



Economic Updates Bulletin

Economic Surveillance & Research Unit at Studies
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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.

The economic landscape in Yemen during March 2026 was characterized by a state of fragile relative improvement, driven by a set of political and administrative developments that temporarily enhanced positive expectations. Foremost among these were the approval of the state's general budget, the announcement of the IRG's work program, and the IRG's return to exercising a more regular presence from Aden. This occurred alongside efforts to reorganize the security and military situation in the temporary capital, Aden, and in several governorates under the control of the IRG, under direct Saudi supervision.

However, this improvement remained constrained by a number of structural limitations that restricted its ability to evolve into a path of sustainable economic stability. The Yemeni government continues to operate in a fragile institutional environment burdened by years of division, weak fiscal discipline, erosion of the revenue base, and multiple centers of influence over public resources. Any political or security improvement, unless quickly translated into real reforms in public resource management, monetary policy, and basic services, will remain vulnerable to erosion and reversal.

The approval of the general budget and the IRG's work program provided important political and administrative cover for reorganizing public spending priorities and sending a positive signal to markets, donors, and regional and international partners that the IRG is attempting to restore a minimum level of institutional effectiveness.

As a result, Aden witnessed intensive visits by representatives of various countries and international donor organizations. Yet the effectiveness of this development will remain tied to the government's ability to move speech into implement, especially in revenue collection, expenditure control, oversight of revenue-generating institutions, improving regular salary payments, and easing electricity and energy bottlenecks.

In this context, the economic scene in March cannot be separated from the international diplomatic activity in Aden, which reflects growing external interest in supporting the current government and rebuilding an institutional center of gravity for it inside the country.

However, despite its importance, this momentum does not in itself guarantee stability, as past experiences, such as international support during the 2012-2013 Yemen's National Dialogue Conference period, have shown that external assistance quickly loses its effect when it is not accompanied by genuine internal reforms, or when it is consumed in managing short-term political balances rather than building institutions capable of enforcing fiscal and administrative discipline.

On the fiscal level, the Yemen' IRG still faces a sharp imbalance between resources and obligations. Economic figures indicate that public revenues cover only around one-third of expenditures, reflecting a deep structural deficit in public finances. This deficit is not limited to weak revenues alone, but is also linked to poor collection efficiency, fragmented revenue streams, continued financial leakage, multiple channels of collections outside institutional frameworks, and the heavy burden of current expenditures, particularly salaries, energy, and basic services.

On the monetary level, the liquidity crisis in local currency emerged during March as one of the most dangerous indicators of the depth of dysfunction in monetary and fiscal management. Scarcity of liquidity in markets and banks does not merely signify a physical shortage of circulating cash but reflects a broader failure in managing the money supply, weak coordination between fiscal and monetary policy, and a continued decline in public confidence in the banking system. This led to greater reliance on cash outside the banking sector and prompted some market participants to use the Saudi riyal as a medium of exchange, indicating signs of unofficial currency substitution in some local markets.

The seriousness of this crisis increases in an environment where institutional factors intersect with speculative behavior. The periods of economic activity accompanying the month of Ramadan and the Eid holiday provided greater room for speculators to exploit market instability and push citizens to sell local currency below the rate the Aden-CBY attempted to maintain. This reveals the limited effectiveness of the Aden-CBY's tools amid narrow monetary maneuvering margins, insufficient confidence, and the continued dominance of informal factors over an important part of market activity.

Alongside these internal challenges, Yemen's economy during March remained exposed to pressing external influences, particularly regional tensions and their effects on shipping and insurance costs, as well as imported commodity prices, in an economy that depends on foreign sources for more than 90% of its goods needs.

This affected price expectations and increased market sensitivity to any disruptions in supply lines or additional fees imposed on imports, thereby multiplying burdens on both the private sector and consumers.

Regarding the business environment, developments in March showed the continued gap between official rhetoric calling for partnership with the private sector and the practical reality still burdened by illegal levies, weak regulatory certainty, market distortions, and high operating, transport, and import costs. While the government did show positive signals toward the private sector during this month, whether through discussions of improving the investment climate or preparing an export development policy, the effectiveness of these directions will remain dependent on the state's ability to reduce the informal cost of doing business, ensure a stable regulatory and security environment, unify revenue and fee channels, and protect businesspeople from abuses and security risks.

In areas controlled by the Houthi group, the economic picture does not appear better, although some features differ. There is also a chronic liquidity crisis, prolonged economic contraction, structural distortions in markets, and continuous price increases relative to the population's purchasing power. Despite the continued flow of a considerable share of expatriate remittances into those areas, they have not been sufficient to offset the effects of stagnation, declining incomes, weakening commercial activity, and the reduced ability of the private sector to continue providing social or seasonal initiatives as in the past.

Accordingly, it can be said that the economic landscape during March 2026 showed a limited opportunity to improve the general trend but did not yet provide sufficient indicators of a sustainable structural transformation. Existing optimism is based mainly on supportive political and administrative variables, but it collides with an economic reality burdened by chronic fiscal deficits, deep monetary distortions, institutional weakness, and continued humanitarian deterioration. Therefore, the real test of the coming phase will not be the intensity of political or diplomatic activity, but the Yemen IRG's ability to translate this momentum into tangible results in revenues, liquidity, exchange rates, services, and market confidence.

The trajectory of Yemen's economy in the coming months remains closely tied to political, security, and military developments, given the fragility of its economic structure and its heavy dependence on external financing, imports, and remittances. The weakness of official economic institutions, declining domestic revenues, and the continued fragmentation in resource management mean that any potential economic improvement depends on a set of conditions that may appear non-economic on the surface but are decisive in their impact on financial and monetary stability.

Based on current indicators, three main scenarios can be envisioned for the economy in the coming period:

First: Positive Scenario - Fragile Stability with Potential for Improvement

This scenario assumes the continuation of political and administrative momentum supporting the Yemen' IRG, alongside more serious steps to consolidate its presence inside the country, improve coordination among its institutions, and sustain direct Saudi support for the general budget, particularly in covering part of the wage bill and energy needs. It also assumes a relative containment of regional tensions, reducing pressure on foreign trade and supply chains, and most importantly, rapid progress in unifying security and military institutions under a single leadership based on professional and national principles.

Under this scenario, a relative improvement in exchange rate stability could be achieved, along with a partial easing of the liquidity crisis and limited improvement in the regularity of public spending and basic services, especially if the IRG succeeds in implementing practical measures for revenue collection, placing revenue institutions under the authority of the Aden-CBY and Ministry of Finance, and reducing leakages and corruption.

However, this scenario remains unattainable unless accompanied by genuine institutional reforms, because excessive reliance on external support without expanding the domestic revenue base would keep stability temporary and fragile rather than sustainable.

Indicators of this scenario materializing:

- Greater regularity in salary payments
- Improved Central Bank capacity to manage liquidity
- Expansion of revenue transfers into official accounts
- Relative decline in exchange rate volatility
- Reduction of illegal levies and improvement in the business environment in Aden and major governorates

Second: Cautious Scenario – Containment Without Reform

This scenario assumes the IRG maintains a limited political and administrative presence, while external support continues at the minimum level sufficient to prevent collapse, but without any real institutional breakthrough in security, revenues, or economic governance. In this situation, the IRG continues managing daily crises rather than addressing their structural causes, while official institutions remain unable to impose full control over public resources or unify economic decision-making. Real power would continue to lie outside formal institutional frameworks.

According to this scenario, the economy would remain in a state of superficial stability: no comprehensive collapse, but no real recovery either. This may appear in the form of periodic exchange rate fluctuations, a continuing liquidity crisis of varying intensity, persistent pressure on prices, continued erosion of confidence in the banking sector, and a private sector operating defensively with a focus on survival rather than expansion and investment.

This is a likely scenario if political and security arrangements continue outside the formal institutional framework, or if IRG decisions remain unsupported by real implementation capacity on the ground.

Indicators of this scenario materializing:

- Persistent gap between official declarations and on-the-ground implementation
- Persistence of the liquidity crisis without structural resolution
- Weak improvement in public revenues and continued dependence on external support
- Continued complaints about unofficial levies and fees
- Fragile relative stability in the exchange rate followed by recurring disturbances

Third: Pessimistic Scenario – Return of Compound Pressures

This scenario assumes the Yemeni economy is exposed to a dual or multiple-source shock, whether through renewed regional escalation, broader involvement of the Houthi group in regional military confrontations, reduced Saudi or international support, or failure to stabilize areas under IRG control with a return to conditions preceding December 2025.

In such a case, public finances would come under greater pressure, while risks of disruption to imports and higher shipping and insurance costs would rise. Domestic market distortions could widen, and renewed pressure would emerge on the exchange rate, liquidity, and prices. The private sector would be among the most affected due to rising operating costs, declining demand, and increased risks, while humanitarian conditions would worsen because of expanding financing gaps and declining household purchasing power.

The danger of this scenario is not limited to direct economic deterioration but also extends to the possible erosion of what remains of public confidence in the government's ability to manage the economic file, potentially reproducing waves of protests and social tensions in some areas.

Indicators of this scenario materializing:

- Renewed regional escalation affecting maritime shipping and insurance
- Reduction or delay in external support
- Rising protests and security unrest in IRG-controlled governorates
- Expanded currency speculation
- Worsening fuel and electricity crises
- Increased illegal levies and declining commercial activity

Yemen's economy stands before a test of its ability to transform relative stability into institutional economic stability. The problem is no longer merely one of weak resources, but of more complex political, security, and administrative challenges. If the Yemeni government fails to capitalize on the current momentum through tangible reforms affecting revenues, liquidity, governance, and the business environment, the window of hope may close quickly, and the economy may return to revolving within the same cycle of fragility.

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

- **Presidential Leadership Council (PLC), the IRG, and its Institutions**
- The Yemen' IRG approved the draft general budget for 2026, along with its work program and priorities, while completing the necessary legal procedures and assigning the Ministry of Finance to reorganize expenditures and address imbalances to reduce the deficit. The program includes efforts to promote economic and social stability, ensure regular salary payments, protect the national currency, and rationalize spending, within six priorities covering economic recovery, service improvement, and strengthened governance.
- The Presidential Leadership Council (PLC), chaired by PLC President Dr. Rashad al-Alimi, held a meeting in Riyadh to discuss economic and humanitarian conditions, as well as the repercussions of the U.S.-Israeli-Iranian conflict on supplies. The PLC emphasized the importance of maintaining currency stability, paying salaries, and ensuring continued imports. It also praised Saudi support, including the provision of SAR 1.3 billion to support salaries and strengthen economic stability.
- The Ministry of Electricity and Energy approved the start of transferring revenues from the Electricity Corporation in Lahj Governorate to the Aden-CBY account effective March 17, in a step aimed at unifying revenue channels and strengthening financial oversight and governance. The meeting also discussed mechanisms for regulating collection processes to prevent any actions outside legal frameworks, while stressing the commitment of all branches to these measures.
- The IRG resumed Article IV consultations with the International Monetary Fund in Aden after a four-month suspension caused by political and military unrest in the eastern and southern regions. These consultations aim to assess the current economic situation and update the comprehensive reform program.

- **Aden-CBY:**

- The Board of Directors of the Aden-CBY discussed, during a meeting in Aden, the liquidity shortage crisis in the markets and approved a package of immediate, short-term, and medium-term measures to address it. The Aden-CBY also stressed continuing precautionary policies to enhance exchange rate stability, curb inflation, and use all monetary, administrative, and legal tools to achieve financial stability.

- **Local Authorities in the IRG's Governorates:**

- The local authority in Hadhramout announced the reopening of Al-Shihr Port after three months of closure, following a presidential decision to shut down four non-compliant ports in order to unify revenue streams. Authorities stated they would work to resolve any issues affecting port activity, whether related to infrastructure or operational procedures.
- The Office of Industry and Trade in Taiz reported that it recorded 227 supply and commercial violations during the first quarter of 2026, including cases of commercial fraud, price gouging, and the sale of expired goods. Of these, 197 cases were referred to the prosecution.
- The local authority in Abyan called on citizens and drivers to report any illegal collection checkpoints or extortion cases through the designated joint operations numbers. This followed directives from its governor to shut down unlawful levy points in the governorate and refer violators to the Public Funds Prosecution Office.
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The **Studies & Economic Media Center (SEMCC)** is one of Yemen's leading civil society organizations. Established in 2008, SEMCC 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.

SEMCC 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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