

Economic Indicators In Yemen

October 2018

Fall of the Yemeni Rial

Introduction

In September and October, Yemen experienced an economic turmoil, the worst in the four-year war period. The Rial had been on a downward trend, losing almost two-thirds of its value before recovering slightly in October to stop at approximately 740 rials to a dollar, compared to an average pre-war rate of 215 Rials to a dollar in late 2014.

The slight depreciation of the Yemeni rial came after a new prime minister was named by President Hadi and following an effective move to speed up procedures for financing the basic commodity imports from the \$2 billion Saudi deposit, and the \$ 200 million grant; in addition to the \$ 60 million a month provided in oil derivatives by Saudi Arabia.

The most pressing question is whether the government will be able to bring black market rate back to the official YER 575 to a dollar rate. To what extent can the government continue to support the importation of basic commodities independently or from the Saudi deposit in light of its poor foreign currency reserves, leakage of much of domestic revenues outside official coffers, and the depletion of foreign currency in a way reflecting lack of rationalization and transparency?

As demonstrated by this Report, the picture looks bleak for Yemeni citizens, who experience daily increases in basic commodity prices. Although the rial recorded a slight improvement, prices continue to increase as inflation reaches 12%. If the September inflation rate is added, we are left with an inflation rate of 42% within two months only.

The report provides information on developments in basic commodity and oil prices, as well as exchange rates. It also covers the humanitarian situation and the Aden port activity. It provides a picture of the state of the Yemeni economy during the month of October 2018 in the context of a political and economic turmoil.

Mustafa Nasr
SEMC Chairman



Prices of Food Commodities... Sana'a Recording the Highest Increase

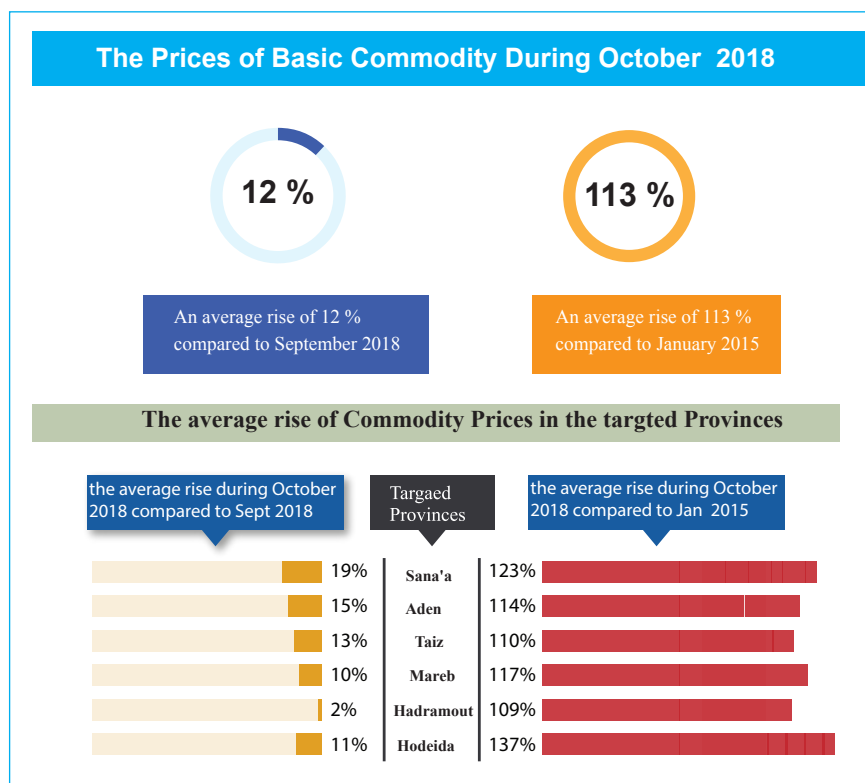
According to data collected by SEMC, October 2018 witnessed a significant rise in the prices of basic commodities (flour, sugar, rice, cooking oil and milk). Prices of food commodities in the main governorates targeted by the report (Sana'a, Aden, Taiz, Hadramout, Marib, and Hodeida) recorded an average increase of 12%, compared to last September, and 118% compared to January 2015.

The capital Sana'a had the highest increase in basic commodity prices, recording an average increase of 18%, compared to September 2018, followed by Aden, Taiz, Hodeida, Marib, and finally Hadramout, which recorded an average increase of 15%, 13%, 11%, 10%, 2%, respectively. Hadhramaut is the only governorate that recorded a slight increase. This is due to the policy taken by governorate leadership in working with the Chamber of Commerce and Industry in Hadramout to alleviate the suffering of citizens. Hadhramout governor launched an initiative to provide traders and importers of basic commodities with hard currency at lower rates so that food commodities are accessible to citizens at reasonable prices.

The rise in prices of basic commodities is attributed to several reasons including depreciation of the YR against the dollar and other hard currencies. This is a key factor in the rise in commodity prices across the country. Other factors include high freight and in-country transportation costs, extra taxes imposed by the Houthis on in-country food transports across provinces under its control. New arbitrary customs offices were set up and levies were imposed under different names.

Such measures resulted in doubling prices of goods. Illegal levies are also imposed by armed groups in security at arbitrary checkpoints in areas under the control of the legitimate government. Inefficient regulatory bodies incapable of monitor the market and enforce pricing measures have allowed traders to manipulate prices of these goods.

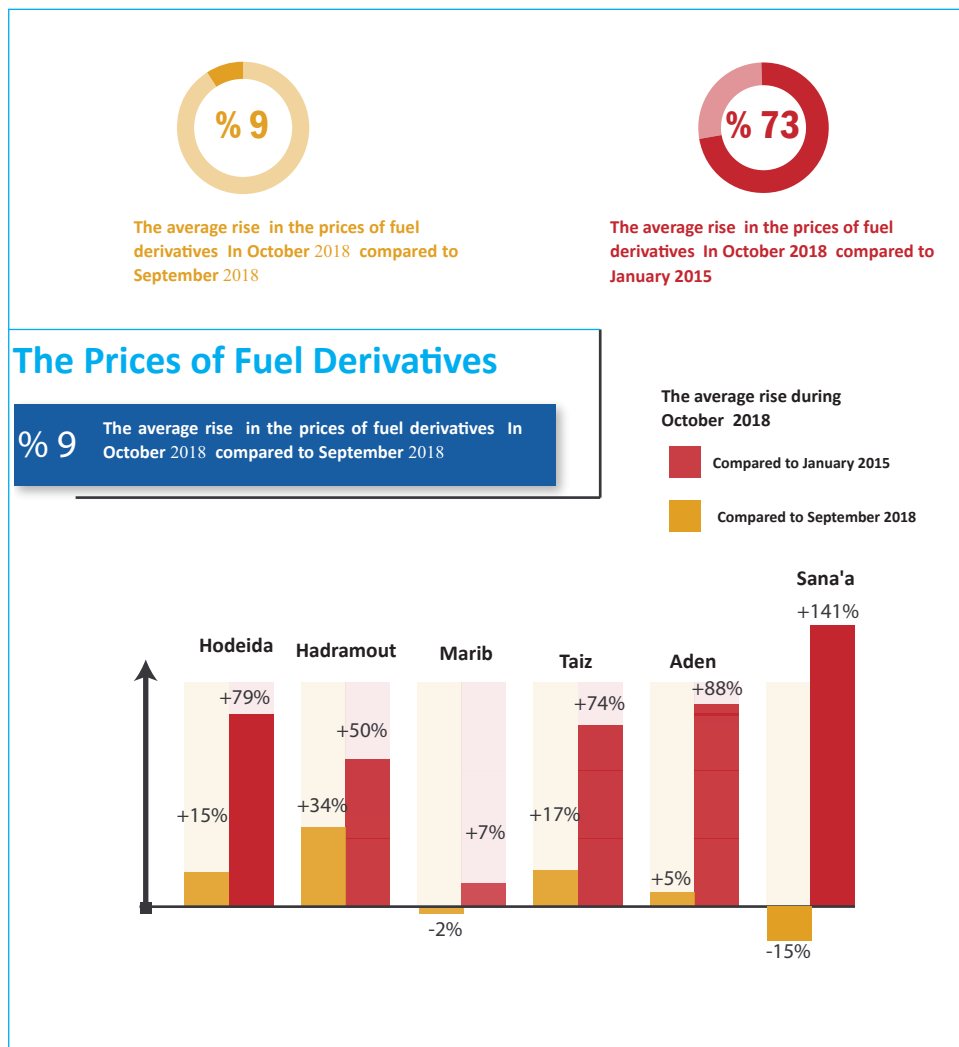
Infographic showing food commodity prices in October 2018, compared to September 2018 and pre-crisis period (Jan 2015)



Prices of Oil Derivatives... Hadramout Most Affected

Prices of oil derivatives (petrol, diesel and cooking gas) in target governorates (Sana'a, Taiz, Aden, Hodeida, Hadramout and Marib), recorded a rise of 9%, compared to September 2018 prices and 73% compared to the pre-crisis period (January 2015).

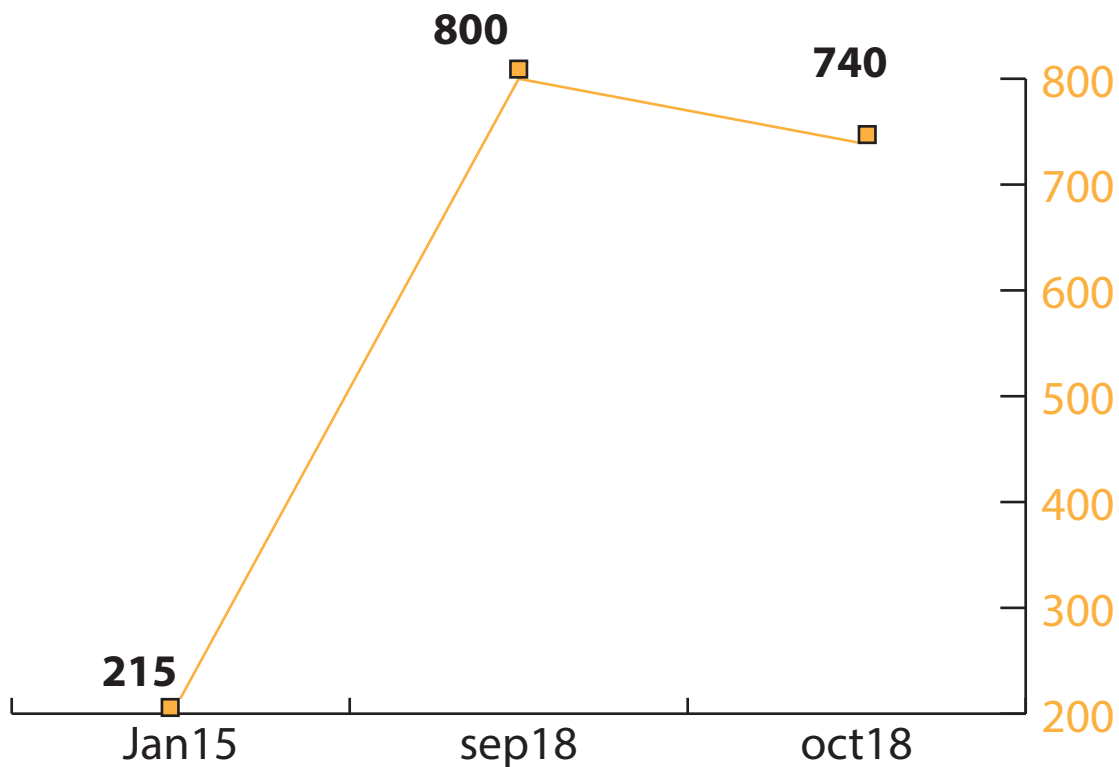
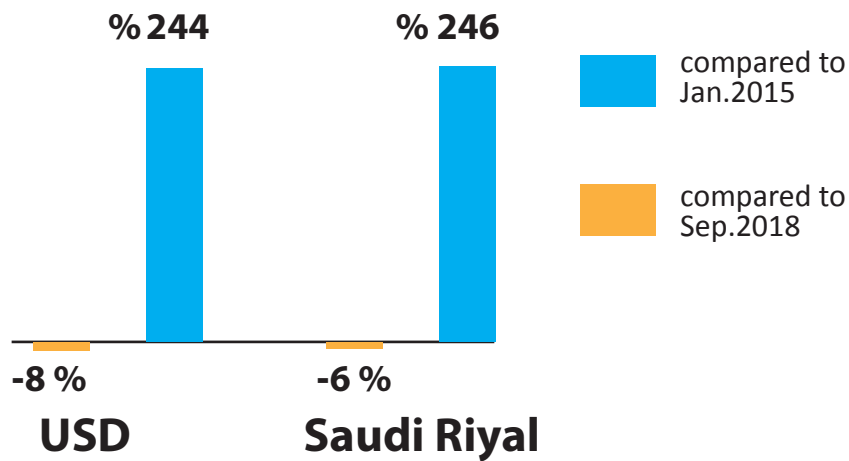
Hadramawt recorded the highest increase in prices of oil derivatives, with an average rise of 34% compared to September 2018 prices, followed by Taiz (17%), Hodeida (15%), and Aden (5%), while Sana'a and Marib recorded an average decrease of 15% and 2%, respectively.



Currency exchange rates... Slight improvement in YER value

The Yemeni rial witnessed a slight improvement, having an upward trend of 8% against the US dollar and 6% against the Saudi Rial, compared to September 2018. Exchange rates stood at YER 740 to a dollar, compared to YER 800 in September 2018.

The Yemeni rial had a downward trend, recording devaluation of 244% against the USD, and 246% devaluation against SAR, compared to pre-crisis (Jan 2015) rates.



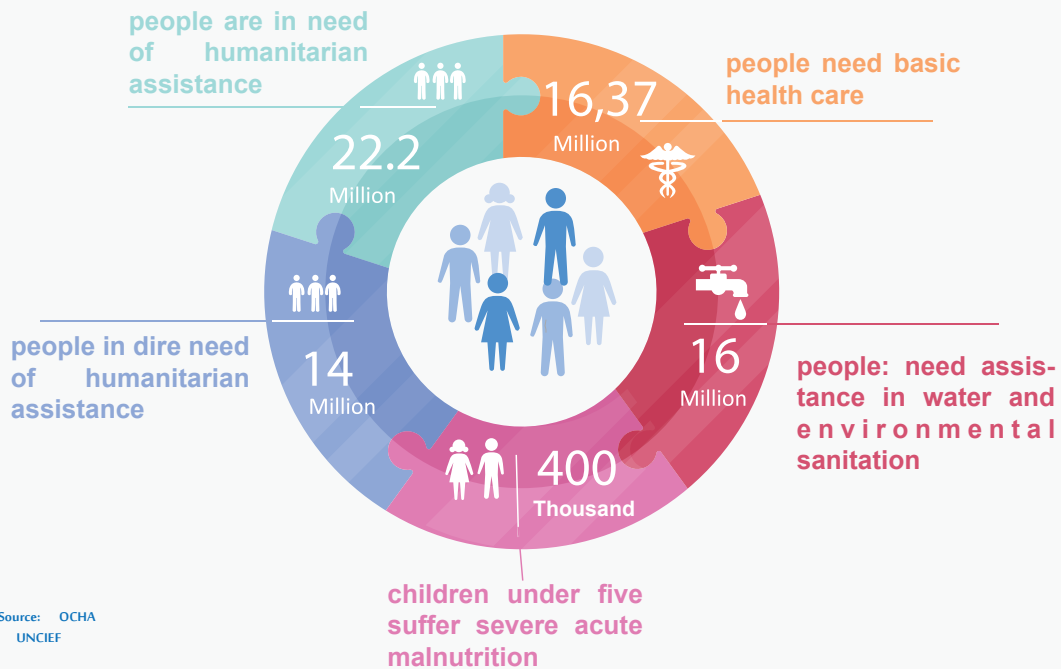
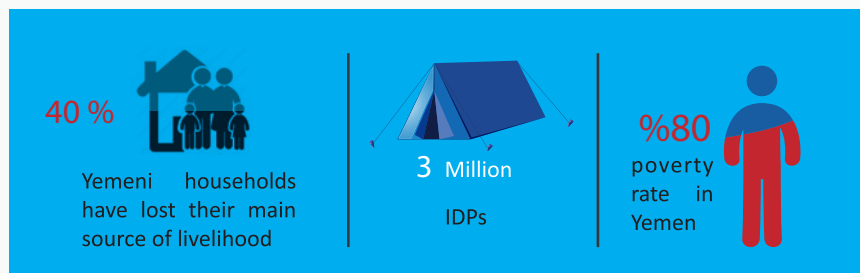
The Humanitarian Situation

As the war continues for the fourth year, the suffering of Yemenis intensifies, in a context of humanitarian crisis. According to World Bank data, 40% of Yemeni households lost their main source of livelihood as a result of the war, and poverty rate in the country rose to 80%.

The humanitarian crisis in Yemen is the worst in the world, with 22.2 million people - about 75% of the total population, in need of humanitarian assistance. Around 14 million Yemenis are in dire need of humanitarian assistance, 16 million need water and sanitation assistance, and 16.4 million need health care.

As battles extend to new areas, the number of IDPs increases. Around 3 million Yemenis have been displaced, and the number is expected to rise following the recent fighting in Hodeida. The displaced, including about 1 million children, are living in difficult humanitarian conditions. About 5.4 million people need shelter in emergencies and basic household items.

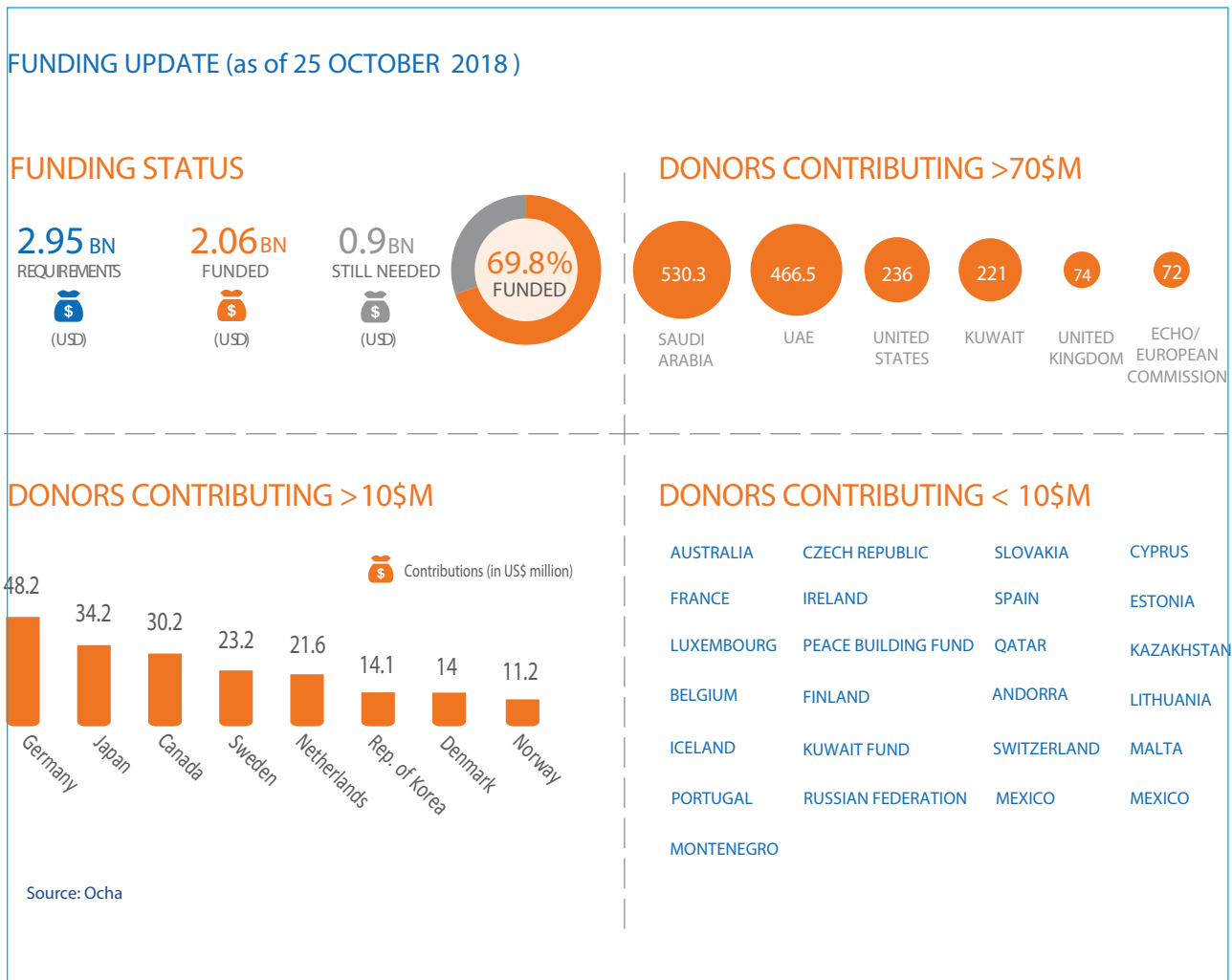
The Humanitarian Situation in Yemen



Funding the Yemen Humanitarian Response Plan

International organizations have mobilized more than \$ 2 billion to support the \$ 2.95 billion Yemen Humanitarian Response Plan. Between January and October 25, 2018, international organizations obtained funding to cover nearly 70% of the finances required for the Yemen Humanitarian Response Plan, securing an amount of 2.06 billion dollars.

The Figure below shows the size of funding and the most important contributors to the Yemen Humanitarian Response Plan.



Key Economic Developments in October 2018

- Saudi Arabia injected \$ 200 million into CBY to support stability of the local currency, and CBY announced the grant had been deposited in early October 2018.
- The Aden-based government approved payment of the 30% civil servants' salary increment. It launches the annual bonuses for the years (2014-2017) according to legal entitlement rules for of the state administrative apparatus employees and the deferred public service sector units. It orders the completion of disbursement procedures by the beginning of 2019.
- CBY governor stated that the net total revenues of Masila oil export deposited at CBY every two months is about 150 million dollars. These revenues are distributed as follows: \$30 million: PetroMasila operating budget; \$20+ million: Hadramout governorate share, and \$50 million: expenses of electricity fuel in Aden and its environs. He also stated that the government is about to start exporting oil from Shabwa and the revenues will be deposited at CBY.
- In cooperation with CBY, the Public Funds Prosecution and the competent police close down a number of unlicensed exchange businesses. More than 105 cases have been referred to competent courts.
- President Hadi exempted Dr. Ahmed Obaid Bin Dajar from his position as PM and referred him to interrogation. Moin Abdulmalik Saeed is appointed as PM and no changes in government were made. Salem Al-Khanbashi was appointed Deputy Prime Minister.
- A three-day training workshop on " Customs Risk Management" was held, with support from Braga and USAID.
- Hadramout governorate announces an initiative to alleviate the harsh living conditions of citizens in Hadramout. This initiative involves providing businessmen with hard currency at the official rate.
- The Yemeni government approves the Ministry of Finance request to authorize the CBY to borrow YER 100 billion from non-inflationary sources through issuance certificates of deposit at 27% interest rate, government bonds with an interest rate of 17%, and Islamic Agency contracts.
- Sana'a-based Ministry of Finance appointed by the Houthis issued a circular on the disbursement of the second half of the September 2017 salaries to all undisbursed public service units.

Private Sector Developments

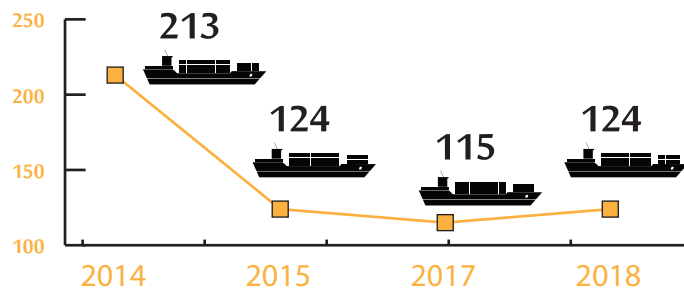
- The business platform, I am a professional, concludes its third investment round in Cairo. The round was funded by the British VPF Ltd. Two rounds were concluded last year. This investment aimed at moving the headquarters to Cairo, without disclosing the actual size of funding. Founded in Yemen, the platform was launched in May 2015 in six cities and was supported as one of the most prominent projects in that period. With this new investment, it will expand its business in Egypt, and will enter the Saudi, Jordanian and other neighboring markets. The idea of I am a Professional is to connect artisans and professionals with business owners or service providers, providing a mutual opportunity for employment, access to expertise and skill.
- Shamil Bank of Yemen and Bahrain opens a new branch in Marib.
- National Cement Company in Lahj Governorate, affiliated to Ha'il Saeed Ana'm Group, announces the opening of a new production line.
- Shareb Brothers Company filed a complaint with the Minister of the Interior, demanding the restoration of a building belonging to the company in Mua'la, Aden after it was taken over by armed groups.
- The General Union of the Chambers of Commerce and Industry in Sana'a, Mohamed Kafa, held a meeting with the Deputy Minister of Industry and Trade for Sana'a's Business Sector to discuss problems related to taxes, customs and the business environment. The meeting was attended by a number of businesspersons in Sana'a.
- Al-Karimi Bank opens a new branch in Crater, Aden.

Fall in numbers of vessels arriving at Aden port (Jan-Sep 2018)

Aden Port witnessed a decline in the number of vessel arrivals at the Aden Container Terminal during the period January-September 2018. A drop of 42% was recorded, compared to the same period in 2014, while the same period recorded an improvement by 8%, compared to the same period in 2017.

A total of 124 vessels arrived at Aden port during the period January-September 2018, compared to 213 during the same period in 2014, and 115 during the same period in 2017.

No. of Vessel Arrivals at Port of Aden (Jan – Sep) Aden Container Terminal (ACT)





The Studies and Economic Media Center (SEMC) is one of the most prominent Yemeni NGOs that works on , and spreads awareness of economic issues, in addition to buttressing good governance and public engagement in decision making, and working towards the creation of professional media.

The Center has contributed tremendously to debating and rectifying economic policies, divulging the loopholes inherent in the country's economic performance, and influencing decision makers in such a way that serves the think-tank 's vision- a transparent and flourishing Yemeni economy. Further, it has assumed a vital role in presenting economic information to society in a plain and simple manner. The Center seeks to forge ahead with its scholarly mission despite the harsh conditions Yemen is experiencing.

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