Bulletin of Economic Updates

Economic Surveillance & Research Unit

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Introduction

This monthly economic bulletin is issued by the Studies and Economic Media Center (SEMC) with the aim of highlighting the most important economic developments in Yemen, analyzing the political and administrative factors affecting the course of the national economy, and examining their impact on citizens' lives.

Analysis of Yemen's economic landscape in October 2025:

The IRG of Yemen has moved beyond a period of deep disagreement regarding the necessary economic reforms, having theoretically approved an economic reform plan that includes unifying revenues under the Aden-CBY, raising the customs exchange rate, and standardizing fuel prices. This plan had previously faced resistance from some factions within the IRG of Yemen and even procrastination from the Prime Minister himself at certain times.

Whether the government was compelled to take this step due to its severe resource shortages, or whether it acted in response to external pressures, especially after many countries refrained from providing support except for the September $368 million Saudi grant, there are still no positive indicators of the plan's actual implementation, except for raising the customs exchange rate, which is considered the easiest measure.

The Presidential Leadership Council's approval of the plan and its assignment of the government to implement it represented an important step to support the government amid overlapping jurisdictions among the legitimate authority's components. However, it also placed a heavy burden on the government, given its institutional fragility and weak authority. The government faces major difficulties in compelling some governorates and institutions, protected by influential figures, to deposit revenues into the Aden-CBY.

Prime Minister Salem bin Buraik will need effective tools to carry out what is almost an impossible mission: unifying all revenues. This is a matter that cannot be postponed, especially since the government is unable to pay salaries regularly and the Central Bank's management in Aden refuses to grant it monetary advances from inflationary sources.

Analysis

The Announced Economic Reforms Plan focused on only one aspect, addressing the government's revenue problem, while overlooking many other crucial reform requirements, such as rationalizing expenditures and curbing corruption. It also failed to include measures to develop lost revenue streams in key sectors, such as telecommunications and internet services, oil, large taxpayer collections, and real estate taxation, among other vital areas.

Meanwhile, the areas under Houthi control are suffering from a worsening economic crisis due to resource shortages following U.S. sanctions, the destruction of the Hodeidah and Al-Salif sea ports, and several revenue-generating institutions, as well as measures taken by the IRG of Yemen. This is compounded by the paralysis of Houthi-run institutions following an Israeli airstrike that targeted their government officials earlier in August 2025.

Economic conditions in those areas continue to deteriorate, with declining grain reserves and other essential commodities. The economic contraction and the decline in household incomes have also driven thousands of businesspeople to flee those areas, either relocating to IRG of Yemen-held areas or transferring their assets to Saudi Arabia.

Despite the slow pace of government measures aimed at blocking Houthi smuggling routes, whether for fuel, cooking gas, weapons, or other prohibited goods, the Houthi group's financial resources have been significantly affected. This has recently prompted the Houthis to impose sanctions on several American companies as one of their pressure tactics. It remains unclear whether they will again resort to targeting American ships at the Red Sea under such pretexts in the coming period.

Government institutions in Houthi-controlled areas are suffering from severe dysfunction following the Israeli strike on their government officials. Although some institutions are attempting to maintain minimal administrative functions, the extent of the losses is too great for the group to conceal.

Analysis

The relative stability of the currency, whether in government- or Houthi-controlled areas, creates a temporary sense of reassurance among the public. However, this stability has not translated clearly into improved prices for goods and services, as uncertainty continues to dominate the economic scene.

Meanwhile, the difficult humanitarian situation persists due to these developments, especially with the gradual decline in the volume of humanitarian aid reaching Yemen.

Key economic news and indicators (October 1-31)

Actions Taken by the Yemen's Presidential Leadership Council (PLC), the IRG of Yemen, the Central Bank of Yemen in Aden, and Related Developments:

- The PLC of Yemen approved a comprehensive economic reform plan submitted by the Prime Minister aimed at controlling public resources, improving government performance efficiency, and achieving financial and monetary stability. The decision requires all economic entities and revenue authorities to deposit all central revenues into the government's general account at the Aden Central Bank and its branches, close any government accounts held in commercial or private banks, and adopt a unified revenue deposit model that ensures transparency and accountability. It also prohibits the disbursement of public funds outside legal procedures, bans governorates' governors from interfering in customs outlets or granting exemptions and imposing illegal fees, and calls for liberalizing the customs exchange rate and unifying fuel prices.

- The Yemen's Prime Minister embarked on a foreign tour to secure support for his government, meeting with the UAE President in Abu Dhabi and Saudi leadership. The discussions focused on recent developments in Yemen, the government's efforts to implement economic and service reforms, and the rebuilding of state institutions.

- The IRG of Yemen announced the start of disbursing overdue salaries for both the civil and military sectors across the country. A government source described this as part of a plan to ensure regular monthly payments and gradually clear accumulated salary arrears, in parallel with financial and structural reforms aimed at achieving sustainability and improving employees' living conditions.

- The Aden-CBY and the Ministry of Finance held a meeting with the head of the IMF mission to Yemen in Washington, D.C., to discuss support for the government's economic recovery efforts.

- The Deputy Minister of Finance and the Governor of the Aden-CBY also met in Washington with the Chairman of the Arab Monetary Fund, where they discussed progress in implementing the comprehensive reform program, addressing Yemen's debt to the Arab Monetary Fund, and strengthening cooperation and coordination between the government and the Fund. The meeting emphasized the Fund's continued support for the reform program and for enhancing the stability and recovery of Yemen's national economy.

- The Customs Authority in Aden denied reports claiming an increase in the customs exchange rate, stating that both the customs US dollar rate and customs tariffs remain unchanged and that rumors of a 100% increase are false. It clarified that the delay of some trucks at border crossings was not due to a new customs decision but rather the refusal of some traders to comply with a recent government and import financing committee directive requiring import letters of credit to be opened through the Import Committee and the Aden-CBY.

- The Yemen's National Committee for Import Financing and Regulation in Aden discussed reports from its technical unit on the level of implementation of the import financing mechanism submitted by banks and money exchange companies, as well as field reports from the Customs Authority and the Chamber of Commerce regarding operations at land and seaports. The committee stressed the importance of strict enforcement of the import financing mechanism across all entry points to ensure transparency, protect the national economy, and strengthen international confidence in Yemen's financial system.

- The IRG of Yemen and the Saudi Development and Reconstruction Program for Yemen (SDRPY) signed two development agreements and a memorandum of understanding in the electricity and security sectors, along with an agreement to support the state budget deficit.

- In a meeting that included members of the PLC, the Prime Minister, and governors of governorates, the PLC emphasized the importance of unity in decision-making and performance between the government and local authorities. It described this as a fundamental pillar for strengthening state presence, improving services, supporting comprehensive reform efforts, ensuring efficient revenue collection and spending, providing a stable environment for government and Aden-CBY operations, and enhancing international confidence and support for Yemen's reform commitments.
- The Yemeni Parliament held its first virtual session in years, stressing that restoring the effectiveness of state institutions and unified decision-making can only be achieved through all state bodies fulfilling their constitutional and legal responsibilities.
- During a meeting with the Governor of the Aden-CBY, the British Ambassador to Yemen urged the Central Bank to continue implementing core economic reforms to ensure resilience and sustainable growth following the recent stabilization of the Yemeni rial.
- The Aden-CBY issued a warning to citizens and entities against engaging in any illegal actions involving the disposal of properties or movable assets owned by banks. This came after the Specialized Criminal Court in Sana'a, under Houthi control, announced the auction of a plot of land owned by Tadhamon Bank.

Outlook for the Coming Period

The IRG of Yemen is expected to face major challenges in implementing the component of the economic reform plan related to unifying revenues, as numerous powerful groups and influential actors stand in the way of transferring revenues to the central authority. This could hinder the full implementation of the reform agenda. It is likely to proceed with raising the customs exchange rate; however, taking this step without simultaneously shutting down smuggling routes will inevitably lead to an increase in smuggling activities, higher commodity prices, and a failure to achieve the anticipated level of revenue from these measures.

The severe economic strain faced by the Houthi group is likely to push it to provoke new conflicts, either domestically within Yemen or in the Red Sea and the Arabian Sea. The group may also seek an exit strategy by agreeing to resume discussions on the roadmap proposed prior to the events of October 7 in Gaza and their subsequent repercussions.

Studies and Economic Media Center (SEMC) is one of the Civil society organizations that works on economic field, awareness and promotes economic issues transparency, good governance and participated citizens in decision-making. Also, it works to find a professional media in Yemen.

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