



# Economic Updates Bulletin

Economic Surveillance & Research Unit at Studies and Economic Media Center (SEMCC)

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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 Yemeni economy entered a new phase of compounded pressures during May 2026, as the public finance crisis coincided with a worsening of service-sector disruptions, particularly in electricity amid unprecedented temperature increases, and the continued suspension of oil exports, the main source of sovereign revenues for the IRG of Yemen.

In this context, the Yemen's IRG resorted to a package of fiscal and administrative measures aimed at narrowing the widening financing gap, most notably the liberalization of the customs exchange rate for the US dollar.

This set of measures followed a series of meetings among a limited group of senior state officials, who concluded that there were no viable alternatives to addressing the severe revenue shortfall amid the continued halt in oil exports.

In essence, the decision to raise the customs dollar rate represents an attempt to transfer part of the financial burden from the public treasury to the market. The timing was carefully chosen just before Eid al-Adha holidays and accompanied by a social package intended to ease public tension. This included a 20% cost-of-living allowance for state employees, the disbursement of overdue salary increments for the years 2021–2024, and the reopening of long-frozen administrative promotions that had been suspended for more than 13 years.

The decision effectively shifts part of the burden to the market and consumers, even though it officially exempts basic goods from customs duties. However, the increase in tariffs on intermediate and luxury goods indirectly translates into higher transportation, distribution, and service costs, thereby generating additional inflationary pressures within the economy.

Discussions between the Yemeni government and private sector representatives, in Aden, revealed a technical flaw in the formulation of the decision, which led to the application of fees on basic goods and forced traders to pay significant amounts across all categories, contrary to the official announcement. The Yemen's IRG has pledged to correct this issue, highlighting weaknesses in institutional planning and coordination.

May also witnessed an important development: the relative stability of the exchange rate of the Yemeni rial in Yemeni government-controlled areas compared to previous months, alongside continued increases in local prices, particularly fuel and essential services.

This indicates that current inflation is no longer driven solely by exchange rate movements, but rather by a broader set of factors, including rising shipping and maritime insurance costs, higher fuel prices, increased domestic transport costs, and broader disruptions in supply chain management.

At the institutional level, the government continues to pursue a package of reforms aimed at improving public resource management, strengthening fiscal discipline, combating illegal levies, and unifying public revenues. These reforms are based on Presidential Leadership Council (PLC) Decision No. 11 of 2025 regarding the priorities of comprehensive economic reform.

However, the main challenge remains implementation. The Yemeni experience over recent years has shown that the issue is not the absence of policies or decisions, but rather the limited capacity of institutions to enforce them in an environment where political, military, and local considerations overlap.

From this perspective, the success of current reforms will be measured by the IRG's ability to:

- Restore control over public resources.
- Reduce illegal levies.
- Strengthen the transfer of revenues to the Yemeni Central Bank in Aden.
- Enforce fiscal discipline across Yemeni government institutions and economic units.
- Limit the overlap between local and central authorities in resource management.

Regarding the private sector, it continues to operate in a highly uncertain environment. In areas under Houthi control, concerns persist regarding property rights and interference in private assets, as illustrated for example by the case of Tadamon Bank land.

In contrast, IRG-controlled areas have seen initiatives aimed at strengthening partnerships with the private sector, particularly in electricity and investment, through the establishment of a public-private partnership unit and efforts to develop new investment projects.

However, the ability of these initiatives to attract real investment remains dependent on key conditions, foremost among them: a minimum level of security and institutional stability, improved business conditions, legal guarantees, protection of investors, and a genuine political will for partnership between the government and the private sector.

In conclusion, customs dollar liberalization is likely to generate a noticeable increase in government revenues, but at the cost of higher living expenses and inflationary pressures. In the medium term, the Yemeni economy will remain dependent on the government's ability to translate announced reforms into tangible results in revenues and public services, as well as progress in addressing the political and security distortions that continue to constitute the main barrier to economic recovery.

This is particularly evident amid emerging divisions within the government, a lack of unified priorities, ongoing fragmentation in coordination with local authorities, and the continued existence of multiple power centers within the Yemen' PLC, which directly affects policy coherence.

In light of the above challenges, three possible scenarios for the economic trajectory in the coming months can be outlined:

#### **Scenario 1: Status Quo Scenario**

This is the most likely short-term scenario. It assumes continued Saudi intervention at critical moments to support financial stability, while the IRG continues to operate through short-term firefighting measures and temporary fixes, without achieving substantive structural reforms or significant improvements in performance or public services.

#### **Scenario 2: Pessimistic Scenario**

This scenario assumes a worsening of public unrest due to deteriorating services and rising prices, leading to broader protests that could be exploited by parties seeking to weaken the IRG of Yemen. This may pave the way for increased pressure toward negotiations with the Houthi group to reach a settlement to the crisis.

#### **Scenario 3: Optimistic (Desired) Scenario**

Although difficult to achieve, this scenario assumes that the Yemeni government succeeds in making tangible progress in unifying revenues, curbing illegal levies, and launching effective partnerships with the private sector, particularly in key sectors such as electricity and telecommunications, alongside improved regularity and quality in the delivery of public services to citizens.

**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 IRG of Yemen approved the implementation of the decision to liberalize the customs dollar exchange rate, based on Presidential Leadership Council (PLC) Decision No. 11 of 2025. This measure is expected to increase customs tariffs by slightly over 100 percent, after the customs dollar had been fixed at 750 Yemeni rials per US dollar. To mitigate anticipated living-cost impacts, the government announced a 20 percent cost-of-living allowance for public sector employees, payment of delayed annual bonuses for 2021–2024, and resolution of long-frozen administrative promotions that had been pending for more than 13 years.
- The Supreme Energy Council, during a meeting in Aden chaired by Yemeni Prime Minister Shai'e Al-Zindani, instructed all governorates to deposit revenues from local electricity institutions into the account of the Public Electricity Corporation at the Central Bank of Yemen in Aden. This aims to ensure revenue regularity and strengthen the corporation's ability to meet operational obligations, as part of broader measures to improve electricity services and ensure continuity of power generation.
- Yemeni Presidential Leadership Council member Mahmoud Al-Subaihi indicated the possibility of resuming oil and gas exports for the first time since their suspension in late 2022, stressing during an online meeting with the British ambassador to Yemen the importance of continued regional and international support to create a secure environment conducive to economic recovery and the resumption of energy exports.
- The Yemen' PLC held a meeting on Tuesday, May 12, chaired by Dr. Rashad Al-Alimi and attended by its members, to discuss recent domestic developments and economic, service, and security reform paths. The PLC emphasized intensifying IRG efforts to improve living conditions and strengthen state institutions. It also reviewed the outcomes of PLC President's visit to Djibouti and discussions on regional cooperation and maritime security in the Red Sea and the Gulf of Aden, highlighting Yemen's role in regional security, counterterrorism, and anti-smuggling efforts. The meeting addressed security developments in liberated governorates, praised security agencies' efforts against terrorist elements, approved measures to enhance institutional performance, and reaffirmed condemnation of Iranian attacks and threats against civilian and economic facilities in the region.

- The IRG team in Riyadh concluded a high-level dialogue between the public and private sectors on Yemen's electricity sector, with participation from government officials, international financial institutions, and private companies. Discussions focused on electricity recovery, rehabilitation of power networks, expansion of rural electrification, and investment partnership opportunities. The IRG reaffirmed its commitment to sector reforms, governance enhancement, and improving the investment environment. The outcomes included activating the public-private partnership law, completing a unified power purchase agreement model, preparing investment-ready electricity projects, and strengthening coordination with international partners to translate agreements into implementation projects.
- The Prime Minister issued Decision No. 7 of 2026 establishing a "Public-Private Partnership Unit" aimed at restructuring and improving the investment and development environment and encouraging domestic and foreign capital participation in economic recovery. The unit will serve as the central technical and advisory body responsible for organizing and implementing partnership projects and addressing implementation obstacles.
- The Yemeni government invited British companies operating in the energy and mining sectors to invest in Yemen as part of efforts to attract foreign investment and strengthen international partnerships. This came during a meeting between the Minister of Oil and Minerals and the UK Ambassador to Yemen. Discussions focused on cooperation opportunities and development of energy and mineral sectors. The minister emphasized improving production efficiency, developing fields, training personnel, modernizing operations, and adopting advanced exploration technologies, while the ambassador reaffirmed UK support for Yemen's government and economic reforms.
- The Yemeni Ministry of Finance issued a circular imposing a temporary 20 percent compensatory tariff on wheat flour and drinking water for one year starting May 1, 2026. The measure aims to maintain strategic stocks and address challenges facing flour mills, based on directives from the Ministry of Industry and the Prime Minister's Office to stabilize supply chains. The decision was circulated to all customs ports for implementation.

- The Customs Authority in Aden stated that customs dollar liberalization will not apply to essential exempt goods such as wheat, rice, and medicines on the national list. It clarified that the decision targets non-essential goods to improve revenue efficiency and address fiscal imbalances. It added that the previous low exchange rate caused significant losses to the public treasury, and the reform is expected to increase revenues and support public services and salary payments. This follows the cabinet's decision to raise the customs dollar rate for non-essential goods from 750 to 1550 rials per dollar, amid concerns over inflation and living costs.
- **The Aden-CBY and the National Committee for the Regulation and Financing of Imports:**
  - The CBY in Aden warned against participating in illegal public auctions organized by the Houthi group to sell land belonging to Tadhamon Bank in Sana'a, stating that such transactions are legally void and will not be recognized. It also vowed to pursue those involved domestically and internationally.
  - During its fourth meeting of 2026, chaired by Governor Ahmed Ghaleb and attended by the Ministers of Industry, Trade, and Finance, the National Committee Regulation and Financing of Imports approved a set of measures aimed at improving import financing and regulation mechanisms to ensure smooth inflow of essential goods, particularly amid regional disruptions affecting supply chains. The committee emphasized compliance with import regulations through land and seaports and continued coordination between the Central Bank and relevant authorities to reduce supply bottlenecks and ensure market stability.
  - The Aden-CBY Governor met with commercial, Islamic, and microfinance banks in Aden to discuss banking sector developments, external financial arrangements, and compliance with international standards. The meeting also addressed accelerating import financing procedures through the National Committee for Regulating and Financing Imports to support market stability and ensure the flow of essential goods.
  - The Aden-CBY confirmed that the incident at its headquarters in Aden on Tuesday, May 12 was caused by a minor electrical short circuit in the building's garage, which was contained immediately without casualties or material damage. It denied rumors of archive damage, stating that records are safely stored in a protected facility, and reaffirmed its continuation of reforms despite what it described as misinformation campaigns.

- **Local Authorities in the Governorates:**

- In Abyan, Governor Mukhtar Al-Rubash led a security campaign to remove an illegal armed checkpoint east of Zinjibar after reports of trucks being detained and illegal fees imposed. Clashes occurred during the operation, resulting in injuries to two individuals, including one of the governor's escorts, before the group was arrested and the road reopened. The move is part of ongoing efforts to eliminate illegal checkpoints. Separately, a member of the Presidential Leadership Council, Abdulrahman Al-Muharrami, ordered a similar campaign in Lahj Governorate to remove illegal checkpoints under the leadership of the Fourth Military Region, aimed at enforcing state authority and protecting public mobility.
- In Taiz, the Technical Committee, affiliated with Taiz local authority, set a new commercial electricity tariff at 900 rials per kilowatt. It also opened investment competition, abolished the "grid system," established operational and field monitoring teams, required official billing, and mandated legal action against violators.
- The Yemen Gas Company dispatched additional gas supplies to Taiz via 10 emergency tanker trucks to ease a fuel shortage following protests by bus operators. Protesters demanded restoration of the full quota of seven daily tankers after supplies dropped to five or six, causing severe shortages and long queues at filling stations.



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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