

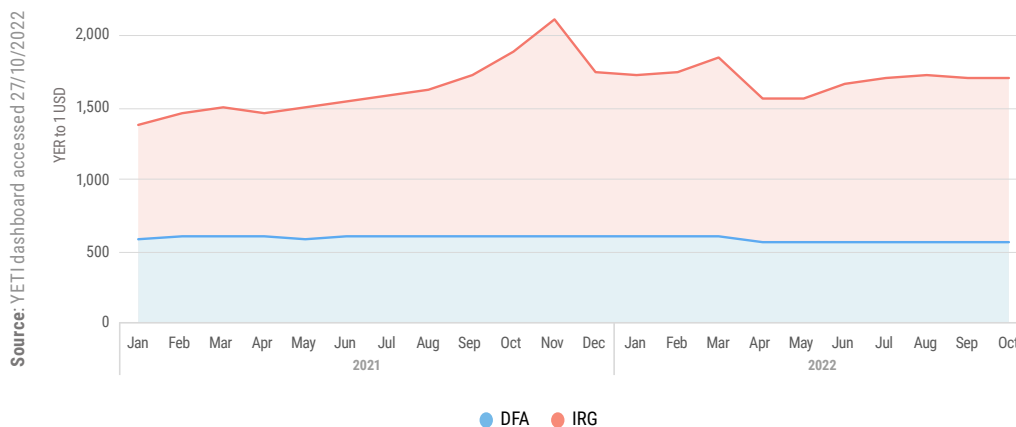
Macroeconomic trends

Initially signed on 2 April, the truce between the Internationally Recognized Government of Yemen (IRG) and the de-facto authority (DFA) in the north of Yemen (also known as the Houthis) ended on 2 October. The parties did not extend the truce, and one reason was the DFA demand to change the proposal regarding public sector salary payments to include additional personnel from their Defense Ministry and Ministry of Interior, which the IRG Presidential Leadership Council rejected. UN-facilitated negotiation efforts to revive the truce continue, including talks on public sector salaries, the reopening of roads, and commercial flights from Sana'a airport ([SCSS 13/10/2022](#)).

EXCHANGE RATE

The value of the rial was relatively stable in September–October 2022. This stability extends back to June 2022, with the rial fluctuating roughly between YER 1,100–1,200 per USD 1. This period marks the longest duration of relative stability since the rapid collapse in the value of the rial in early 2021. The 2 April to 2 October truce was key in achieving this stability, with support from the Central Bank of Yemen (CBY) in Aden's weekly foreign exchange auctions since November 2021 ([Reuters 18/11/2021](#)).

Exchange rate in IRG and DFA areas



ABOUT THIS REPORT

The YETI bimonthly economic update aims to provide a quick overview of the main economic trends in Yemen, including commodities prices, exchange rate, food and fuel imports volumes and major contextual events. It is based on data included in the YETI dashboard and follows its module structure.

In September, the banking sector witnessed a slight improvement. On 1 September, the Aden Bank for Microfinance, which aims to help small and medium-sized businesses in southern Yemen, was inaugurated ([Aden al-Ghad 01/09/2022](#)). It is the first microfinance bank to open in Aden since the conflict started in 2015. In Ma'rib, Prime Minister Maeen Abdul Malik inaugurated Tadhamon Bank and Kuraimi Islamic Microfinance Bank branches, which cost an estimated YER 1.8 billion (USD 1.6 million) to set up. As part of efforts to revitalise the banking sector in Ma'rib governorate, regional authorities have allocated land for the construction of an additional three bank branches ([Saba Net 27/09/2022](#); [Marib Governorate 26/09/2022](#)).

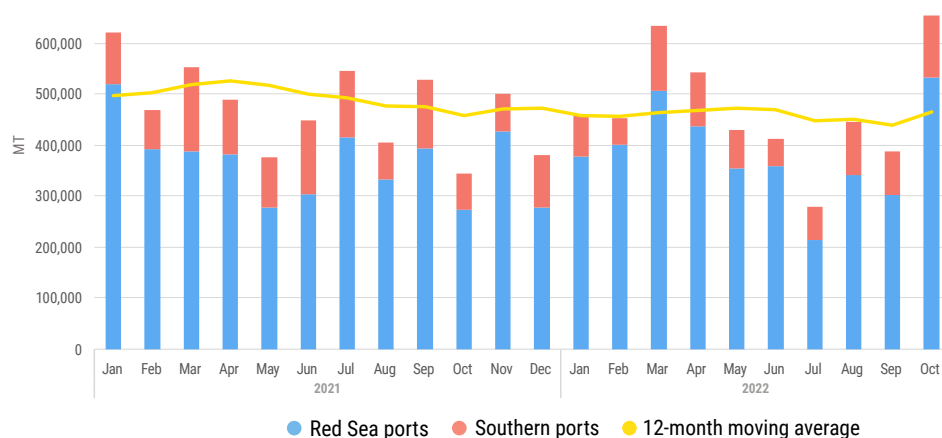
On 2 October, a delegation from the IRG – including CBY Aden Governor Ahmad Ghaleb and Minister of Finance Salem Bin Bureik – held face-to-face consultations with an IMF delegation in Amman, Jordan. The consultations focused on CBY Aden policy and stressed Yemen's continued need for foreign assistance. In its concluding statement, the IMF forecast Yemen's expected economic growth of about 2% in 2022 and 3.2% in 2023, although these estimates come with "considerable uncertainty", given the nature of the conflict ([IMF 05/10/2022](#)).

Source: YETI dashboard accessed 27/10/2022

FOOD IMPORTS AND PRICE TRENDS

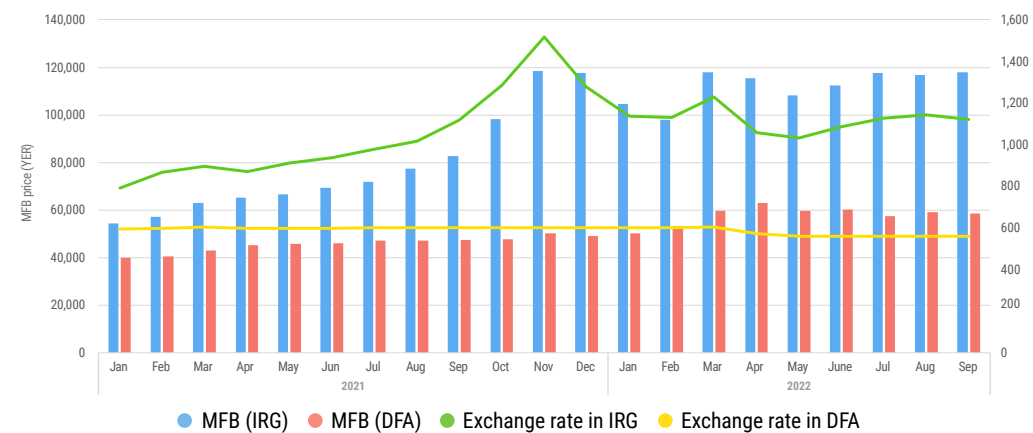
Food imports were slightly below average in September, with a 13% drop compared to the 12-month average, but reached a record high in October, with a 33% increase compared to the 12-month average. Wheat imports make 57% of the monthly average of Yemen's total food imports, so any change to wheat supply dynamics affects overall food import levels. In July, the country had record-low wheat imports, with a decrease of 49% compared to July 2021 and 37% compared to the previous 12-month average. This decrease resulted from the disruption to global wheat supply dynamics following Russia's invasion of Ukraine in February 2022 and the halt to cereal exports from the Black Sea until July.

Food imports through Red Sea and southern ports



Source: ACAPS' discussions with stakeholders

MFB prices and exchange rates in IRG and DFA areas



Source: FAO accessed 27/10/2022; YETI dashboard accessed 27/10/2022

Importers likely had to adjust to high international wheat prices, and people's low purchasing power probably resulted in reduced demand. Financial challenges related to long cash cycles and the 80–100% advance payment requirement have also reduced importers' ability to secure foreign currency in a timely manner to respond to favourable international supply and price dynamics.

On 15 October, the WFP also announced a 14,000MT wheat flour delivery to Al Hodeidah port, the first batch of a total of 37,000MT of wheat grains exported from Ukraine on 30 August and ground in Turkey. This export was the second maritime shipment of WFP food assistance to leave Ukraine since the conflict started in February ([WFP Twitter 15/10/2022](#); [WFP 30/08/2022](#)).

The cost of the Minimum Food Basket (MFB) in September remained the same as in July–August, at around YER 118,000 (USD 105) in IRG areas and around YER 58,000 (USD 103) in DFA areas (note that the difference between the USD values is proportionally less than that of the YER values because of the different exchange rates in IRG and DFA areas). Food prices in IRG areas largely followed the exchange rate variations. Despite an improvement in the value of the currency, prices in DFA areas remained higher than during the same

period in 2021 because of international price increases, the impact of fuel availability, and fuel price dynamics.

On 29 October, Russia announced its withdrawal from the Black Sea Grain Initiative ([Reuters 31/10/2022 a](#)). This withdrawal came after what Russian military sources described as a major Ukrainian drone attack on its Black Sea fleet in Crimea, which included Black Sea Grain Initiative ships ([BBC 29/10/2022](#)). Shortly after the announcement, global wheat prices rose, with US wheat futures increasing by 6% ([Reuters 31/10/2022 b](#)). Prices went down by 4% after Russia resumed its participation in the grain exports deal on 2 November ([Reuters 02/11/2022](#)).

FUEL IMPORTS AND PRICE TRENDS

September and October recorded the highest fuel import volumes since the same period in 2021, respectively 27% and 17% above the 12-month average. Since the beginning of the truce in April, fuel imports through Al Hodeidah port had resumed and returned to pre-disruption import volumes. The monthly fuel import average through Aden between April–October 2022 decreased by 54% compared to January 2021 to March 2022 (a period of fuel import disruption through Al Hodeidah).

In early September, residents of DFA areas witnessed shortages in fuel sold at the official price despite the truce. On 4 September, the Sana'a-based Yemen Petroleum Company (YPC) introduced an emergency distribution plan, accusing the Saudi-led coalition of preventing nine fuel vessels from berthing at Al Hodeidah port ([Saba Net 03/09/2022](#); [YPC Twitter 03/09/2022](#)).

Fuel imports through Red Sea and southern ports



Source: ACAPS' discussions with stakeholders

The plan imposed the rationing of fuel supplies at official stations, forcing consumers to buy petrol at the black market at a rate of YER 1,250 (USD 2.23) per litre, more than double the official price ([Al Mushahid 06/09/2022](#)). On 11 September, YPC Sana'a lifted the emergency distribution plan following the arrival of four fuel vessels at Al Hodeidah port. On 14 September, YPC Sana'a slightly lowered the price of a litre of gasoline from YER 600 (USD 1.07) to YER 575 (USD 1.02) and diesel from YER 690 (USD 1.23) to YER 675 (USD 1.2). At the end of September, the petroleum company organised several fuel truck convoys to different DFA-controlled cities decorated in green lights in celebration of Mawlid. These actions were likely an effort to show residents that the fuel supply had stabilised.

In October, despite the non-extension of the truce, fuel vessels continued to enter Al Hodeidah port at roughly the same rate as during the truce. On 25 October, a YPC Sana'a spokesperson announced that four vessels had entered Al Hodeidah port ([Issam Al-Mutawakel Twitter 25/10/2022](#)). Earlier on 16 October, fol-

lowing the entrance of several fuel ships at Al Hodeidah port, YPC Sana'a announced another price decrease to YER 550 (USD 0.98) per litre of gasoline ([YPC Twitter 16/10/2022](#)).

On 21 October, DFA drones targeted Nissos Kea, a vessel sailing under the Marshall Islands flag, as it entered Adh Dhaba port in Hadramawt, forcing it to turn around ([AP 22/10/2022](#)). DFA armed forces claimed the operation and described it as “a simple warning operation” aiming to deter oil companies from purchasing “smuggled fuel” exported through IRG ports. They stated that they designed the operation to not harm the vessel and its crew or damage the port’s infrastructure. DFA armed forces also maintained that they gave prior notices to the owning company about the strike ([Ansar Ollah 22/10/2022](#)).

Official IRG news outlet Saba Net claimed that drone strikes targeted vessels docked in Al Nashima port in Shabwah governorate on 18–19 October ([Saba Net 21/10/2022](#)). The DFA did not claim responsibility for the strikes. The operation in Adh Dhaba led to the halting of oil production in blocks in Shabwah as fuel reservoirs in Al Nashima port were full of fuel destined for exportation and ships were avoiding Yemeni ports ([Masa Press 27/10/2022](#)).

Food security update

Food insecurity remains a significant humanitarian concern as people’s ability to purchase food and access basic services continues to diminish. In March 2022, the Integrated Phase Classification analysis for Yemen reported that 17.4 million people were projected to experience Crisis (IPC Phase 3) or worse food insecurity levels between January–June 2022. The report also projected an increase in the affected population to 19 million between June and the end of 2022. Children are vulnerable to food insecurity impacts, with over 500,000 estimated to be severely malnourished ([IPC 14/03/2022](#)). Apart from the unaffordability of commodities, natural hazards, such as floods, have affected people’s food security through displacement and the loss of livelihoods and assets. Between July–September, floods destroyed infrastructure and private properties and caused losses in farmlands in Al Hodeidah, Al Mahwit, Amran, Hajjah, Raymah, and Ta’iz governorates.

The floods affected over 16,000 families during the first two weeks of September alone, forcing many to relocate, abandon their farms, and lose their assets ([OCHA 26/09/2022](#)).

For example, heavy rains damaged grape farms in Bani Hushaysh and Khawlan districts in the outskirts of Sana’a ([FEWS NET 20/10/2022](#)). Concerns over shortages in international assistance have also aggravated Yemen’s food insecurity situation. In a context where 50% of families suffer from inadequate food consumption, OCHA estimates USD 1.02 billion of unmet funding for food assistance in 2022, which is 51% of the total required amount ([OCHA 26/10/2022](#)). Despite the lifting of some restrictions in Al Hodeidah port and the increase in fuel supply during the truce, the global increase in food prices and the impact of the war in Ukraine on global wheat supply dynamics still resulted in higher food prices in Yemen. Increased food prices in the country continue to diminish people’s purchasing power, and it is estimated that the 13 million regular recipients of WFP food assistance in Yemen received only 65% of the standard food basket planned on the fifth cycle of the programme ([WFP 17/10/2022](#)).

The report benefited from the support of the Economic Stabilisation Programme, which is supported by aid from the UK Government.

Timeline

