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Economic Updates Bulletin

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

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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 June 2026

The Yemen's economic landscape during June 2026 reflects a fragile balance between Yemen' IRG efforts aimed at demonstrating commitment to its reform agenda and an economic and humanitarian reality that continues to place severe pressure on citizens and the private sector. Throughout the month, the IRG introduced a series of administrative and financial measures, including leadership changes in key revenue-generating institutions (the Tax Authority and the Customs Authority), the formation of the Supreme Tender Committee, and the continued efforts of the Central Bank of Yemen in Aden to strengthen the role of the Import Financing Committee. These measures coincided with the implementation of a 20% salary increase for civil sector employees and the provision of new Saudi financial support for the state budget.
However, the impact of these measures remained limited in terms of public services, prices, and overall economic activity. The continued electricity crisis in Aden and Hadramawt, shortages of household cooking gas in Taiz and other governorates, and rising shipping and insurance costs due to maritime security threats all maintained significant pressure on living conditions despite the relative stability of the exchange rate in areas controlled by the IRG of Yemen. For nearly a year, the exchange rate has remained stable at around YER 1,550 per US dollar.

This indicates that Yemen's economic crisis is no longer purely monetary in nature. Rather, it has become increasingly linked to weak governance, fragmented public revenues, disruptions in supply chains, and the escalating costs associated with security and military risks, particularly amid the recent escalation by the Houthi group, which has announced a military mobilization campaign to confront what it describes as "foreign occupation." These challenges are compounded by the country's ongoing political fragmentation, with the Houthis continuing to control significant parts of northern, central, and western Yemen.

On the other hand, the Aden-CBY recent measures concerning the foreign exchange trading platform, import financing mechanisms, and the strengthening of the Deposit Insurance Corporation represent important steps toward improving transparency and restoring confidence in the banking sector. Nevertheless, these initiatives require a stable implementation environment and stronger coordination with fiscal policy and revenue institutions. Likewise, the resumption of financial integration with Marib, and potentially with other governorates such as Hadramawt and Al-Mahrah, provided it is implemented transparently, could mark a significant step toward expanding the country's public revenue base.

In areas under Houthi control, indicators of social discontent continue to intensify as unpaid salaries, deteriorating public services, expanding illegal levies, and declining humanitarian and economic activity further worsen living conditions. The "I Am Hungry" campaign highlights the growing level of economic hardship, while the Houthis continues to redirect domestic frustrations toward political and military mobilization.

Accordingly, Yemen's economy cannot yet be described as entering a genuine recovery phase. Rather, it remains in a phase of temporary crisis management. While external financial support and IRG measures have provided a limited degree of macroeconomic stability, they have yet to address the structural causes of the crisis, including weak revenue generation, inadequate public services, institutional fragmentation, war-related risks, the deterioration of the business environment, and insufficient job creation.

Outlook and Future Scenarios

June witnessed renewed military and political escalation between the Houthi group and the IRG of Yemen, raising concerns over the possible resumption of large-scale conflict between the two sides. Meanwhile, Yemeni citizens continue to face severe economic hardship across all regions of the country, leaving future developments open to multiple possibilities.

Based on an analysis of the current political and economic landscape, the following scenarios appear most plausible:

Scenario One: Limited and Gradual Improvement

This scenario assumes the continuation of external financial support, relative improvements in the performance of revenue institutions, and the Aden-CBY's success in regulating the foreign exchange market and financing essential imports, alongside a reduction in military and maritime tensions.

Under these conditions, the economy could experience relative exchange rate stability, modest improvements in salary payments and electricity services, and limited easing of inflationary pressures. However, such improvements would remain fragile unless they evolve into sustainable institutional reforms.

Scenario Two: Continued Fragility

This represents the most likely short-term scenario. It assumes that reforms continue only partially, while persistent challenges related to electricity, fuel supplies, and public revenues remain unresolved, alongside continued dependence on external assistance.

Under this scenario, the exchange rate is likely to remain relatively stable in IRG, but consumer prices will continue to face upward pressure due to elevated shipping and insurance costs and weak public services. The private sector will also continue operating in a high-risk environment, with limited capacity for expansion or new investment.

Scenario Three: Economic Deterioration and Renewed Conflict

This scenario assumes an escalation in military confrontations, an expansion of maritime attacks, disruptions to external financial support, or the IRG's failure to improve revenue collection and service delivery.

Under such circumstances, renewed pressure on the exchange rate would be expected, accompanied by higher prices for essential commodities, worsening fuel and electricity shortages, and declining commercial and investment activity. Growing public discontent in Houthi-controlled areas could also trigger increased repression, expand illegal taxation, and intensify military mobilization, further exacerbating Yemen's humanitarian and economic vulnerability.

To sum up, in the near term, Yemen's economy is more likely to remain fragile than to enter a genuine recovery phase. Although the IRG's recent fiscal and banking measures represent important steps, their ultimate success will depend on their ability to improve public services, expand domestic revenue generation, reduce risk-related costs for the private sector, and protect citizens' purchasing power. Without tangible progress in these areas, the current stability is likely to remain temporary and largely dependent on external support rather than on sustainable domestic economic improvement.

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 approved the implementing regulations for the decision to increase the salaries of civil sector employees by 20 percent, extending the increase to government contract employees. The IRG also commenced the disbursement of accumulated annual salary increments for employees of the state administrative apparatus.
- The Yemen' Prime Minister in Aden issued a series of decisions introducing leadership changes within the Ministry of Finance and the Tax and Customs Authorities. The appointments included a new Chairman of the Tax Authority, a Director General for Large Taxpayers, and a Director General of the Tax Office in the temporary capital, Aden. The decisions also assigned several deputy commissioners and assistant deputy commissioners within the Customs Authority, as well as appointing a Director General of the Aden Free Zone Customs Office and a Director General of Aden Customs.
- A joint economic committee initiated financial integration procedures between Marib Governorate and the Aden-CBY. And the member of the PLC and Governor of Marib, Sultan Al-Aradah, directed local authorities to provide the committee with all necessary support to complete its mandate.
- The Chairman of the PLC issued a decree establishing the Supreme Committee for Tenders and Auctions, chaired by Jamal Nasser Abdullah Al-Aqel, with Abdul Raqeeb Saif Mohammed Fatah, Abdul Salam Abdullah Salem Baaboud, Ibtihaj Abdul Qader Ahmed Al-Kamal, and Nasser Muthanna Saleh Muthanna serving as members. The committee was reconstituted after being inactive for more than ten years since the outbreak of the war. Despite the significance of the decision, it was met with considerable criticism, with observers pointing to the absence of merit- and integrity-based criteria in selecting committee members.
- The Chief Executive Officer of the Safer Exploration and Production Operations Company (SEPOC) stated that the company's current production stands at approximately 15,000 barrels of crude oil per day and 1.6 trillion cubic feet of natural gas, compared with substantially higher production levels before the war. He affirmed the company's technical readiness to resume liquefied natural gas (LNG) exports as soon as appropriate security and political conditions are in place and the necessary government directives are issued.

- **The Aden-CBY and the National Committee for the Regulation and Financing of Imports:**
- The Aden-CBY announced its intention to launch the Bloomberg Foreign Exchange Trading Platform for interbank transactions beginning 1 October 2026. The initiative aims to enhance transparency and efficiency in the foreign exchange market and regulate foreign currency trading in accordance with approved banking regulations.
- A joint government committee comprising representatives from the Ministry of Finance and the Aden-CBY reviewed operations at the CBY' branch in Marib Governorate. The committee also discussed procedures for closing and reconciling government accounts and completing the electronic network linkage with the Aden-CBY.
- The Governor of the Aden-CBY and the management of the Yemen Bank for Reconstruction and Development met in Aden to discuss the completion of operational arrangements following the relocation of the bank's headquarters and executive management from Sana'a to Aden in July of the previous year. The relocation was undertaken in compliance with Aden-CBY requirements and international obligations after the bank was designated as a sanctioned entity by the U.S. Department of the Treasury.
- The Board of Directors of the Deposit Insurance Corporation held its regular meeting under the chairmanship of the Governor of the Aden-CBY. The meeting discussed the completion of the Corporation's institutional and organizational framework and approved of its operating regulations, investment strategy, contribution rates, and capital increase. It also reviewed several proposals aimed at enhancing the Corporation's operational readiness and enabling it to effectively carry out its mandate, thereby strengthening confidence in the banking sector and supporting financial stability.
- At the conclusion of its sixth session, the Aden-CBY approved measures to strengthen the work of the National Committee for the Regulation and Financing of Imports, which approved import financing requests exceeding US$3 billion during the first five months of 2026.

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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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