

Bulletin of Economic Updates

Economic Surveillance & Research Unit
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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.

Political developments dominated public attention in Yemen throughout January, particularly following what was described as a “surgical operation” within the components of the IRG of Yemen. This process resulted in ending the control of the UAE-backed Southern Transitional Council (STC), which advocates secession, over the governorates of Hadhramout and Al-Mahra, and was followed by the STC’s announcement of its dissolution from the Saudi capital, Riyadh.

With the withdrawal of the United Arab Emirates from Yemen at the request of the Yemeni government, the Saudi Arabia inherited full responsibility under what is known as the “Arab Coalition to Support IRG of Yemen.” Saudi Arabia has since assumed the role of an elder brother, or guardian, so to speak, across all dimensions: security, military, political, and economic.

These security and political developments in 2025 December and early January cast a heavy shadow over economic and humanitarian conditions. They resulted in the dismissal of former Prime Minister Salem bin Buraik and the appointment of Dr. Shaea' Al-Zindani as his successor, along with the formation of a new government.

During this period, institutions of the IRG of Yemen experienced an almost complete vacuum for more than a month, due to the collective departure of most government officials to Riyadh, including political, security, and military leaders affiliated with the Southern Transitional Council.

Recent developments prompted Saudi Arabia to announce that it would fill the gap left by the UAE’s exit. Accordingly, Saudi Arabia began paying salaries to all security and military forces, particularly those that had previously received direct funding from the UAE. It also undertook to disburse delayed salaries of civilian employees from 2025, amounting to approximately USD 90 million, and to cover the operational needs of power generation stations in the southern governorates.

Analysis

Saudi involvement in Yemen has not been limited to financial support. Saudi supervisory teams have become more present on the ground than Yemen's state institutions themselves, which are experiencing near-total absence. Electricity supply hours improved significantly to levels not witnessed in Aden since its liberation from Houthi forces 10 years ago. In addition, violations against citizens originating from northern regions who travel to or from the temporary capital Aden have noticeably declined.

Stability in the Yemeni currency (Riyal) continued, supported by inflows of foreign currency from Saudi Arabia amounting to nearly one billion Saudi riyals. These inflows came in the form of salary payments, direct energy support, and financing allocations for projects across various sectors. Conversely, currency speculators attempted to exploit the developments to disrupt the market; however, the Yemeni Central Bank in Aden responded firmly. This coincided with a minor liquidity shortage of the local currency, which did not significantly affect economic activity, particularly given the Aden-CBY's adequate reserves of local cash.

Despite the positive political and economic indicators, the Yemeni public remains cautiously watchful regarding the extent to which conditions in the southern governorates will be normalized. Questions persist over whether the new government and all institutions of legitimacy will be able to return to Aden and resume normal operations, especially in light of ongoing protests by supporters of STC President Aidrous Al-Zubaidi calling for secession, and the continued incitement against the Chairman of the Presidential Leadership Council and the internationally recognized authorities.

Meanwhile, the economic and humanitarian crisis continues in areas under Houthi control, driven by U.S. sanctions, the contraction of economic activity resulting from the group's economic policies, and the suspension of most support and assistance programs previously provided by international organizations and UN agencies in those areas.

Analysis

Several international organizations have announced the suspension of their programs in Houthi-controlled areas, including the World Food Programme, due to restrictions imposed on humanitarian workers and the group's continued detention of approximately 73 employees of international organizations and UN agencies. Many of these detainees have been prosecuted on charges of treason and espionage.

Despite controlling state revenues in areas under its authority, the Houthi group has refrained from paying salaries and from continuing the provision of public services to citizens. Recently, it blocked the mobile applications of several commercial banks operating in Yemen, aiming to pressure them into relocating their headquarters back to Sana'a. The Houthi group also controls the international dialing code and the international internet gateway through the state-owned companies TeleYemen and YemenNet.

A number of well-known restaurants in Sana'a have declared bankruptcy due to the deteriorating economic and humanitarian situation, alongside rising public anger over the group's continued imposition of levies and revenue collection without fulfilling any corresponding service obligations to society.

3- Outlook and Future Scenarios:

Future prospects cannot be assessed in isolation from the policies currently pursued by the “elder brother,” the Saudi Arabia, in Yemen. As such, Yemen stands at a critical crossroads, with several potential scenarios for the coming phase:

- **Scenario One:**

Stabilization in Aden and the Return of the IRG of Yemen and Sovereign Institutions
This scenario depends on Saudi Arabia’s ability to maintain control over the security and military situation by moving forward with unifying security and military institutions under a single command, in line with the announcement made by the Chairman of the Presidential Leadership Council, Dr. Rashad Al-Alimi, on January 10, 2026, regarding the formation of a Supreme Military Committee under the leadership of the Saudi Military Coalition.

Key indicators supporting this optimistic scenario include the ability to contain and integrate the security and military apparatus of the Southern Transitional Council, adapting it to comply with the new reality of maintaining security and operating under the direction of the new government. Other indicators include unifying financial support channels for the Yemeni government, strengthening its capacity to extend authority across all governorates, and the government’s development of a comprehensive program that meets the requirements of the current phase, prioritizing economic recovery and service improvement.]

Another critical indicator is the return of all state leaders and government employees to Aden, the reopening of consulates and some embassies, the creation of a conducive environment for international organizations to operate, and the attraction of private-sector investors, particularly Saudi businessmen.

- **Scenario Two:**

Security Breakdown in the Temporary Capital Aden and Surrounding Governorates
Under this scenario, Aden and its surroundings would witness security deterioration, including assassination attempts similar to the attempted assassination of Southern Giants Brigades Forces leader Hamdi Shukri, alongside unlawful practices and violations. This would coincide with continued protests disrupting the functioning of official institutions.

This scenario depends largely on Saudi Arabia's approach to managing conflicts within areas controlled by the IRG, and on its ability to establish a strong and effective security apparatus capable of preventing the emergence of rogue armed groups or regional interventions that fuel such instability.

In this case, the IRG of Yemen and sovereign institutions would be unable to operate from Aden, basic services would likely deteriorate, currency exchange rates could become volatile once again, prices might rise, and humanitarian suffering and poverty would deepen.

- o **Scenario Three:**

Selecting an Alternative Temporary Capital

This option becomes plausible if the new government fails to return and operate with full authority from Aden. In such a case, alternative locations could be considered, with Hadhramout, for example, being one possible option.

This scenario cannot be ruled out if indicators of security breakdown escalate and if local and regional actors emerge as drivers of conflict and division, potentially leading back toward the conditions described in the second scenario.

4- Key economic news and indicators (January 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:

- o **Yemen's Presidential Leadership Council (PLC):**

The PLC announced its acceptance of the resignation of Prime Minister Salem bin Buraik and issued a decision appointing Dr. Shaea' Mohsen Al-Zandani as Prime Minister, tasking him with forming a new government.

- o **IRG of Yemen:**

Days before his dismissal, Prime Minister Salem bin Buraik affirmed that the government was entering a new phase centered on enforcing the rule of law and restoring the authority of the state. This included banning the imposition of any levies or fees outside legal frameworks and treating such practices as fully constituted crimes warranting accountability without exception.

The Ministry of Interior reiterated its full commitment to implementing the Prime Minister's directives prohibiting the imposition of illegal fees or levies, whether through security checkpoints or unauthorized entities, stressing that such practices constitute a clear violation of the law and would be met with strict legal and security measures against those involved, complicit, or negligent in preventing them.

The Governor of Lahj Governorate directed the cancellation of all illegal fees and levies and prohibited the collection of any amounts outside legal frameworks. He ordered strict measures against violators, holding them fully accountable, emphasized the immediate abolition of any unlawful charges, prohibited the introduction of new fees outside the law, and stressed adherence to the regular collection of official revenues and their prompt transfer to the Aden-CBY.

The Ministry of Finance announced the disbursement of salary enhancements for public sector employees for December 2025, following instructions from the new Prime Minister, Dr. Shaea' Mohsen Al-Zandani, to the Aden-CBY and the Ministry of Finance to expedite the payment of overdue salaries for civilian and military employees, retirees, martyrs, and wounded personnel. This was to be carried out urgently based on new financial support provided by the Saudi Arabia amounting to USD 90 million.

In a related development, the leadership of the Arab Coalition announced the payment of January 2026 salaries for security and military formations in areas under the control of the Yemeni government.

The Ministry of Electricity and Energy stated that the Emirati company Global South Utilities (GSU) abruptly shut down the solar power plants in Aden and Shabwa without prior coordination, disrupting the power generation system and negatively affecting electricity service stability, particularly during daylight hours reliant on solar energy. The Ministry confirmed it had received no technical notifications or official correspondence explaining the reasons or duration of the shutdown, holding the company fully responsible for the consequences and calling for the immediate resumption of operations and adherence to institutional coordination without unilateral decisions.

In a related context, the first shipments of a fuel derivatives grant, by Saudi Arabia, arrived in Socotra to supply more than 70 power stations across Yemen, totaling 339 million liters valued at USD 81.2 million.

The Yemen Ministry of Industry and Trade stated that the supply situation is stable and secure across all governorates under the control of the IRG, noting that basic food commodities are available in sufficient quantities and that there are no indicators of market disruptions or shortages in strategic reserves.

Yemenia Airways announced a package of measures to expand its flight network. These included launching weekly direct flights between the Socotra Archipelago and Jeddah during the first week of January; resuming operations to Seiyun and linking domestic flights with international routes to Cairo and Jeddah; and resuming flights to Al-Ghaydah with connections to Socotra. The airline also decided to operate direct commercial flights between Socotra and Jeddah starting early February, and to launch international flights from Mocha Airport to King Abdulaziz International Airport in Jeddah during the same period, as part of its commitment to expanding its route network, improving passenger services, and supporting the air transport

- o **Central Bank of Yemen – Aden:**

During January 2026, the Governor of the Central Bank of Yemen in Aden, Ahmed Ghaleb, issued a series of decisions suspending and revoking the licenses of no fewer than nine exchange companies and establishments and three branches, and ordering the closure of their premises. These measures were based on field inspection reports issued by the Banking Supervision Sector.

The Aden-CBY denied the validity of circulating claims regarding the printing or issuance of new banknotes with unauthorized denominations or specifications. It confirmed that the circulated images of the so-called (500 riyal – 2026) note were fabricated and not legal tender and were being promoted via platforms affiliated with the Houthi group to create confusion. The Aden-CBY warned media outlets and the public against publishing or engaging with such rumors due to their negative impact on monetary stability.

The Aden-CBY began unifying money transfer systems under a single unified network, canceling 22 cash transfer networks and merging them under one system. It stated that during 2024 more than YER 251 billion were transacted through the unified network, with all banks and electronic wallets joining the system.

The Yemeni Banks Association warned of serious risks threatening the stability of the banking sector and the national economy following actions by Houthi authorities in Sana'a to block several local bank applications, which prevented customers from accessing their accounts and disrupted transactions. In a statement issued from Aden, the Association stressed that this move negatively affects citizens' interests and commercial and service activities, particularly amid the growing reliance on electronic banking services. The blocking comes as part of pressure exerted by the Houthis on banks that relocated their headquarters and main operations to areas under the IRG of Yemen following the designation of the Houthi group as a terrorist organization.

The Yemeni Banks Association in Aden issued a statement confirming that all banks operating in Yemen are subject to the supervision and oversight of the Aden-CBY, warning against disseminating inaccurate or misleading information affecting banks' conditions or depositors' funds.

o Local Authorities:

The local authority in Hadhramout announced that total revenues for Hadhramout Valley and Desert during 2025 amounted to approximately YER 4.35 billion, achieving a collection rate of 139% of the budget target and an increase of 126% compared to 2024.

The Public Electricity Corporation in Aden announced the resumption of operations at several power generation plants that had been idle for months, to compensate for the shortfall caused by the shutdown of the solar plant previously operated by an Emirati company. This followed urgent intervention by the Saudi Arabia through the provision of an emergency diesel fuel shipment.

The local authority in Taiz reported that total revenues collected in Taiz Governorate during 2025 reached approximately YER 45.041 billion, representing a growth rate of 10% compared to 2024. Central revenues recorded a notable increase of 15% to YER 36.068 billion, all of which were transferred to the government's general account. Local revenues amounted to YER 3.287 billion, while shared revenues declined by 16% due to the collection of qat sales tax to cover national army expenditures, reducing total own-source revenues (local and shared) to YER 8.972 billion. According to the governorate's media office, Taiz did not receive any central capital support or its share of shared public revenues, despite bearing significant financial burdens, including diesel support for hospitals, operating expenses of executive offices, support for the wounded, military and security costs, and community projects. Taiz continues to manage its military, security, and service affairs through its limited own resources.

Work commenced on the second phase of the rehabilitation and development project of Aden International Airport, at a total cost exceeding USD 12 million, funded by the SDRPY..

Seiyun International Airport resumed its flights after a suspension caused by military events in December in Al-Mahra and Hadhramout, operating on the route (Aden – Seiyun – Cairo – Seiyun – Aden).

The Yemen Gas Company supplied the market with 406 gas tankers to the temporary capital Aden and other governorates, and approved measures aimed at preventing the creation of artificial shortages during the month of Ramadan. These measures included penalizing manipulative agents and station owners and enforcing daily loading in accordance with the approved distribution schedule. Executive Director Eng. Mohsen bin Wahit explained that the company doubled the quantities of gas sent to Aden during January to reach 295 tankers, an increase of 120 tankers compared to the same period in 2025, confirming the restoration of supply balance. He called on local authorities to close unlicensed stations and noted that increased demand for household gas is due to the conversion of approximately 75% of vehicles to operate on gas instead of petroleum because of its lower cost.



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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