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Prices Survey Monitoring Report

February-April 2013

Highlights

- There was no significant increase in the overall food basket prices from February to April 2013.

- The value of the commodity basket differs between North Lebanon, the Bekaa Valley, and Beirut, Mount Lebanon and South Lebanon with prices higher in Beirut, Mount Lebanon and South Lebanon.

- Prices were unusually high in February across all regions. However, prices have started to come down in March and April.

- **North Lebanon**: All other prices have remained steady. Wadi Khaled still has the highest price volatility because of its close proximity with the Syrian border.

- **Bekaa Valley:** The significant price changes were over January to April: vegetable oil (-4.4%), canned meat (-10.6%), canned tuna (-8.7%) and eggs (5.4%).

- **Beirut, Mount Lebanon and South Lebanon:** There was no inflation observable. The significant price changes were: eggs (-10.5%), vegetable oil (-9.1%) and sugar (-10.7%).

- In April 2013, 185 shops participated in WFP's voucher programme. From February to April 2013, 53 shops were added, 23 were terminated and 2 withdrew.

I- Background

- The **World Food Programme (WFP),** along with its partners the United Nations High Commissioner for Refugees (UNHCR), Danish Refugee Council (DRC), World Vision International (WVI), Action contre la Faim (ACF), and Premiere Urgence (PU), is implementing a Voucher Programme under the framework of its Emergency Operation "Food assistance to vulnerable Syrian populations in Lebanon affected by the events in Syria".

- Each Syrian refugee **registered with UNHCR** is receiving a monthly food voucher, with a value of US$ 31 for February, brought down to US$ 27 in March and April after the winter ended. These vouchers can be redeemed in shops selected by WFP and its partners in near proximity to the location of refugees.

- Discussions took place at the WFP regional level to harmonize price-monitoring tools, among which the introduction of a control group in each area.

II- Outcomes: National Overview

A. Broader Economic Conditions

- As per secondary data analysis[1] as well as WFP's Retail Food Analysis report (August 2012), and in monitoring the basic food retail prices in eight major cities in Lebanon, it was noted that the cities of **Beirut and Zahle were generally more expensive than North Lebanon.**

- Lebanon is a country that relies heavily on import. Therefore, the current political instability in the region and the recession being faced by many European countries – including close neighbors Cyprus and Greece - has likely affected the overall level of prices. For example, Lebanon has been experiencing high prices since 2010 with a spike in 2012 due to a restriction of regional trade when the border between Syria and Lebanon closed. [2] **However, despite general unfavorable external economic conditions,**

[1] WFP secondary data analysis – Lebanon, March 2013
[2] WFP, Retail Food Price Analysis of Lebanon, August 2012

Lebanon is performing well with an inflation rate steady at around 5.5% since the beginning of 2013.[3]

- On 14 January 2013, the Government of Lebanon (GoL) announced the establishment of a stimulus package that would boost economic performance, which has been influenced by the crisis in neighboring Syria. This **stimulus package** plans to inject $1.46 billion into the economy through low-interest rate (1%) loans to investors. **This policy will have to be monitored closely to gauge its effect on inflation.**

- In April 2013, the International Monetary Fund (IMF) published the new World Economic Outlook for 2013. Based on last year's economic performance and recognizing the current challenges in Lebanon with the increase in refugee population from Syria, the current political uncertainty and the general weak external environment, **the IMF foresees an inflation rate of 6.7% for the year 2013 and an economic growth of 2%**, slightly better than the 1.5% predicted in 2012.[4]

<u>Limitations</u>

- GoL has not published economic figures for the beginning of 2013, making it difficult for WFP's price monitoring figures to be compared to national ones for the first quarter of 2013.

- The Lebanon Country Office does not currently monitor prices in shops not contracted by WFP, limiting the validity of the resulted presented in this report.

B. February to April 2013

- According to surveys conducted by WFP from February to April 2013, there was **no significant increase** in the food basket prices over the past months (Figure 1). Prices increased by 4.1% From January to February 2013, then decreased by 0.8% from February to March 2013 and finally decreased again by 2.6% from March to April 2013.

- Prices were unusually high in February but they have started coming down in March and April 2013. The situation should be monitored closely in the upcoming months.

[3] AudiBank Quarterly report, 2013 http://research.banqueaudi.com/documents/EconomicReports/lebanon_economic_report.pdf
[4] World Economic Outlook, April 2013: http://www.imf.org/external/pubs/ft/weo/2013/01/pdf/text.pdf

- In the previous monitoring period, from September 2012 to January 2013, there was **no major increase** in the overall food basket prices over the past months (Figure 2). Prices rose by 2.8% in October 2012 and decreased by 3.3 % in November then rose again by 2.2% to remain stable during December and January 2013. It is worth noting that the food commodities prices in Beirut, Mount Lebanon and South Lebanon has been taken into consideration only during December and January, following the expansion of project activities to this geographic area.

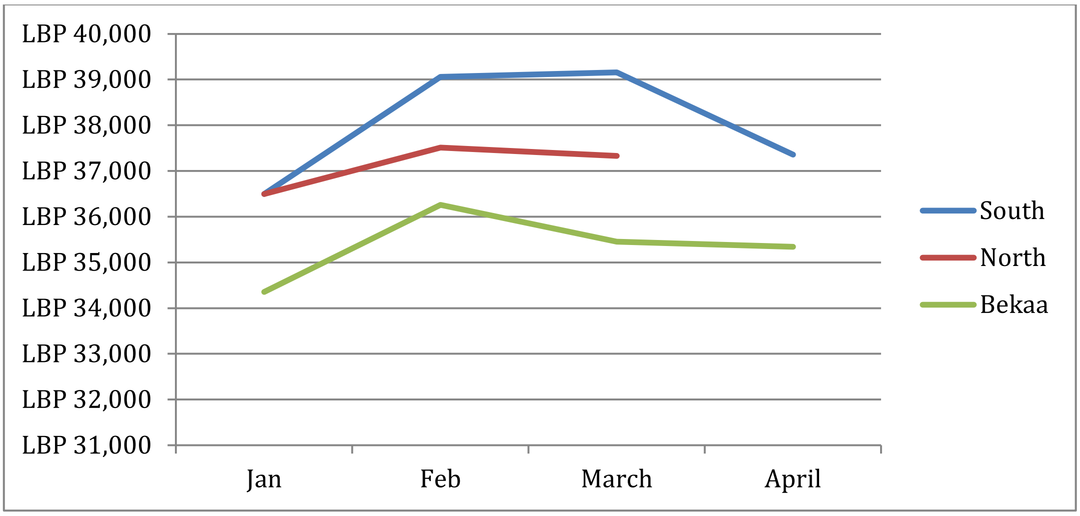

Figure 1: Average of retail prices from February to April 2013.

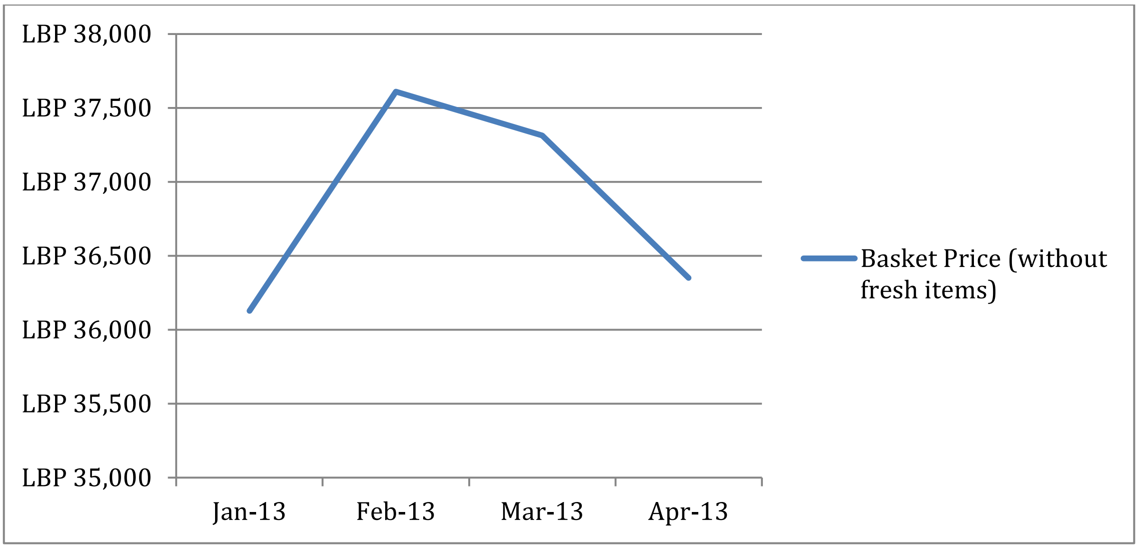

Figure 2: Average retail prices in reporting period 1 (September 2012-January 2013)

- The value of the commodity basket differed between North Lebanon, the Bekaa Valley, and Beirut, Mount Lebanon and South Lebanon with prices predictably higher in Beirut, Mount Lebanon and South Lebanon and lower in the Bekaa Valley (as shown in Figure 1).

- The prices of some commodities decreased significantly during the surveyed period: vegetable oil (-8.8%) and canned tuna (-8.87%) (Figure 3).

- The Government of Lebanon (GoL)'s consumer basket contains four items similar to the WFP basket: white beans, Egyptian rice; eggs and powder milk (Nido). The prices recorded by the GoL are higher than WFP prices for eggs, Egyptian rice and white beans. It is lower for the powder milk (Nido). This could be explained by the fact that GoL monitors larger packs of milk powder (2.5kg instead of 400g): the price of one kilogram of milk powder is more expensive for WFP than for the GoL due to a "bulk" effect.[5]

- The overall trend of prices monitored by the GoL revealed a significant increase in the price of milk powder (8.7%), white beans (18.2%) and Egyptian rice (23.3%) whereas there was only a small increase in the price of milk (0.8%), a small increase in rice (0.7%) and an increase in white beans (4.7%) for WFP. There is, therefore, no obvious correlation between WFP prices and GoL prices. A caveat in this broad comparison is that the GoL price collection primarily focuses on the capital city, Beirut, where prices are usually higher and the choice of brands as well as shops is larger compared to areas further away.[6]

[5] Government of Lebanon- Ministry of Economy and Trade. Retrieved from shttp://www.economy.gov.lb/index.php/subCatInfo/2/137/4/0

[6] Government of Lebanon, Ministry of Economy and Trade. Retrieved from: http://www.economy.gov.lb/index.php/subCatInfo/2/39/10/4

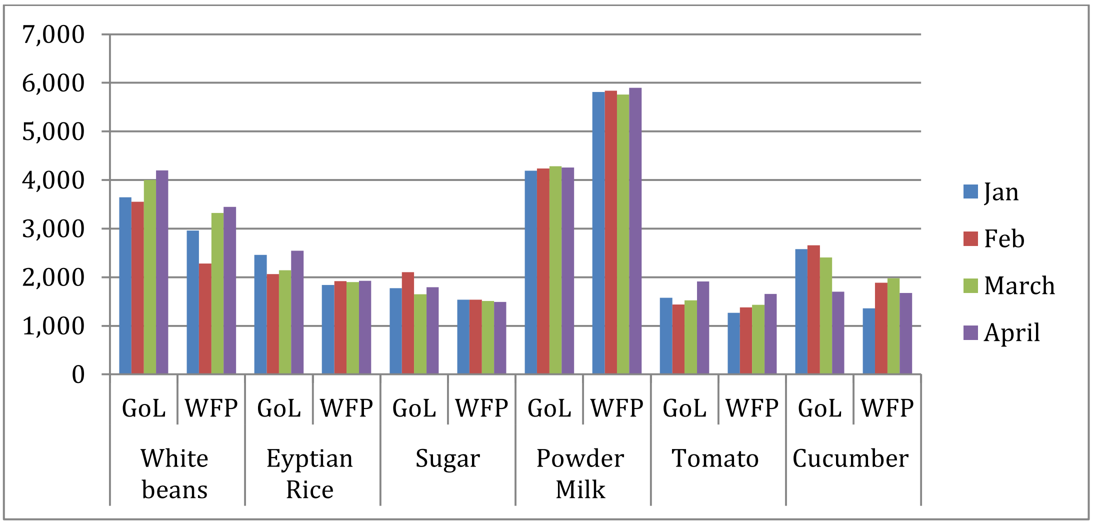

Figure 3: Prices comparison WFP/GoL from January to April 2013 (L.L per kg)

- In January 2013, the **"Lumpy Skin" disease** was detected among an increasing amount of cattle in Lebanon, especially at the border with Syria. The disease cannot be cured once contracted and the morbidity rate is about 85%. Vaccination exists but the GoL still lacks the capacity to implement a nation-wide vaccination campaign. No impact has been observed to this date but the situation and its potential effects on prices (especially dairy and meat) should be monitored closely.

- From February to April 2013, WFP's voucher programme injected more than US$ 17.8 million directly into the Lebanese economy, especially in the most affected and poorest areas of the country.

- 185 shops were participating in the programme at the end of April 2013. From February to April 2013, 53 shops were added, 23 were terminated and 2 withdrew due to overwhelming caseload.

C. Voucher Value Analysis

-WFP is tracking the price evolution of the food basket used to determine the value of its voucher in Lebanon. The only commodity present in the original basket not monitored on a monthly basis is salt which represent a very small share of the expenditure.

-The value of the voucher went from $31 in January and February, to $27 in March and April as the winter ended.

-The "real" value of the voucher basket is higher than the current $27 in all regions (figure 5) in April 2013. In January, the collected value of the voucher was $28.28 in January; it was $30.31 in February, $30.43 in March and $30.17 in April.

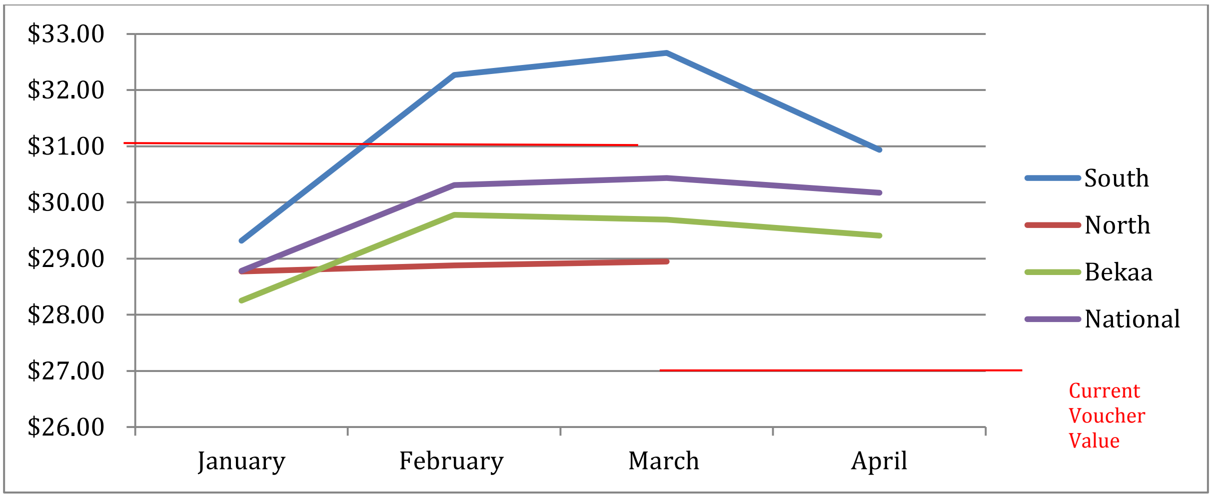

Figure 4. Price evolution of the WFP voucher from January to March 2013.

-The voucher value was calculated by adding a 10% of the basket price for fresh items such as vegetables and dairy. Currently, the cost of fresh items is higher by 30 to 50% than the original theoretical $2 (figure 4).

-However, it is expected that the downward trend currently observed as of April 2013 will continue and bring prices down closer to the 2012 levels.

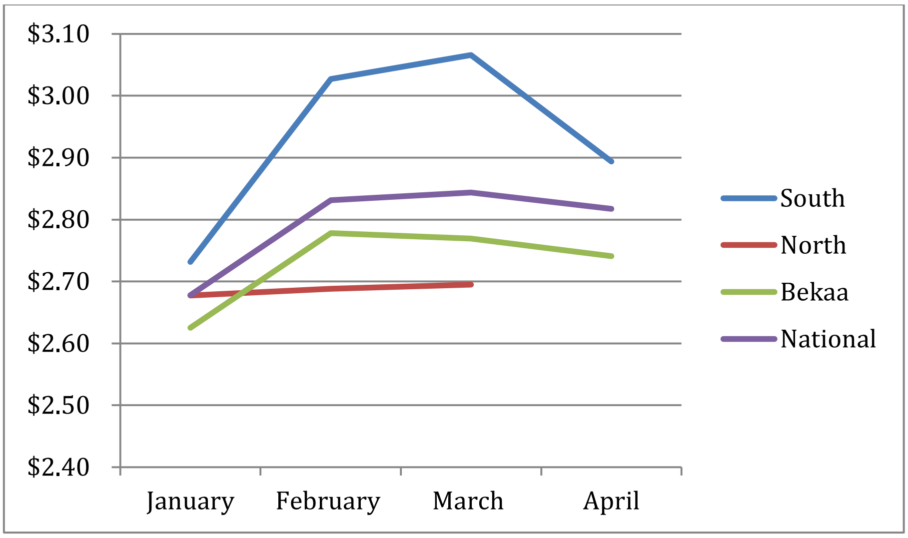

Figure 5. Price evolution of the WFP voucher fresh items component from January to March 2013.

ANNEX- I Price Growth Summary: February-April 2013

Area	Commodities	3 Months average	Feb-April 2013	Dec-April 2013	3 months	5 months
NORTH LEBANON	Fresh Eggs	6835.5	-	-	-	-
	Fresh Bread	1490	-	-	-	-
	Powder Milk 400g	5737	-	-	-	-
	Processed Cheese (Picon)	1975	-	-	-	-
	Veg. Sunflower Oil (5L)	15658	-	-	-	-
	Rice (Egyptian) 1Kg	1786	-	-	-	-
	Bulgur Wheat 1Kg	1706	-	-	-	-
	Spaghettis 300g	593	-	-	-	-
	White Beans 1Kg	3096	-	-	-	-
	Canned Beef Meat 200g	1783	-	-	-	-
	Canned Tuna 160g	2175	-	-	-	-
	Sugar 1Kg	1422	-	-	-	-
BEIRUT, MOUNT LEBANON AND SOUTH LEBANON	Fresh Eggs	6791	9.5	-6.6	→	→
	Fresh Bread	1477	0	0	→	→
	Powder Milk 400g	5830	-1.1	-0.5	→	→
	Processed Cheese (Picon)	1989	0.6	0.1	→	→
	Veg. Sunflower Oil (5L)	14757	8.4	0.3	→	→
	Rice (Egyptian) 1Kg	1915	8.8	4	→	→
	Bulgur Wheat 1Kg	1771	2.4	6.7	→	→
	Spaghettis 300g	762	12.2	10.1	↑	↑
	White Beans 1Kg	3351	-1.6	11.7	→	↑
	Canned Beef Meat 200g	1761	-1.7	7.1	→	→
	Canned Tuna 160g	1967	0.5	4.1	→	→
	Sugar 1Kg	1511	9.7	0	→	→
BEKAA VALLEY	Fresh Eggs	6700	-5.7	-6.8	→	→
	Fresh Bread	1449	0.6	0.7	→	→
	Powder Milk 400g	5935	1.2	0.1	→	→
	Processed Cheese (Picon)	1999	0.1	2.7	→	→
	Veg. Sunflower Oil (5L)	13534	4.2	-0.2	→	→
	Rice (Egyptian) 1Kg	1895	-4.5	-6.3	→	→
	Bulgur Wheat 1Kg	1728	0.2	-4.8	→	→
	Spaghettis 300g	821	-0.8	-18.6	→	↓
	White Beans 1Kg	3201	-1.3	-12	→	↓
	Canned Beef Meat 200g	1667	9.7	2	→	→
	Canned Tuna 160g	1960	8	2.1	→	→
	Sugar 1Kg	1494	3	0.6	→	→

ANNEX II- Methodology and Objectives

- As part of the project implementation activities, shops were contracted in locations where high numbers of the refugees are residing. Shop monitoring started in July and August 2012 and, from September 2012 onwards, the retail prices of 12 key food commodities were collected on a monthly basis from most partner shops involved in the food voucher program in the Bekaa Valley and North Lebanon, depending on staff availability, accessibility and other security. Price collection in South Lebanon, Mount Lebanon and Beirut started in December 2012. In April 2013, due to a lack of available staff, price monitoring was not performed in North Lebanon.

- The goal of this monitoring is to track the impact of the WFP activities on local prices, and to detect any inflation that could affect vulnerable beneficiaries.

- The number of partner shops grew to **185 shops** across all regions in April 2013, or 26 more than in the previous reporting period. This increase reflects the increase in the number of beneficiaries of WFP voucher programme.

- The basket of monitored retail prices focuses on **12 key food commodities**, selected on the basis of preferences declared by Syrian refugees and on their availability in all shops for comparison purposes. The food basket contains: fresh bread and eggs; powder milk (Nido); processed cheese (Picon); sunflower oil; cereals (Egyptian rice and bulgur wheat); spaghetti; white beans; canned food (beef and tuna); and sugar. The prices of vegetables (tomatoes and cucumber) are also monitored but are excluded from the basket in order to avoid distortions as these items are characterized by not only high seasonal variations in prices but varying prices according to the time of day and the week. Additionally, only part of the partner shops sell them.

- The commodity brands to be monitored were selected after a large brand survey was carried out in every partner shop between August and October 2012 and a brand update in January 2013. Out of a total of 223 evaluated brands and packaging sizes/weights for 7 key commodities, 43 brands were selected for regular monitoring. However monthly price changes of the various available brands for the same commodity (especially vegetable oil) as well as the wide variety of unit weights of commodities within the same brand (whether in a single shop or between several shops) make monthly comparisons particularly challenging. Several adjustments of previously collected prices were carried out in the monitoring database, in order to avoid artificial price distortions due to new packaging or brands. Thus, a fully accurate examination of any single commodity's monthly price evolution may not be pertinent due to many possible temporary variations such as new brand or unit weight. Rather, general observations based on the average prices of the monitored basket between areas and between several months are more appropriate.

- Any change in prices above 5% over a month and above 10% over 3 to 6 months will be considered significant.