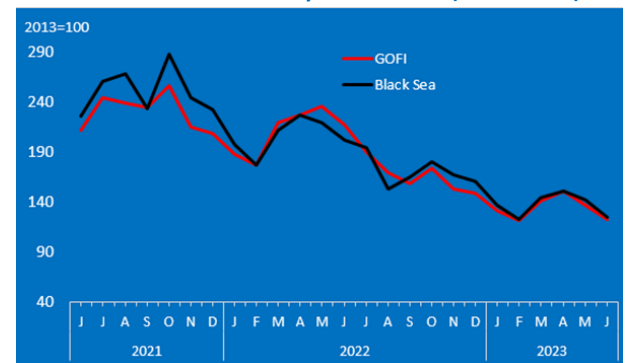
Source: FAO

Chart 4. FAO Food Commodity Price Indices (2020 –2023)



Source: FAO

Chart 5. FAO Food Commodity Price Indices (2020 –2023)



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 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). 3. <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>; 4. <https://www.igc.int/en/markets/marketinfo-freight.aspx> 5. Trading Economics "Inflation Rate"

Retail prices for key commodities

Wheat Flour

The monthly price of wheat flour continued to ease for the third consecutive month. At an average of SYP 6,626/kg as observed in June 2023, the cereal marginally decreased compared to the previous month and almost unchanged compared to the April 2023 value. The moderation were driven by ongoing harvests. Nevertheless, June 2023 prices were still nearly double compared to the same time last year and increased more than seven times since June 2020.

The non-renewal of the Black Sea grain deal--that had been in place for a year--may lead to a leap in grain prices and fragile global food markets as observed at the start of the Ukraine conflict in February 2023.

Rice

The national average price of Egyptian white rice, a key Syrian staple, increased moderately by two percent in June 2023 compared to the previous month. However, at the national average of SYP 8,786/kg the cereal more than doubled in 12 months and increased six times within three years.

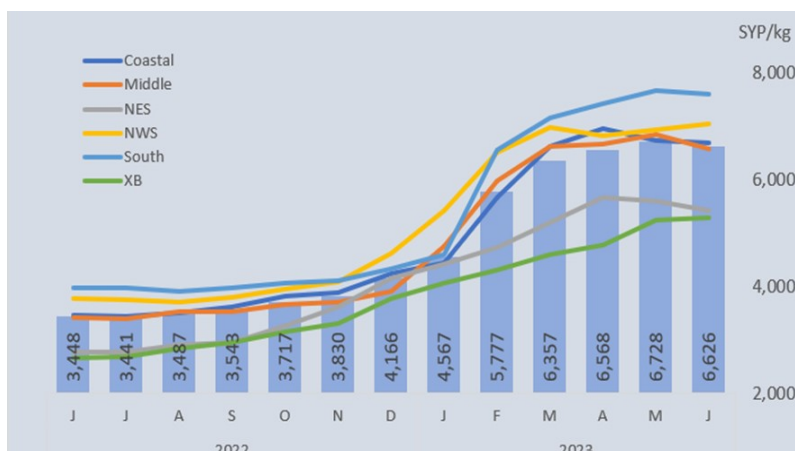
The recent export ban by India for non-basmati white rice will likely drive up global rice prices as India account for 40 percent of global trade by volume. As of June 2023, global rice prices, measured by the FAO All Rice Index, were already 13.9 percent above year-earlier levels. The protectionist policy will likely exert upward pressure on domestic rice prices in the coming months.

Chicken and eggs

At the national average of SYP 22,520/kg, the price of chicken (plucked) remained almost unchanged, month-on-month, in June 2023. However, the price has increased by 154 percent within 12 months and surged ten-fold in three years. Regionally, the lowest observed price was at SYP 18,726/kg in north-east and highest at SYP 25,079/kg in southern areas.

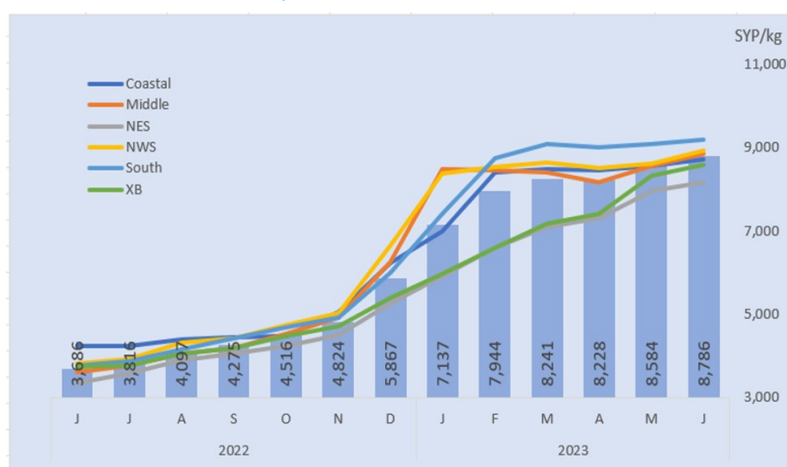
Related, the price of a carton of 30 eggs increased by 14 percent, month-on-month, in June 2023 to reach SYP 26,728. The June price was 142 percent dearer than a year ago. The south and middle regions recorded the highest prices among the six regions.

Chart 6: Retail Prices of Wheat flour, SYP



Source: WFP

Chart 7: Retail Prices of rice, SYP



Source: WFP

Chart 8: Retail Prices of Chicken, SYP



Source: WFP

Exchange rate⁶

The Central Bank of Syria (CBS) devalued the Syrian pound for the third time in 2023 during the fourth week of July to trade SYP 8,542 to a dollar from SYP 6,532. The lead up to the July devaluation saw substantial spread between official and parallel exchange rates of more than 80 percent.

At the end of the July 2023, the Syrian pound traded at SYP 13,180 to a dollar on the parallel. The July parallel rate meant that the local currency has lost 51 percent of its value in 2023, fell by 69 percent in one year, and depreciated by 83 percent in three years. The Syrian pound lost 95 percent of its value against the dollar since the start of the Lebanese economic crisis in October 2019 as the two economies are closely linked.

In early February 2023, CBS announced a managed floating exchange rate that mirrored the parallel market rate catering for remittances and thereafter funds transfer for earthquake response. As of end July, the rate was at SYP 9,900 to a dollar leading to a 33 percent depreciation since its inception.

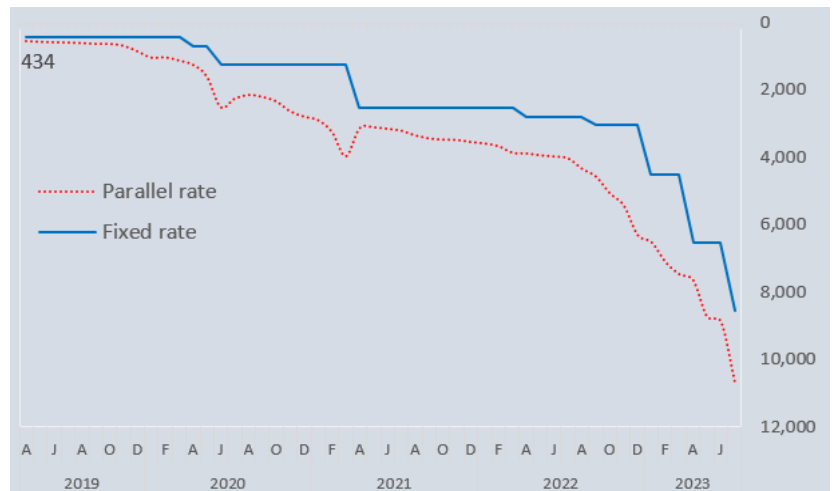
While the policy measure resulted in decreasing the gap between parallel and official rates, the previous devaluations have been closely linked with increases in food prices, as measured by WFP's reference food basket, for a net-food importer. Chart 10 illustrates this linkage.

Sugar prices

Sugar prices increased by 40 percent in the first half of 2023. At SYP 9,081/kg as of June 2023, sugar prices more than doubled in one year and surged seven-fold in three years.

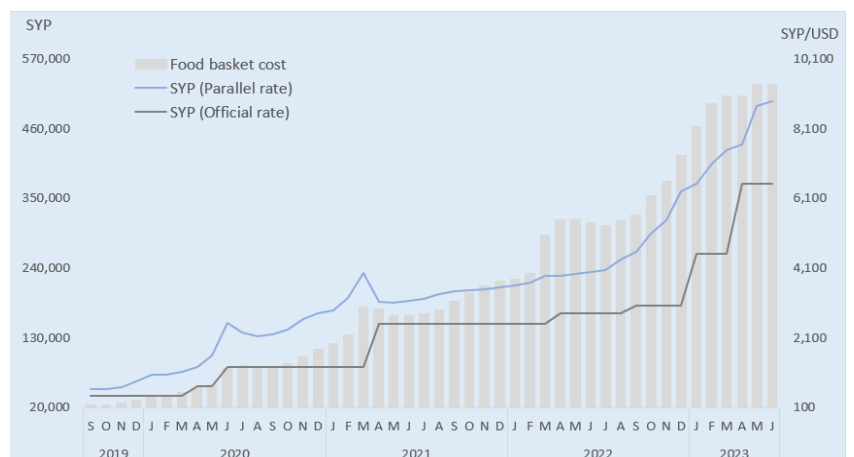
Regionally, despite the reopening of the Fishkhabur-Semalka crossing in early June 2023, after almost a month of closure, the nominal sugar prices continued to remain the highest in north-east areas for the second consecutive month. Globally, June prices remained 30 percent above year earlier levels.

Chart 9: Exchange rate, SYP/USD, Inverted scale



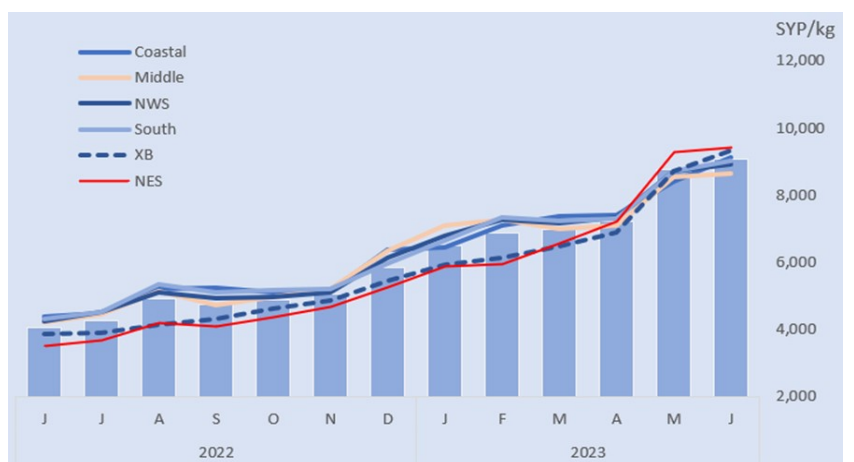
Source: WFP, CBS

Chart 10: Historical exchange rate trends and food basket costs: 2019-2023



Source: WFP

Chart 11: Price of Sugar, SYP



Source: WFP

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)

Term of trade between wage labour and wheat flour

The national average non-skilled wage remained almost unchanged, month-on-month, in June 2023. At SYP 20,975/day, the June wage rate increased by 24 percent in the first half of 2023 and up 88 percent in 12 months (Chart 12). Notable wage variations were observed across regions with the highest rates at SYP 25,695/day in the coastal region and the lowest at SYP 10,250/day in north-west.

Using the terms of trade between wage labour and wheat flour as a proxy indicator of purchasing power, the TOT remained almost unchanged between May 2023 and June 2023, reaching 3.17 kg of wheat flour/daily wage. The TOT decreased by 14 percent when compared to the last 6 months. The national average daily wage of a non-skilled worker could buy 3.70 kg of wheat in January 2023 compared to 3.17 kg in June 2023. This denotes that the rate of increase in the wheat flour prices has been much more than the corresponding increase in the daily wages over the last six months. As such the purchasing power of non-skilled labour dependent households has been shrinking. Regionally, over the last six months, the cross-border and north-eastern areas had an improved TOT for the non-skilled labour dependent households.

Terms of trade between sheep and wheat flour

In June 2023, the national average price of a two-year old male alive sheep increased by 12 percent, m-o-m, to SYP 1,699,589/sheep. The price of sheep doubled in six months and surged three-fold in one year. Broken down by region, north-east recorded the highest percentage increase in the average price of a two-year male alive sheep across Syria at 275 percent, y-o-y, while relatively lowest percentage increase at 76 percent, was observed in the coastal areas.

The June 2023 terms of trade between alive two-year old male sheep and wheat flour increased by 13 percent to reach 257 kg of wheat flour per sheep. Over the last 12 months, the TOT increased by 53 percent, reflecting increased purchasing power for pastoral communities as the rate of increase in price of sheep outweighed the corresponding increase in the price of wheat flour.

Chart 12: Daily wage for unskilled labor, SYP

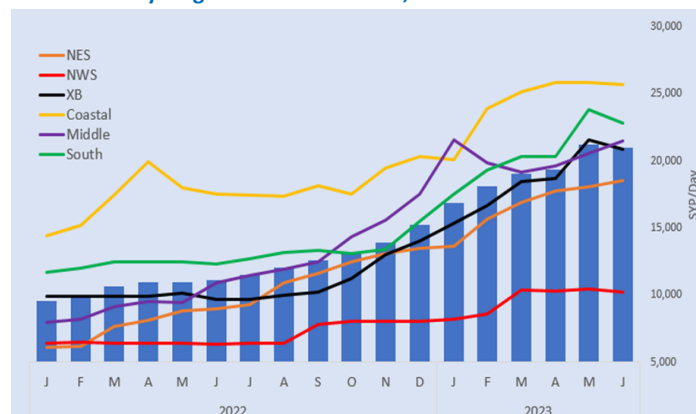


Chart 13: Terms of trade between wheat flour and wage

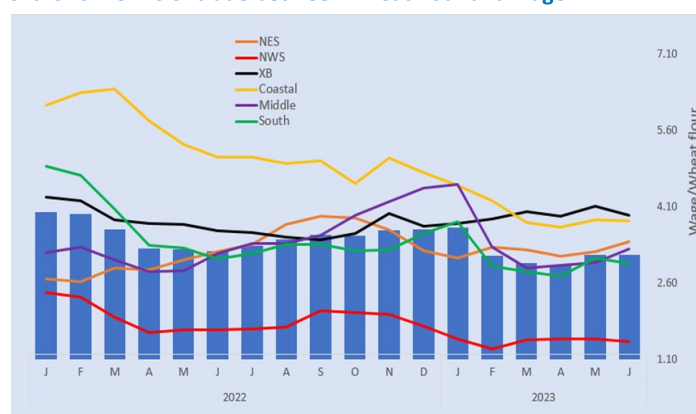
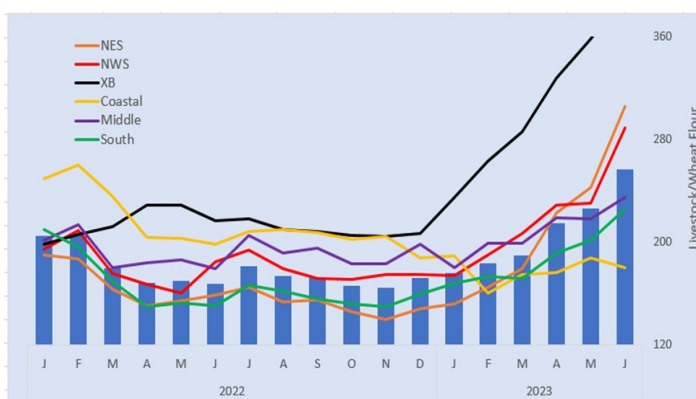


Chart 14: Terms of Trade between wheat flour and the price of a 2 year old sheep



Source: WFP