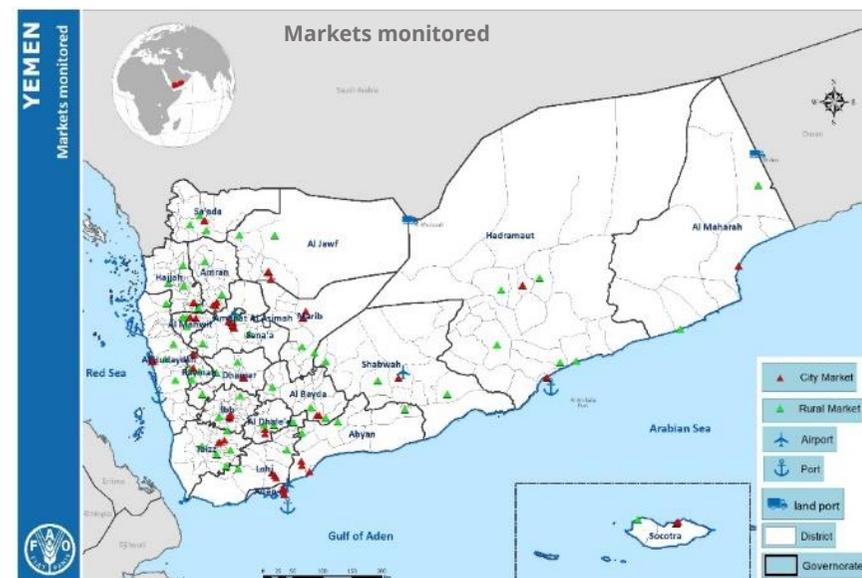


# Market & Trade Bulletin, Yemen

June 2023 – Issued 6<sup>th</sup> August 2023

## KEY HIGHLIGHTS

- Global food prices extended declining trends in June 2023; however, these developments have not benefited much the consumers in Yemen as currency depreciation and volatility have made prices of imported food costlier. The collapse of the Black Sea Grain Deal could worsen the situation through increased prices of bread and higher food inflation in the short-term and limit food access and further exacerbate food crisis which is already one of the worst globally.
- The Yemeni Rial (YER) continued to lose ground to the US Dollar by 4 percent in Government of Yemen (GoY) controlled areas while the exchange rate in Sana'a Based Authority (SBA) areas held strong against the greenback, gaining 2 percent in value during the reporting month;
- Fuel pump prices have been stable in GoY areas while declined in SBA in recent months, supported by declining global crude oil prices, improved fuel imports and availability and strict enforcement of price controls in the latter areas. During June 2023, diesel prices decreased by 6 percent on average in SBA while remained unchanged in GoY month-on-month;
- Cost of Minimum Food Basket (MFB) remained stable in GoY areas while decreased in SBA areas month-on-month (4 percent) and over the last one year (16 percent) in line with commodity price trends. During June 2023, the average monthly household cost of the MFB was YER. 115,538 in GoY areas and 47,680 in SBA areas equivalent to an estimated USD 87 and USD respectively.
- Similarly, prices of key staples (wheat flour, cooking, oil, rice, and beans) remained generally unchanged month-on-month in most areas but were significantly higher in GoY areas and reduced in SBA markets when compared to the same month last year. Its notable however that commodity prices were more expensive/ higher in SBA areas than in GoY areas in dollar terms;
- Livestock prices increase during the reporting month above last year's and the 3-year average levels. Labour wage rates remained higher than 2022 and three-year average levels in nominal terms but lower in real terms because of high inflation;
- Purchasing power of casual laborers and livestock keepers started to improve but still lower than the three-year average level because of faster increase in the prices of staple cereals than in labour rates and income from livestock sales;
- Staple food prices are expected to trend seasonally higher month-on-month in GoY areas but remain relatively stable in SBA areas above the three-year average in the next four months.



		Price changes			
Area	Item	June 2023 Price	m-o-m	y-o-y	3-YA
GoY	Minimum Food Basket	109,123	0%	1%	50%
	Basmati Rice - 1 kg	2,075	4%	26%	64%
	Imported Kidney Beans (Grain) - 1 kg	2,581	0%	20%	70%
	Imported Sunflower Oil - 1 L	2,997	0%	5%	61%
	Imported Wheat Flour - 1 kg	940	0%	13%	66%
	Diesel (Official) - 1 L	1,048	-1%	-1%	73%
	Petroleum (Official) - 1 L	955	0%	-35%	33%
	Agricultural Labor - Per day	10,859	-2%	25%	58%
	Unskilled / Casual Labor - Per day	10,970	6%	24%	53%
	Unofficial Exchange Rate - Buying - YER/USD	1,321	-4%	-17%	-31%
SBA	Minimum Food Basket	47,680	-4%	-16%	4%
	Basmati Rice - 1 kg	972	-2%	-6%	0%
	Imported Kidney Beans (Grain) - 1 kg	1,115	-1%	-2%	26%
	Imported Sunflower Oil - 1 L	1,321	0%	-6%	11%
	Imported Wheat Flour - 1 kg	385	-6%	-17%	3%
	Diesel (Official) - 1 L	499	-8%	-31%	-2%
	Petroleum (Official) - 1 L	465	-2%	-29%	-1%
	Agricultural Labor - Per day	5,133	-5%	-1%	15%
	Unskilled / Casual Labor - Per day	5,164	-1%	3%	16%
	Unofficial Exchange Rate - Buying - YER/USD	529	0%	6%	12%

## I. GLOBAL AND DOMESTIC TRADE SITUATION

**Global food prices extended declining trends in June 2023; the benefits not reflected much in the domestic markets. Wheat imports volumes into the country increase after an initial drop in May**

Global food prices have been declining for close to one year starting mid 2022 after record highs in March 2022 following Russia’s invasion of Ukraine (Fig. 1). This downward price trend was partly sustained by the Black Sea Grain Deal that allowed Ukraine grain exports through the sea corridor. The FAO Food Price Index (FFPI) was down 1.4 percent from May and as much as 23.4 percent below the peak it reached in March 2022 and about 23.9 percent below its value a year ago. The decline in June was due to fall in the world prices of all major cereals including wheat, corn, and rice. Prices of other commodities including cooking and crude oil have also been declining in the global markets. However, consumers in Yemen did not benefit much from falling international food prices because the currency’s depreciation and volatility against the US\$ inflated the domestic cost of food imports.

Although key staples are available in the main markets in Yemen, the volume of food imports through As Hudaydah & As Salif Ports declined during the first half of the year compared to the same period in the last two years. This was mainly attributed to challenges of currency depreciation & lack of dollars facing importers in the GoY controlled areas but also sub-optimal functioning of the seaports. During Jan-June 2023 period, an estimated 1,693 thousand MT of food was imported through Al Hodeidah and As Salif Ports, which is 17 percent and 25 percent lower than in 2021 and last year’s volumes respectively. Compared to import volumes of last year, the decrease in import volumes in the first half of 2023 was across all the food commodities but highest for rice (48%) and wheat grain/ flour (15%) while all other items decreased by 44%. Its notable that the decline in food imports this year was because of a slow start at the first months of 2023 but this has progressively increased through June. Wheat flour/ grains imports were particularly lowest in May 2023, but this has since increased by as much as 400 percent during the reporting month. Wheat (grains & flour) constituted the largest share of the food imports (57% percent) in the first half of 2023. Similar trends were observed in June in GoY controlled ports where Aden and Mukalla seaports as well as the land ports received 98,095 MT of imported basic food, of which, wheat (grains and flour) constituted the largest share (78 percent) of all food imports. At the same time, an estimated 1,223 thousand MT of fuel products were imported through Al Hodeidah and As Salif Ports, which constituted the highest in the last three years, of which, diesel and petrol were about 45 percent and 30 percent of all fuel imports respectively.

FIGURE 1: Food Food Price Indices

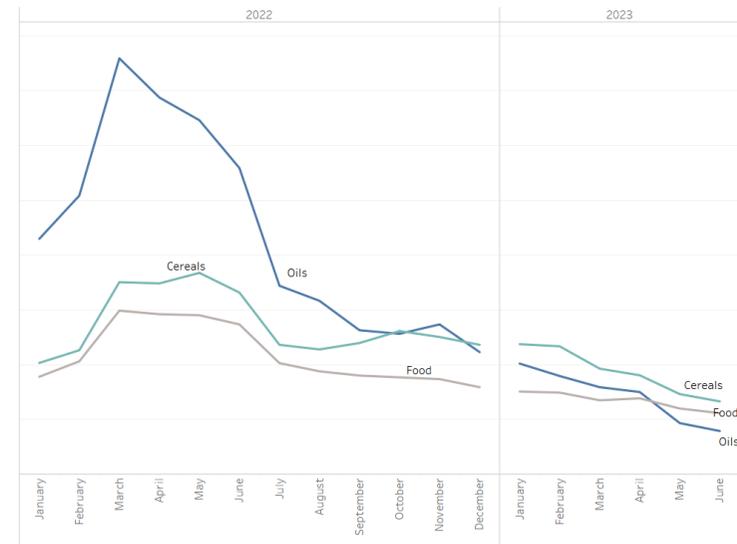
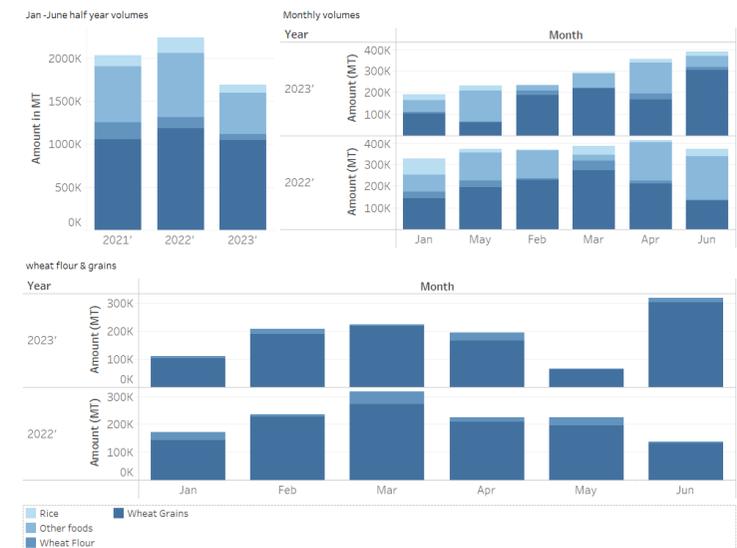


FIGURE 2: Food Imports thro’ Al Hudaydah & Assalif Ports (Jan -June)



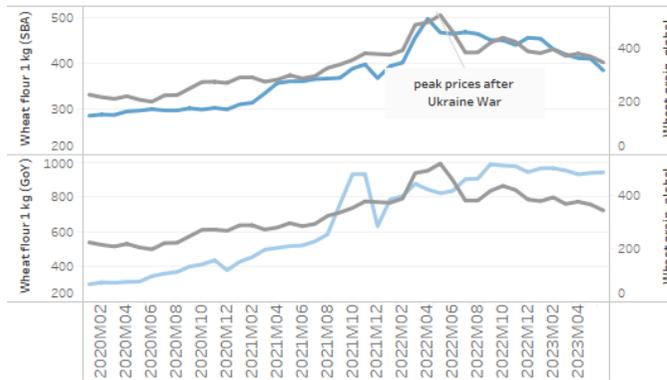
**Collapse of the Black Sea Grain Deal could potentially result in wheat shortages and soaring prices of bread in the short-term in Yemen, but the impact will be less severe compared to last year**

Before the war in Ukraine, wheat from Russia and Ukraine made up 45 percent of all imported wheat to Yemen in 2021 (FAO). Following the start of Ukraine War in late February 2022 that halted export of Ukraine grains, global wheat prices rose rapidly (34 percent) in just three months, reaching historic levels in May 2022. This was immediately reflected in Yemen through reduced import flows and in increased wheat flour prices. Wheat grain and flour imports through Al Hodeidah and As Saif ports dropped by nearly 70 percent through July 2022 – and only started to go up in August following the U.N. brokered Black Sea Grain Deal that allowed exports of Ukraine wheat and helped to bring down global food prices by up to [20 percent](#). It's evidenced that the monthly imports from Russia and Ukraine increased post the Ukraine War because of the Black Sea Grain Deal (Fig. 2).

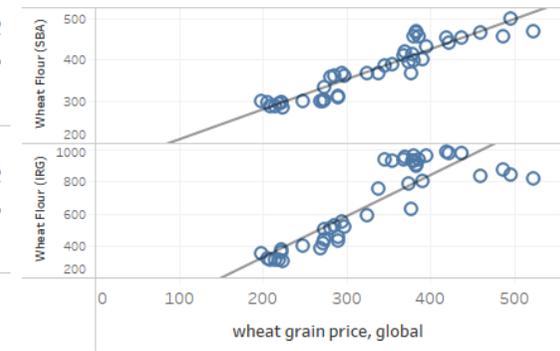
Following the collapse of the Deal, the availability of affordable grain will most likely be limited but the immediate impact on global food prices will be less severe compared to the onset of Russia's invasion and blockade period (March - July 2022) given the relatively less volatile global food supply situation and ample exportable grain surplus from Argentina, Brazil, and the Europe. At the same time, UN data shows shipments through the Black Sea Grain Initiative had already been falling prior to Russia's announcement while commercial wheat imports into Yemen have been declining since January 2023. Nonetheless, the immediate impact on wheat availability and bread prices is likely to be relatively higher in Yemen given high reliance on commercial and humanitarian wheat imports from Ukraine, and the ongoing economic crisis.

FIGURE 3: Trends in global & domestic wheats and imports

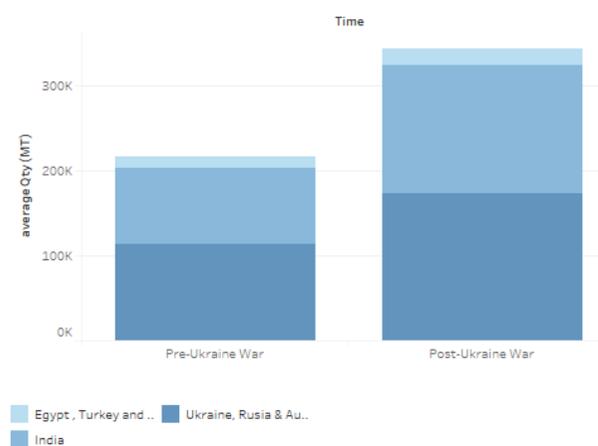
Domestic wheat flour vs global wheat grain prices



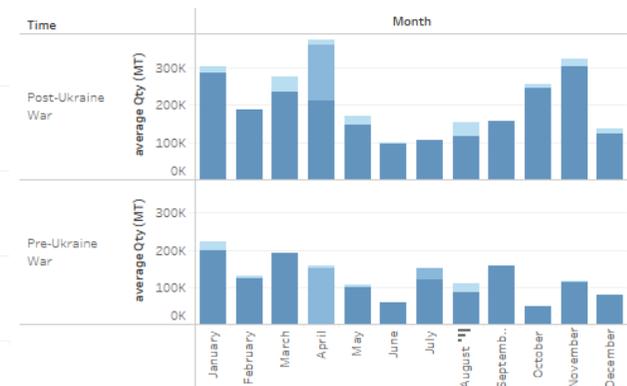
Relationship between domestic and global wheat prices



Wheat Import sources\_monthly average



Wheat Import sources\_monthly avg.



## II. EXCHANGE RATES

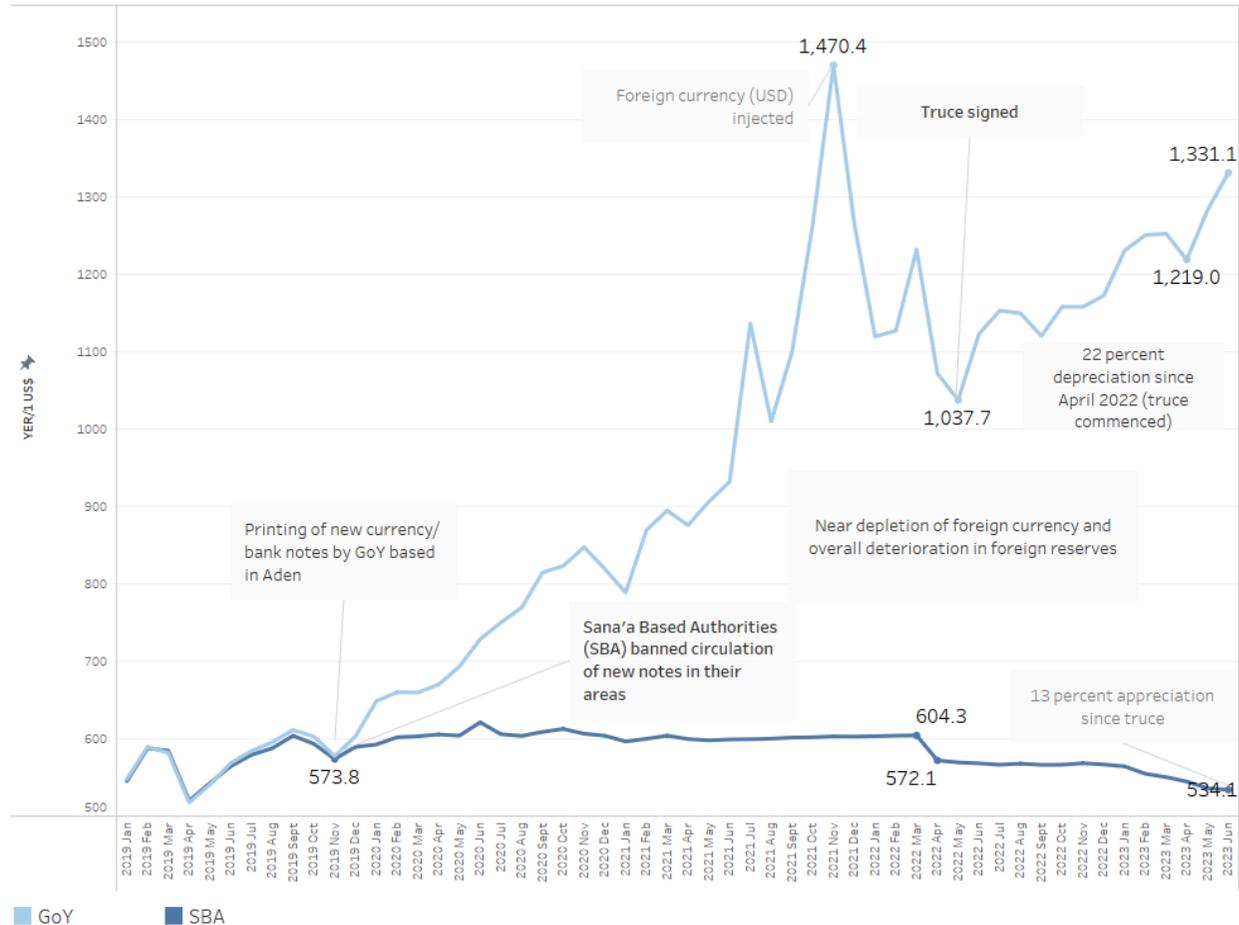
### The Yemeni Rial (YER) continued to lose ground to the dollar in GoY areas as the exchange rate in SBA areas hold strong against the greenback

The exchange rate between the Yemeni Rial (YER) and the US\$ in the GoY-controlled areas extended weakening trends that has been witnessed since April 2022 following near cessation of crude oil and exports and effects of printing of new currency notes. During June 2023, the YER in GoY areas lost ground to the USD by 4 percent month-on-month, 16 percent year-on-year and up to 22 percent when compared to the beginning of the truce. The currency depreciation and volatility in the South (GoY) is closely linked to the inflationary pressure on the purchasing value of the Yemeni rial and food inflation.

The YER in SBA areas however has been relatively stable for more than a year now- was 2 percent stronger against the USD\$ compared to the previous month and appreciated by 6 percent y-o-y and 13 percent stronger than at the beginning of the truce.

There is much uncertainty looking ahead in the next few months. Expected rise in global food prices following the collapse of the Black Sea Grain Deal together with the delayed long-awaited signing of the peace agreement and continued cessation of crude oil exports will further exert additional pressure on the YER heighten inflation.

FIGURE 4: Exchange Rates: YER vs. 1US\$



### III. FUEL PRICES

#### Declining global crude oil prices support stability of pump prices in GoY areas and decline in pump prices in SBA controlled areas in recent months

During June 2023, diesel prices decreased by 6 percent on average in SBA while remained unchanged in GoY month-on-month. Similar trend was noted when compared to the same month in 2022 in which diesel prices in GoY areas remained stable but decreased by 31 percent in SBA areas. The reduced prices of fuel is because of declining global crude oil prices and improved fuel imports and availability in the country but also strict enforcement of price controls in SBA areas. When compared in dollar terms, diesel prices are relatively more expensive in SBA areas (20 percent) than in GoY-controlled areas. Compared to the three-year average, diesel price increased faster in GoY controlled areas than they are in SBA areas. The highest price increase over the last three years were mostly in the markets of Aden City, Hadramout, Socotra, Al Badya and Sanaa City.

FIGURE 4: Diesel price trends

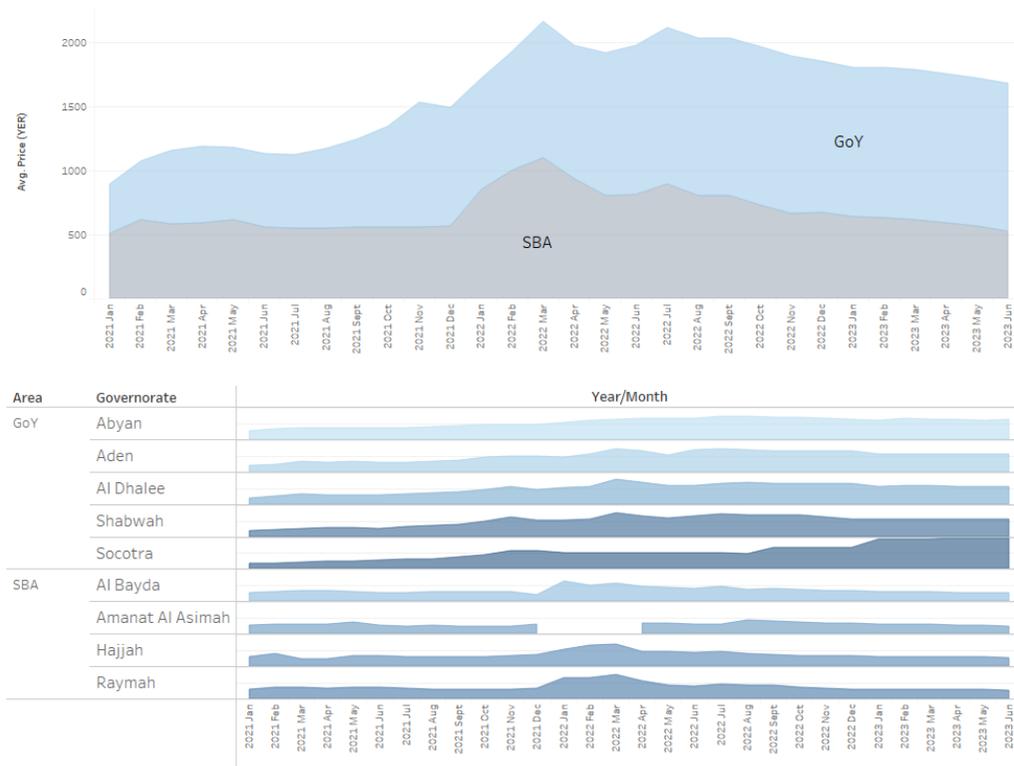
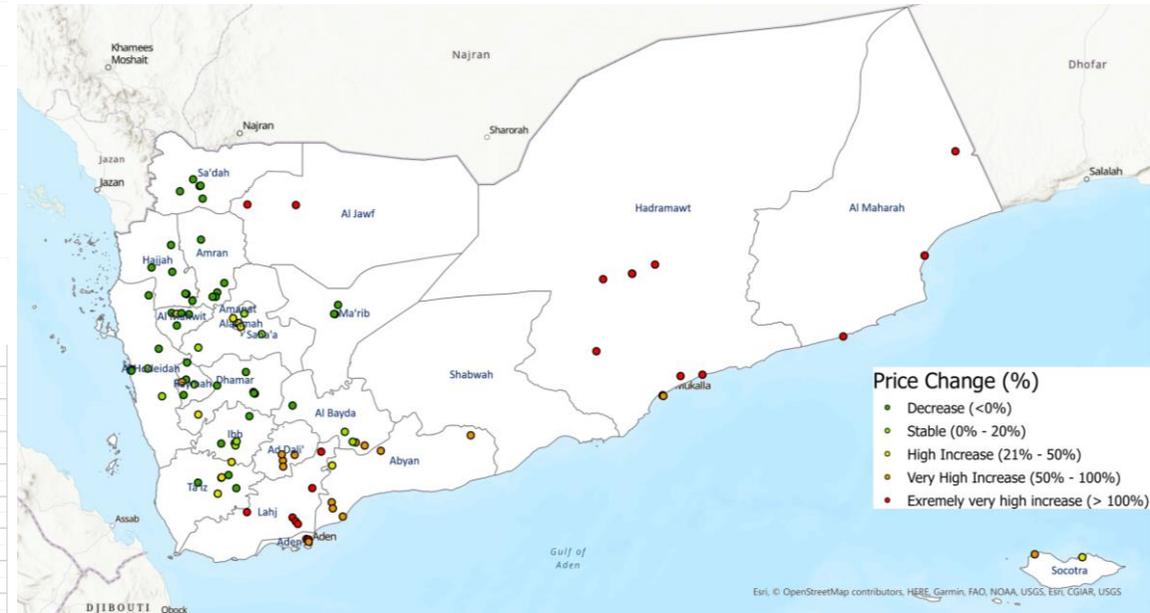


FIGURE 5: Diesel price change : June 2023 from the 3-YA



#### IV. MINIMUM FOOD BASKET (MFB)

Cost of MFB remained stable in GoY areas and declined in SBA areas month-on-month (4 percent) and over the last one year (16 percent) in line with commodity price trends but increased faster in areas under the GoY than in SBA when compared to the 3-YA.

The average monthly HH cost of the Minimum Food Basket (MFB) reduced to an average of YER. 115,538 in GoY areas and 47,680 in SBA areas equivalent to an estimated USD 87 and USD respectively during the reporting month (Fig. 6). The MFB was most expensive (> USD 100) in Amran (USD 109), Lahj (USD 107) and Saada (USD 102) and least expensive in Raymah (USD 70) and Abyan (USD 66). The MFB remained relatively stable or decreased slightly month-on-month in at governorate level during the reporting month, the most noticeable decrease (11%) recorded in both Sana’a rural and urban. When compared to the three-year average, the increase in the cost of the MFB is significantly higher in GOY areas (Fig. 7).

FIGURE6 : Minimum Food Basket (MFB)

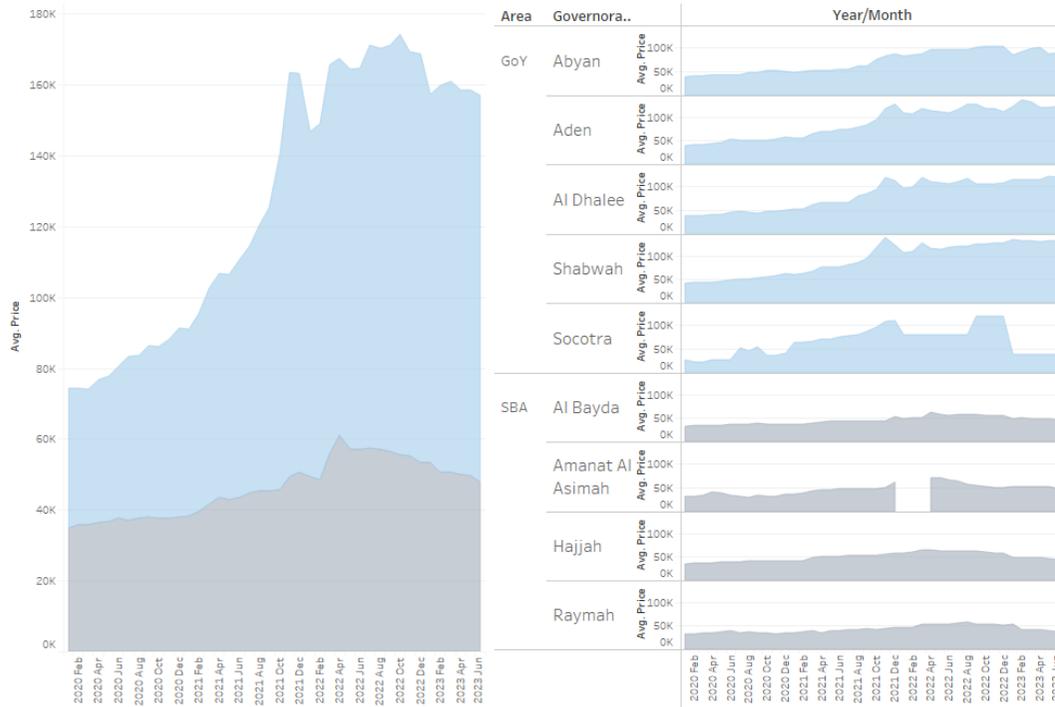
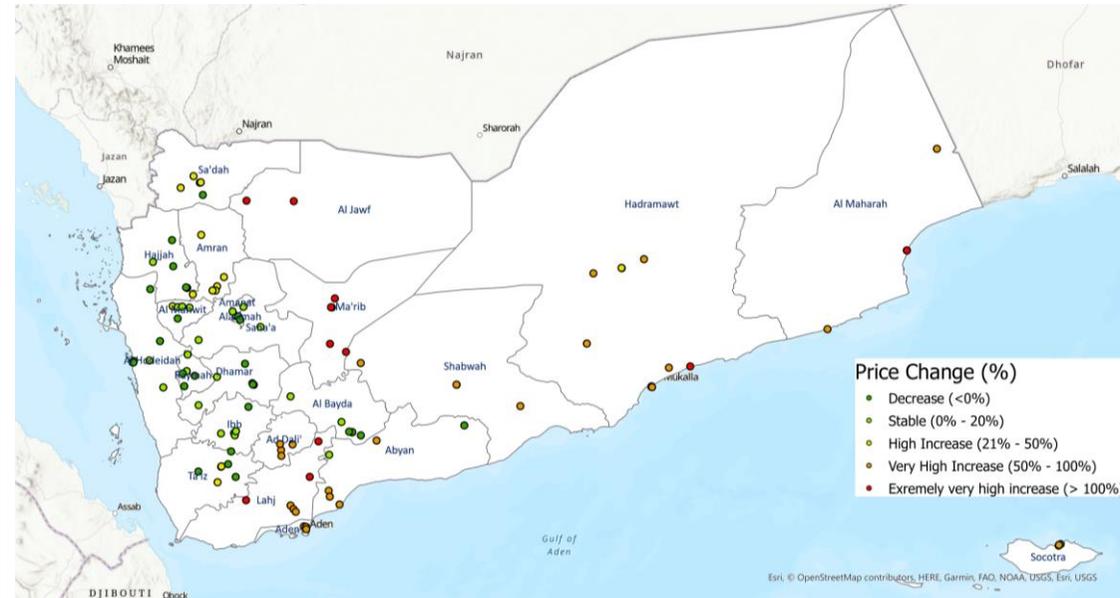


FIGURE 7: Minimum Food Basket Change : June 2023 from the 3-



### V. COMMODITIES IN THE MINIMUM FOOD BASKET

Prices of key staples (wheat flour, cooking, oil, rice, and beans) remained generally unchanged in most areas month-on-month but significantly increased in GoY areas and reduced in SBA markets over the last one year

**Wheat Flour:** the June 2023 staple wheat flour prices remained unchanged on average in GoY areas but decreased by 6 percent in SBA markets month-on-month. The highest monthly decline in wheat flour prices were recorded in Sana’a City (19%), Sana’a Rural (16%), Ibb (14%), Hajjah (9%), Damar (7% and Al Bayda (5%) while increased in Amran (7%), Aden (4%), and Al Jawf (4%). Compared to the same month last year, wheat prices increased by 13 percent in GoY (the highest jump in Socotra – 67%; Amran -33%; Abyan 19% and Aden – 14% and Shabwa- 12%) but reduced by 17 percent in SBA. Wheat flour prices are higher all over the country when compared to the 3-year average, but most significantly in GoY areas as opposed to SBA areas where the increases are moderate (Figure 9).

**Rice:** Rice prices increased by an average of 4 percent in markets under GoY but remained generally stable or slightly decreased in most markets under SBA month-on-month. Markets in Abyan recoded the highest monthly price increase for basmati rice at 24 percent, followed by Al-Jawf (8%), Hadramout Coastal (9%) and Sana’a City (4%). Compared to the same month last year, rice prices were up (+ 12% to + 39%) predominantly in GoY Governorates, the highest increase in Aden (39%), Abyan (37%), Socotra (33%), Shabwa & Al Dhalee (23%) and Hadramaut coastal (21%) while declined most in Sana’a City (23%). Compared to the three-year average, rice prices were generally higher across most markets but most significantly in GoY areas (64%)- Fig. 10.

FIGURE 8: MFB Components

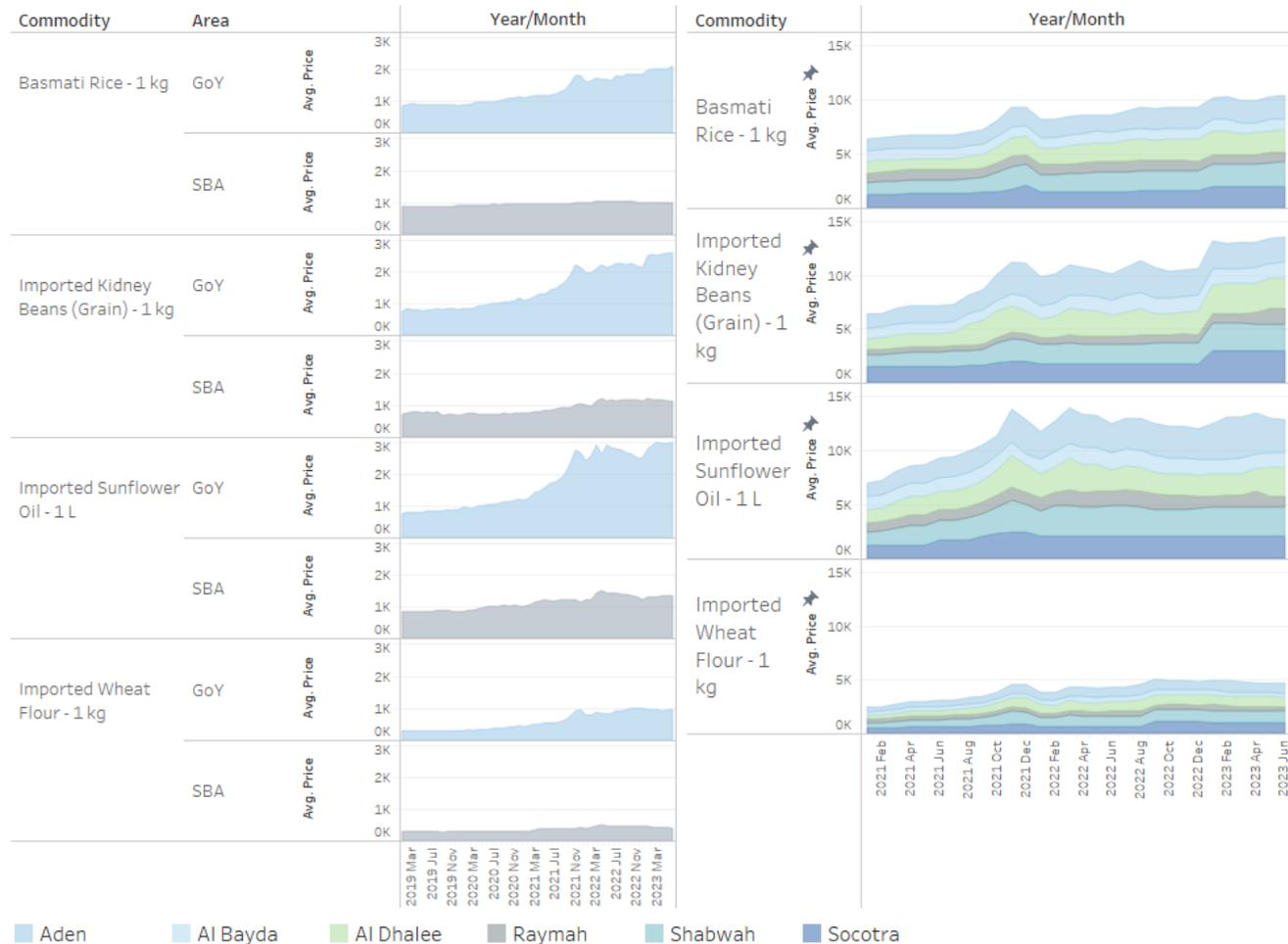


FIGURE 9: Wheat flour price changes: June 2023 from the

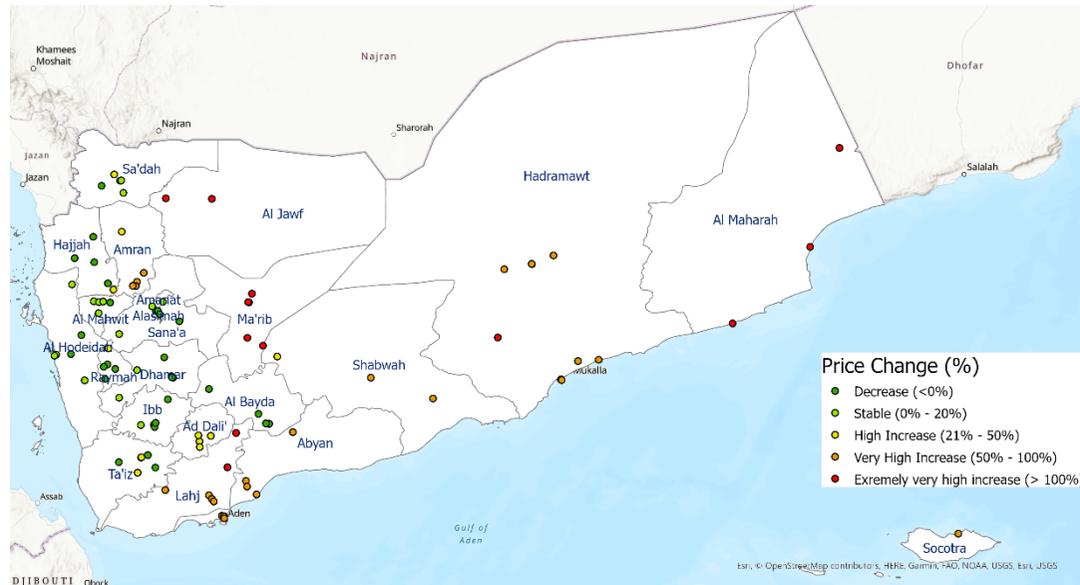
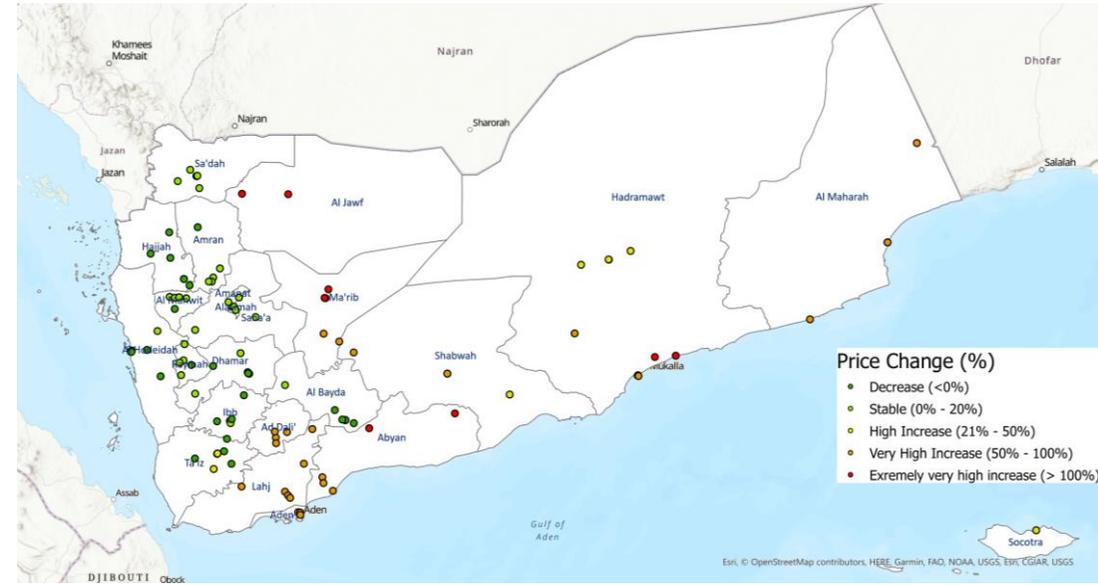


FIGURE 10: Rice price changes: Apr 2023 from the 3-YA



**Beans:** Beans prices witnessed a continuous price decrease or stability in most markets during the reporting month except for increase (12 - 13 percent) in the reference markets in Raymah and Abyan Governorates. When compared to the same month last year, beans prices went up in Socotra (76%), Raymah (51%), Lahj (50%), Abyan (29%), Shabwa (31%), Al Dhale'e & Al Mawhwt (13%) while declined in Sana'a City (22%), Sana'a rural (20%), Aden City (13%), and Hajjah & Ibb (14 -15 percent). When compared to the 3-year average, the current beans prices are very high- as much as 111 - 137 percent in Abyan, Socotra, Sa'ada, and Al Maharan Governorates (Fig. 11)

**Cooking Oil:** imported sunflower oil prices remained generally unchanged over the month of June when compared to the previous month in most markets countrywide except for slight increase in Hadramaut Coastal (7%) ad Al Hudayda (4%). When compared to the corresponding month last year, the price of cooking oil increased on average by 5 percent in GoY but was down 6 percent SBA areas; the highest annual increase in sunflower cooking oil predominantly in the markets of Aden City (39%); Abyan (37%), Socotra (33%), Shabwa & Al Dhale (23%), and Hadramaut Coastal (21%). Imported sunflower oil prices are significantly high in many markets in GoY areas when compared to their three-year average (Fig. 12)



## VI. LIVESTOCK & LABOUR MARKETS

Livestock prices increase during the reporting month above last year’s and the 3-year average levels. Labour wage rates on the other hand remained higher than 2022 and three-year average levels in nominal terms but were lower in real terms because of high inflation.

**Livestock prices (sheep/ goat):** increased during the reporting month, extending the upward trajectory above 2022 and the three-year average levels witnessed since the beginning of the year (Figure 14). Local sheep/ goat (6 months old/12 kg) prices were 4 – 8 percent higher in June than their levels last month. When compared to the same month last year and the three-year average, the increase in livestock prices was much higher in GoY-controlled areas (32 -48 percent) than in SBA-controlled areas where the increase was modest (5 -8 percent)- Fig. 14. The current price increases are in line with typical seasonal trends following high demand from Ramadan and Eid al-Fitr festivities.

**Casual labor rates:** farm and off-farm casual labour rates increased slightly (3 percent) in GoY areas during June 2023 m-o-m but declined by an average 3 percent in SBA areas, the latter because of reduced agricultural labour demand following the end of the high seasonal land preparation and planting activities in the highlands. Compared to the same period in 2022, non-farm labor wage rates went up by 24 percent in GoY areas, but casual labour rates remained unchanged in GoY areas. Although casual labour wage rates are higher than three-year average in both GoY (55 percent) and SBA (16 percent) areas, the purchasing power of households that rely on casual labour is lower because of faster increase in the headline inflation and erosion of the value of the YER.

FIGURE 14: Trends in Daily Casual Labour Wage Rates and livestock prices



## VII. TERMS OF TRADE

Purchasing power of casual labours and livestock keepers starting to improve but still lower than 3-YA levels because of faster increase in the prices of staple cereals than labour rates and income from livestock sales. Terms of trade was lower in GoY areas compared to the SBA areas during June 2023.

The terms of trade- ToT (casual/ agricultural labor to cereal), a measure of purchasing power, declined slightly in SBA areas month-on-month, in line with reduced labour rates, after an initial high in March - April March 2023 which was the peak of the agricultural labour activities in the highlands. ToT casual labour to cereal increased slightly in GoY areas month-on-month. Terms of trade local goat/sheep to cereal were however up in most markets in the country in line with increased livestock prices. It’s important to note that the terms of trade in most markets are lower than the three-year average implying reduced purchasing power of casual laborers and livestock keepers because of faster inflation growth in the cost of basic food items in the last three years. During April, a day’s worth of agricultural casual labor could afford 11 kgs and 9 kgs of wheat grain in SBA and GoY areas while income from sale of a 12-month-old sheep could buy 119 kgs and 100 Kgs of wheat flour in SBA and GoY areas respectively. A day’s wage from non-farm casual labour could enable workers buy 23 kgs and 19 kgs of wheat flour in SBA and GoY areas respectively (Fig. 15).

FIGURE 15: Terms of Trade (purchasing power)



FIGURE 16: ToT Trends



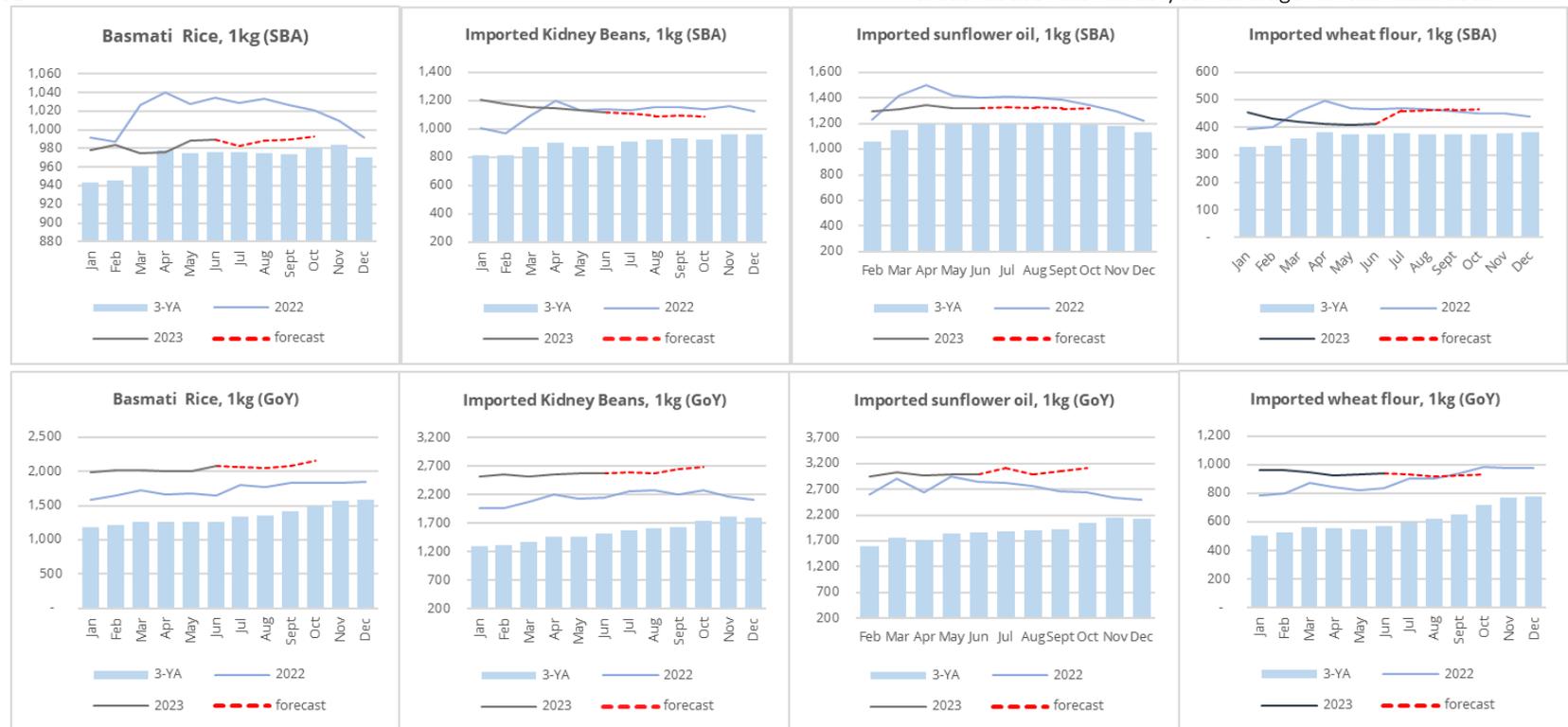
### VIII. OUTLOOK AND IMPLICATIONS ON FOOD ACCESS

**Trade outlook:** although it is still early to quantify the implications of the collapse of the Black Sea Grain initiative following the Russian Federation’s withdrawal from the Deal on global prices, the lessons from 2022 when the Ukraine war started point to a drop in global supplies and market volatility, the effect of which will be more severe in the net wheat importing countries that rely heavily on the Black Sea supplies including Yemen. It’s expected that in the short-term, wheat imports into Yemen could potentially drop below average levels and lead to increased prices of bread in the domestic markets and worsen food access and further aggravate food insecurity situation which is already one of the highest globally.

**Food prices:** staple food prices remain relatively stable in SBA months. The prices are also expected to trend above the 2022 levels in GoY areas and near last year’s levels in most markets in SBA controlled areas.

**FIGURE 17: staple commodity price forecasts/ projections (July – October 2023)**

are expected to trend seasonally higher in GoY areas but areas above the three-year average in the next four





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