

# Impact of Foreign Exchange Volatility

*Annual Session of the Executive Board*

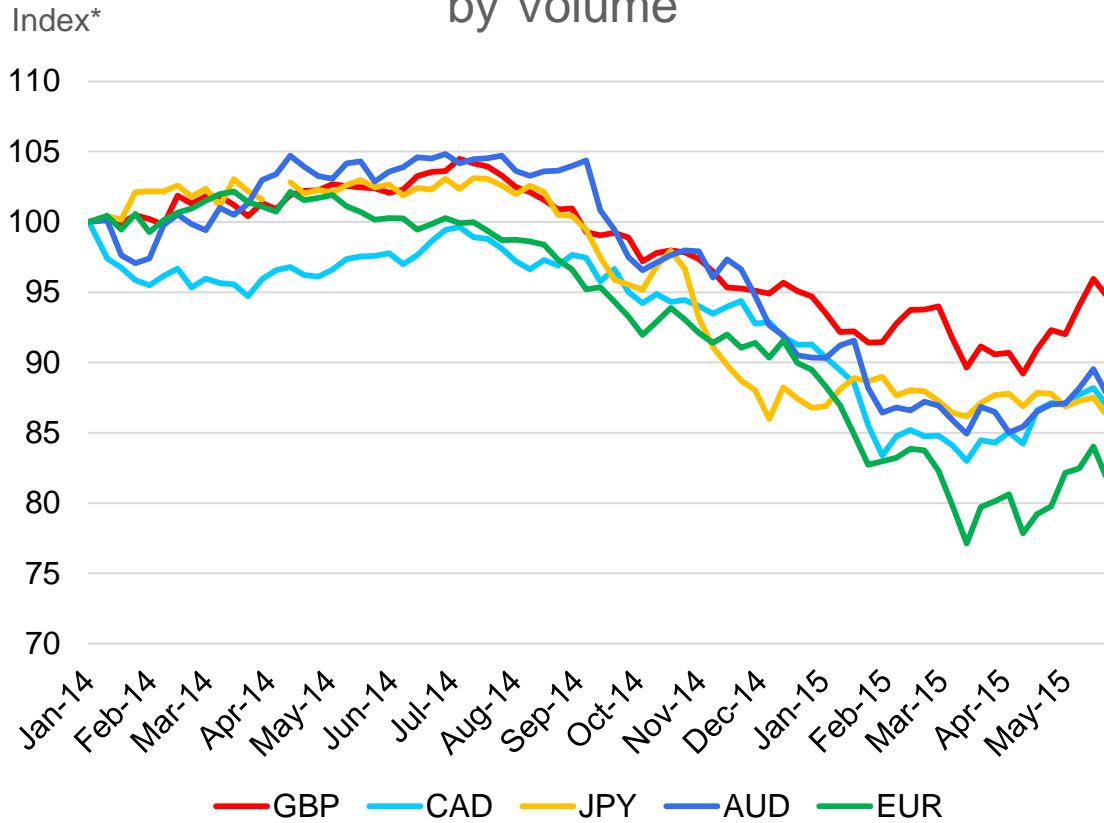
26 May 2015



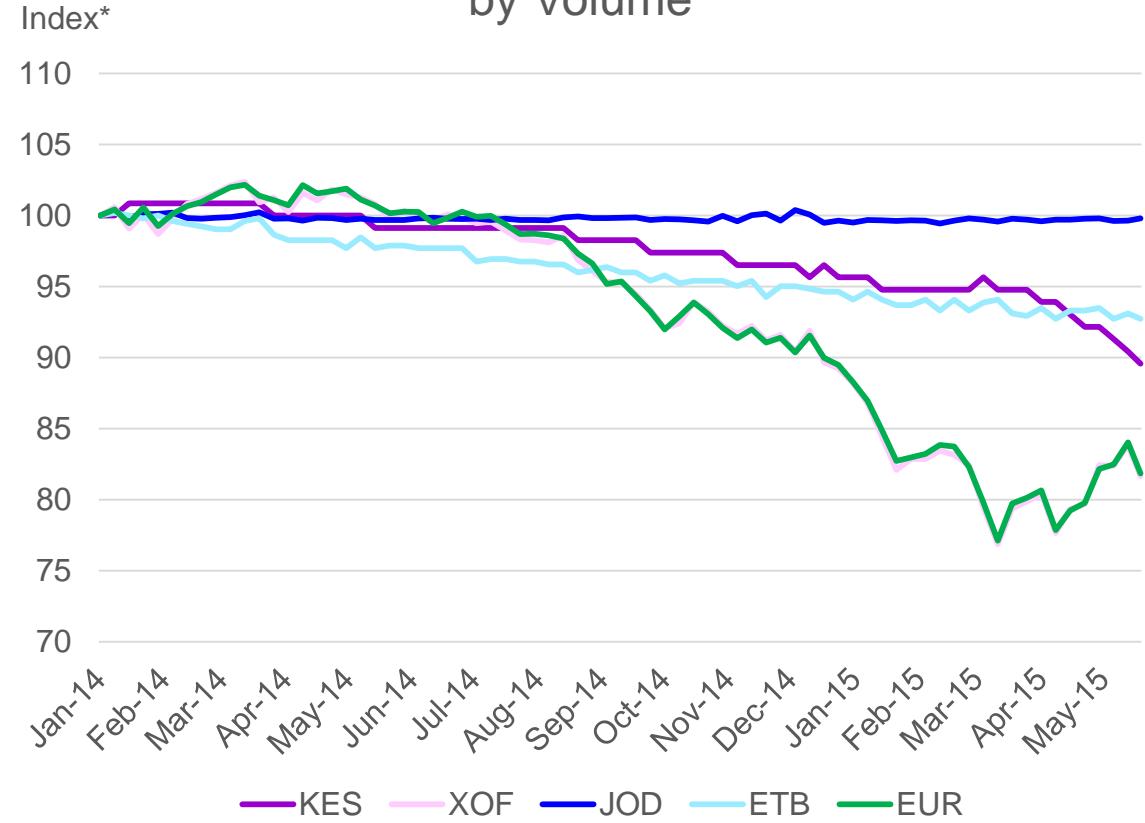
**World Food Programme**

# Foreign exchange volatility 2014-YTD 2015

## USD vs. Top 5 Income Currencies by Volume



## USD vs. Top 5 Expense Currencies by Volume



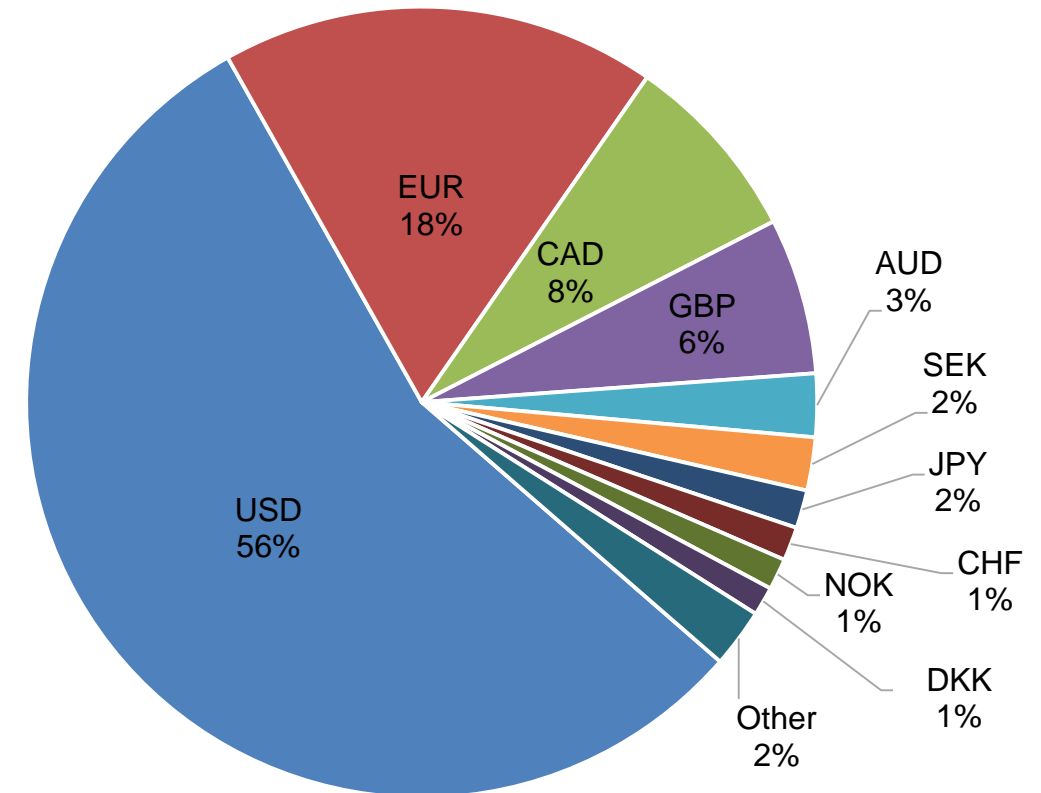
\*January 1, 2014 = 100

# Economic effect of foreign exchange volatility: Income

## Income Impact

- The impact of recent USD strength poses a funding risk as it reduces the USD value of non-USD contributions forecasted in the Management Plan 2015 which used FX rates as of September 2014
- Projection shows reduction of 5.9% of 2015 Management Plan forecasted income of USD 4.4 billion

## Estimated 2015 Management Plan Projected Income\*



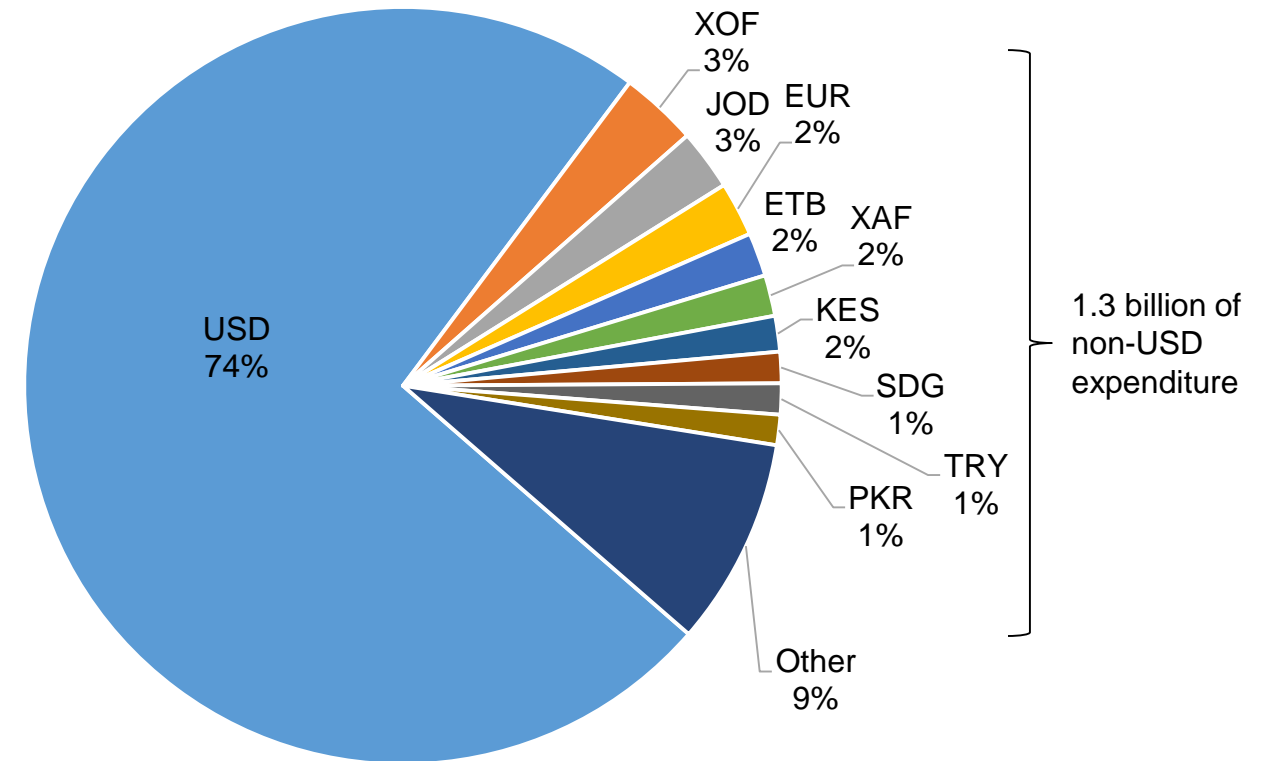
\*Source PGG

# Economic effect of foreign exchange volatility: Expenditure

## Expenditure Impact

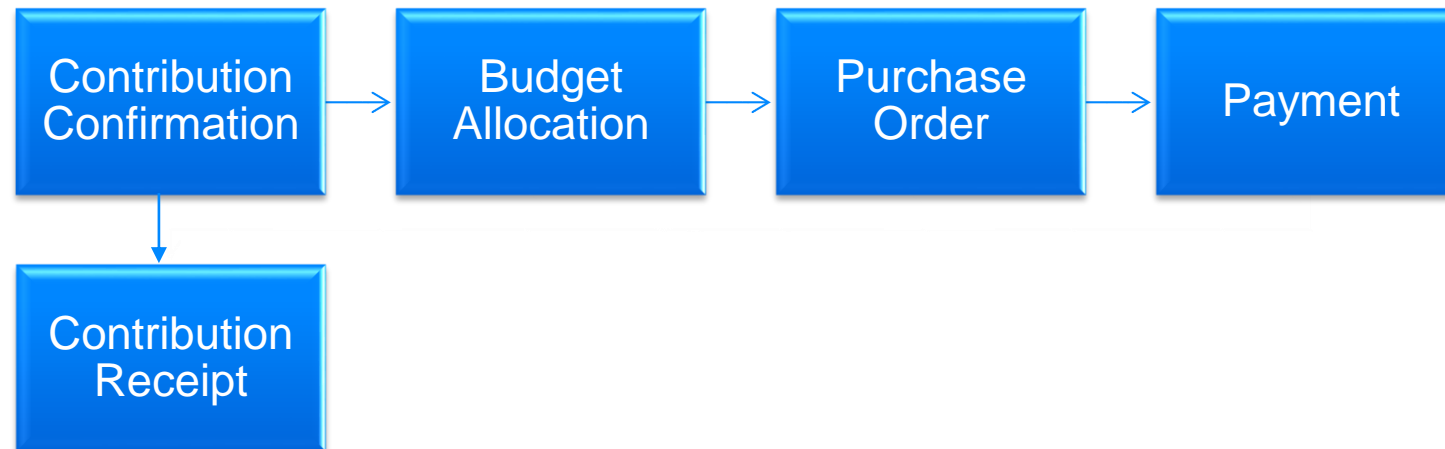
- USD required to fund local currency expenditure is lower due to dollar strengthening.
- Based on 2014 expenditure figures (USD 1.3 billion of non-USD expenditure), budget needs are reduced by 2.5% of projected expenditure
- Positive currency effect of the strong USD is partly off-set by inflation

Total WFP Expenditures by Currency in USD



# Effect of foreign exchange volatility in Project Budget Management

- Receipt of non-USD contributions with reduced USD value, compared to budget allocated on confirmation date, reduces project income
- Country Directors manage the expenditure impact of price changes of food commodities and transport services, including local currency, in their project budgets



# Impact on PSA budget limited for 2015

## PSA hedging policy

- As per Board approved hedging policy (at EB.A/2008) the Secretariat buys forward EUR required for HQ staff costs.
- Forward purchase of EUR against USD executed in mid-2014 for 12 months of 2015 linked to payroll dates.
- Budgetary certainty achieved for 2015 calendar year. Feasibility to lock-in at lower EUR rate for 2016 based on current market circumstances.

