



## **DPRK BAN ON YUAN KEEPS DRIVING EXCHANGE RATE HIGHER**

As the spring lean season approaches, the black market exchange rate for North Korean Won continues to grow, while the prices of rice and other necessities are increasing proportionately. Immediately following last year's currency reform (November 30), rice was sold at 20 Won per Kg, while it cost 400~600 Won at the end of January and has grown to as much as 1000 Won per Kg in early March. In other words, the cost of rice has jumped 50-fold since the currency reform, negating most effects of the '100 to 1' devaluation reform in just a few months.

The online magazine Daily NK reported, "In the North Pyongan Province area of Sinuiju, a kilogram of rice, which cost 400 Won at the end of last month, cost 800 Won on the 2<sup>nd</sup>, and 1000 Won on the 3<sup>rd</sup>. It is being said that in the end, the price of rice will rise to pre-reform prices (of 2,500 Won per Kg)." The shortwave radio broadcaster Open Radio for North Korea reported similarly, stating, "North Korea's rice prices, which were around 400 Won per kilogram at the end of February, shot up to 1000 Won on the 3<sup>rd</sup> of this month."

More than anything, the reason North Korea's rice price is doubling weekly is the plummeting value of its currency in relation to the PRC Yuan and U.S. dollar. In January, the (North) Korean Trade Bank set the official exchange rate for Yuan at 14.19 Won and for USD at 30 Won. However, according to Daily NK, the black market exchange rate for U.S. currency jumped from 1200 Won per USD at the end of February to 2100~2500 Won by March 3. Open Radio for North Korea reported that in Hyeryong, North Hamgyong Province, one Yuan traded from 80 Won on the black market February 25, jumped to 120~150 Won by the 28<sup>th</sup>, and traded for



270 Won at the beginning of March, tripling in just three days. It appears that the skyrocketing prices of food and goods in North Korean markets is directly related to North Korean authorities' measures to control foreign currency, and Chinese Yuan, in particular.

Confidence in the value of North Korean currency has plummeted, and North Koreans are scrambling to grab up foreign capital as rumors circulate of further currency reform. Residents are trying to get their hands on Chinese Yuan, but North Korean authorities are working to prevent it due to concerns of Chinese dominance over the North's economy. In order to block Chinese inroads into the North Korean economy, the government has banned the import of Chinese currency, and this is a major factor driving North Korean inflation today.