

Economic Updates Bulletin

Economic Surveillance & Research Unit
at Studies and Economic Media Center
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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.

2- Analysis of Yemen's economic landscape in December 2025:

Yemen witnessed turbulent developments during December 2025, beginning with the expansion of forces affiliated with the Southern Transitional Council (STC), which advocates secession, into the governorates of Hadramout and Al-Mahra, and their complete takeover of the eastern governorates, including the oil fields of Al-Masila in Hadramout. These developments led to the forced departure of the Chairman of the Presidential Leadership Council, the Prime Minister, and the majority of government ministers from Aden, and the onset of a state of security and military unrest. This situation culminated in the announcement by the newly appointed Governor of Hadramout, Salem Al-Khanbshi, of the launch of a military operation supported by the Saudi Coalition to restore control over the Hadramout and enable "Dera' Al-Watan" forces—Saudi-backed forces—to extend their influence across all eastern governorates, alongside the Hadrami Elite Forces in the Second Military Region. The operation then moved toward Aden and Lahj to stabilize the situation in coordination with the Southern Giants Brigades.

These military developments on the ground followed the announcement by the Chairman of the Presidential Leadership Council, Dr. Rashad Al-Alimi, from the Saudi capital Riyadh, of a 30-day state of emergency, the expulsion of the United Arab Emirates from Yemen, and the termination of the joint defense agreement between the two countries. Saudi airstrikes also targeted two weapons-laden ships docked at Mukalla Port, which had arrived from the United Arab Emirates and were intended to support its ally, the Southern Transitional Council. This escalation reflected an intensifying conflict between the two allies, the Saudi Arabia and the United Arab Emirates, after ten years of joint coordination, role-sharing, and management of interests and influence in Yemeni territory.

Despite these significant military, security, and political shifts, economic conditions witnessed a degree of relative stability. The national currency, the Yemeni Rial, maintained the official exchange rate set by the Aden Central Bank at approximately 1,610 Rials per US dollar. The flow of goods through Yemeni ports also continued, despite the enforcement of an air and maritime blockade, as Saudi coalition forces regained control over Yemeni airspace and ports.

The stability of the Yemeni currency is attributed to effective measures and strict oversight exercised by the Central Bank of Yemen in Aden over the exchange market and currency trading, as well as the continued work of the Import Financing Committee amid the heated security and military events. This is in addition to the swift resolution of military developments without significant material or human losses, whether during the rapid takeover of the eastern governorates (Hadramout and Al-Mahra) by STC forces, or the equally swift counter-operation to reclaim them, which lasted no more than approximately one day.

Despite decisions issued by the Chairman of the PLC aimed at restoring political and security normalization in the interim capital Aden, such as appointing a new governor for Aden, announcing the formation of a military committee to unify all armed factions under Saudi coalition leadership, ordering the closure of unofficial prisons and detention centers, and calling for a Saudi-sponsored South–South dialogue on the Southern Issue, government institutions continue to suffer from near-total paralysis due to the absence of most ministers, including the Prime Minister.

The Yemeni government faces a major challenge in terms of scarce revenues, as it has so far been unable to pay military salaries for the last four months of 2025, nor has it been able to disburse November and December salaries to most civilian sector employees. Sovereign institutions in Aden are operating at a minimum level of operational efficiency as a result of recent events.

It is premature to speak of the government's return to Aden at this stage. However, it has become clear that most components of the IRG of Yemen are determined to reorganize the security and military file under a unified command and to rebuild all institutions on sound foundations, in preparation for the next phase of managing the Yemeni crisis under Saudi sponsorship.

It remains unclear whether the current state of security and military stability in Aden and neighboring cities, including Al-Dhalea Governorate, the hometown of Aidarous Al-Zubaidi, President of the Southern Transitional Council, who fled to the UAE, will continue in the coming days, following the deployment of Dera' Al-Watan forces and the Southern Giants Brigades. The latter were previously affiliated with the United Arab Emirates before shifting their allegiance to Saudi Arabia after Presidential Leadership Council member Abdulrahman Al-Mahrami joined other PLC members in Riyadh. These two forces were tasked with assuming security and military responsibilities in place of the Security Belt forces previously loyal to STC leaders such as Aidarous Al-Zubaidi and others.

According to official sources speaking to the Studies and Economic Media Center (SEMC), the movement of goods and cargo through Yemeni ports has returned to normal, despite the impact of events on Mukalla Port and the continued closure of the Shahan Port in Mukalla since before the recent developments. However, air traffic has not yet returned to its previous level, as preparations are still underway to resume flights from Seiyun and Riyan airports in Hadramout, both of which were subjected to looting of equipment and facilities during the recent military events. As for Aden International Airport, air navigation has been restored between Aden and the cities of Riyadh, Jeddah, Amman, and Cairo, while some other destinations remain suspended.

Regarding the Shahan land port on the border with Oman, although it has been officially reopened, commercial activity there is practically at a near standstill due to strikes by traders and customs clearance offices in protest against increased customs fees. This has led to the suspension of most imports, with the exception of essential shipments such as fruits and vegetables. Meanwhile, Nishtun Seaport in Al-Mahra has remained closed for two years, after commercial activity and vehicle imports were transferred to Al-Shihr Port in Hadramout, due to ongoing smuggling operations and chaotic practices within the port. The government had previously issued a decision to shut it down.

3- Key economic news and indicators (December 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** National Committee for the Regulation and Financing of Imports in Aden warned certain commercial entities attempting to circumvent approved systems, laws, mechanisms, and issued instructions that they would face strict punitive measures. The Committee reviewed the level of progress in import financing requests submitted by banks and money exchange companies for various types of goods and services, expressing its appreciation for the efforts made by the executive team in handling these requests. It also reviewed the level of implementation of assigned tasks by representatives of relevant entities and the extent of their compliance, stressing the importance of serious engagement and strict enforcement of the executive mechanisms and instructions issued by the Committee.
- » **After** one hundred days of operation, the Committee received 12,931 financing requests and approved financing totaling approximately USD 2.5 billion, primarily covering wheat, flour, and petroleum derivatives. It also discussed reports received from relevant authorities regarding customs outlets and issues arising from the failure of some traders to comply with the approved mechanism, leading to the adoption of strict measures, including withholding the release of violators' goods starting January 1, 2026, imposing fines, and placing non-compliant parties on blacklist registers. The Committee emphasized the need to update databases and enhance inter-agency cooperation to ensure stability and serve the public interest. The total financing approved by the Import Regulation and Financing Committee reached nearly USD 2 billion, representing the total import financing requests submitted by banks and money exchange companies for various goods and services.

- » **The** Ministry of Finance in Aden announced the launch of financial disbursements for the salaries of state employees in both the civilian and military sectors, including entitlements for martyrs and the wounded, covering several previous months of 2025. The Central Bank disbursed two months' salaries for the military and civilian state apparatus on an overdraft basis, a step previously rejected by Central Bank Governor Ahmed Ghaleb, but accepted as an emergency measure to preserve state institutions and their obligations and to allow politicians time to reach a settlement.
- » **The** Chairman of the Presidential Leadership Council discussed with the Governor of the Central Bank of Yemen the repercussions of the International Monetary Fund's decision to suspend its activities in Yemen, against the backdrop of unilateral measures taken by the Southern Transitional Council in the eastern governorates of Yemen.
- » **At the** conclusion of its tenth session held in Aden under the chairmanship of Governor Ahmed Ghaleb, the Board of Directors of the Central Bank of Yemen approved the Bank's draft budget for 2026 after introducing the necessary amendments. The Board discussed recent financial and economic developments, the status of the general budget, reserves, and domestic and international obligations for 2025. It also approved the plan of the Banking Institute for the coming year following its restructuring. The Board reviewed proposals from international firms to audit the Bank's accounts for 2025 and formed legal committees to address them, in addition to discussing reports on implemented projects and addressing related challenges. The Board reaffirmed the Central Bank's commitment to performing its legal duties with independence and neutrality, ensuring the stability of the banking system and the smooth flow of essential imports, and commended the efforts of the Import Regulation and Financing Committee in supporting stability and regulating the business environment.

4- Future Scenarios

Following all these political, military, and security developments witnessed in Yemen, the country is expected to experience a gradual period of calm, as the Saudi Arabia places heightened importance on the Yemen file and moves to reorganize the components of the IRG of Yemen in its areas. This is seen as a prelude to peace negotiations that are expected to begin at a later stage with the Houthi group.

If Saudi Arabia succeeds in reengineering the situation across all areas under the authority of the legitimate government and in establishing a clear political track that ensures the return of the government and state institutions to the interim capital, Aden, this would lead to a confirmed economic improvement. This is particularly likely given expectations that the Saudi Arabia will provide financial support to the government in the coming phase, once conditions are in place for its return to the interim capital.

The Yemeni Rial is also expected to maintain its current level, at least over the next few months, supported by remittances from expatriates, especially with the approach of the holy month of Ramadan, as well as by the inflow of external military support to Saudi-backed military formations, most notably the Dera' Al-Watan forces.

The government is also expected to be able to disburse overdue salaries, particularly ahead of the holy month of Ramadan, which is approximately one month away.

However, if stability is not achieved and the security and military situation on the ground is not properly organized, and if the state of multiple loyalties, whether overt or covert, continues, the currency may remain at its current level but will remain vulnerable to collapse at any moment. This would be compounded by the persistence of an unfavorable environment for work and investment, marked by the continuation of illegal levies and the prevailing state of disorder.



The **Studies & Economic Media Center (SEMC)** is one of Yemen's leading civil society organizations. Established in 2008, SEMC has extensive experience in promoting good governance, transparency, civic participation, evidence-based advocacy, media development, and the economic and social empowerment of youth and women.

SEMC seeks to contribute to improving Yemen's economic system by making it more transparent and equitable. It works to advance the principles of transparency, good governance, and citizen participation in decision-making; support the development of a free, professional, and independent media sector; strengthen the economic and social empowerment of women and youth; and mitigate the impact of conflict on development pathways while contributing to sustainable peace.

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