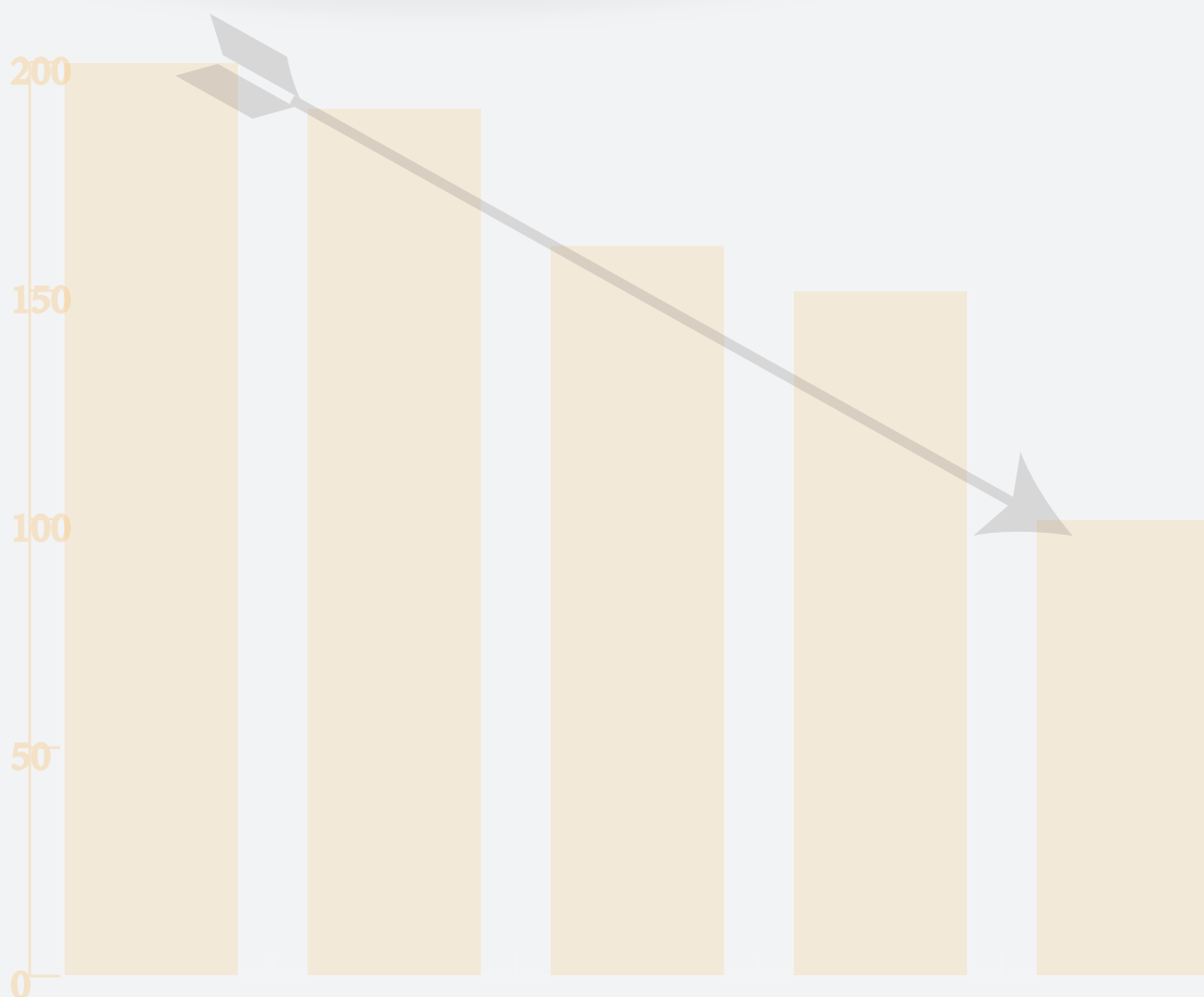


# Yemen Economic Indicators

## March 2019



In March, a number of positive indicators of the Yemeni economy were recorded, most significant of which is the slight improvement of the Yemeni rial, which records %4- and CBY new management announcement of a package of monetary policies.

CBY-Aden has approved increasing support for the imported commodities by covering the documentary credits related to commodities, including flour, in addition to providing fuel importers with hard currency at lower-than-the-market rates.

Although increasing government backing of imported goods is important in fighting currency speculators and restoring government control of the banking sector, it threatens to drain hard currency reserves. Yemen currently relies on the \$2 billion Saudi deposit and meagre returns of oil exports from Hadramout and Shabwa. CBY leadership has attempted to tackle this issue by signing an agreement with the Saudi authorities (Ministry of Finance, Saudi Arabian Monetary Agency, the Joint Forces and the Saudi National Bank) that provides for the transferring Saudi financial support to Yemen and Salaries of Joint Forces through CBY in Saudi Riyal. However, this is not a sustainable source and it carries big risk by dependency on foreign support. In conjunction with these policies, many decisions aiming at restoring CBY-Aden control of the banking sector and reactivating the financial cycle have been taken. CBY has requested local banks and exchange companies to submit all data related to domestic and foreign financial operations and appoint compliance officials at CBY. It has also asked exchange businesses in all governorates of Yemen to enforce all internal anti-money laundering and combating terrorism procedures and controls with regard to current and future customers.

It is too early to assess the positive effects of these policies, let alone division in the banking sector as decisions taken by the CBY-Aden are usually confronted with countermeasures by CBY-Sana'a, which struggles to maintain its status as a central bank in the face of lack of international recognition.

In fact, improvement of living conditions is the key indicator of the feasibility of those policies. Unfortunately, no improvement in commodity prices has been tangibly felt after nearly a year has passed since the government undertook to finance commodity imports. This only confirms the fact that such policies are superfluous manifestations of fragile government performance rather than realistic recipes of controlling the market or ensuring competition while at the same time protecting citizens from extortion.

The key event, however, was donor pledges to provide \$2.6 billion in support of the humanitarian response plan in Yemen in 2019, compared to \$2.1 billion in 2018. UN-affiliated humanitarian organizations have submitted a \$4.2 billion humanitarian plan compared to last year's \$3 billion plan.

If met, these pledges, which are equivalent to more than half of the annual 2019 budget of the Yemeni government, will be an important contribution to the Yemeni economy, which is experiencing its worst crisis in modern history.

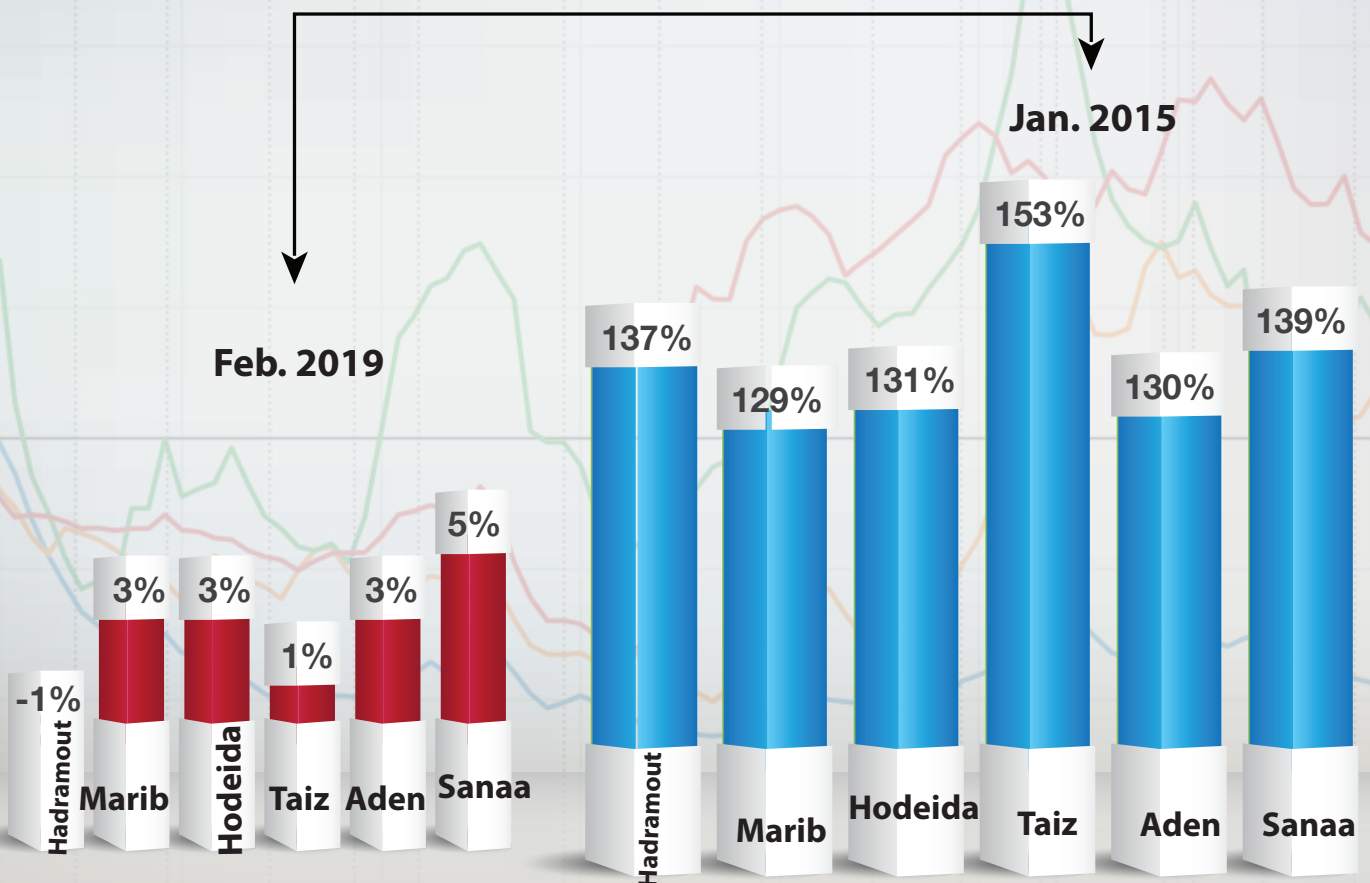
We are happy to present the March 2019 Economic Indicators Report, which documents a slight increase in basic commodity prices compared to preceding month, recording an average increase of 2%, while fuel prices recorded a 5% increase.

# Basic Commodity Prices

Prices of basic commodities (flour, sugar, rice, cooking oil, milk powder, beans, tea, cheese, yogurt) increased by 2% in March 2019, compared to February 2019, and by 136% compared to January 2015 in target governorates (Sana'a, Aden, Taiz, Marib, Hodeida, and Hadramout).

According to data recorded by the Center, Sana'a recorded the highest increase in basic goods prices in February 2019, with a rise of 5%, compared to February 2019. Hodeida, Aden and Marib came next, each recording an increase of 3%. In Taiz a slight increase of 1%, whereas in Hadramout a slight decrease of -1%, were recorded. Infographic showing the rise in prices of basic commodities in target governorates in March 2019 compared to February 2019 and January 2015

## %age of Increase in Basic Goods prices in March 2019, compared to



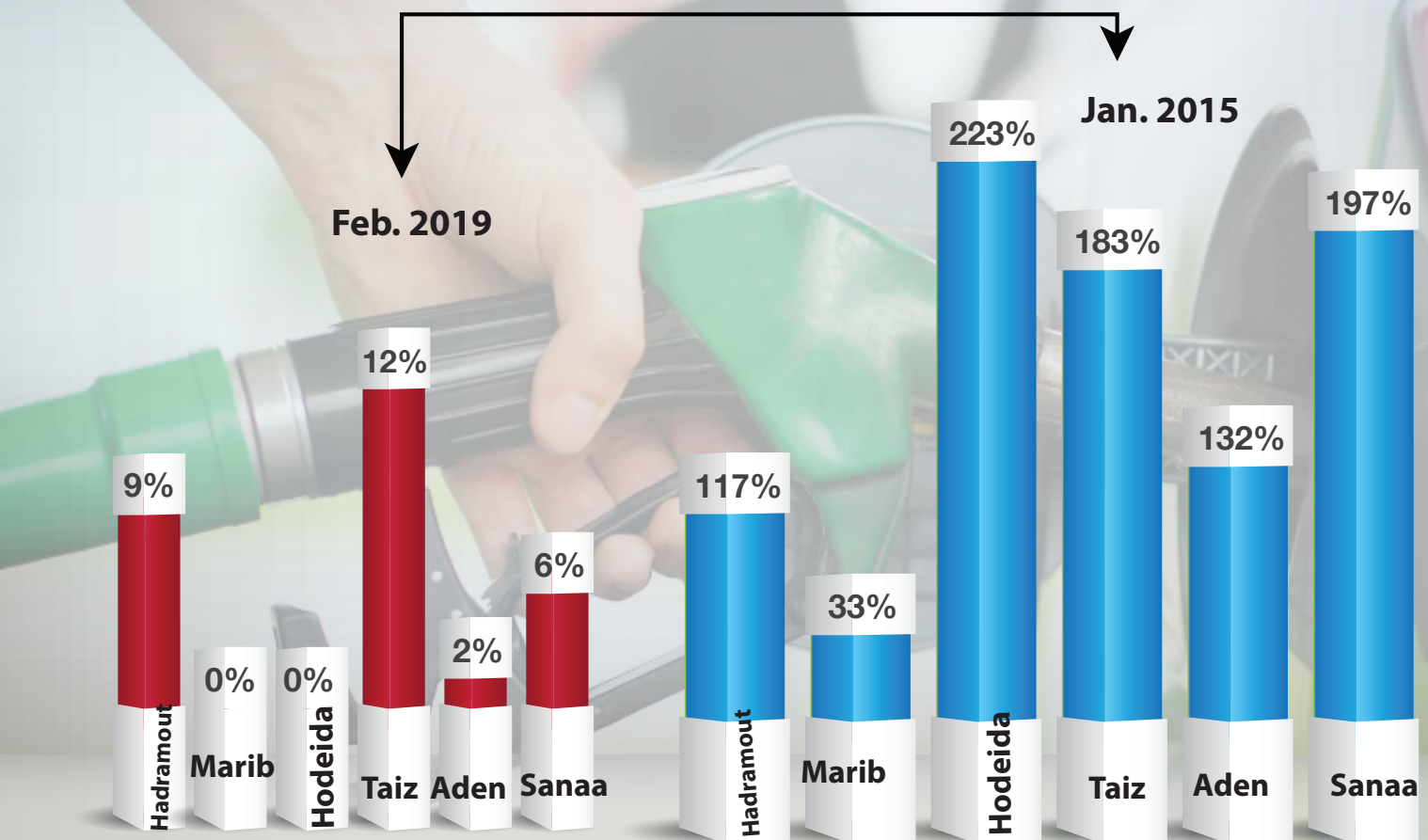
# Fuel Prices

Prices of fuel (petroleum, diesel, cooking gas) escalated in target governorates in March 2019, recording an increase of 5%, compared to February 2019, and 147% compared to pre-crisis January 2015.

According to data collected by the Center, Taiz recorded the highest increase of 12% in March 2019 compared to preceding month, followed by Hadramout, Sana'a and Aden which recorded an average increase of 9%, 6% and 2%, respectively. In Marib and Hodeida governorates, fuel prices proved stable in March 2019.

The figure below shows the percentage of fuel prices rise in target governorates in March 2019

## %age of Increase in fuel prices in March 2019, compared to

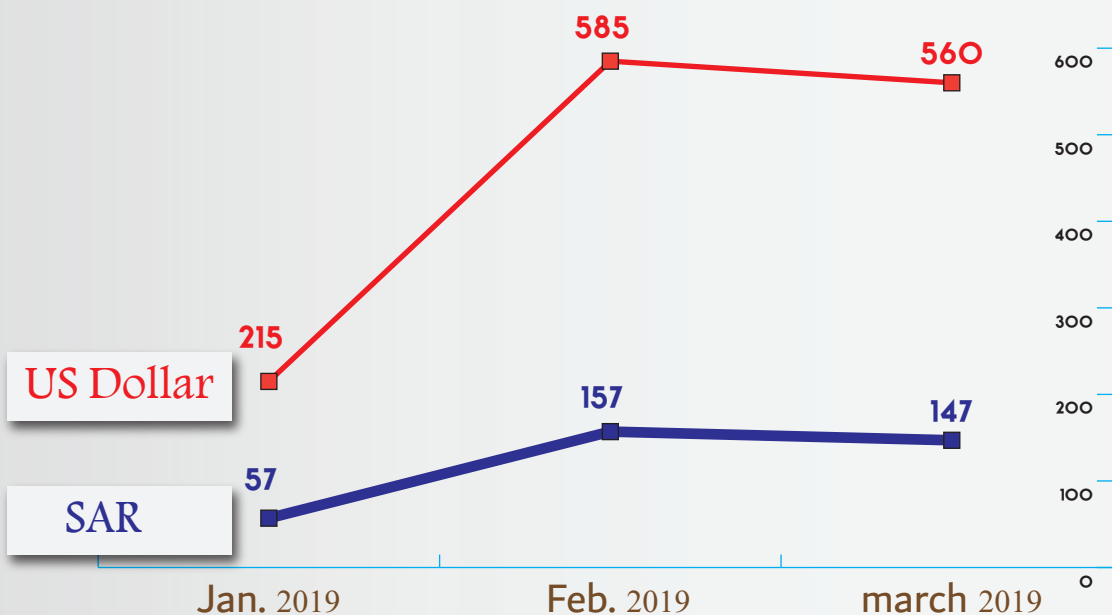


## Exchange Rates: Slight Improvement of the Yemeni Rial

In March 2019, the YR recorded a slight improvement in the exchange market, recording average upward trend of 4% against the US dollar in March. Exchange rates stood at YR 560 to US dollar in March 2019, compared to YR 585 to US dollar in February 2019.

According to SEMC data, the rate of the Yemeni Rial also improved by 6% against the Saudi riyal, compared to February 2019 rates. The average exchange rate stood at YR 147 to SAR1 in March, compared to YR157 to SAR1 in February 2019.

Average YR Rate against US dollar and SAR in March 2019 compared to Feb. 2019 and Jan. 2019



International donors pledged \$2.6 billion to sustain the humanitarian response plan operations in Yemen in 2019, compared to \$2.1 billion last year. UN-affiliated humanitarian agencies have submitted a \$4.2 billion plan, compared to the \$3 billion plan last year.

At its regional headquarters in Cairo, the World Bank holds extensive meetings with the Yemeni government. Phase 3 of the Yemen humanitarian needs overview is presented. According to phase 3 of the humanitarian needs overview, Yemen needs reconstruction and economic recovery. During the first 5-year phase 12 sectors in 16 cities and towns will be targeted at a cost of \$23 billion.

In its annual report presented to the Security Council, the Expert Team revealed that Houthis generate \$26 million a month in oil shipment duties from Hodeida port alone.

Ministry of Fisheries suspends export of some types of fish temporarily due to scarcity and local market shortages.

The Economic Committee issues a circular detailing procedures for obtaining the approval for importing fuel derivatives via the Yemeni ports. The Committee stipulates that the oil suppliers shall attach banking documents (sheets, statements, bank accounts, and transfer swift numbers) to the application.

Deputy Prime Minister Salim Al-Khanbashi directs the Ministry of Finance to deduct Electricity Corporation share from the revenues of liberated governorates and to deliver the same to the joint account in coordination with the Ministry of Electricity.

Minister of Communications and Information Technology, Lutfi Bashreif, officially announces moving the headquarters of the Yemen Telecommunications Company, (Teleyemen) to Aden.

CBY announces receiving approvals of withdrawal transactions no. 18 and 19 from the Saudi Deposit. The amounts of covered by these two operations are \$80 million and \$70.2 million respectively at an exchange rate of YR 440 to the US dollar.

The workers' union of the Houthi-controlled Kamran Company for Industry and Investment in Sana'a issues a last relief call and an urgent appeal to rescue the company from Houthi looting demanding the formation of special committees to determine those responsible for the company's fall and open corruption files.

The Economic Committee holds the Houthis responsible for the crisis of fuel derivatives and escalation of fuel prices, accusing them of creating a crisis in oil derivatives to strengthen the black market they run, thereby causing further collapse of the humanitarian situation to gain political goals and international attention.

CBY distributes a circular to all exchange businesses in all Yemeni governorates, calling on those businesses to enforce all internal anti-money laundering and combating terrorism procedures and apply them to current and future customers.

Yemeni Oil Company, Mahra Branch, approves new prices of fuel derivatives, raising the price of 1 liter of oil and diesel from YR 300 to YR 350.

CBY signed an agreement with the Saudi authorities (Ministry of Finance, the Saudi Arabian Monetary Agency, the Joint Forces and the Saudi National Bank) stipulating the transfer of salaries and budget support provided by Saudi Arabia to Yemen and the joint Forces to the Central Bank in Saudi riyals, while CBY covers those local expenses in Yemeni rials.

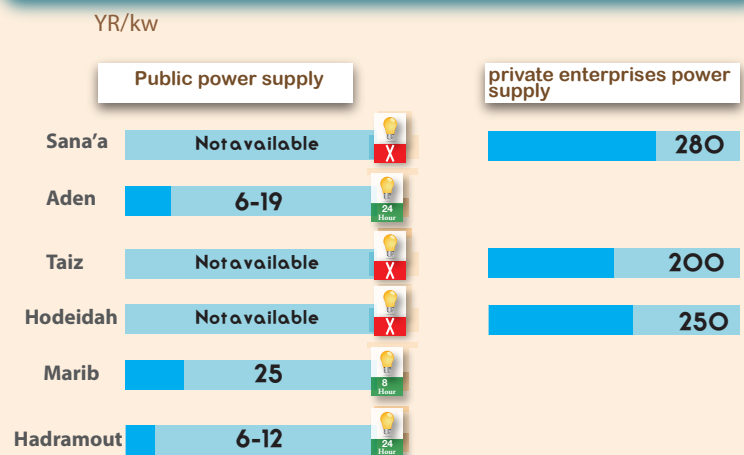
# Power and Water Services

Since the outbreak of the war in 2015, most Yemeni governorates have experienced an extended outage of power supply. Around 90% of the total population have no access to public power supply. There have been no improvements in providing this service, especially in the Houthi-controlled areas, where this service is completely interrupted. High-cost private power supply is provided at YR280 compared to YR6 per kilo before the war; 4400% higher than pre-war rates. In addition, a weekly subscription fee of YR300 is paid by each subscriber regardless of usage, an instance of blackmailing citizens' need of power.

Governorates under the control of the internationally recognized government such as Hadramout, Aden, and Marib are better off than Houthi-controlled areas in terms of provision of and access to the power service.

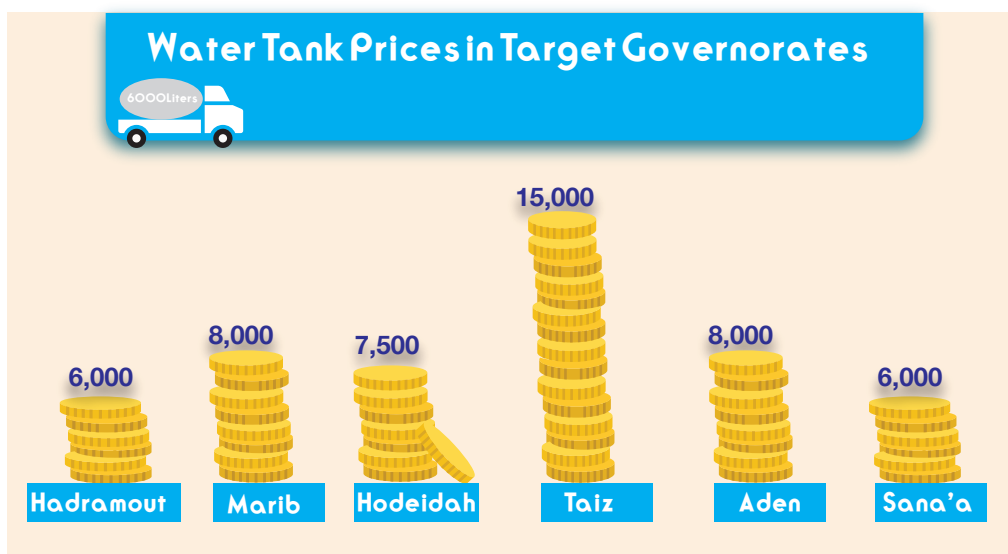
Most Yemenis buy solar power systems as an alternative to the public power service. Although solar energy covers 60% of household energy needs

## Power Supply Prices in Target Governorates



Public water service is no different from electricity. This service has been cut off in Houthi-controlled areas since the outbreak of the war in 2015. Water prices have increased considerably. The price of a water tank has doubled in some areas, while in cities such as Taiz it has increased by 300%. Taiz, which suffers scarce water resources and high population, is currently experiencing a water crisis.

## Infographic Showing Prices of the 6000 liter water tanks

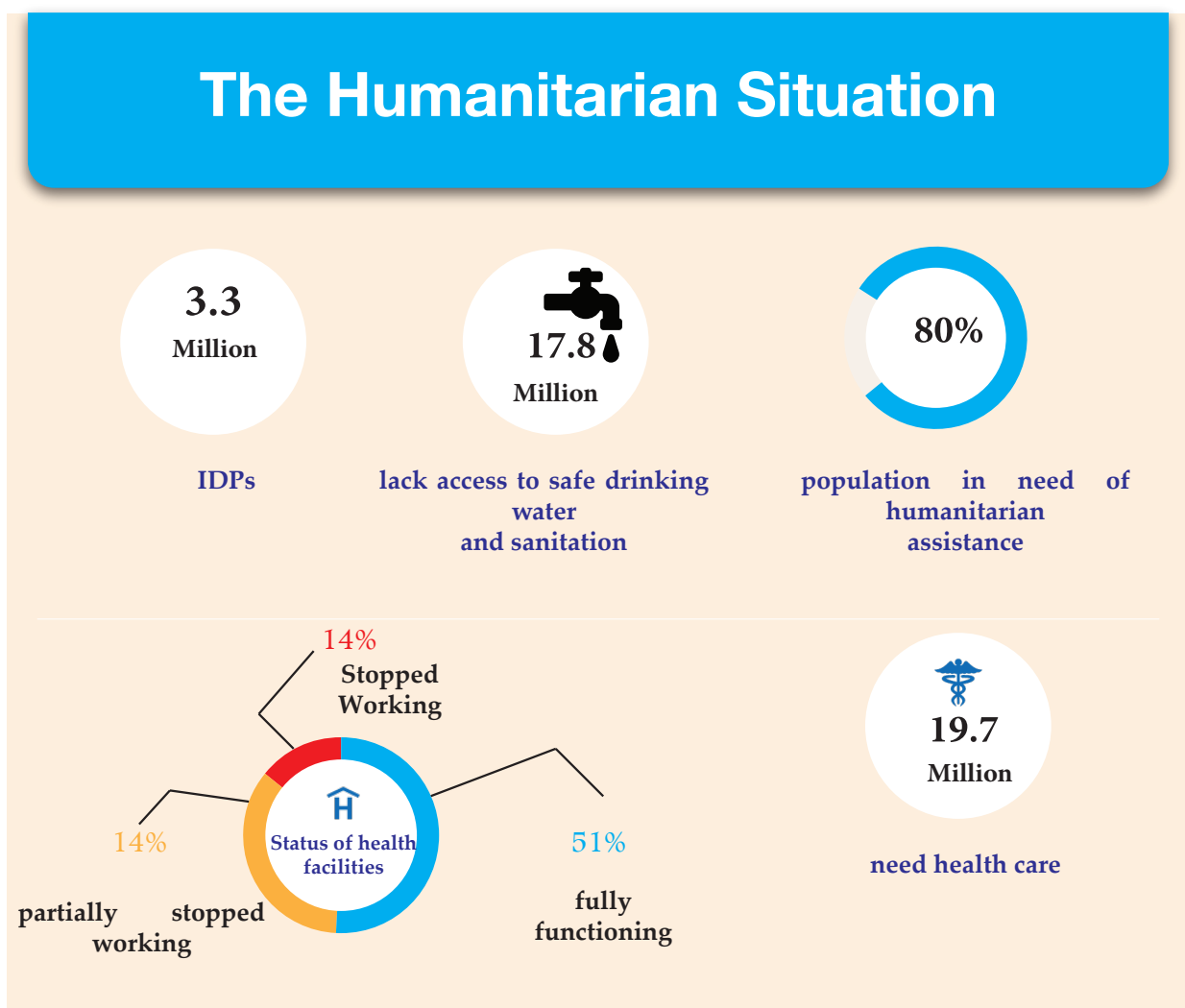




# The Humanitarian Situation

Yemen experiences a very critical humanitarian crisis which is classified as the worst in the world. According to international agency reports, more than 80% of the population rely on humanitarian aid as 24.1 million Yemenis are in need of humanitarian assistance, of whom 14.3 million are in dire need of humanitarian assistance. About 17.8 million Yemenis have no access to safe drinking water and sanitation, while 3.3 million have been displaced and live in harsh conditions.

The humanitarian situation in Yemen worsens due to the spread of epidemics such as cholera which has claimed the lives of large numbers of citizens. The recent epidemic outbreak covered all Yemeni governorates. Such outbreaks pose a threat to the lives of millions of Yemenis, especially in view of scarcity of medical supplies in the country and the breakdown of many health facilities. It is reported that 51% of health facilities are fully functioning, while 14% have stopped working, and 35% are partially functioning. This is reflected in the poor provision of health care to citizens. According to the OCHA report, 19.7 million people are in need of health care



The Yemeni Exchange Association called for neutralizing the economy and steering clear of conflicts, especially at the current stage in which the national economy suffers an unprecedented collapse. The Association denounced the measures taken by Houthi authorities in Sana'a, stating that such measures only exacerbated the division, and plunged the banking sector into the conflict, which is not consistent with the principles and regulations of the banking sector.

The Yemeni Finance Company (YFC) is launched as the first specialized consulting company in the financial and banking sector to meet the requirements of the Yemeni banking market.

CBY-Sana'a coerces commercial banks to hand over half of the value of credits covered by CBY-Aden from the Saudi deposit to cover basic commodity imports. Banks stand threat of severe penalties in case of non-compliance.

Governor of Hadramout, Faraj Al-Bahsani, sponsors the signing of an agreement between the Youth Support Fund and Yemen Soft Systems and Consulting Company in Hadramout to present the first accounting program and install it free of charge to all recipients of the Youth Support Fund in all the governorate districts, and to train them on using the program, in addition to providing a 50% discount to individuals wishing to use the full version of the software.



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.

مركز الدراسات والاعلام الاقتصادي

**Studies & Economic Media Center**

**Address: Taiz, Yemen**



| [www.Economicmedia.net](http://www.Economicmedia.net)



| 00967 4 249 306



| 00967 736500078



| [Economicmedia@gmail.com](mailto:Economicmedia@gmail.com)



| [EconomicMedia](https://www.facebook.com/EconomicMedia)



| [EconomicMedia](https://twitter.com/EconomicMedia)