

the economic indicator REPORT yemen

هذا ما وصلنا إليه في ظل شرعية منقذاتة وحكومة منقذاتة
أعلن عن بيع احدى كليتي
لأنقذ أطفالنا من الجوع
الراتب حياة

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About the Center (SEMC)

The Studies and Economic Media Center (SEMC) is one of the most important Yemeni civil society organizations working on economic affairs, raising awareness about economic issues, promoting transparency, good governance and participation of citizens in decision-making, in addition to working towards creating professional media.

The Center has made significant contributions to the discussion and correction of economic policies, exposing irregularities in economic performance and influencing decision-makers in such a way as to serve the vision SEMC seeks to achieve : "a successful and transparent Yemeni economy". It also plays pivotal roles in providing economic information to society in a simplified way. The Center is keen to continue disseminating knowledge despite the harsh circumstances Yemen is currently experiencing.



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Introduction

The humanitarian situation is increasingly worsening as the war in Yemen enters its third year, given the economic and humanitarian collapse that has affected the lives of Yemenis in rural and urban areas. While poverty rate has risen to 85% of the country's total population of 27.4 million, 17 million people are suffering from food insecurity, 20.7 million people in need of humanitarian assistance, and 9.8 million people at risk of starvation.

The Yemen Economic Indicators report, issued by SEMC, shows the dire humanitarian and economic situation in Yemen as the war continues, as well as the lack of basic services such as electricity, water, medicine and food.

The report reveals a 35% average rise in food prices during the first half of 2017 compared to the same period last year, noting that the country is suffering from the spread of diseases and epidemics, such as cholera, which still claims the lives of Yemenis. According to the report, the number of confirmed cholera death cases amounted to 1,966 until August 14, 2017, with suspected cholera cases rising to 494,000. It indicated that the country has also seen the spread of

other diseases, such as dengue fever, thalassemia, acute diarrhea and malnutrition. Nearly 2.2 million children are reported to have been suffering from malnutrition, with 462,000 children suffering from severe acute malnutrition, the report stated. It highlighted that some 1.1 million women suffer from malnutrition, and that the health of 2.2 million women or girls of childbearing age is in danger because of malnutrition.

Nearly 90% of the total population needs humanitarian assistance and 15.7 million people lack access to safe drinking water and sanitation, let alone the deterioration of the health situation and the breakdown of health facilities, which resulted in almost 65% of the population lacking access to adequate health care.

Salaries of Yemeni civil servants have not been paid for the eleventh month in a row, which further aggravated the humanitarian situation in the war-ravaged nation.

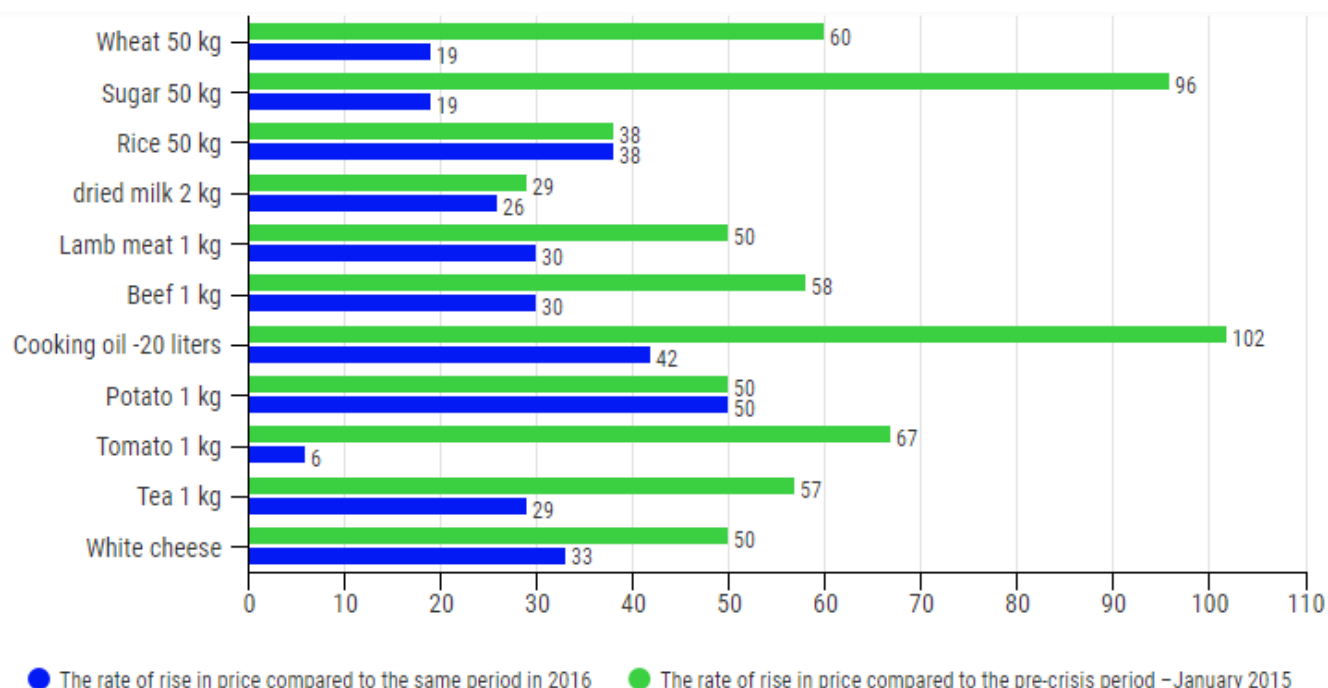
The report briefly outlines the economic and humanitarian conditions in Yemen during the first half of 2017 by monitoring the humanitarian, health and economic conditions, including the prices of food items.

Economic conditions

Commodity prices

In the first half of 2017, the prices of food commodities (wheat, sugar, rice, milk, oil, tea, meat, tomatoes, potatoes, cheese) rose by an average of 35% compared to the first half of 2016. The average rise in prices of basic commodities amounted to 60% compared to the pre-crisis period (January 2015).

| S/n | Item | As Pre-crisis period ⁽¹⁾ | first half of 2016 ⁽²⁾ | first half of 2017 ⁽³⁾ | Rate of rise ⁽⁴⁾ | ⁽⁵⁾ The rate of rise |
|-----|------------------------|-------------------------------------|-----------------------------------|-----------------------------------|-----------------------------|---------------------------------|
| 1 | Wheat 50 kg | 5000 | 6700 | 8000 | 19% | 60% |
| 2 | Sugar 50 kg | 6900 | 11300 | 13500 | 19% | 96% |
| 3 | Rice 50 kg | 6500 | 6500 | 9000 | 38% | 38% |
| 4 | dried milk 2 kg | 4200 | 4300 | 5400 | 26% | 29% |
| 5 | Lamb meat 1 kg | 2000 | 2300 | 3000 | 30% | 50% |
| 6 | Beef 1 kg | 1900 | 2300 | 3000 | 30% | 58% |
| 7 | Cooking oil -20 liters | 4200 | 6000 | 8500 | 42% | 102% |
| 8 | Potato 1 kg | 200 | 200 | 300 | 50% | 50% |
| 9 | Tomato 1 kg | 150 | 150 | 250 | 67% | 67% |
| 10 | Tea 1 kg | 1400 | 1700 | 2200 | 29% | 57% |
| 11 | White cheese | 400 | 450 | 600 | 33% | 50% |

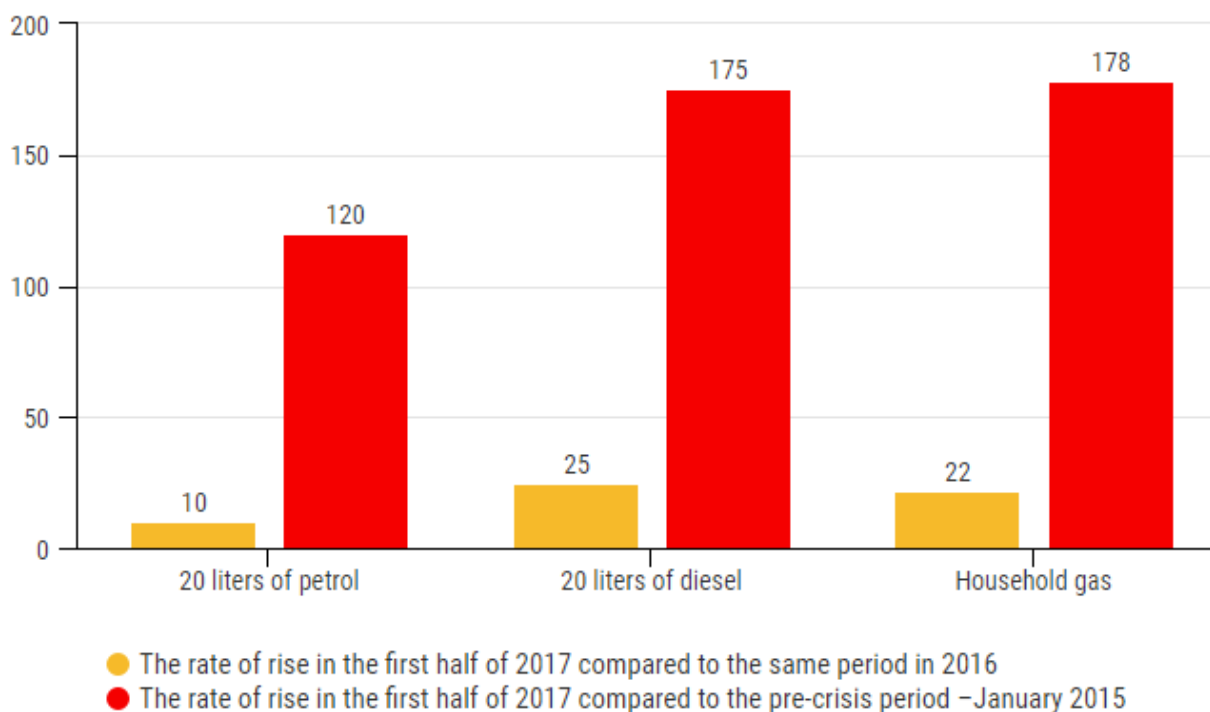


- (1) average price before the crisis -January 2015
- (2) Average price during the first half of 2016
- (3) Average price during the first half of 2017
- (4) Rate of increase in first half of 2017 compared to the same period in 2016
- (5) rate of rise in the first half of 2017 compared to the pre-crisis period –January 2015

Prices of oil products

Also during the first half of 2017, The prices of oil products (gasoline, diesel, domestic gas) soared 19% and 108% compared to both the same period last year and the pre-crisis span (January 2015) respectively.

| S/n | Item | As Pre-crises period (1) (YER) | first half of 2016 (YER) | first half of 2017 | Rate of increase | The rate of rise |
|-----|---------------------|---------------------------------|---------------------------|--------------------|------------------|------------------|
| 1 | 20 liters of petrol | 2500 | 5000 | 5500 | 10% | 120% |
| 2 | 20 liters of diesel | 2000 | 4000 | 5000 | 25% | 175% |
| 3 | Household gas | 1800 | 4100 | 5000 | 22% | 178% |



- (1) average price before the crisis -January 2015
- (2) Average price during the first half of 2016
- (3) Average price during the first half of 2017
- (4) Rate of increase in first half of 2017 compared to the same period in 2016
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Foreign Exchange Rates and Liquidity Problems:



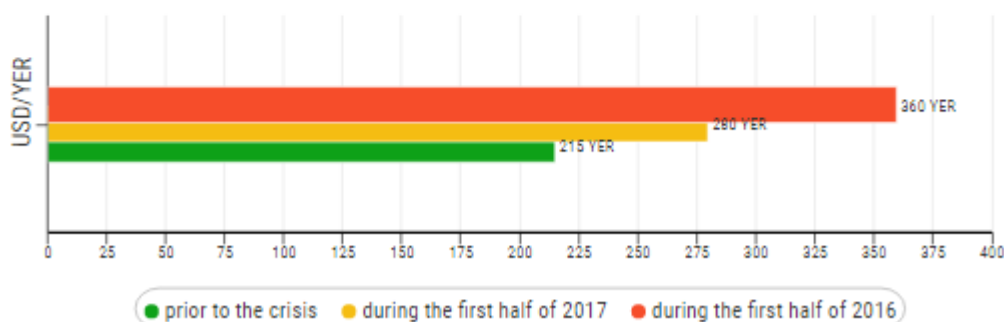
Exchange Rate of the Dollar Against the Yemeni Riyal

67 Percent

The exchange rate of the dollar against the Yemeni riyal rose 67% during the first half of 2017 compared to the pre-crisis period in January 2015

29 Percent

The rate of exchange rate of the dollar against the Yemeni riyal surged 29% during the first half of 2017 compared to the same period of 2016



Foreign exchange rates witnessed a significant increase against the Yemeni riyal during the first half of 2017, with the average exchange rate of the US dollar standing at 29% compared to the same period last year. The green buck rose 67% in this same period as opposed to the pre-crisis span.

Major economic difficulties during the first half of 2017

Liquidity crisis:

The liquidity crisis related to the local currency- the riyal- and foreign currencies, including the dollar, among others, was not something new. Indeed, it started in June 2016 and continued into the first half of 2017 ; so much so that it constituted one of the most significant economic challenges facing the country. This has further compounded the difficulties faced by the Yemeni banking sector, where Yemeni banks have failed to meet their obligations to their

customers, and traders and importers resorted to exchange companies and the black market to buy much-needed currencies.

Non-payment of salaries of State employees

Civil servants in areas controlled by al-Houthi group and its ally, former president Ali Saleh, as well as in some government-administered cities districts, such as Taiz province, haven't received their salaries for 11 months now. In fact, the government paid salaries to some institutions under the control of Houthi and Saleh only once, while the National Salvation Government of the Houthi-Saleh coalition gave public and mixed sector employees commodity cards whereby they receive in-kind items equivalent to 50% of their monthly salary from contracted traders, with 20% remitted through online post office accounts.

Furthermore, salaries were regularly paid to civil servants in the public and mixed sectors in the areas controlled by the Hadi Government in southern Yemen and the governorates of Marib and Al Jawf in the north.

The difficulty of bank transfers abroad:

Yemeni banks face great difficulties in dealing with correspondent foreign banks. Some foreign banks have refrained from either dealing with local banks or providing them with facilities owing to the fact that Yemen has been designated as a high-risk zone, which is marked by weak procedures in terms of combating money laundering and terrorism financing. This has created hurdles to remittances to and from Yemen.

ineffectiveness of the Central Bank of Yemen:

Though almost one year has passed since internationally recognized Yemeni President Abd Rabo Mansour Hadi issued a decision transferring the Central Bank of Yemen from Sanaa to the interim capital, Aden, the Central Bank couldn't assume its functions as at this writing, especially in the formulation of monetary policy, bank oversight and management of government accounts at home and abroad.

Though the Bank was electronically connected to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) in early July 2017, ten months after the decision to transfer the bank, however, it has not yet been activated to initiate remittances.

Difficulty in transporting goods and products

The Yemeni private sector faces many challenges in importing and transporting goods and products to Yemen, whether at sea, land or air ports or during transporting same between cities. Besides, the efficiency of sea-ports in receiving goods has deteriorated due to the partial destruction of some of these ports, as with the ports of Hodeida and Mocha, the existence of administrative obstacles as is the case with the port of Al-Mua'ala and Aden free zone, and the limited capacity of the port of Mukalla, in addition to the fact that many land ports, such as Alab, Haradh and Buqa'a on the Yemeni-Saudi border are currently dysfunctional, with flights denied access to most Yemeni airports, save for those of Aden, Seun and Socotra.

In addition to the challenges related to the difficulty of transporting goods and commodities between cities, illegal royalties are imposed at check-points controlled by militants in various Yemeni governorates. The

Houthi authorities impose additional customs duties on goods entering Sana'a, especially those coming from areas controlled by the Yemeni government.

Random public revenues

Despite the relative improvement in some of the Yemeni governorates controlled by the government, they still face a major problem related to revenues and expenditures. The government has not yet approved a general budget for the state since the outbreak of war in early 2015. Many provinces operate as isolated islands, where some collect and spend revenues away from the Central Bank of Yemen. And many government and mixed institutions refrain from supplying revenues to the Central Bank of Yemen, which are instead deposited into private accounts at banks and exchange companies.

Floating the riyal and its negative and positive effects:

The Yemeni Central Bank approved the floating of the Yemeni riyal against the dollar and other foreign currencies after the local currency's rate was officially set at 250 riyals against the dollar, and at 370

riyals to the dollar on the black market. This decision comes in light of the inability of the central bank to intervene to supply the market with hard currency, especially after the depletion of its foreign reserves over the past two years, which fell from \$ 4.7 billion to only \$ 700 million.

Negative effects

The decision may lead to further deterioration in the rate of the Yemeni riyal against the dollar as a result of the banks entering into speculation on the dollar and buying it from the market, especially as the central bank in Aden did not fulfill the required roles of managing monetary policy and supervising banks, as well as other tasks assigned to it.

The uptick in prices of imported goods is due to the increase in customs duties, where fees were based on the official rate of the dollar (250 riyals to the dollar).

Had the Houthis and their ally Saleh rejected the decision and maintained the previous customs duties, the port of Hodeida would have been more attractive to goods and services, because of the low customs duties, which, too, would have shifted commercial activity from the legitimate government-run areas to those controlled by the Houthis and Saleh.

The risk of fluctuation in the exchange rate if the central bank remained unable to protect the national currency by injecting what the market needs of hard currency, balance supply and demand, and supervise the performance of banks and exchange companies in this respect.

Positive effects

Unifying the official exchange rate and the market price in accordance with supply and demand. This will limit the exploitation by some banks that benefited from exchange rate differences, especially when remittances are transferred from abroad.

Increase in the amount of cash provided to citizens as assistance by international organizations which was valued at the official rate of the dollar.

Enhancing the Central Bank's control over the money market and liquidity, which enables it to maintain the national currency.

Banks in possession of a large amount of foreign currency have capitalized on such currency being valued at the official rate.

Basic Services:

WATER

Yemen's population faces many difficulties in accessing water , particularly potable water , with 5.7 million people -60% of Yemen's population- lacking access to potable water and sanitation,. According to UN statistics, malnutrition and water-shortage diseases result in the deaths of 14,000 Yemeni children under the age of five each year.

Water is also more expensive for Yemeni families. The average price of a drinking water tank, with a capacity of 3,000 cubic liters, is YR 10,000 (\$ 40), while a water tank for domestic use costs YR 5,000 (about \$ 20). The rise in the price of water has been driven by the growing prices of oil products, as well as the scarcity of the country's groundwater, about 70% of which goes to the cultivation of Qat (a mild narcotic plant).

15.7 MILLIONS

15.7million people lack access to potable water

40 USD

One 3000 - liter- drinking water tank costs \$ 40

20 USD

One 3,000-litre water tank for domestic use costs \$ 20

Basic Services:

ELECTRICITY

With the war in Yemen entering its third year, electricity is still disconnected from most of the Yemeni governorates. Statistics show that 90% of the population does not have access to public electricity, especially those under the control of Houthi and Salih militias. Some of The government-administered areas, mainly those that saw an improvement in the security situation, such as Hadramout, Marib and Aden, have witnessed an improvement in electricity , while the rest of the Yemeni governorates have been experiencing continued power outages since the beginning of the war.

Many families rely on alternative energy for electricity, such as solar power and private back-up generators. Worse still, a 100 amp- solar panel costs about 1000 US dollars, while few households resort to the use of back-up generators to ensure access to sufficient power for just a few hours. Daily access to eight hours of generator-yielded power costs \$200 per month.

90 PERCENT

90% of the Total population have no access to public electricity.

1,000 USD

100- amp- solar panel costs about \$1,000

\$ 200 per month

Use of generators to get eight hours a day of power costs \$ 200 per month.

Basic Services:

HEALTH

The health sector in Yemen has witnessed a significant deterioration since the beginning of the war. According to statistics, 300 health facilities have been destroyed or damaged, 65% of health amenities have become dysfunctional, while 14% operate at 50% of its original capacity. This has reflected negatively on the population, including women, children and the elderly. Indeed, many governorates are witnessing a marked deterioration of the health situation due to the inability of local authorities and the government to meet the challenges faced by the health sector in terms of finding urgent solutions to the health problem plaguing those provinces, especially the ones that still witness armed clashes or those under siege, such as the city of Taiz. On 21 June 2017, the board of Al-Thawara hospital, the largest medical facility in Taiz, declared that the hospital had ceased to provide medical services to citizens, given that it couldn't afford operational expenses, includ-

ing the cost of diesel necessary to operate the hospital's generators.

Figures show that 14.8 million people lack adequate health care, and suffer from the spread of diseases and epidemics such as cholera, dengue fever, acute diarrhea, malaria, kidney failure, cancer, diabetes and hypertension, among other diseases.

Health facilities in Yemen suffer from a lack of medicines, medical supplies and fuel, which hinder the provision of healthcare to citizens. In addition, government health workers have not received any salaries for nearly 8 months, which threatens the disruption of medical services

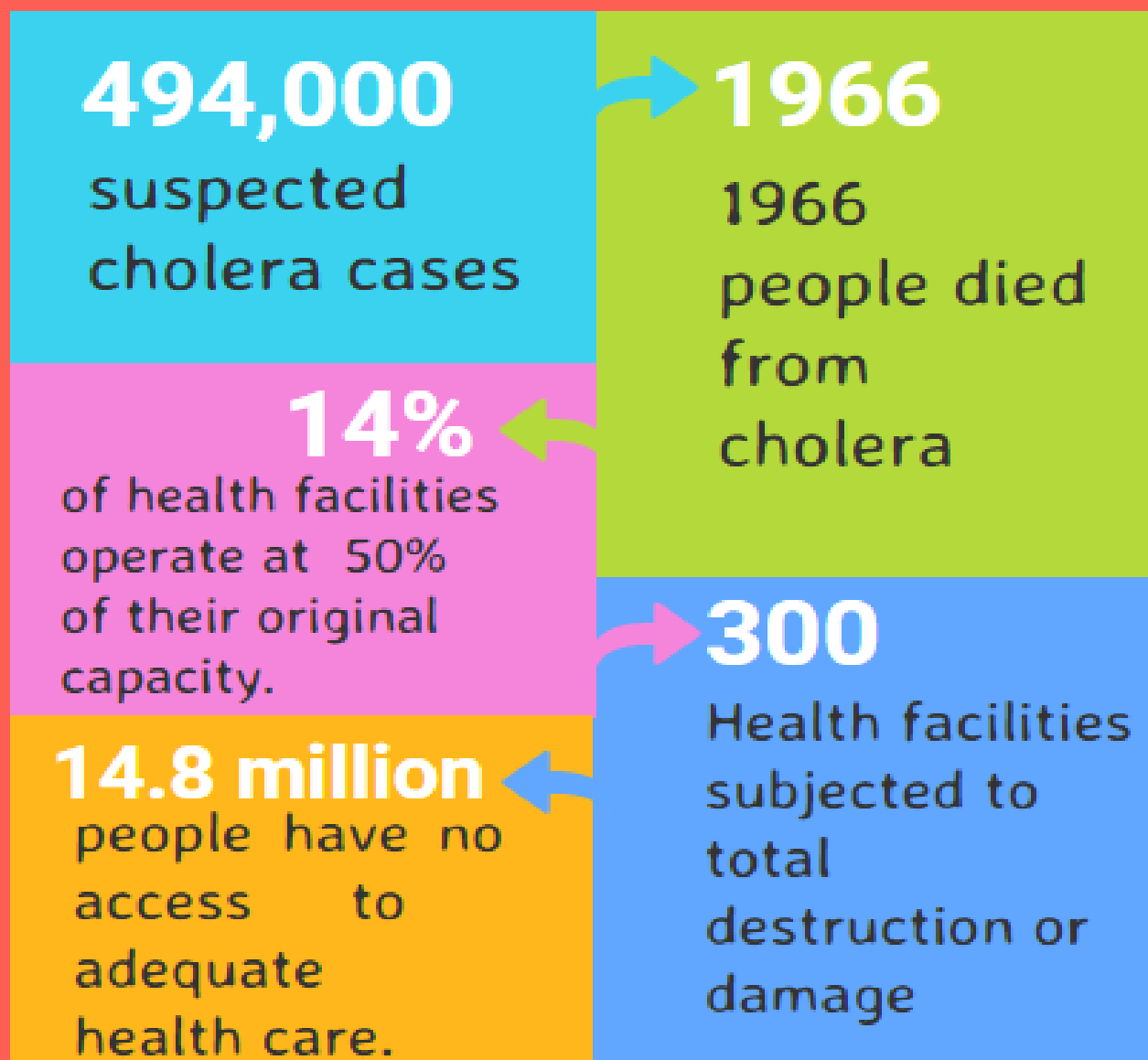
CHOLERA KILLS YEMENIS

According to the World Health Organization (WHO), as of August 14, 2017, the number of

cholera cases has increased to 494,000, with the figure increasing daily. Which showed that the incidence of cholera is rising by more than 4% a day, while the mortality rate increases by

3.5% per day. Cholera threatens the lives of a quarter million people by the end of this year, according to the World Health Organization.

Figure & Facts



Basic Services:

EDUCATION

The education sector in Yemen is witnessing increased deterioration due to the war, which is entering its third year. The war has damaged many educational facilities and caused many students to drop out of school. This puts them at risk of polarization onto the battlefields. Reports indicate that about 1,700 educational facilities were fully or partially destroyed, which rendered them unusable. Plus, one in 10 schools is shut, others used as shelters for internally displaced people, while some are turned by the warring parties into military barracks. The war has also caused some 2 million children to drop out of school either because of the harsh economic conditions or due to parents' inability to provide school materials to their children because of the deteriorating economic conditions.

350,000 teachers awaiting their salaries stopped for 11 months

About 350,000 teachers –males and females– are still waiting for their salaries that have been suspended for nearly 11 months. This threatens the educational process to stop. Teachers are living in difficult economic conditions. Many of them had to leave teaching and go looking for other jobs that help them to support their families.

7, 085 Yemeni students studying abroad suffer from dire humanitarian conditions due to delay in payment of their financial dues

Yemeni students studying abroad on state-sponsored scholarships still suffer from the continued delay by the

Basic Services:

government in the payment of their dues ; many students organized sit-in protests in front of Yemeni embassies in many countries to claim their dues for the second and third quarters of this year. The number of students studying abroad , according to the tallies presented to Prime Minister Ahmed Obaid bin Daghar, amounted to 7085 scattered in many countries.

According to some of those students, first quarter entitlements were paid in June 2017, while the remaining financial assistance along with tuition fees due to universities haven' t yet been paid, which put many students at the risk of being sacked from their universities.

350,000 teachers

350,000 teachers, males and females, are waiting for their salaries that have been suspended for 11 months

1,700 Schools

1,700 Schools fully or partially destroyed

2 million

2 million children out of school

7,085 Students

7,085 Yemenis students studying abroad

Humanitarian Situation:

1.25 million employees unpaid for almost 11 months

Nearly 1.25 million employees in the government sector have been in dire humanitarian straits, as they have not received their salaries for nearly 11 months. According to UN reports, these employees do support 6.9 million people, including 3.3 million children.

With Yemen's economic and living conditions worsening and the war entering almost its third year, Yemeni public workers' suffering is growing even worse, forcing them to leave their government jobs and seek other jobs that help them meet the needs of their families.

One government employee, who worked as a teacher at a public school, said he was suffering a lot from a continued sala-

ry cut:

"After nearly three months of salary cuts, I left school and went out looking for a job. After searching for almost a month, I found work in a shop in the city with a salary of 30,000 riyals (\$ 90) a month, which is not enough to buy the basic requirements of the household. I continued working for two months before I was stopped by the employer because of the decline in work. Then I went out to look for another job, but I could not find one, which forced me to labor with a daily wage of only 2,500 riyals (8 dollars).

"We are now coming closer to the holy Eid al-Adha and there are no signs on the horizon to show our salaries, suspended for 11 months, will be paid any time soon.

So, we have no other option but to wait and struggle for survival," he added.

Humanitarian Situation:

Aida al-Abssi, a government employee in Taiz, decided to sell one of her kidneys to feed her children, having failed to get money to sustain them. A picture of her was posted on social media, featuring a banner reading: "I announced the sale of one of my kidneys to save my children from hunger".

Aida is just one of the 1.25 government employees who depend mainly on their salaries to meet the requirements of their families. Worse still, the increasingly rising prices of basic commodities and the lack of other sources of income have further aggravated their suffering.

"I am not the only one suffering; there are many employees who suffer just like me. There are children who are enduring a real famine because of the non-payment of salaries," she says. "Salary is lifeline and cutting it means death of many of gov-

ernment employees' children, especially in Taiz, which experiences both a hermetic siege and a steep rise in the prices of basic food commodities".

The salary crisis has been further exacerbated by the presence of two governments - the internationally recognized government of President Abdurbo Mansour Hadi, and the one controlled by the Houthi group and its ally, Saleh. The legitimate government pays salaries to employees in the areas it controls, such as Aden, Hadhramout and Marib. The Houthi government is working on supplying ration cards to employees whereby they buy food intermittently.

The UN envoy to Yemen had announced that he would come up with proposals to solve the salary crisis in the war-shattered country, but such proposals are yet to see the light of the day.

17 million

17 million suffer from food insecurity

27,4 million

27.4 million Yemen's Total Population is

10.3 million

10.3 million people in urgent need of humanitarian assistance

20.7 million

20.7 million people in need of assistance.

9.6 million

9.6 million children need humanitarian assistance- about 80 of the total number of children in Yemen.

9.8 million

9.8 million people at risk of starvation

1.1 million

1.1 million women suffering from malnutrition

2.2 million

1, 4 million displaced children

1.25 million

1.25 million government employee without salary for 11 months.

1, 4 million

2.2 million children suffer from acute malnutrition

Organizations operating in Yemen

As of June 30, 2017, the number of organizations operating in Yemen reached 128 , 86 of which are national NGOs, 34 international non-governmental organizations and 8 United Nations agencies.

These organizations operate in many sectors, including 74 in food security and agriculture, , 46 health outfits , eight working in the field of shelter , non-food items, camp management and coordination , 28 in health nutrition , 17 in water and sanitation , 22 in protection, seven in the field of education, six refugee and displaced bodies, and 11 are active in early recovery.

| Sector | *Numbers |
|---|----------|
| Food security and agriculture | 74 |
| health | 46 |
| Shelter, non-food items, camp management and coordination | 8 |
| Healthy nutrition | 28 |
| Water and sanitation | 17 |
| Protection | 22 |
| Education | 7 |
| Refugees and IDPs | 6 |
| Early recovery | 11 |

Aid amounts received by organizations

On April 25, 2017, an international conference to support the humanitarian response plan in Yemen was held in Geneva in the presence of representatives of many countries and international organizations. The organizations revealed that donors pledged \$ 1.1 billion to support the humanitarian response plan in Yemen, the implementation of which requires almost \$ 2.1 billion . Cash aid received as of August 15, 2017 amounted to \$ 1,318.4 billion i.e. from the beginning of 2017 to 15 August 2017, of which \$ 912.2 million under the humanitarian response plan, which accounts for about 39 of the total amount allocated for the humanitarian plan , in addition to \$ 406.2 million outside the response plan.

* Number of operating organizations - Source : OCHA REPORTS

Port/marine traffic

The volume of food imports has declined by 22, as imports of oil products increased by 103 during the first quarter of 2017 compared to the same period in 2016.

Volume of goods and oil products received by the Red Sea Ports Corporation at the ports of Hodeida ,Saleef ,Ras Issa

| | January-March 2017 | January- March 2016 | Percentage Increase | Decrease |
|--------------------|--------------------|---------------------|---------------------|----------|
| Food items | 1131999 | 879483 | | 22 % |
| General articles | 246383 | 149651 | | 39 % |
| Building Materials | 332439 | 453617 | 36 % | |
| Oil products | 222206 | 451636 | 103 % | |
| Grand total | 1933027 | 1934387 | 1% | |

The following Table shows the number of containers during the first quarter of 2017 as opposed to the same period in 2016

Number of containers during first quarter of 2017 compared to the same period in 2016

| Year | Number of containers | Increase rate |
|------|----------------------|---------------|
| 2016 | 18281 | |
| 2017 | 21660 | 18% |

* Source: Yemen Red Sea Ports Corporation.