

Yemen Economic Indicators Report

November 2018

Fragile Economy



SEMC

STUDIES & ECONOMIC MEDIA CENTER
مركز الدراسات والإعلام الاقتصادي

Introduction

Prices of basic commodities fell following the slight recovery of the value of the Yemeni Rial. Prices decreased by 17%, a percentage lower than the recovery of the Rial would permit.

The pressing question for Yemenis was: Why do commodity prices did not fall to a level proportionate to the recovery of the Rial in the exchange market, particularly as exchange rates fell almost by half (YER450 to US dollar compared to YER800 to US dollar in October)? This question was legitimate, particularly in view of the exceptional escalation of commodity and service prices that went with the collapse of YER in October, allowing vendors to fix prices of their goods at a high rate of YER 1000 to US dollar. Fragility of state institutions, lack of competitiveness, unstable exchange market are key causes of this slight and unconvincing decline for thousands of Yemenis. Therefore, it requires government efforts in partnership with the private sector and civil society so that such improvement may be reflected positively on people's lives.

The Yemen Economic Indicators Report, November 2018 monitors the most important developments in commodity prices, exchange rate of riyals and prices of oil derivatives. It summarizes the most important developments of Yemeni economy and private sector.

Mustafa Nasr

SEMC Chairman

Food Prices ... Slight Improvement

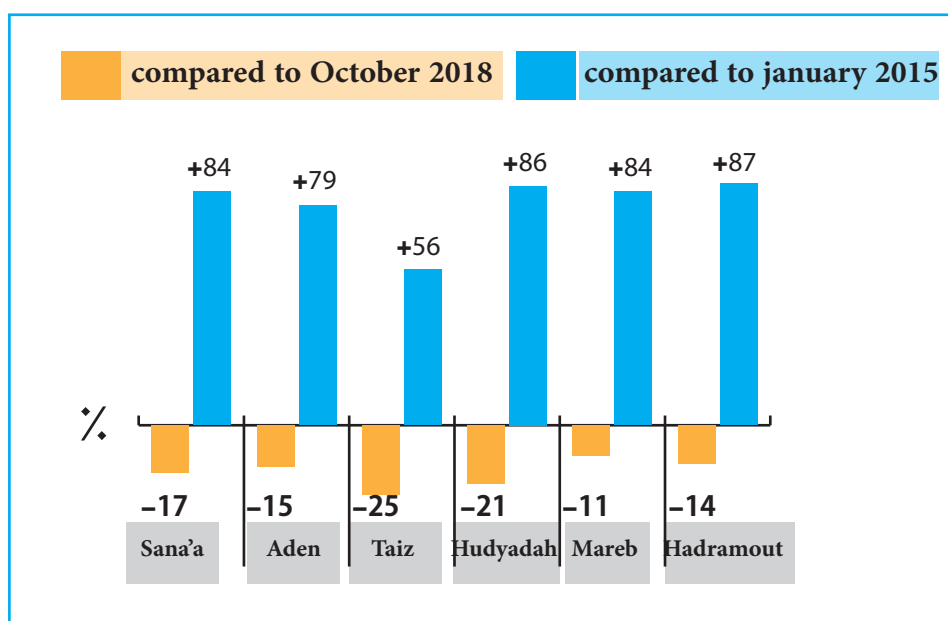
According to data collected by SEMC, November 2018 witnessed a decline in the prices of basic commodities (flour, sugar, rice, cooking oil and milk). Basic commodity prices in the main governorates covered by the report (Sana'a, Aden, Taiz, Hadhramout, Marib, and Hodeida) recorded an average decline of 17% compared to October 2018, while an average rise of 79% was recorded compared to January 2015.

Taiz governorate recorded the highest decline in prices of basic commodities, compared to October 2018, with an average decline of 25%, followed by Hodeida, Sana'a, Aden, Hadhramout and Marib which recorded an average decrease of 21%, 17%, 15%, 14%, 11%, respectively.

Decrease in basic commodity prices in November is attributed to several reasons, including:

- Recovery of the Yemeni Rial in the exchange market, which is considered the most important factor.
- Introducing new lower prices by several businesses in response to the recovery of the Rial.
- Control campaigns launched by offices of industry and trade which monitored prices of basic food items and enforced disciplinary measures on service providers who failed to comply with the new prices.

Infographic showing food prices in November 2018, compared to October 2018 and pre-crisis period (January 2015)

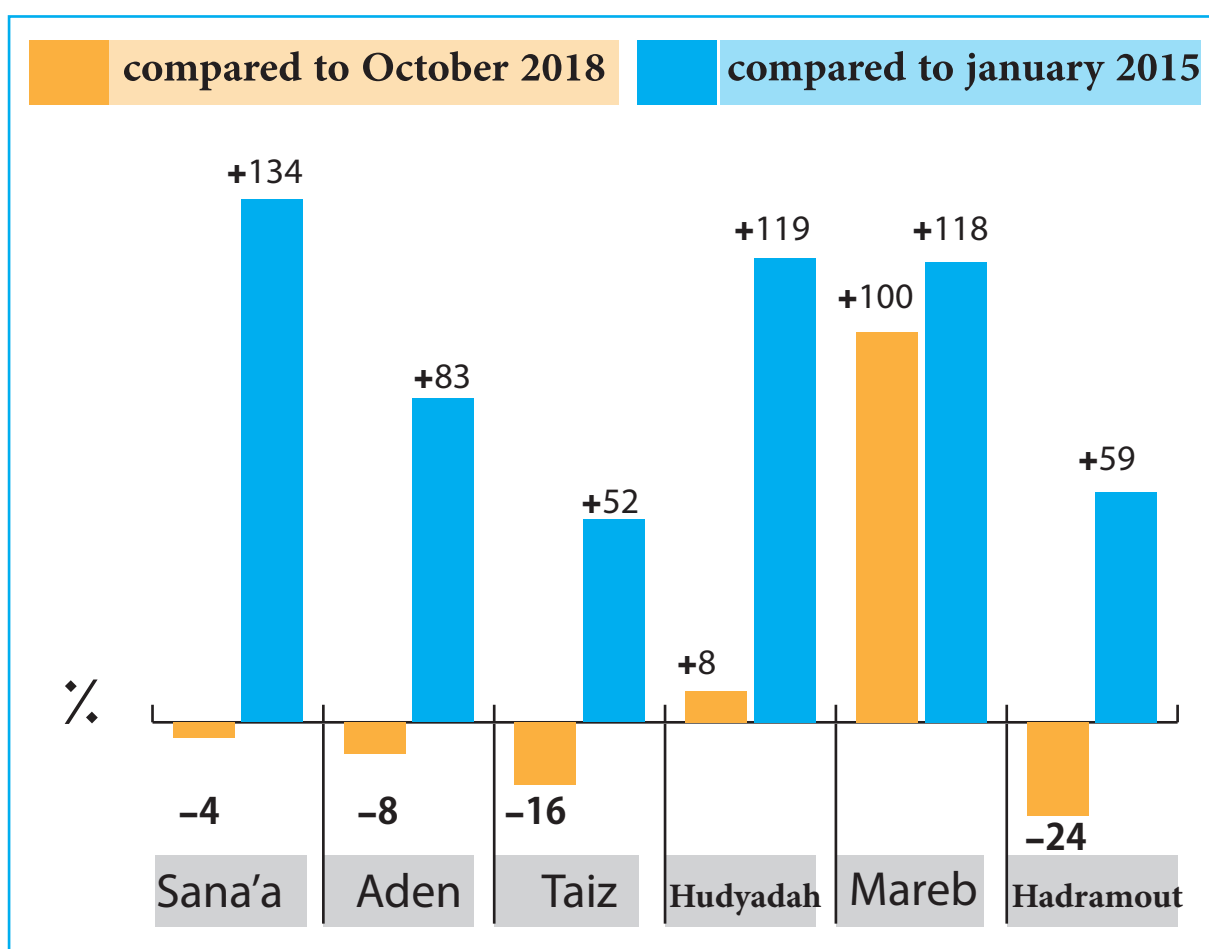


Prices of Oil Derivatives... Marib recording the highest

Prices of oil derivatives (gasoline, diesel and cooking gas) in target governorates (Sana'a, Taiz, Aden, Hodeida, Hadramout and Marib), recorded a rise of 9% in November 2018, compared to October 2018, and 94% compared to January 2015.

Marib witnessed the highest increase in prices of oil derivatives in November 2018, compared to October 2018, recording an average rise of 100%, followed by Hodeida (8%). The other governorates witnessed a relative decrease in prices of oil derivatives. Compared to October 2018, Hadramout recorded a decrease of 24%, followed by Taiz (16%), Aden (8%), and finally the capital Sana'a (4%).

Infographic showing prices of oil derivatives in November 2018, compared to October 2018 and January 2015

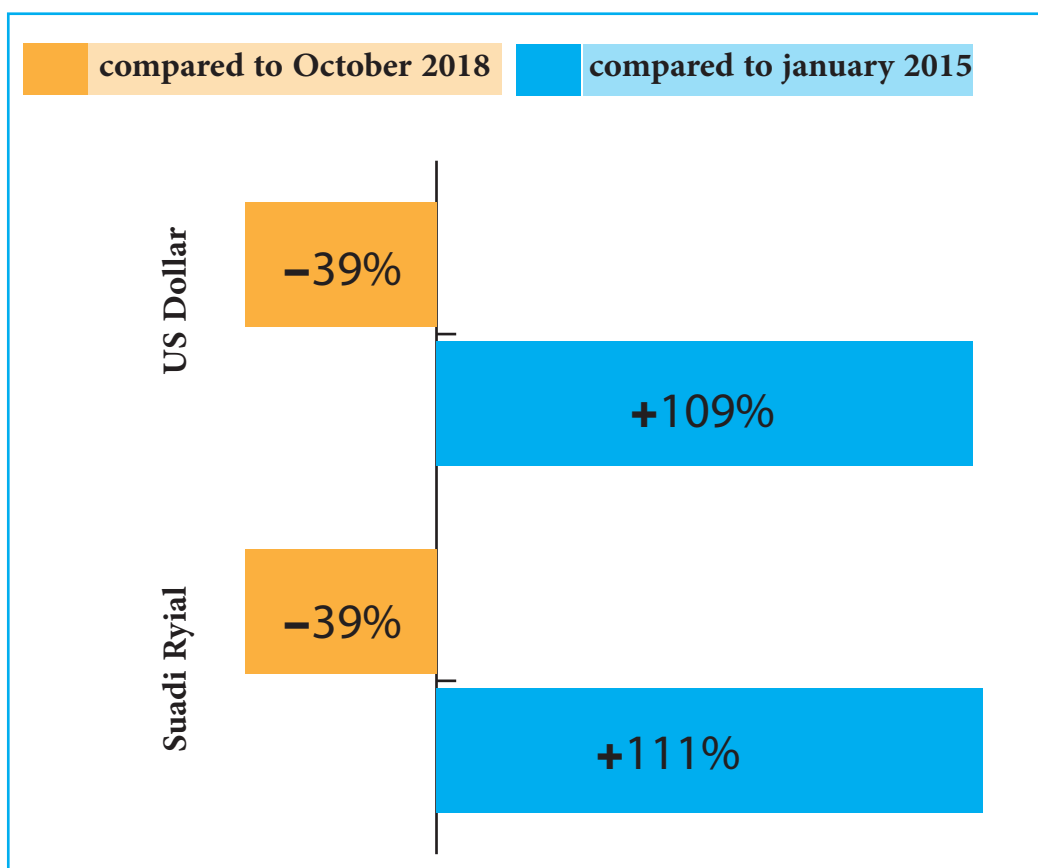


Exchange Rates ... Recovery of the Yemeni Rial

The Yemeni Rial witnessed a significant improvement against foreign currencies. Rates of foreign currencies against the YER dropped significantly. Compared to October 2018, the US dollar and Saudi Rial dropped by 39% each. Average exchange rate stood at YER 450 to US dollar, compared to YER 740 to US dollar in October 2018.

In November 2018, the YER declined by 109% against the US dollar and 111% against the Saudi Arabian Riyal, compared to pre-crisis period (January 2015).

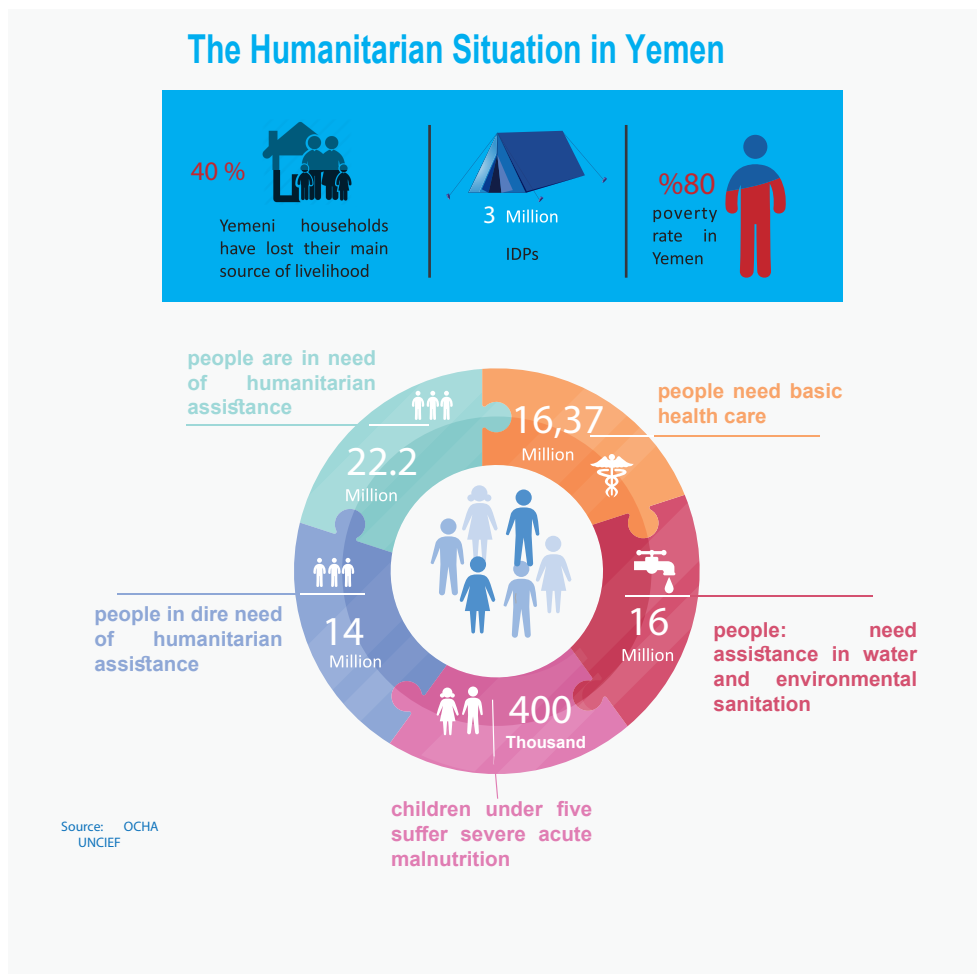
Infographic:



The Humanitarian Situation

As the war continues for the four years, suffering of Yemenis increases in view of declining humanitarian conditions. According to the World Bank, 40% of Yemeni households lost their main source of livelihood because of the war, and poverty rate in the country rose to 80%.

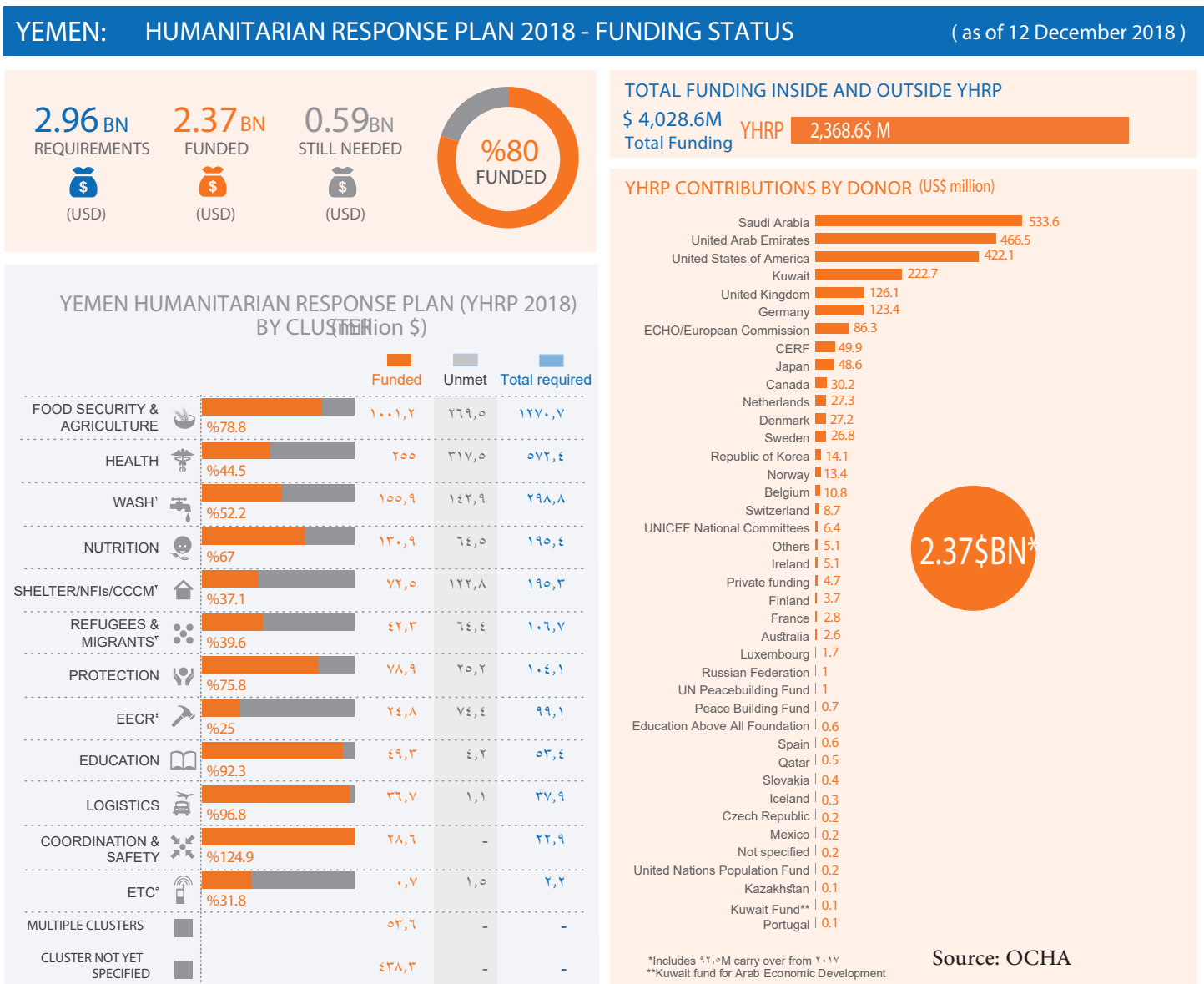
According to international organizations, the humanitarian crisis in Yemen is the worst in the world. Around 22.2 million people (about 75% of the total population) are in need of humanitarian assistance, of whom 14 million are in dire need of humanitarian assistance. Moreover, 16 million Yemenis need WASH assistance and 16.4 million people need health care. As fighting continues, the number of displaced people is increasing day by day, with more and more people suffering. Three million Yemenis, including 1 million children, are displaced people living in difficult humanitarian conditions. Around 5.4 million Yemenis are in need of emergency shelter and basic household items.



Financing the Yemen Humanitarian Response Plan

International organizations have raised 2 billion and 370 million US dollars to support the \$2.95 billion Yemen humanitarian response plan. During the period January-December 2018, international organizations secured funding covering approximately 80% of the aid required for the humanitarian response plan in Yemen.

The figure below shows the volume of funding and the targeted sectors.

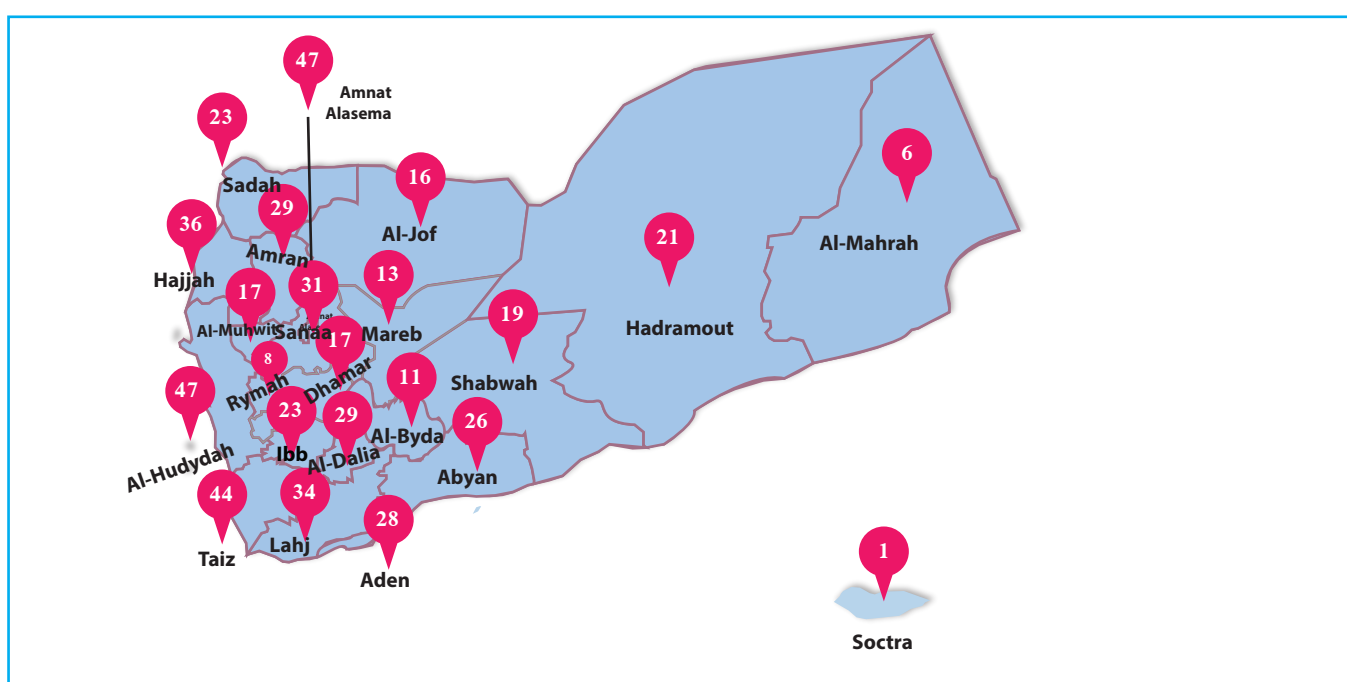


Humanitarian Organizations Operating in Yemen

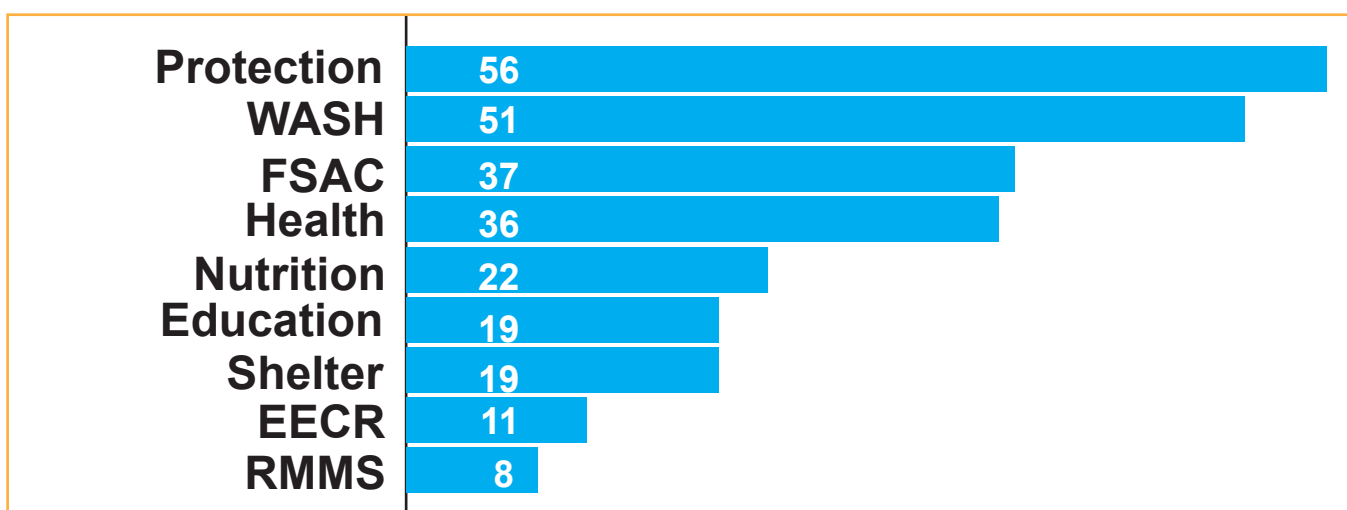
According to OCHA Report, 133 humanitarian organizations were operating in Yemen as in October 2018, including 10 UN agencies, 31 INGOs and 92 domestic NGOs.

These organizations are distributed in the various governorates and cover the various sectors.

The following figure shows the number of organizations in each governorate (INFOGRAPHIC)



The following figure shows the distribution of organizations by sector



Economic Developments in November 2018

- CBY introduced new exchange rates reducing with a slight improvement of the Yemeni Rial to cover bank credits of basic commodities financed by the Saudi deposit. It also announces selling hard currency to patients seeking treatment abroad, and fixing the exchange rate at YER 570 to US dollar as of November 5, 2018 compared to the previous rate of YER 585 to US dollar.
- Prime Minister presides over a meeting of CBY and commercial banks operating in Aden. The meeting was attended by Chairman of the Economic Committee, Hafez Mi'yad, and CBY Governor, Dr. Mohamed Zemam. Issues covered in the meeting included CBY contributions in support of commercial banks' sale of hard currency to patients, and opening applications for credit accounts by importers of foodstuffs from the Saudi deposit estimated at 2 billion dollars.
- CBY discusses listing of Al-Hitar Exchange Company in the blacklist. Chairman of the Economic Committee, Hafez Mi'yad, stated that CBY discusses the inclusion of Al-Hitar Exchange Company in the blacklist for suspected speculation and manipulation of the Yemeni Rial, along with a number of other exchange companies.
- Prime Minister decrees the creation of the Higher Committee for the General Budgets for the fiscal year 2019. The Macroeconomic Committee, chaired by the Prime Minister, was set up. The committee is tasked with preparing the general state budget and determining the indicative ceilings at the central and local levels, independent and attached units, and special funds.

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- The foursome Economic Committee comprising Saudi Arabia, the UAE, USA, Britain held a meeting to discuss measures to address the economic and humanitarian situation in Yemen. The following outcomes were announced:
 1. Supporting the establishment of commercial facilities within the International Finance Corporation under CBY supervision.
 2. Intensive support of UN Special Envoy's efforts on economic confidence-building measures, as further economic deterioration is likely to have implications for the political process.
 3. Supporting the Yemeni government implementation of comprehensive economic reforms, including payment of wages to civil servants in the public sector according to the Yemeni government 2014 wage lists.

 - CBY introduced documentary credits for the importation of foodstuffs at lower rates for the second time. CBY set the exchange rate for documentary credits at YER548 to US dollar. In early November, CBY had introduced a rate of YER570 to US dollar. On November 21, CBY again reduced the exchange rate for documentary credits to importers of foodstuffs to 520 riyals to US dollar. On Nov. 29, CBY announced setting the exchange rate at YER450 to US dollar and YER120 to a Saudi riyal.

 - On November 22, 2018, CBY Governor, Dr. M. Zemam, issued a decision appointing Khalid Zakaria, CBY Deputy Governor for Branches Sector, as the General Supervisor of Clearing at CBY and its branches.

 - Saudi Arabia and the United Arab Emirates announce a new initiative in Yemen to support the humanitarian situation in the country. The initiative included assigning an additional \$500 million for humanitarian purposes in Yemen. The new initiative aims to provide food to 10-12 million Yemenis.

Private Sector Developments In November 2018

- Governor of Hadramout awarded The Arab Yemeni Cement Company the Hadramout Shield for its contributions in the social field and support of cancer patients' chemotherapy this year through the Hadramout Foundation for Cancer Patients (AMAL). The company had donated a grant of YER150 million and supported a number of medical centers.
- The General Union of Yemeni Chambers of Commerce and Industry condemns the direct targeting of the Red Sea Mills Company in Hodeida during the battles that took place in the city of Hodeida.
- Several shells were fired at the Modern Food Factory at Yamani Plant Complex, killing and injuring a number of factory workers.
- The Aden Chamber of Commerce and Industry held a meeting with Al-Saila market merchants to discuss the latest developments of the case of Fathi al-Hurawi, who was and killed by gunmen who tried to blackmail him. The Chamber of Commerce demanded the Prime Minister to protect merchants from financial extortion.
- Prime Minister holds a meeting with the Chamber of Commerce and Industry in Hadramout and a number of major merchants in Hadramout to discuss the economic situation and ways of supplying businessmen with hard currency. During the meeting, the Prime Minister praised the role played by Hadramout businessmen in facing the economic crisis.
- Ha'il Saeed Anam Group announced cutting down prices for a number of its products after the recovery of the Yemeni Rial. Shammakh General Trading Company and BMS Al-Mehdar and Co. also announced cutting down prices of their products.



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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