

Macroeconomic trends

EXCHANGE RATE AND THE SUPPORT OF THE KINGDOM OF SAUDI ARABIA TO THE CENTRAL BANK OF YEMEN IN ADEN

On 21 February 2023, Saudi Arabia signed a deposit agreement with the Central Bank of Yemen (CBY) in Aden for USD 1 billion and fully deposited the amount into one of the bank's accounts. The deposit is intended to support an economic, financial, and monetary reform programme in coordination with the Arab Monetary Fund as a technical supervising body ([SPA 21/02/2023](#)). This deposit comes as part of the support package that the United Arab Emirates and Saudi Arabia announced shortly after the formation of the Presidential Leadership Council in April 2022.

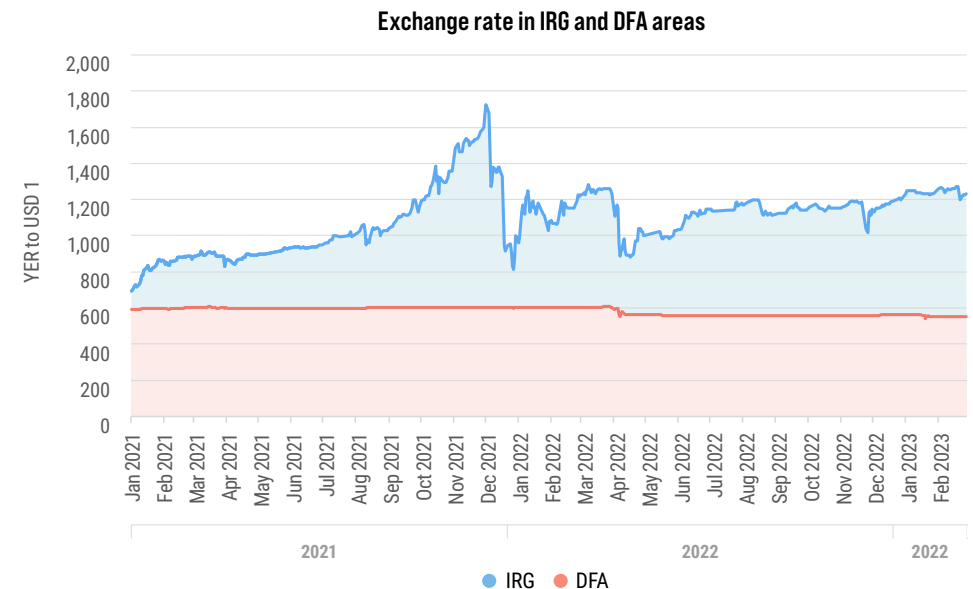
The head of this council, Rashad Al Alimi, has expressed optimism about the prospects of the deposit, stating that it will provide the economy with a push, stabilise the exchange rate, and alleviate human suffering ([President Al Alimi 21/02/2023](#)). Despite this, CBY Aden Governor Ahmed Ghaleb stated in a televised interview that the Yemeni economy is still in a dire situation despite foreign support. He said that the deposit allows CBY Aden and the Internationally Recognized Government of Yemen (IRG) some room for movement amid the current situation but does not solve their problems. He also stated that the reduced maritime traffic resulting from the removal of restrictions in Al Hodeidah had led the IRG to lose around YER 350 billion since April 2022 ([Yemen-TV YouTube 22/02/2023](#)).

The Saudi deposit comes when the IRG is experiencing a large revenue drop after cuts and reductions to two main revenue sources. Towards the end of 2022, the de-facto authority (DFA) in the north of Yemen (also known as the Houthis) led strikes in the southern ports, which halted oil exports and reduced government revenue by 70%, according to Al Alimi. The second source is customs fees, which have dwindled following the re-opening of Al Hodeidah port to fuel imports. From January–February 2023, the worth of the Yemeni rial declined in IRG areas, reaching an average of YER 1,242 per USD 1 in January–February compared to YER 1,160 per USD in November–December 2022. At the start of 2023, the IRG Supreme Economic Committee increased the customs duty exchange rate to increase government revenue. This exchange rate is used to calculate

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.

customs fees on imported goods. The committee increased the exchange rate on non-essential goods by 50%, from YER 500 to YER 750 per USD 1. This move led several private sector and civil society actors to sue the Prime Minister and the Supreme Economic Committee, leading the Administrative Court in Aden to suspend the Government's decision on 6 February until the resolution of the suit ([Aden Al Ghad 06/02/2023](#); [SCSS 09/03/2023](#)).



Source: YETI dashboard accessed 15/03/2023

INCREASED CONTAINER TRAFFIC TO AL HODEIDAH PORT

In February 2023, there was a notable shift in the amount of construction material consigned to Al Hodeidah and Saleef ports compared to Aden port, where imports of these materials fell very sharply ([ACAPS' discussions with key stakeholders](#)). The DFA has been promoting the Red Sea ports of Al Hodeidah, Ras Issa, and Saleef as better alternatives to Aden port for fuel, food, and other types of cargo for use in DFA-controlled areas (including construction materials and other commercial household goods imported via containers).

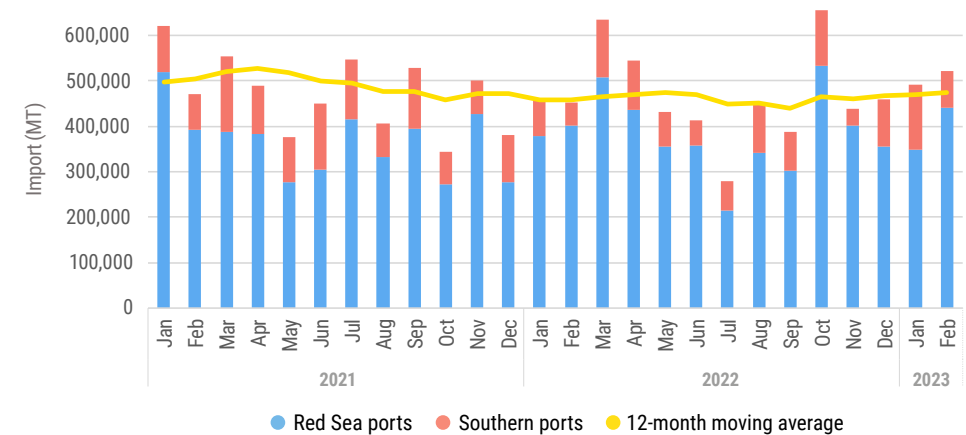
The increased container traffic to Al Hodeidah port spurred competition between the DFA and the IRG over maritime trade and imports, especially as some companies rerouted their ships to Al Hodeidah port. In response, on 23 February, the IRG port authority addressed a letter to several major navigation companies, including the Hodeidah Shipping Transport Company, Al Bukhari Company, and Middle East Shipping Company, warning them that resuming traffic in Al Hodeidah port will result in their becoming blacklisted for violating IRG instructions ([Al-Masdar 23/02/2023](#); [Aden Hura 23/02/2023](#)).

Houthi authorities have been trying to persuade traders to switch to Al Hodeidah port, using reduced fees as an incentive and threatening to block their access to northern markets. Media reports claim that the DFA Ministry of Industry has been warning merchants since early February ([Asharq Al-Awsat 08/02/2023](#)). As at 25 January, the DFA Governor of Al Hodeidah, Mohammed Al Quhaym, announced a 50% reduction in the USD customs exchange rate at Al Hodeidah port, likely diverting traffic from Aden port. This move shortly followed the IRG decree raising customs fees. DFA authorities also seized the opportunity to allow traders to use different payment facilities. Besides reducing the USD customs exchange rate, the DFA also allowed traders to pay only half the fees in cash up front and the other half in check or even delayed ([Hodeidah Media Twitter 25/01/2023](#); [26 September News 16/02/2023](#)). Although this is a huge step in increasing the traffic in Al Hodeidah port, DFA authorities seem to want to suspend the UNVIM altogether. The IRG is rejecting this demand, especially with the amount of time vessels are spending in UNVIM checks already significantly reduced in recent months ([Asharq Al-Awsat 17/02/2023](#)). Several media reports noted that DFA authorities are not letting trucks with goods coming from Aden port enter their territory, holding them at checkpoints in Afar, Nihm, and Rahida, and making some merchants sign pledges to only import through Al Hodeidah port ([Arab News 13/02/2023](#)).

Food imports and price trends

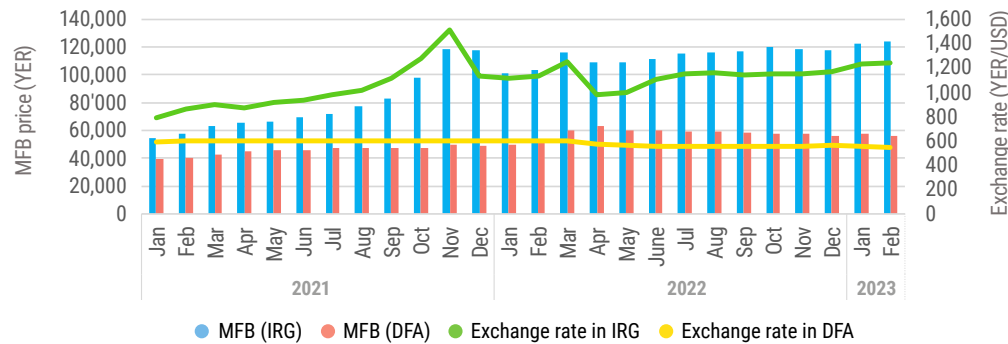
Total food import volumes increased by nearly 12% in January–February 2023 compared to the previous two months. Food imports in January were 4.5% above the 12-month moving average; in February, they were nearly 10% higher.

Food imports through Red Sea and southern ports



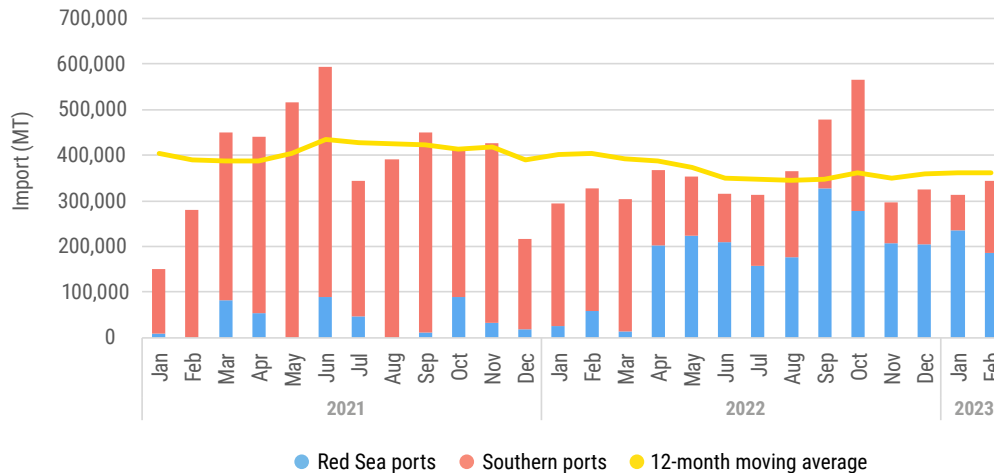
The cost of the Minimum Food Basket (MFB) in IRG areas from January–February 2023 was at an average of YER 123,000, the highest recorded since at least January 2021 and 4% higher than the average between November–December 2022. The decline in the exchange rate was the main cause of the increase; in USD values, the cost of the MFB decreased from USD 102 in November–December to USD 99 in January–February 2023. On the other hand, in DFA areas, the average MFB price remained stable in YER terms at YER 57,000 between November–December 2022, but the USD value increased slightly during the same period, from USD 102 to USD 103. The increase in international prices following the Russian invasion of Ukraine in February 2022 means that they are higher than during the same period in 2022 despite DFA area prices remaining relatively stable as a result of a DFA-imposed fixed price policy.

MFB prices and exchange rates in IRG and DFA areas



Source: ACAPS using data from FAO (accessed 15/03/2023)

Fuel imports through Red Sea and southern ports



Source: ACAPS' discussions with key stakeholders

Fuel imports and price trends

Fuel imports decreased slightly in January 2023 compared to December 2022 and increased by 9% in February 2023 (compared to the previous month). Fuel import volumes were lower than the 12-month moving average in January and February by 15% and 5%, respectively.

On 10 January 2023, the IRG Supreme Economic Committee issued three decrees that increased the cost of domestically generated water, power, and fuel. In all IRG-controlled areas, the first decree increased the customs levy on imported products by 50%, from YER 500 to YER 750 per USD 1. A second directive increased the cost of locally refined gasoline from YER 175 to YER 487.5 (USD 0.14 to USD 0.39) per litre, an increase of about 180%. Currently, a 20-litre gas cylinder costs YER 3,000 (USD 2.42) instead of YER 2,100 (USD 1.70), a 43% price increase. The customs increase generated the most criticism. Several commercial traders and importers of commodities stopped dealing with customs and shipping clearances, choosing instead to stockpile products at Aden port and look into opportunities for unloading them elsewhere. On 6 February, the Aden Administrative Court halted the Government's decision to increase the customs exchange rate ([SCSS 09/03/2023](#)).

In January, official fuel prices generally remained stable in Aden. Prices are expected to increase once traders exhaust fuel stocks purchased before the customs exchange rate increase. In DFA areas, the Sana'a-based Yemen Petroleum Company reduced the official prices of both petrol and diesel by 5% in late December 2022, and prices remained stable in January 2023 ([FEWS NET 22/02/2023](#)).

Food security update

The agricultural off-season from February–March 2023 means that rural households in the highland areas will likely experience declining income access. Crisis (IPC Phase 3) food insecurity outcomes will remain widespread throughout the projection period (*FEWS NET 22/02/2023*). As per the first FAO High-Frequency Monitoring, Hajjah and Al Jawf governorates have a high prevalence of food insecurity, hunger, and inadequate diet based on all five food security measures. The monitoring also indicates that Al Bayda, Amran, Dhamar, and Ta'iz have a higher prevalence of food insecurity in at least four out of the five food security indicators compared to other governorates. Families with no income sources, agricultural wage labourers, and livestock sellers face higher levels of food insecurity, as the prevalence for them was continuously high across all food security indices (*FSC 20/03/2023*). Nearly 43% of the assessed households used food consumption-based coping strategies regularly. Frequently adopted coping strategies included eating less preferred or less expensive food, borrowing money, buying food on credit, selling household assets, and reducing expenses on essential services, such as education and health expenses.

Nearly 59% of the households reported a decrease in the value of their main income source in the past month compared to the same period last year (*FSC 20/03/2023*).

The report benefited from the support of the Affordability of Food & Finance in Yemen programme, which is supported by aid from the UK Government.

Timeline of events

