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Studies and Economic Media Center (SEMC)

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Yemen's Economy in 2024…
Increasing Sanctions and Ongoing Deterioration

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

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Preface

The Yemeni economy is undergoing a critical phase filled with mounting challenges, as political and economic factors intertwine to paint a bleak picture of the country's financial, monetary, and commercial conditions that directly affect the lives of millions of Yemenis, who have been enduring the hardships of war for 10 years.

Despite the relative calm – a state of "no peace, no war" – that Yemen experienced throughout 2024, the economy, however, witnessed turbulent events and significant transformations. Chief among these was the sharp depreciation of the Yemeni currency (Riyal) against the U.S. dollar and other foreign currencies, with the exchange rate surpassing 2,000 riyals to one U.S. dollar. The year also saw increased U.S. sanctions on the Houthi group and entities linked to it, as well as an escalating fragmentation of the Yemeni economy and the intensification of conflicts, especially in the banking sector. Furthermore, the private sector across Yemen continued to face violations and extortions, the most prominent of which were the Houthi group's direct takeover and appropriation of certain companies and institutions.

This Annual Economic Report, issued by the Economic Surveillance & Research Unit at Studies and Economic Media Center (SEMC), focuses on the key economic developments in Yemen during 2024, with special emphasis on the growing impact of U.S. sanctions against the Houthi group and related entities. It also highlights their repercussions on the national economy, the banking and financial sectors, as well as the intensifying conflict within the legitimate government's structure, the evolution of financial and monetary policy, and the efforts and challenges faced by Yemen's private sector.

The year 2024 witnessed an unprecedented escalation in U.S. sanctions against the Houthis, starting with their reclassification as a terrorist organization in January 2024, followed by sanctions against several entities and individuals accused of financing them. The sanctions later expanded to include companies and individuals in China, Hong Kong, Iran, and Lebanon, believed to be contributing to the group's funding. A public opinion survey conducted by the SEMC among 13 senior bankers and financial experts revealed that 36.4% believed the sanctions had a negative impact on those targeted, while 27.2% thought the sanctions had little to no effect, and 36.4% believed the sanctions had a moderate impact.

The Yemeni banking sector faces increasing pressures due to sanctions and the monetary split between the Central Banks in Sana'a and Aden. Confidence in the banking system has declined, especially after the Central Bank in Sana'a, under Houthi control, introduced a newly minted "100 riyal" currency coin. Meanwhile, the Yemeni Central Bank in Aden issued a decision ordering Yemeni banks to relocate to Aden, only for this decision to be suspended later. Forced closures of bank branches in various areas also intensified, further worsening financial instability. The Yemeni Riyal lost 27.3% of its value during 2024, while inflation rates continued to rise, reaching 28.49% in government-controlled areas compared to just 2.89% in Houthi-controlled regions, where the Houthi group imposes strict market controls.

According to reports from the International Monetary Fund, Yemen's Gross Domestic Product (GDP) is projected to contract by -1% in 2024, following a larger contraction of -2% in 2023, highlighting the ongoing economic struggles. The public budget registered a deficit of 382.9 billion Yemeni riyals up to November 2024, a 351% increase compared to 2023, as a result of forced austerity policies adopted by the Yemeni government in Aden. Since the suspension of oil exports in late 2022, due to Houthi attacks on ports, the Yemeni government has been losing over one billion dollars annually in oil revenues, leading to a 42% decline in public revenue compared to 2023. This created a major crisis, leaving the government unable to meet essential obligations like salary payments in the final months of the year, until it received a $200 million grant from Saudi Arabia.

Yemen's trade balance continues to suffer from a chronic deficit, which reached $12.5 billion in 2023, with expectations of an even higher deficit in 2024. The share of imports through the Houthi-controlled ports of Hodeidah has increased at the expense of imports through ports under the government's control. Additionally, the Houthis' decision to ban the import of domestically produced gas in favor of imported gas has caused further economic losses, estimated at $283.6 million in 2024, increasing pressure on both the trade balance and the exchange rate.

Yemeni citizens are bearing the brunt of these developments, as they directly translate into a continuous rise in living costs amid shrinking humanitarian aid and expanding economic sanctions. The Red Sea shipping crisis has pushed transportation and freight costs even higher, leading to significant increases in basic commodity prices. For example, the shipping cost of a 40-foot container to Hodeidah Port doubled from $5,000 to $10,000 during 2024, contributing to further rises in food and fuel prices.

In conclusion, the Report finds that unless comprehensive reforms are adopted to restore stability both financial and monetary within an integrated framework of institutional and administrative reform based on governance, transparency, and accountability, the continuation of economic sanctions, monetary divisions, and regional tensions will lead to further economic deterioration in 2025.

Mustafa Nasr
Chairman of Studies and Economic Media Center (SEMC)

U.S. Sanctions

on the Houthis...

Searching for an Emergency Exit?

Introduction:

The U.S. Treasury Department issued a decision accusing a Yemeni money exchange company of financing the Houthi group. The sudden announcement came as a shock to the owner of the company, who is not organizationally affiliated with the Houthis but, like dozens or rather hundreds of other companies, could not distance himself from the group. The Houthis, one way or another, force such companies to engage in their financial transactions.

That money exchange company, whose name we withhold here, never expected to face this level of sanctions, which included freezing its assets in the United States and prohibiting all dealings with it. The company made every effort to seek help from American experts and lawyers to have its name removed from the sanctions list or correct its status, but to no avail!

As the company owner later discovered, navigating this situation was not easy. Meanwhile, influential figures in Sana'a, fully aware of the right tactics for such scenarios, advised: "The best strategy is to operate under another name" when dealing with external financial transactions.

This advice, offered by a senior insider from the Houthis' decision-making circles, reinforces a narrative that many Yemeni economic experts believe U.S. sanctions against companies working for or closely linked to the Houthis are no more effective than banning Abdulmalik al-Houthi, the Houthi group leader, from visiting the U.S., a trip he never planned to take in the first place!

This was echoed in a poll conducted by the SEMC, in which several participants – including financial experts and banking professionals – were asked about the impact of sanctions on individuals and entities accused of supporting and financing the Houthi group (Ansar Allah) in recent years. Only 36.4% believed the sanctions had negatively affected the targeted parties, 27.2% believed the sanctions had no real impact, and 36.4% thought the impact was moderate.

In recent years, hundreds of new companies and businessmen have emerged, many of whom played a role in facilitating financial flows for the Houthis or managing investment and financial activities for key group leaders.

The U.S. Treasury Department has targeted many of those accused of assisting the Houthis in channeling money and weapons, as well as those involved in the group's cross-border financial networks.

On January 17, 2024, Washington designated the Houthi militia as a "Specially Designated Global Terrorist Organization", one month after granting them a deadline to halt their attacks in the Red Sea. Just a week after this designation, the Treasury imposed sanctions on four prominent Houthi military figures:

- **Mohammed al-Atifi,** Minister of Defense and Military Production appointed by the Houthis;
- **Mohammed Fadl Abdulnabi,** Commander of Naval Forces;
- **Mohammed Ali al-Qadri,** Commander of Coastal Defense Forces and Dean of the Naval Academy;
- **Mohammed al-Talbi,** Director of Procurement at the Houthi-run Ministry of Defense in Sana'a.

The wave of sanctions by the U.S. and the U.K. continued in an effort to dry up the Houthis' sources of support and to pressure the group into ceasing its operations in the Red Sea, a region through which about **15% of global trade** passes via the Bab al-Mandab Strait.

Before sanctions expanded to include companies in Hong Kong and China, the U.S. had already sanctioned one of the Houthis' key financial operators, **Saeed al-Jamal,** who has direct ties to Iran's Islamic Revolutionary Guard Corps (IRGC), according to U.S. allegations. Al-Jamal, based in Iran, was accused of playing a crucial role in financial deals benefiting the Houthis.

Sanctions also targeted IRGC-linked entities, including:

- **Mohammad Reza Fallahzadeh,** Deputy Commander of the IRGC's Quds Force;
- **Ali Hussein Badr al-Din al-Houthi,** Deputy Minister of Interior under the Houthi authority in Sana'a.

The U.S. Treasury accuses Saeed al-Jamal of managing shipping operations for the Houthis from Hong Kong and the Marshall Islands, leading to sanctions on two companies and two vessels based in these locations. The department also sanctioned **10 individuals, entities, and ships** accused of illegally transporting oil and other goods for the Houthis.

On **June 17, 2024,** the U.S. imposed sanctions on **3 individuals and 6 entities** accused of facilitating arms purchases for the Houthis. This was followed on **July 18** by sanctions targeting **2 individuals and 5 Houthi-linked entities,** as well as five ships designated as blocked property, after confirming that these networks were funneling significant revenues from the illicit trade of Iranian goods to the Houthis.

U.S. authorities have placed particular focus on Saeed al-Jamal's financial network, believing that the funds he channels help the Houthis expand their capability to launch attacks against commercial shipping in the Red Sea, the Arabian Sea, and other waterways. Consequently, sanctions were extended to companies **such as Y-Tech** (owned by **Maher Yahya Mutaher al-Kinai**), as well as the companies of **Ahmed Khaled Yahya al-Shahari** which include "Al-Shahari United," "Guangzhou Al-Shahari United," and "Hong Kong Al-Shahari" with headquarters in Yemen and China.

On **August 15, 2024,** Saeed al-Jamal reappeared on the sanctions radar, this time with additional penalties imposed on companies and individuals affiliated with **Hezbollah**. The sanctions targeted **six companies, one individual**, and three ships that were implicated in generating illicit revenues to fund Houthi activities, all operating under al-Jamal's network.

On **October 2, 2024**, the U.S. Treasury announced a new round of sanctions against **9 individuals, entities, and vessels** linked to the smuggling and purchase of materials used for weapons manufacturing for the Houthi militia. This was followed by further sanctions on **18 companies, individuals, and vessels** directly associated with the Houthis' financial network, especially **Saeed al-Jamal**, as confirmed by the Treasury.

In parallel with U.S. actions, the **British government** added four senior Houthi commanders to its blacklist, published on the U.K. Foreign Office website. The sanctions included travel bans for **Mohammed al-Atifi** and his deputy **al-Talbi** from entering the United Kingdom and freezing any of their assets found in Britain. The sanctions also targeted **al-Qadri** and **Abdulnabi**, both leaders of the Houthi so-called Naval Forces. The British decision further bans the supply of weapons to Houthi leaders and associated individuals.

Heating Up for What's Coming

Throughout 2024, the pace of U.S. sanctions against individuals and entities accused of supporting the Houthi group accelerated in an unprecedented manner since the war in Yemen began in 2015. This came even though the Ex-President Joe Biden's administration had initially eased sanctions on the Houthis when Secretary of State Antony Blinken announced the administration's intention to revoke the designation of the Houthis as a Foreign Terrorist Organization, a label that had been imposed in the final weeks of former President Donald Trump's administration. Indeed, the designation was officially lifted on February 16, 2021.

Although the U.S. administration justified its decision by citing the deteriorating humanitarian situation in Yemen, responding to warnings from the United Nations, humanitarian organizations, and members of Congress that such designations could have a devastating effect on Yemenis' access to basic goods like food and fuel, it was the same administration that later reclassified the Houthis as a terrorist group. The re-designation, announced by the Biden administration on January 17, 2024, came under the justification of the Houthis' continued and unprecedented attacks on international shipping passing through the Red Sea and the Gulf of Aden, as well as attacks on military forces stationed in the region.

This shifting and turbulent U.S. policy reflects a form of confusion and the absence of a clear vision for dealing with the Yemeni crisis although the growing frustration with the Houthis was obvious after they began targeting international shipping in the Red Sea and launched missiles that reached areas inside the Israeli-occupied Palestinian territories. This escalation appears to have spurred a wave of U.S. sanctions.

Political analyst Mustafa Naji told the SEMC: "The Houthis are no longer just a local threat but have become a regional and global menace. The rationale behind Trump's final designation of the group clearly reflected concern for American and global interests."

In his assessment of the differing decisions made by the Trump and Biden administrations, Naji noted that: "It's not so much about confusion as it is about differing visions and tools in each administration – both internally and externally – which led to a high degree of contradiction in how the Yemeni issue, among others, was handled."

At the start of 2024, specifically on January 17, the U.S. officially classified the Houthis as a global terrorist organization, followed by a series of sanctions imposed by the U.S. Treasury Department targeting individuals affiliated with the group and entities accused of facilitating their financial operations.

This second phase of sanctions did not face the same objections or concerns from U.N. agencies and other international organizations as the initial round had.

A Western diplomat, speaking informally with the one of SEMC's researchers, noted: "The United States has long been aware that the Houthis have numerous channels and means to fund their war efforts and secure access to weapons and money, whether through internal sources, direct Iranian support, or via intermediaries. However, until the Gaza war erupted, the U.S. largely turned a blind eye."

This assessment aligns with the trend of sanctions imposed on the Houthis and their funding networks over the eight years of war from 2015 to 2023 apart from the escalation led by Trump in the final days of his first term.

When Trump's administration announced its intention to designate the Houthis as a Foreign Terrorist Organization in the final days before leaving office – with the designation set to take effect on January 19, 2020, just one day before Biden took office – the U.N. and members of Congress condemned the move, arguing that it would worsen Yemen's already dire economic and humanitarian crisis. Under that pressure, Biden's administration decided on February 16, 2021, to reverse the designation.

Today, the context of American and international interests appears somewhat different. A report from the U.N. Panel of Experts described the 2024 dispute involving six Yemeni banks whose headquarters the internationally recognized Central Bank in Aden had attempted to relocate from Sanaa to Aden, before later reversing the decision. The report noted that the Yemeni Central Bank in Aden had revoked the licenses of six leading banks in Sanaa and threatened to disconnect them from the international financial communications system, SWIFT, as these banks handled a significant number of international transfers on behalf of Houthi-controlled entities.

The resulting restrictions impacted the Houthis' economic interests, prompting them to threaten a return to full-scale war and to launch cross-border attacks against Saudi Arabia's vital economic infrastructure.

This new narrative from the Panel of Experts signals a shift in global attitudes though a concerning one, as it risks placing most Yemeni banks under the threat of sanctions without fully understanding the consequences for the country's banking sector as a whole.

Within this same context came the shocking and unexpected decision for Yemen's banking sector: the U.S. Treasury's Office of Foreign Assets Control (OFAC) sanctioned Yemen Kuwait Bank for Trade and Investment, accusing it of providing financial support to the Houthis by exploiting the Yemeni banking sector and transferring funds to Houthi allies such as Hezbollah.

Just three days before Donald Trump was set to begin his second presidential term on January 20, 2025, Yemen Kuwait Bank (YKB) was hit with this unexpected blow, as OFAC announced the sanctions against the bank, accusing it of financially supporting the Houthis – a group that the U.S. had re-designated as a terrorist organization – and facilitating their continued attacks on U.S. military personnel, regional partners, and legitimate commercial shipping in the Red Sea.

Regardless of the accuracy of the information on which the U.S. Treasury based its sanctions – especially since Yemen Kuwait Bank is the first private Yemeni bank, established back in 1977 – there is skepticism about whether such actions will meaningfully weaken the Houthis.

The bank had modernized its financial systems and management practices, and it wasn't a secret that Houthi authorities had allowed it a relatively free hand to attract foreign humanitarian and relief funds into Yemen especially after International Bank of Yemen suffered severe setbacks that left it unable to meet its obligations to depositors.

The YKB expanded significantly not only in Houthi-controlled areas but also in regions under the internationally recognized government, even establishing a regional management office in Aden and running an active financial operation. In its response to the U.S. Treasury's decision, YKB stated that the sanctions were primarily driven by the ongoing conflict between the U.S. and the Houthis, though the Houthis themselves made no comment on the matter.

The Houthis are unlikely to concern themselves with defending any financial institution caught in the web of U.S. sanctions, as they have alternative channels to fall back on. They have also consistently defied international resolutions on this front.

In a notable move, the Financial Information Unit for Anti-Money Laundering and Terrorist Financing, under the Houthi-controlled Central Bank in Sanaa, issued a directive to financial institutions and commercial companies stating that: "No funds, properties, or assets of persons or entities listed in international sanctions should be frozen or seized except by order of the Attorney General. No transactions with any person or entity should be suspended unless directed by the Financial Information Unit, the Central Bank in Sana'a, or the judiciary."

The directive also instructed institutions to continue working with any entities subject to external sanctions and even went further by inviting anyone affected by such measures to submit complaints or reports, strongly hinting that any party complying with U.S. sanctions might face legal consequences.

Emergency Exit!

The rest of Yemen's major banks find themselves in a rather unenviable position. On one hand, they face the looming threat of U.S. sanctions, as their headquarters are still located in Sana'a, making them subject to the directives of the Houthi authorities. On the other hand, they have not succeeded in convincing the Houthis to relocate their headquarters to areas under the control of the internationally recognized Yemeni government.

Yemeni banks have engaged in discussions with all parties on both sides — the Central Bank in Aden and the Central Bank in Sana'a — in search of a way to escape the looming sword of potential U.S. sanctions.

Most major Yemeni banks, especially the large ones like Tadhamon Bank, Al Kuraimi Islamic Microfinance Bank, and Shamil Bank of Yemen & Bahrain, stress that all of their financial operations are subject to oversight by the Central Bank of Yemen in Aden, which is internationally recognized. They also affirm that they comply fully with all procedures and compliance rules related to anti-money laundering and counter-terrorism financing.

Currently, these banks are making intense efforts to implement additional controls and procedures to ensure they avoid any penalties or actions from the U.S. Treasury, especially following the designation of the Houthi group as a terrorist organization in January 2025.

Trump's Storm!

Just one day after U.S. President Donald Trump began his second term, he issued an executive order re-listing the Houthi group as a terrorist organization. The swift move to reclassify the Houthis as terrorists, only a day after Trump's return to office, sends a clear signal of an upcoming period of heated confrontation in terms of U.S.

and European sanctions in the months ahead.

Regardless of how deeply the Houthis themselves will be affected by these sanctions, one thing is certain: these measures will impose further complications on Yemen's banking sector, especially since the Houthis still control a significant portion of the country's economic activity, as well as the majority of Yemen's population.

While the Yemeni private sector expresses concern about the negative impact these developments could have on the banking system and private sector institutions in general, the officials of the internationally recognized Yemeni government hold a contradictory view. They see these sanctions as one of the tools to weaken the Houthis and strip them of their power hoping that U.S. sanctions can achieve what military force has not: the defeat of the Houthis.

Sanctions and Yemeni Citizens!

Opponents of the Houthis welcomed the U.S. decision to reclassify the group as a terrorist organization and to impose further sanctions on financial institutions that provided services to the group. Some see this as another step toward financially strangling the Houthis and, more importantly, as a significant shift in the American stance, which had long relied on a peaceful resolution to the Yemeni crisis until the war erupted in Gaza in October 2023 and the subsequent escalation by the Houthis against Israeli, American, and British vessels in the Red Sea and the Arabian Sea.

Yemeni Prime Minister Dr. Ahmed Awad bin Mubarak stated:

"We appreciate this move – the re-designation of the Houthis as a terrorist group by the Trump administration – it's a step in the right direction, and one we've long called for."

In contrast, the Houthis have intensified their propaganda campaigns to convince Yemeni citizens in areas under their control that these sanctions are actually a "public certificate" proving they are confronting the U.S. and Israel head-on, turning their famous slogan, "Death to America, Death to Israel" into a lived reality.

One Western diplomat noted that U.S. airstrikes in recent years have had the unintended effect of portraying the Houthis as heroes, larger than life. The same could apply to financial sanctions; their limited impact on the Houthis and their financial networks may even allow the group to emerge as victors especially since the Houthis have seized state resources and now run their operations using the full capabilities of state institutions.

In this context, the most pressing concern is the negative impact on ordinary Yemeni citizens. More restrictions on the banking sector — whether in financial transfers or through their humanitarian ripple effects — will inevitably hit the Yemeni people hardest, particularly since Yemen imports most of its essential goods from abroad (90% of its wheat, for example). Early signs of this are already visible, with many international organizations pulling out of Houthi-controlled areas, and some countries halting their aid programs there entirely.

Although this narrative holds some truth, the internationally recognized Yemeni government believes that "the cost of allowing the Houthis to continue controlling the capital, Sana'a, and several provinces is far more tragic." Moreover, despite the flow of billions of dollars in humanitarian aid over the past decade, living conditions for Yemenis have seen little to no improvement.

These U.S. sanctions coincide with decisions by several countries to reduce their development interventions in Houthi-controlled areas, a move the Houthis seem largely indifferent to. They interpret the sanctions as retaliation for their stance on the war in Gaza.

In a meeting of the remaining members of Yemen's House of Representatives, held under Houthi control in Sana'a, lawmakers condemned the American decision, stating that:

"The designation does not target Houthis as a Yemeni group as much as it targets the Yemeni people as a whole. It is an act of revenge against Yemen for its firm and principled stance, religiously and morally, in supporting the Palestinian cause and standing against the massacres and genocide that the Palestinian people have endured for more than 15 months."

Endless Route!

There seems to be no clear prospect for an end to the conflict that has gripped Yemen since 2015, as the Houthi group continues to cling to its identity as the strong and active arm of the so-called "Axis of Resistance" in the region, an axis backed by Iran despite the setbacks the Iranian project has suffered in Lebanon and Syria.

It is impossible to separate what's happening in Yemen from the rapidly evolving regional and international developments, especially as the Yemen file is no longer a purely local matter. The influential roles are now shared between the main parties to the conflict: Saudi Arabia and the United Arab Emirates on one side, and Iran on the other.

Therefore, any discussion of potential scenarios must be rooted in a comprehensive understanding of the Yemeni crisis and its local and international stakeholders, while also recognizing the limited space within which local actors operate. Based on this perspective, three possible future scenarios regarding U.S. sanctions and their consequences can be anticipated:

Moving Toward the Roadmap:

Turning toward the previously semi-agreed roadmap could serve as an emergency exit that the Houthi group might resort to in the coming period, especially after the ceasefire agreement in Gaza. Secret consultations between Saudi Arabia and the Houthi group in 2023 had already made significant strides toward reaching a priority agreement formula under the so-called "roadmap" before the situation was further complicated by the outbreak of the Gaza war.

Bending to the Storm:

This scenario would involve allowing Yemeni banks to relocate their financial operations centers to Aden, which would subject them fully to the oversight of the Central Bank of Yemen in Aden for all financial transactions. The same would apply to other companies and institutions, thereby reducing the risks facing financial and economic institutions operating in Houthi-controlled areas.

Continuing to Defy Sanctions:

The Houthi group may persist in rejecting all sanctions while forcing banks, financial institutions, and businesses to operate under the rules and regulations imposed by the group. This path would lead areas under Houthi control into deeper isolation and would further intensify both economic and humanitarian deterioration.

Results of the Survey on the Impact of U.S. Sanctions!

Indicators point to a significant escalation in the level of U.S. and European sanctions against individuals and institutions in Yemen in the coming period particularly targeting those institutions directly linked to the Houthi group or its financial networks, both inside and outside Yemen.

This naturally raises questions about the negative repercussions of these sanctions on the Houthis, their financial capabilities, as well as their broader effects on the Yemeni banking sector and the national economy.

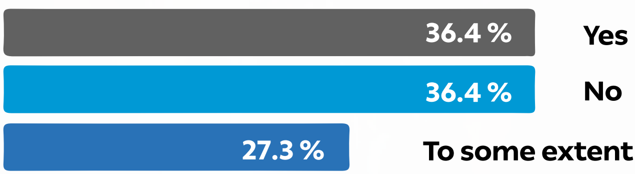
In order to arrive at realistic answers to these questions, we conducted a survey involving a selected sample of 13 participants, comprising senior executives from Yemeni banks and economic experts specialized in the banking sector.

Given the sensitive nature of the topic at this time, the questionnaire allowed participants the option of not disclosing their names when providing answers.

Upon reviewing the survey results, there is a noticeable divergence of opinions regarding the extent of the negative impact and consequences these sanctions will have on the Yemeni banking sector.

"You've probably followed the increasing U.S. sanctions against individuals and institutions accused of working for the Houthi group. Do you believe these sanctions will have a negative impact on the Yemeni banking sector?"

Do you believe that the recent U.S. sanctions on individuals and enstities linked to the Houthi group will have a negative impact on the Yemeni banking sector?



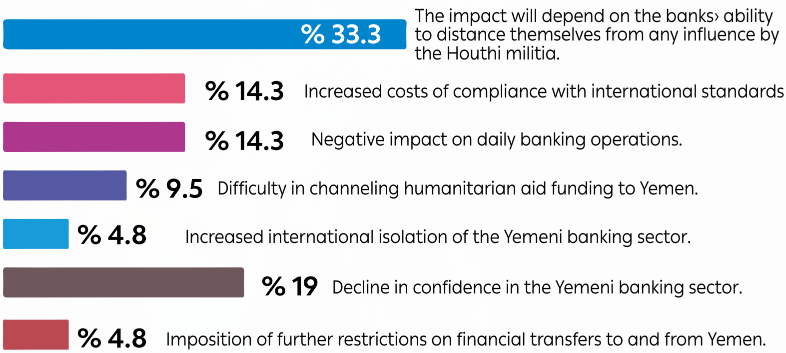
36.4% of the respondents to the survey believe that U.S. sanctions will have a negative impact on the individuals and institutions targeted on charges of financing or working for the Houthi group, which is classified as a terrorist organization. However, nearly the same percentage of participants believe there will be no significant impact on these individuals and institutions.

One of the main arguments for the lack of impact is that the sanctioned entities may resort to alternative ways of operating, especially given their proximity to the influence and protection of the Houthi group. Additionally, the nature of Yemen's largely informal economy makes the effectiveness of such sanctions quite limited.

Although the opinions were evenly split, if we consider those who believe there will be at least some level of impact, it leans slightly toward the view that negative consequences are inevitable although not to the extent imagined by the decision-makers who imposed the sanctions.

If the answer was yes or somewhat, what kind of impact will it have on the Yemeni banking sector?

What kind of impact do you expect on the Yemeni banking sector?



A significant percentage, reaching 33.3% of those who answered "yes" or "somewhat" in favor of the negative impact of these sanctions, indicated that the level of impact depends on the ability of local banks and various banking institutions to distance themselves from financial operations under the supervision of the Houthi group or the Central Bank in Sana'a. This is particularly important after sanctions were imposed on the governor of the Central Bank in Sana'a in 2024.

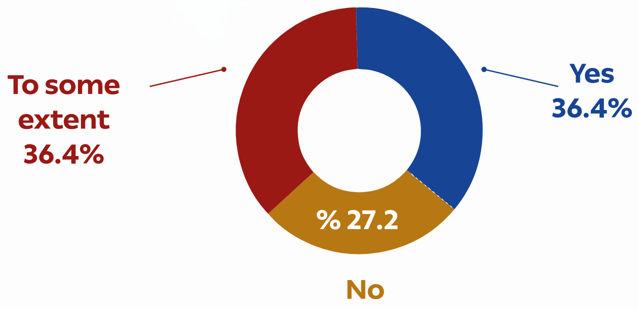
This has become evident recently, as local banks are working to coordinate with the Central Bank in Aden to avoid international sanctions. However, this also depends on the Houthi group's stance on these steps, as the group has previously shown a very rigid position toward banks that have begun responding to the directives of the Central Bank in Aden over the past years.

What stands out in the survey results is the negative impact of sanctions on the banking sector. 19% of the respondents believe that the sanctions will contribute to a decline in trust in the Yemeni banking sector, thus imposing further isolation on Yemeni banks and financial institutions.

In the same context, 14% expect that the cost of compliance with international standards and the complications in executing banking operations between local banks and international financial institutions will increase even further. Meanwhile, 9.5% believe that these sanctions will limit the availability of humanitarian and relief funding to Yemen.

Based on previous experiences with sanctions, did those sanctions negatively affect those who were subject to them?

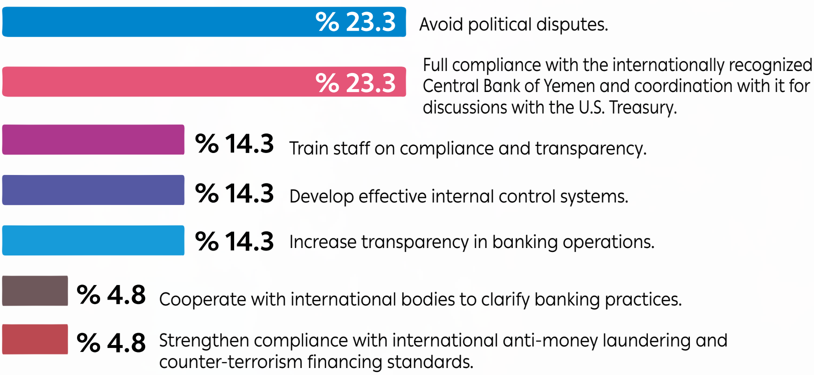
Based on previous experiences, have U.S. sanctions negatively affected the individuals and entities targeted by them?



Based on the experiences from the previous period of sanctions, 36.4% of the participants believe that the sanctions negatively impacted those targeted by them, while the same percentage (36.4%) think there were some effects to a certain extent. However, 27.2% of those surveyed believe that there was no negative impact on those subjected to the sanctions and that their activities continued at the same pace.

What steps should the Yemeni banking sector take to mitigate the negative impact of U.S. sanctions?

What steps should the Yemeni banking sector take to mitigate the negative impact of U.S. sanctions?



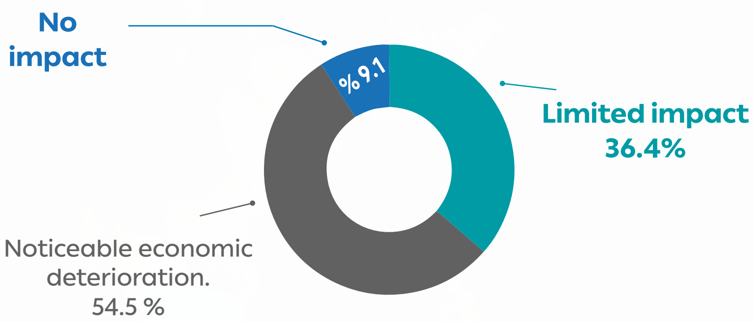
Regarding the steps the banking sector should take to mitigate the effects of U.S. and U.K. sanctions, survey participants emphasized working on two parallel tracks. 23.3% of the participants believe that the banking sector should avoid getting involved in the ongoing conflict between Yemeni parties, with the same percentage also believing that full compliance with the Central Bank of Yemen in Aden (internationally recognized) is an important way to avoid the negative consequences of sanctions.

14.3% of those surveyed believe that it is important to train staff, particularly compliance units in Yemeni banks and financial institutions, to apply compliance rules. The same percentage also sees the importance of developing effective internal control systems and increasing transparency in banking operations.

4.8% consider it important to cooperate with international bodies to clarify banking practices, which would enhance trust in the Yemeni banking sector. The same percentage also points out the importance of strengthening compliance with international anti-money laundering and anti-terrorism financing standards.

In your opinion, what is the potential impact on the Yemen's economy due to U.S. sanctions?

impact of the sanctions on Yemen's economy overall?

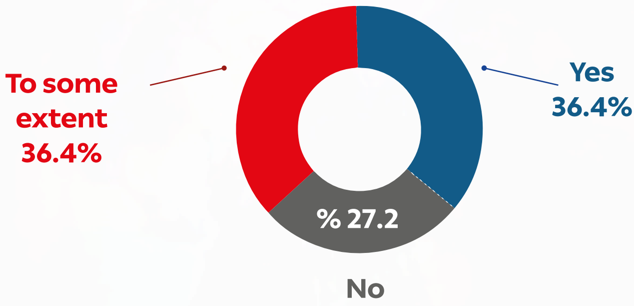


The survey results indicate that a large percentage, 54.5%, of the respondents believe that the sanctions will lead to further economic deterioration in Yemen, especially with the decline in indicators of Yemen's economic growth. With the reduction of humanitarian aid to Yemen, the imposition of additional sanctions on Yemeni banking institutions raises the level of restrictions on financial transfers and the scrutiny of directing these funds to ensure they are not diverted to benefit the Houthi group.

36.4% of the participants believe that the impact will be limited, and they base their views on the experience of the previous phase of sanctions, which had a relatively limited effect.

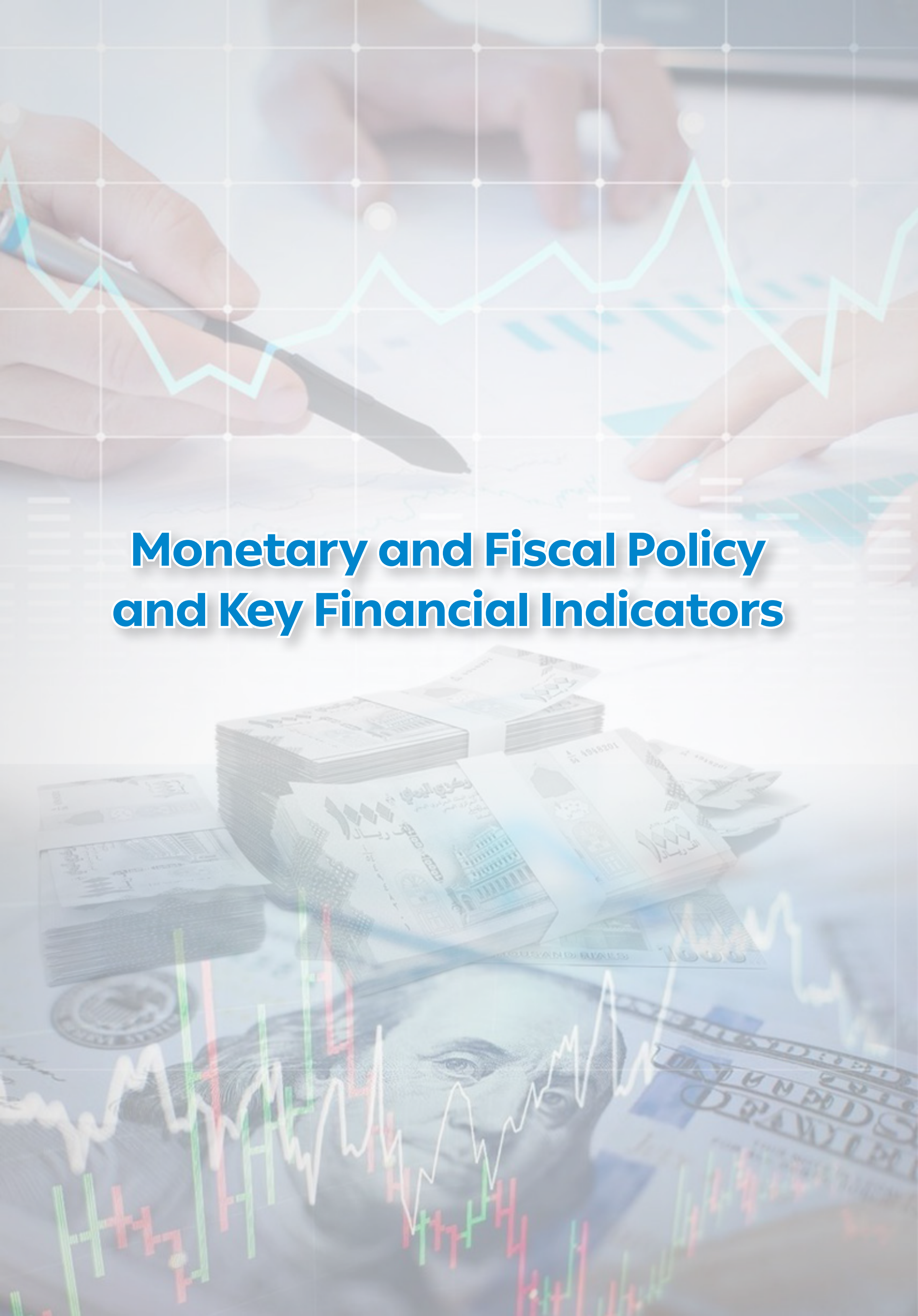
What is the impact of sanctions on humanitarian aid in Yemen?

Do you believe the sanctions will affect Yemen's ability to access humanitarian and development aid?



About 36.4% of the survey participants believe that the sanctions will have an impact on the humanitarian aid provided to Yemen in the upcoming period. An equal percentage think the impact will be moderate, which aligns with the responses given earlier to questions regarding the sanctions' effects.

Interestingly, 27.2% of respondents stated that there would be no impact on humanitarian and development aid. This view is attributed to the availability of suitable alternatives in areas under the control of the internationally recognized government, which has recently called on international organizations to move their headquarters to government-controlled areas.

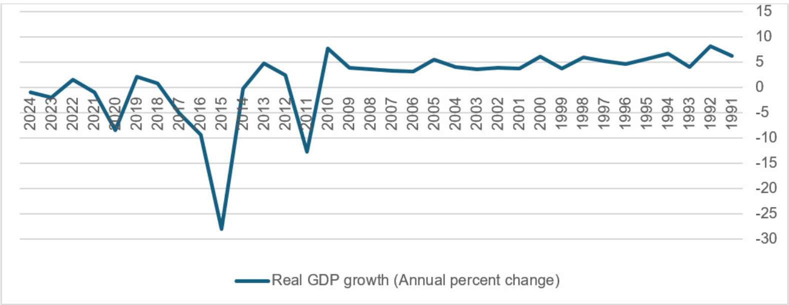


Monetary and Fiscal Policy and Key Financial Indicators

GDP Growth Rate:

The International Monetary Fund (IMF) forecasts a decline in Yemen's Gross Domestic Product (GDP) growth rate of -1% in 2024, compared to a -2% decline in 2023. The IMF bases its projections on the negative performance of the Yemeni economy in the previous period, assuming that the situation will remain unchanged throughout 2024. During this time, the Houthi group has continued to impose a ban on oil derivative exports and has also prohibited the entry of LPG into areas under its control, which is produced in the Marib Governorate. This has occurred despite the difficult economic situation, which has impacted on the living conditions of the population, inflation rates, and the contraction of economic activity.

The oil sector is one of the most vital sectors in Yemen's economy, as it contributes significantly to economic recovery, balancing the trade deficit, and stabilizing inflation rates. Yemen's GDP had experienced slight growth in 2022, recording a 1.5% increase, driven by the rise in global oil prices and the achievement of a truce between the warring parties. However, the country's productive economic sectors continue to decline due to the ongoing war, and the situation has become increasingly complicated by regional developments and conflicts in Yemen's territorial waters, which have disrupted shipping to and from Yemeni ports, raised export and import risks, and increased shipping costs.



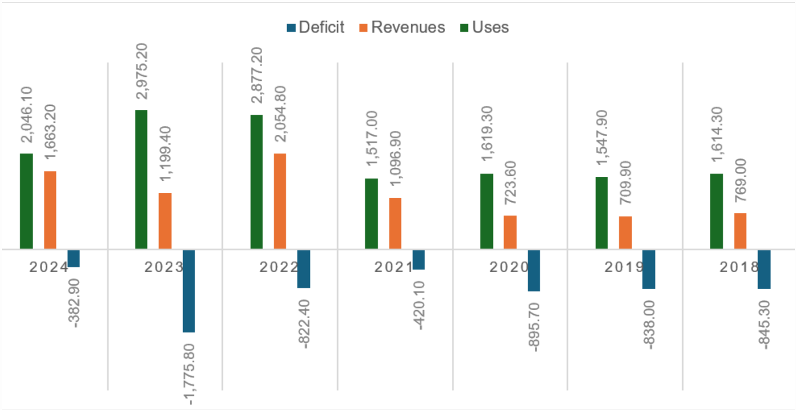
The same report indicates that Yemen's real GDP per capita declined by 54% between 2015 and 2023, reflecting a staggering economic contraction.

Throughout this period, the country's GDP remained heavily dependent on oil exports, which gradually improved starting in 2018, reaching their peak in 2022 and contributing to modest GDP growth. In addition to oil exports, incoming financial flows whether through humanitarian aid, Saudi deposits at the Central Bank of Yemen, or remittance transfers have all played a role in creating some level of economic activity and keeping the economy turning, despite the persistent economic contraction.

Public Finance:

Data on the actual execution of the public budget up to November 2024 indicate a cash deficit of 382.9 billion Yemeni riyals reflecting a 351% decrease compared to 2023, when the deficit reached 1,727 billion riyals, and a 48.7% decrease compared to 2022. This reduction in the deficit is attributed to the austerity budget adopted by the government for the current year. Public expenditures were recorded at 2,046.1 billion riyals by November, while total revenues for the same period amounted to 1,663.2 billion riyals, marking a 33.2% increase. Aid and grants also played a significant role in reducing the deficit. However, if grants are excluded, public revenues declined during the first half of the year by 42%, compared to a 50% decline in 2023.

Public finances continue to suffer from the loss of one of their most important sources: revenues from oil derivative exports. Since the suspension of exports in late 2022 due to Houthi attacks targeting export ports in Shabwah and Hadramout, the financial deficit has deepened further. Public revenues have steadily declined, costing the government over one billion dollars annually, and this shortfall is reflected across all economic performance indicators and the government's ability to fulfill its functions.



It was not only the suspension of oil exports that affected the economy, but also the second main source of revenue, as the legitimate government lost a significant portion of customs revenues after the Houthis were allowed to import through the ports of Hodeidah under the truce agreement reached in April 2022 with the Saudi Arabia. The Houthis have since intensified measures to isolate the areas under their control, tightening their grip on both land and sea crossings shared with government-held areas. They also imposed exorbitant customs fees on traders who import goods through the government-controlled ports, including the ports of Aden and Mukalla — in addition to the already existing fees — in an effort to force traders to shift their imports through the Hodeidah ports.

At the same time, the legitimate government's decision to raise the customs exchange rate (the rate at which the dollar is calculated for customs duties) further increased the cost burden on importers using its ports.

Figures show that the volume of food and fuel imports through the ports of Aden and Mukalla dropped from 49.5% in 2022 to 25.4% in 2023 and further declined to 23.2% by September 2024. In contrast, the share of imports coming through the Hodeidah ports rose from 50.5% in 2022 to 74.6% in 2023, reaching 76.7% during the same period in 2024.

In an attempt to revitalize import activity through the port of Aden, the legitimate government of Yemen, in coordination with the Saudi Coalition, sought to transfer the ship inspection mechanism for vessels entering Yemeni ports from the ports of Jeddah in Saudi Arabia and Djibouti to the port of Aden in December 2023. However, this step has yet to yield tangible results, especially as it was implemented late in the year. Additionally, the armed clashes in the Red Sea between the Houthis and the so-called Prosperity Alliance, following the events of October 7th in Gaza, have further complicated matters.

Yemen's public expenditure recorded a decline of 31.06% compared to 2023, amounting to 2,046.1 billion Yemeni riyals by November 2024, a decrease of 28.8% compared to 2022. Subsidies, wages and salaries, and interest payments accounted for the largest share of public spending. Meanwhile, the domestic public debt rose to 6,604.2 billion Yemeni riyals, an increase of 913 billion compared to 5,691.6 billion in 2023, a 16% rise over the same period the previous year. This increase in domestic debt was intended to cover part of the lost public revenue from oil exports. Direct borrowing from the Central Bank in Aden became the main source of public debt during 2024.

The Yemeni government also sought to adopt contractionary policies for both current and capital spending, aiming to reduce the budget deficit and rely on non-oil revenues to maintain the delivery of essential public services, wages, and other critical expenditures based on the following general priorities:

- Salaries and wages, entitlements for martyrs and wounded veterans, and prison-related obligations.
- Expenses for the health and education sectors, sanitation services, and scholarships for students studying abroad.
- The minimum necessary level of operating expenses and loan repayment obligations.

Monetary Policy:

External geopolitical events, along with unilateral internal measures taken by the Central Bank in Sana'a, continue to cast a shadow over all monetary policies adopted by the Central Bank of Yemen in Aden. These policies aim to regulate the banking sector, stabilize prices, and control inflation levels. The Central Bank in Aden had announced an inflation target ranging between 15-20% for the year 2024, with projected growth in broad money supply and the monetary base at 13.8% and 7.7%, respectively.

To achieve these goals, the Central Bank in Aden has, over the past period, worked on reducing excess liquidity in the market through foreign currency auctions, issuing sukuk (Islamic bonds) to finance the government's budget deficit, limiting government financing from inflationary sources, tightening oversight on money exchange companies, and activating the mandatory reserve requirements for banks under its supervision.

However, these measures and objectives could not be fully realized given that the monetary policy had lost one of its most vital sources: the inflow of foreign currency revenues generated from oil derivative exports. The targeting of export ports by the Houthi group was a calculated and deliberate move within the framework of the ongoing economic warfare that runs parallel to the broader conflict. This was compounded by the continued control of the Houthi group over the banking sector, including the headquarters of banks and major exchange companies in Sana'a, which handle a significant share of remittance inflows from Yemeni workers abroad.

The value of the Yemeni Rial has continued to decline against foreign currencies, losing 27.3% of its value from January to December 2024. Annual inflation rates for food prices have remained high in areas under the control of the legitimate government, reaching

28.49%, compared to only 2.89% in areas controlled by the Houthi group. This gap is largely due to the adoption of a fixed exchange rate policy and strict oversight of the banking sector and commodity prices in Houthi-held areas. However, when comparing the food basket price in USD, the difference between the two regions is relatively small with the average price of the food basket recorded at $78 in government-controlled areas during 2024, compared to $86 in Houthi-controlled areas.

The Banking Sector:

The Yemeni banking sector continues to suffer from a duality of decisions and regulations, especially for banks whose headquarters remain in Sana'a. The activities of the conventional banking sector, particularly traditional commercial banks that operate under an interest-based system, have significantly declined, as their reserves have remained frozen at the Central Bank in Sana'a since the onset of the cash liquidity crisis in mid-2016.

In practice, only six banks remain operational under Houthi-controlled areas, functioning under moderate conditions, while the rest face various crises. Before the war, the banking sector consisted of 15 banks: 9 conventional commercial banks, 4 Islamic banks, and 2 microfinance banks. All these banks managed their operations from Sana'a and carried out their activities normally before the country's currency split. However, over more than ten years of war, the activities of these banks have contracted some struggled with liquidity crises, others faced harassment and administrative interference by the Houthi group, including the imposition of loyal personnel in management positions, while others saw their activities shrink due to the freezing of large portions of their investments in treasury bills, which previously represented more than 70% of their investment portfolios.

(Status of the Banking Sector in Sana'a in 2024)

Bank Type	Commercial Banks	Islamic Banks	Microfinance Banks	Total
Number of banks before the war	9	4	2	15
Banks that relocated headquarters to Aden	-2	0	0	-2
Banks whose activities were frozen for various reasons	-4	-2	0	-6
Banks subjected to international sanctions	-1	0	0	-1
Banks still operating normally	2	2	2	6

Source: SEMC

The banking sector has invested a large share – over 70% – of its resources in treasury bills. Some banks, such as Yemen Kuwait Bank, were subjected to U.S. Treasury Department sanctions. What has most severely impacted the sector's operations is the duality of regulations between the Central Banks in Sana'a and Aden. After the Houthi group directed the Central Bank in Sana'a to issue a new 100 Riyal coin, the Central Bank in Aden responded by ordering banks to relocate their headquarters to the interim capital, Aden a decision that affected six commercial and Islamic banks.

The Central Bank in Aden also instructed correspondent banks to cease information exchanges with these Yemeni banks via the SWIFT network, which disrupted the operations of the affected banks and confused correspondent banks, some of which halted dealings with all Yemeni banks entirely, given the high-risk environment in a country torn by conflict and institutional fragmentation.

The banks targeted by this decision represent more than 50% of the total assets of the banking sector and control most of the inward cash flows and a large portion of the foreign payments for the commercial sector. For this reason, among others considered by the legitimate government, the decision was later suspended.

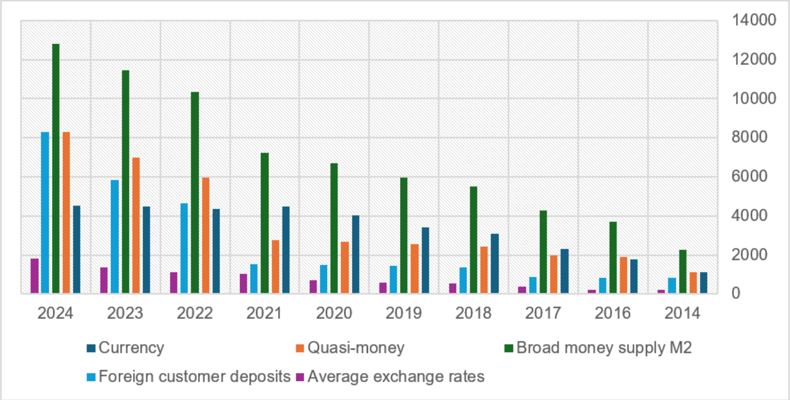
In early 2024, the Houthi group issued and circulated a new 100 Riyal coin to compensate for the shortage of old and worn-out banknotes. This move was met with strong rejection from the legitimate government and condemnation from regional and international financial institutions as well as states involved in the Yemen file. The Houthis soon retracted the decision and withdrew the coins from circulation. Nevertheless, the liquidity crisis in Houthi-controlled areas continues to suppress economic activity, paralyze investment and job creation, and has led to the deterioration of the financial standing of several commercial banks, stripping them of their ability to manage liquidity or meet their obligations to customers, as they remain unable to access their frozen reserves at the Central Bank in Sana'a.

Money Supply:

The broad money supply increased by 11.8% in November 2024, compared to 10.7% in 2023, reaching 12,804 billion Yemeni riyals despite a 0.95% decline in currency in circulation in November 2024, compared to a 2.2% increase in 2023.

The Central Bank of Yemen in Aden had set a target growth rate for the broad money supply at 13.8% for the year 2024. The increase in the money supply is primarily attributed to a rise in quasi-money, which grew by 1,312.4 billion Yemeni riyals, or 18.8%, during the same period.

This growth in quasi-money follows the adoption, since 2022 of the practice of valuing foreign currency positions in the financial statements of banks operating in Yemen at the prevailing market exchange rate, as stipulated by a circular from the Central Bank in Aden.

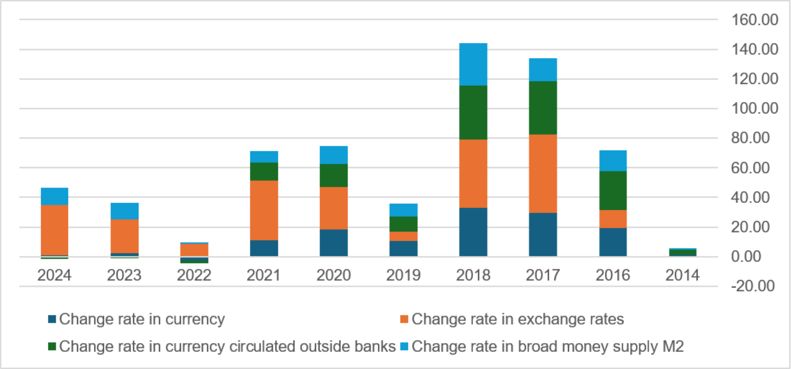


Foreign currency deposits rose by 42.5% in 2024, an increase of 78.3% compared to 2023 and 2022. Due to the continued rise in exchange rates, foreign currency deposits appear significantly higher when converted to Yemeni riyals, even if their original value in foreign currencies has not changed substantially. In 2022, these deposits accounted for 40.8% of total deposits, but after being revalued at the market exchange rate, their share rose to 67.3% for the same year.

The highest growth rate in the broad money supply during the years of conflict was recorded in 2018, when it increased by 28.5% compared to 2017. This surge was driven by growth in currency in circulation, quasi-money, and cash outside the banking system, which rose by 33.1%, 23.1%, and 36.6%, respectively. These developments contributed to a sharp depreciation of the Yemeni riyal, which lost nearly 70% of its value within a span of four months, from June to October 2018.

When comparing the growth rate of the broad money supply in recent years – prior to the revaluation at the prevailing market exchange rate – one can observe an improvement marked by a lower growth rate, driven by a slower increase in cash compared to previous years. The broad money supply grew by only 0.3% in 2022, compared to 7% in 2021. However, this decline had little impact on curbing the country's currency depreciation, as a substantial volume of currency remained outside the banking system.

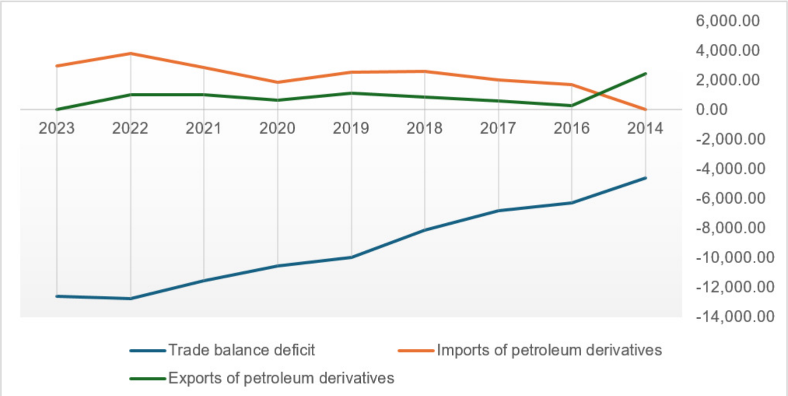
Under these circumstances, the Central Bank in Aden needs effective instruments to absorb this liquidity surplus – especially as it continues to refrain from issuing new currency – in addition to enhancing foreign currency inflows and improving the efficiency of domestic revenue collection by the government.



Trade Balance:

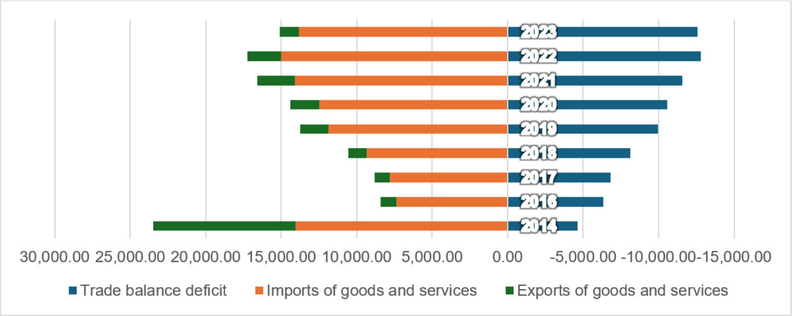
The trade balance suffers from a persistent structural deficit, recording a shortfall every year, though the size of this deficit fluctuates from one year to another. Export values remain significantly low, while the volume of imports varies annually.

According to foreign trade data, the trade deficit reached $12.583 billion in 2023, compared to $12.777 billion in 2022.



The figures highlight the deep imbalance in the trade balance and the wide gap between the volume of exports and imports, along with their negative impact on the balance of payments deficit. This deficit is expected to widen further in 2024, although the official figures had not yet been released at the time of writing this report.

Workers' remittances and humanitarian aid remain the most significant sources of foreign currency inflows, helping to partially offset the deficit. According to estimates by the Central Bank and International Monetary Fund (IMF) experts, these inflows amounted to approximately $6 billion last year.



In light of the current political division and the fragmented control over seaports and airports, along with the absence of a unified mechanism to regulate imports, government policies — such as raising customs duties or restricting the import of goods — are unlikely to have a meaningful impact.

Effective control over seaports, the flow of goods, and foreign currency inflows — essentially the governance of foreign trade — is the key to stabilizing the currency, maintaining price stability, and managing both the trade balance and the current account.

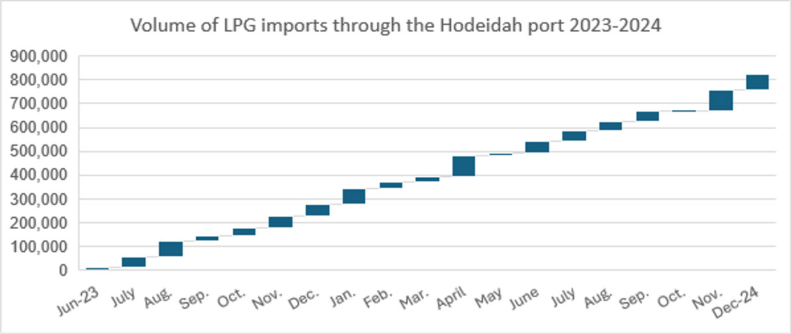
The Import of LPG Deepens the Trade Balance Deficit

The Houthi group has further deepened the trade balance deficit by issuing a decision in April 2023 to ban the entry of domestically produced LPG from the Safer facility in Marib into areas under its control, opting instead to import gas from abroad. This decision has placed an additional burden on the balance of payments, strained foreign currency reserves, and is expected to exert further pressure on the Yemeni rial exchange rate.

The move comes from the context of an escalating economic conflict. Following the suspension of crude oil exports at the end of 2022, this decision was aimed at increasing pressure on the internationally recognized government and disrupting its operations, particularly after the short-lived positive indicators seen in mid-2022 including improved public revenues and rising global oil prices.

The decision effectively created additional demand for foreign currency for import purposes, further straining exchange rates, especially given the significant overlap in import activities and cross-border cash flows between the government held areas and the Houthis ones.

The decision also targeted the revenues that the internationally recognized government had been generating from the sale of household gas to Houthi-controlled areas, which were estimated at around 140 billion Yemeni rials annually. In addition, the shift toward importing gas from abroad opened the door for profit-seeking and money laundering under the cover of the LPG trade.



This move was economically unjustifiable, as the purchase price from the Safer Company in Marib was significantly lower than the cost of imported LPG. The price of a LPG cylinder in Sana'a, when sourced domestically from Safer, ranged between 5,500 to 6,500 Yemeni rials (approximately $10.38 to $12.26 USD) when distributed via neighborhood representatives or gas stations. However, after switching to imported LPG, the price per cylinder in Houthi-controlled areas during 2024 rose to 7,500 to 8,500 Yemeni rials in old, printed banknotes, equivalent to $13.9 to $15.8 USD. By comparison, in government-controlled areas, the price ranged between 5,500 to 8,000 Yemeni rials in the new currency, equivalent to $2.9 to $4.2 USD.

In terms of volume, the amount of imported LPG reached 275.7 thousand metric tons in 2023, compared to 531.1 thousand metric tons imported during 2024. The average price per metric ton was approximately $534.1 USD (for 49 million BTUs) in the Asian market by mid-2024. This means that the total value of LPG imports for the year amounted to around $283.6 million USD, or an average of $23.6 million USD per month.

This level of importation — both in terms of cost and quality — is unjustified and only serves to deepen the trade balance deficit while placing additional pressure on the value of the Yemeni rial.

Who Controls Imported Goods?

Yemen relies heavily on imports to meet most of its domestic demand for goods, due to the limited volume of locally produced products. This dependency stems from several factors, most notably political instability, high production and manufacturing costs, and a shortage of skilled labor and qualified human resources. As a result, the country imports over 90% of its goods, with food commodities and fuel (oil derivatives) making up more than 50% of the total import bill.

Fuel imports became essential after domestic oil production sectors came to a halt in 2015 as a result of the ongoing war. Prior to that, local demand for oil derivatives was largely met by domestic refineries.

Between 2019 and 2024, Yemen imported a total of 54.9 million metric tons of food and fuel, with 67% entering through the ports of Hodeidah and 33% through the ports of Aden and Mukalla.

These figures have several significant implications:

- The volume of imports passing through Hodeidah's ports remains the largest, as it was prior to the war. This suggests that customs revenues generated at Hodeidah ports exceed those collected at ports located in government-controlled areas. In addition to customs, the Houthi group also collects substantial revenue through sales tax levied on these imported goods. Historically, customs and tax revenues have been ranked as the second-largest source of public income for the country.
- The share of imported goods destined for Houthi-controlled areas exceeds that of government-controlled areas, based on the import percentages mentioned above. This also means that the largest portion of the trade balance deficit is attributable to goods imported through the Hodeidah ports for Houthi-controlled regions. In 2023, Yemen's trade balance recorded a deficit of $12.5 billion USD, compared to $12.7 billion USD in 2022. Based on import data and distribution ratios, 67% of this deficit – equivalent to approximately $8.5 billion USD – originated from goods imported into Houthi-controlled areas via Hodeidah's ports.

How Imports Affect Exchange Rates and the Trade Balance Deficit:

The value of imported goods and services amounted to $13.8 billion USD in 2023. Of this, $9.2 billion USD were imported into Houthi-controlled areas, while $4.5 billion USD were imported into government-controlled areas, according to the import data from the ports mentioned earlier. This indicates that the demand for foreign currencies in Houthi-controlled areas is significantly higher than in government-controlled areas. However, the exchange rate in Houthi-controlled regions remained stable between 535 to 540 rials throughout the year, while in government-controlled areas, the exchange rate fluctuated by 24.5% from January to December 2023. This can be analyzed as follows:

- The volume of foreign currency inflows into Houthi-controlled areas is much higher than in government-controlled areas due to the presence of major bank branches and large exchange companies there. As a result, the gap in demand is bridged, and the exchange rate remains unaffected. This is similar to the central bank's goal in 2024, which issued directives for banks to relocate their headquarters to the temporary capital, Aden.
- If we assume that all $6 billion USD in remittances from workers – the primary source of foreign currency – went exclusively to Houthi-controlled areas (which is unlikely), it still wouldn't meet the demand, leaving a $3 billion USD deficit, which would normally pressure the exchange rate. However, this has not occurred. This leads to the conclusion that the Houthi group either imposes a fictitious exchange rate in its areas of control, or it covers the excess demand – due to stringent controls on exchange rates – with foreign currencies sourced from government-controlled areas. Traders and importers in Houthi-controlled regions thus purchase dollars and foreign currencies

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from the government-controlled areas, causing an increase in exchange rates and a depreciation of the local currency. Another possible explanation is that the imported quantities, particularly oil derivatives and gas, may come from fictitious sources and are unloaded at Hodeidah ports without being imported from abroad, thereby not impacting the trade balance.

- The Houthi group deliberately targeted oil export ports to further pressure the value of the local currency in government-controlled areas, deepen the trade balance deficit, and generally impact the economic indicators of the internationally recognized government, including public revenues.
- Upon closer examination of the demand for foreign currencies, it becomes clear that the biggest pressure on exchange rates and the trade balance deficit comes from the traders of oil derivatives, especially after their liberalization by the Houthi group in 2016. Oil derivatives represent over 20% of the total imports, amounting to nearly $3 billion USD annually. 60% of these imported quantities enter through the Hodeidah port, which also serves as the primary source of financing for the Houthi group through fictitious import-export networks and companies, as noted in the 2020 and 2021 reports by UN Security Council experts on Yemen.

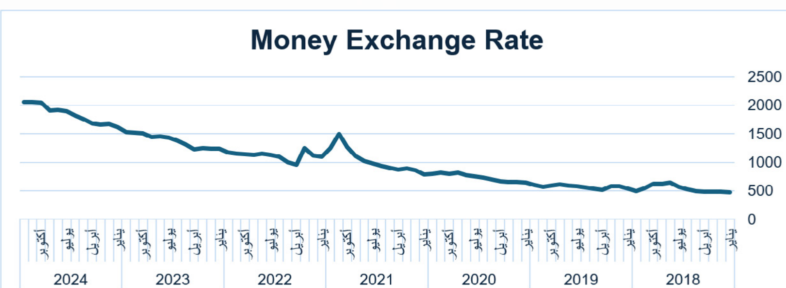
Three key components of foreign trade — foreign currency inflows, exports, and ports — are essential for controlling foreign trade. Whoever controls these components can control foreign trade. In practice, the inflows of foreign currencies are controlled by banks and money exchange companies, most of whose headquarters are in Sana'a and are managed by a payment committee under Houthi authorities. As for exports, the most important goods exported are oil derivatives, which have been forcefully monopolized by the Houthi group. In terms of ports, Hodeidah port handles around 70% of all imported goods.

In general, the three pillars of foreign trade — foreign currency inflows, exports, and ports — represent the decisive factor in the ongoing economic conflict, and the balance of power is likely to tip in favor of whichever party gains control over them. Among these, the Port of Hodeidah stands out as the most crucial. Following the truce agreement and the subsequent allowance for goods to enter through the port, the volume of imports – particularly oil derivatives – witnessed a sharp increase, rising from 535,000 metric tons in 2021 to 4 million metric tons in 2022. However, this figure slightly declined to 3 million metric tons in 2024.

This significant influx of imported oil derivatives, which exceeded the actual domestic demand, has exerted considerable pressure on exchange rates and has been leveraged to serve the economic interests of the Houthi group.

Money Exchange Rate:

The Yemeni local currency experienced a significant depreciation against foreign currencies in 2024, driven by regional and domestic developments. Over the course of the year – from January to December 2024 – the currency lost 27.3% of its value and has recorded an overall decline of 864% since 2014. The annual rate of increase in exchange rates reached 24.5% in 2023, compared to a 6% increase in 2022 and 60% in 2021.



This sharp depreciation is attributed to several underlying factors, most notably the decline in export volumes, particularly oil derivatives, the continued growth in import volumes, and the imbalance in interregional trade between areas controlled by the legitimate government and those under Houthi control. These dynamics are compounded by persistent structural challenges, such as the ongoing conflict, the division of financial and monetary authorities, and the unilateral measures imposed by the de facto authorities, most notably:

- The continued existence of dual exchange rates and the closure of land and sea crossings by the Houthi group, along with the imposition of excessive customs duties at inland checkpoints, which significantly affects both exchange rates in government-controlled areas and the flow of goods and services between the two regions.
- All goods entering through Hodeidah Port are re-sold in the government-controlled areas in U.S. dollars. These goods are transported through land routes without being subject to the same customs duties imposed on them by the Houthis, which exerts additional pressure on retail traders in government areas to purchase foreign currency for remittance back to wholesalers in Sana'a.
- The imposition of customs duties by the Houthi group at inland checkpoints, coupled with facilitation of imports through Hodeidah Port, encourages merchants to prioritize this port as their main entry point. This allows the Houthi group to benefit from customs revenue while simultaneously increasing the pressure on foreign currency demand in government-controlled areas.
- Locally produced agricultural goods such as vegetables, fruits, and qat are sold to retail traders in government-held regions in foreign currencies. This practice not only places further strain on currency demand but also effectively transforms local agricultural products into a form of foreign exchange export, helping the Houthi authorities maintain the exchange rate of the old edition of the Yemeni rial, while accelerating the depreciation of the new edition used in government-controlled areas.

- The Houthi-imposed ban on the circulation of new banknotes in areas under their control, and their exclusion from the broader economic cycle, has forced the legitimate government to increase the cash supply to meet salary and operational budget obligations in its areas of control – despite limited foreign currency reserves, which are supplemented mainly by international aid, grants, and modest export revenues. Moreover, most worker remittances and humanitarian organization transfers, amounting to billions of dollars, are funneled to Houthi-controlled regions, given that the majority of major banks and exchange houses are headquartered in Sana'a.
- The Houthi group enforces a fixed exchange rate policy for the U.S. dollar while refraining from paying public sector salaries, thus avoiding the need to inject liquidity into the local economy, despite the shortage and deterioration of old currency notes. They also apply strict oversight to banks and currency exchange firms. Conversely, the legitimate government has adopted a quasi-floating exchange rate regime and injected substantial liquidity into the market to cover public sector salaries and operational expenses but suffers from weak oversight over exchange companies and foreign currency trading.

The Private Sector... Ongoing Violations and Resilience!

The Yemeni private sector has been facing tremendous challenges due to the ongoing conflict in Yemen since the outbreak of war in 2015. The suffering escalated even further following the military truce in 2022 and during the current phase of neither war nor peace, where the conflict has shifted into the economic arena, and the private sector has paid a heavy price as a result.

In 2024, the involvement of the private sector in the conflict notably intensified. The Central Bank of Yemen in Aden issued decisions to relocate six major banks — Tadhamon Bank, Yemen Kuwait Bank, Shamil Bank of Yemen and Bahrain, Al-Amal Microfinance Bank, Al-Kuraimi Islamic Microfinance Bank, and International Bank of Yemen — to Aden, after the Houthi group minted a new 100-riyal coin without the approval of the internationally recognized Central Bank in Aden. This ignited a fierce standoff between the two sides that lasted for months before the decisions were eventually frozen — though this was merely a temporary truce!

In Sana'a, the so-called "Judicial Custodian" continued to exercise its authority to seize and control private institutions owned by opponents or those in conflict with the Houthi group. The group took over the Modern Pharmaceutical Company and arrested its employees — some of whom remain in detention to this day. The private sector has also faced the consequences of several laws, policies, and measures that have negatively affected its operations in recent years, including the "Law on the Prohibition of Usurious Transactions," the Teachers' Law, and others.

In other parts of Yemen, the private sector has been subjected to a series of unlawful practices, including extortion, illegal levies, and fees imposed during the overland transport of goods between governorates.

Despite all these challenges, the private sector has continued to play its vital role in contributing to development efforts, humanitarian response, job creation, and securing essential goods, while maintaining the continuity of supply chains, all of which have helped ease the severity of the country's food crisis.

United Nations statistics for 2021 indicate that 96.5% of Yemen's imported food supply is handled by private sector companies, underscoring the sector's crucial role in meeting the basic needs of the population. The private sector operates across a broad spectrum of industries, including trade, healthcare, education, and logistics, making it a key pillar of economic activity even under such difficult conditions.

The private sector has also played a significant role in employment, accounting for approximately 92% of total employment on average during the period from 2013 to 2019, compared to only about 8% for the public sector over the same period. This has made it a major factor in reducing poverty and enhancing social stability.

Despite economic hardships – such as rising fuel prices, the collapse of the national currency, and the deterioration of basic services – the private sector has shown great adaptability, leveraging its flexibility and ability to find alternative solutions to ensure the continuity of its operations. It has demonstrated remarkable resilience and continues to act as the main driver of economic activity in Yemen, contributing 79% of the country's total GDP in 2018.

In addition to its economic role, the private sector also contributes to social responsibility by supporting community initiatives in education, healthcare, and basic services. Strengthening partnerships between the private sector, government institutions, and international organizations could help create a more stable investment environment, stimulate economic growth, and support efforts for economic recovery and reconstruction in the country.

Key Challenges Facing the Private Sector

The year 2024 witnessed an unprecedented escalation in economic conflict, as the banking sector faced severe disruptions due to political tensions and conflicting decisions between the internationally recognized government in Aden and the Houthi authorities in Sana'a. Additionally, the events in the Red Sea complicated shipping operations, the transport of essential goods, and led to soaring insurance costs.

Moreover, the traditional private sector, particularly in areas under Houthi control, has been subjected to systematic erosion, with a parasitic private sector affiliated with Houthis gradually replacing it. This process has negatively impacted on competitiveness and weakened the overall investment environment.

The Houthis have also monopolized vital economic sectors, including the fuel and LPG sectors, forcing traders and importers to deal exclusively with companies affiliated with the group. This has created a monopolistic market controlled by a small circle of powerful insiders.

Below is an overview of the key challenges that have characterized the economic landscape, particularly those directly affecting the private sector:

The Banking Sector at the Heart of the Conflict

- On March 30, 2024, the Central Bank in Sana'a, under Houthi control, issued a new 100 Yemeni rial coin, citing the need to replace damaged banknotes and address liquidity shortages. This move triggered sharp criticism from the internationally recognized Central Bank in Aden, which labeled the coin illegal and warned against its circulation. In response, Aden's Central Bank adopted a series of escalatory measures aimed at undermining the Houthis' efforts to secure de facto recognition of their financial and monetary actions.
- On April 2, 2024, the Central Bank in Aden issued Resolution No. 17 of 2024, mandating all commercial, Islamic, and microfinance banks to relocate their headquarters to Aden within 60 days.

However, the Yemeni Banks Association, based in Sana'a, rejected the decision under pressure from Houthi authorities.

- On May 30, 2024, the Central Bank in Aden announced it would sever ties with six major banks headquartered in Sana'a and suspend their SWIFT services. The affected banks were: Tadhamon Bank, Yemen Kuwait Bank, Shamil Bank of Yemen and Bahrain, Al-Amal Microfinance Bank, Al-Kuraimi Islamic Microfinance Bank, and International Bank of Yemen. The following day, the Houthis retaliated by banning dealings with 13 local banks, including Salam Capital Bank, Tamkeen Bank, Al-Inma Bank, Yemeni Eastern Bank, Hadhramout Commercial Bank, and Bin Dawool Islamic Microfinance Bank.
- As a result of this escalation, several banks were forced to shut down branches in Aden, Marib, and Taiz. On July 14, the Central Bank in Aden issued security directives to forcibly reopen these branches, accusing the Houthis of pressuring banks into closing branches located in government-controlled areas.
- As tensions mounted, UN Envoy to Yemen Hans Grundberg announced on July 24, 2024, that he had received a written agreement between the Yemeni government and the Houthis, committing both parties to revoke the recent decisions targeting banks and pledging not to take similar steps in the future. This agreement came following Saudi mediation, which sought to de-escalate the conflict after the Houthis threatened to resume hostilities.
- On August 6, 2024, the Central Bank in Aden issued a statement confirming the cancellation of all prior decisions against banks, in an effort to calm the situation and restore stability to the banking sector.
- However, toward the end of the year, the issue of relocating banks to government-controlled areas resurfaced, this time fueled by decisions from the U.S. Treasury Department, which blacklisted Yemen and Kuwait Bank for Commerce and Investment on charges of financing the Houthis. This coincided with the announcement by newly elected U.S. President Donald Trump of his decision to re-designate the Houthis as a terrorist organization.

Impact of Houthi Attacks in the Red Sea

- The Houthis intensified their repeated attacks on commercial vessels in the Red Sea, especially targeting ships heading to Israel or those flagged as American or British, as part of their demands to end the war in Gaza. These attacks disrupted both local and international shipping routes, driving up shipping and insurance costs and affecting supply chains. In Yemen, these developments placed additional strain on the already dire humanitarian and living conditions, as prices of goods soared, and shipments were delayed.
- Shipping and insurance costs surged dramatically. The cost of transporting a 40-foot container to Hodeidah port doubled from $5,000 to $10,000, and insurance premiums for ships navigating the Red Sea rose from 0.7% to 1% of the cargo value.
- These sharp cost increases led to shortages of essential supplies in Yemen, driving prices even higher and deepening the country's humanitarian crisis, where millions already suffer from hunger and malnutrition.
- These attacks posed a serious threat to Yemeni and regional maritime security, further hindering the transport of goods, disrupting supply chains, and impeding humanitarian relief efforts. They also exacerbated the crisis for local fishermen, limiting their ability to provide for their families. The ripple effects of the Red Sea conflict extended to global trade, causing supply chain disruptions, delaying the arrival of goods to international markets, and prompting investors to shy away from investing in Yemen, thereby compounding the country's economic woes.

Ongoing Road Closures

- The continued closure of main roads between Yemen's governorates and cities due to the ongoing conflict in various parts of Yemen has had a direct impact on the prices of goods available to the public. The deteriorating security situation on these roads has exposed civilian vehicles to armed attacks and landmine explosions, resulting in heavy human and material losses. Alternative routes, meanwhile, are often in poor condition and lack maintenance, making transportation even more difficult and dangerous.

- Road closures have driven transportation costs up by multiples compared to 2013. For example, the cost of transporting a 40-foot container by land from Aden to Sana'a has skyrocketed from 350,000 Yemeni rials to between 3 and 4 million rials. This burden has strained both businesses and consumers alike, directly impacting the prices of goods and services, eroding citizens' purchasing power, and sharply reducing trade activity.
- Supply chains have faced immense challenges due to the difficulty of accessing markets, especially affecting the agriculture and industrial sectors. Transporting agricultural products and raw materials has become increasingly complicated and expensive, reducing the operational efficiency of businesses and driving up unemployment rates. The overall economic slowdown has led to widespread job losses, compounding the daily struggles of Yemeni citizens.
- Additionally, beyond the surge in costs, transport trucks have faced illegal tolls and extortion at various checkpoints, imposing further financial burdens on shipping and logistics.
- Taiz, for instance, remains one of the cities most affected by road closures. The city continues to endure an ongoing siege that has worsened its humanitarian and economic conditions. The blockade has caused severe shortages in food and medical supplies, skyrocketing prices of essential goods, and has severely impacted the private sector in Taiz. Businesses struggle to move goods in and out of the city, while production factories have partially shut down due to difficulties in importing raw materials or distributing products. The local markets are suffering from an unprecedented scarcity of goods and soaring prices, weakening residents' purchasing power and exacerbating daily hardships.

- In the face of this crisis, the Yemeni private sector and the Economic Reforms Team in Yemen have played a vital role in attempting to mitigate the impact of road closures on private sector freight transport and on citizens in general.

Arbitrary Legislation and Measures

In recent years, both the Houthi authorities in Sana'a and the internationally recognized government in liberated areas have imposed a series of laws and measures that have affected private sector operations. These include the Anti-Usury Law, the Zakat Law, the Investment Law, and the Teacher Support Law issued by the Houthis in Sana'a. On the other hand, the Customs Authority in Aden adjusted the customs exchange rate, and tax authorities raised zakat-based tax rates for traders.

The Houthi authorities in Sana'a also banned the import of 16 agricultural and animal products and maintained an existing ban on 11 other types of plant-based imports, citing the need to protect and encourage local agricultural production. They also raised customs duties on imported clothing by 112% and suspended the issuance of new licenses for pharmaceutical establishments in their areas of control.

Meanwhile, the Ministry of Agriculture, Irrigation, and Fisheries in Aden issued a decision banning the export of onions, claiming it was necessary to meet local market demand. This led to a glut of onions in the local market, inflicting heavy losses on farmers and exporters. On February 19, 2024, the Ministry of Agriculture and Fisheries in Aden also announced a suspension of fresh fish and marine life exports through all outlets under its control, citing the need to address local shortages and rising prices.

Violations Against the Private Sector in Yemen During 2024

In 2024, Yemen's private sector was subjected to a series of severe violations that significantly harmed the business and investment climate, both in areas controlled by the Houthi group and in those under the authority of the internationally recognized government.

The predominant pattern in the treatment of private sector institutions by the various authorities throughout 2024 was the unlawful seizure of companies and properties, along with the imposition of unauthorized levies under various pretexts. These practices created substantial difficulties for businesses and investors, leading to a decline in economic activity, the closure of many commercial enterprises, and the relocation of some capital abroad.

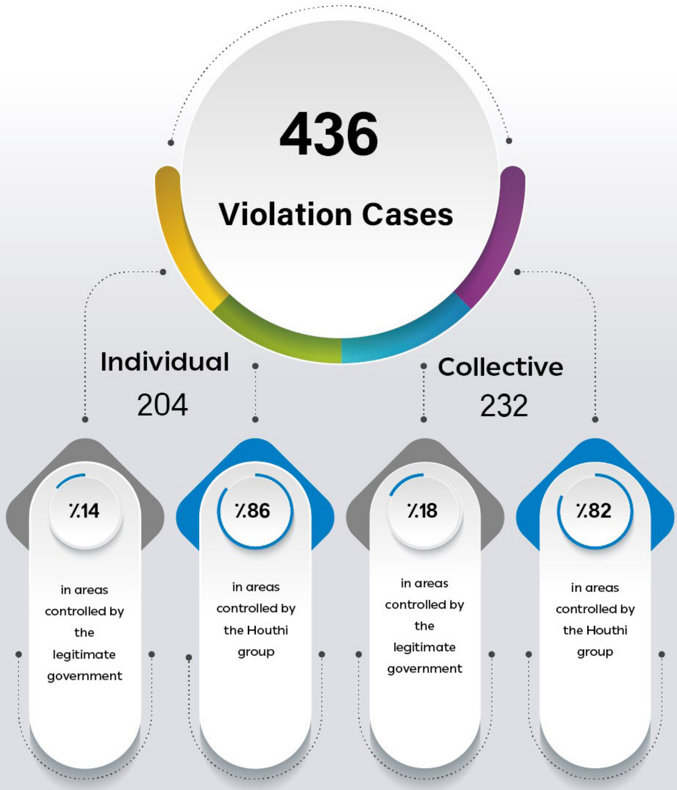
According to the Economic Surveillance & Research Unit at Studies and Economic Media Center (SEMC), the capital city of Sana'a, under Houthi control, topped the list of provinces with the highest number of violations against the private sector, followed by Ibb Governorate. In Ibb, the Houthi group carried out a wide range of abuses, including property seizures, looting, forced closures, and harassment targeting numerous large, medium, and small businesses. Hodeidah ranked fourth, followed by other Houthi-controlled provinces including Dhamar, Al-Bayda, Taiz, Hajjah, and Al-Mahwit.

On the other hand, within areas under the control of the internationally recognized government, the interim capital Aden recorded the highest number of violations against the private sector in 2024, followed by Abyan and Lahj, respectively. In these areas, forces affiliated with the Southern Transitional Council imposed levies on transport trucks, various businesses, shops, transport offices, restaurants, groceries, and pharmacies. Hadhramaut and Taiz ranked fourth and fifth, respectively, among the provinces where the private sector faced violations during the same period.

Throughout 2024, the Yemeni private sector endured more than 232 collective violations (campaigns that targeted a large number of businesses) and over 204 individual violations (incidents targeting a single establishment, a limited number of businesses, or individuals) across the country. Areas under Houthi control accounted for 84% of the total violations against the private sector, while 16% were recorded in government-held territories. (This statistic does not include levies imposed at security checkpoints.)

Violations Against the Private Sector

During the Year 2024



Source: Monitoring Unit,Studies and Economic Media Center (SEMC)

Violations Against the Private Sector

Monitoring of violations committed against Yemen's private sector throughout 2024 revealed a sharp increase in the scale and frequency of abuses targeting private enterprises in areas under Houthi control. These violations affected all private sector companies and institutions, including joint ventures such as the tobacco company "Kamran."

The Houthi group employed various forms and methods of violations against the Yemeni private sector. The most prominent of these included the seizure of several commercial companies and the imposition of substantial financial levies on all commercial establishments within their areas of control. These levies were collected under various pretexts, including: Zakat, the Teachers' Support Fund, the War Effort, Quds Day, the Prophet's Birthday Celebration, Support for Gaza, Donations for Displaced Lebanese, as well as taxes, customs fees, security checkpoint levies, and other names. These financial demands even extended to street vendors and small stall owners.

According to the Economic Surveillance & Research Unit at Studies and Economic Media Center (SEMC), in 2024 the Houthi group carried out more than 190 field campaigns to enforce these levies across areas under its control, targeting all segments of the private sector – from large and medium-sized enterprises to small businesses and street vendors.

Additionally, the group seized 8 commercial companies and institutions, and enforced the complete or partial closure (either permanently or for a set period) of more than 25 large establishments – including factories and companies – as well as over 200 small and medium-sized businesses, such as warehouses, pharmacies, grocery stores, restaurants, cafeterias, bakeries, private schools, travel agencies, wedding halls, hospitals, and others.

- Throughout 2024, the Houthi group has carried out widespread campaigns of arrest and detention targeting hundreds of business owners who refused to comply with the financial levies imposed under various pretexts. Additionally, Houthi-affiliated operatives abducted and arbitrarily detained several businessmen, some of whom were forced to pay large ransoms in exchange for their release – particularly gold traders in Sana'a and other Houthi-controlled governorates.

- The so-called "Teacher Support Law" was the most prominent tool used by the group to loot private sector institutions in 2024. Under this law, the Houthis imposed levies on the products of numerous factories and private sector companies, with the bottled water, juice, and soft drink industries being the most heavily impacted. This campaign resulted in the closure of dozens of factories and companies, as well as the seizure of trucks carrying raw materials at customs checkpoints controlled by the group.
- Under the pretext of "boycotting American products," the Houthi group also launched raids and forced closures of several commercial stores in Sana'a, while banning the entry of various types of goods and holding them at customs centers for months, often causing the goods to spoil.
- Moreover, the Houthis drastically increased levies on trucks transporting construction materials – including those for crushers and concrete plants – raising the fees from 200,000 to 375,000 Yemeni Riyals per truck across all governorates under their control.
- On the occasion of the Prophet Muhammad's birthday, the group imposed illegal financial contributions on all businesses in Sana'a and the governorates under its control, demanding payments ranging from 20,000 to 500,000 Yemeni Riyals from small and medium-sized shops, and tens of millions from large companies and factories.
- According to the Economic Surveillance & Research Unit at SEMC, the pharmaceutical sector was among the hardest hit. In June 2024, the Houthis – through the so-called "Judicial Custodian" – seized control of two of Yemen's largest pharmaceutical manufacturing companies: **Modern Pharmaceutical Industries and Global Pharmaceutical Industries** in Sana'a. They also arrested several employees from both companies and issued orders to freeze the bank accounts of the companies, their managers, and other staff.

- Additionally, the Houthi group, through 10 field teams affiliated with the Drug Authority in Sana'a, carried out raids and inspections targeting a large number of pharmaceutical facilities in Sana'a, forcibly closing and extorting over 120 drug wholesalers, importers, and retailers. During the first week of June alone, 15 wholesale warehouses and 35 pharmacies were shut down, more than 3 tons of medicines were confiscated, and 75 pharmacies were referred to the group's Financial Investigation Department under accusations of price violations.
- The Houthis also imposed hefty levies on other pharmaceutical companies and factories, both inside and outside Sana'a, and capped this series of violations in September 2024 by issuing a decision to suspend the licensing of new pharmaceutical establishments across their areas of control.
- According to the Sana'a Chamber of Commerce and Industry, several merchants reported that the Tax Authority — under Houthi direction — had demanded payment of retroactive tax differences under the so-called "purchasing power" formula for previous years. This followed a 140% hike in customs duties at Hodeidah Port imposed by the Houthis in 2023.
- Sana'a also witnessed security incidents targeting the private sector in 2024, the most notable of which included the mysterious killing of businessman **Fuad Ayed Al-Muslimani** and his son. Another incident involved an arson attack on one of the capital's largest commercial centers, **Hyper Shemlan Supermarket**, which was entirely destroyed, causing losses estimated at 1.5 billion Yemeni Riyals.
- In **Ibb Governorate**, the private sector was subjected to numerous campaigns involving looting, forced closures, arrests, and the seizure of commercial companies, shops, and hospitals, along with financial extortion under various names.
- In mid-2024, Houthis seized two commercial power plants owned by a local investor in Ibb and appointed Houthi leader **Yasser**

Al-Huboub to manage the plants and channel their revenues into Houthi-controlled bank accounts.

- At the end of October, Houthi-appointed Deputy Governor of Ibb **Yahya Al-Qasimi** stormed **Al-Manahil Private School** in the city of Ibb, forcibly seized the school's safe, and looted 10 million Yemeni Riyals.
- In **Taiz (Al-Hawban area),** the Houthis carried out field campaigns in mid-May targeting industrial facilities – both large and small – imposing financial levies under multiple unlawful pretexts, including "quality violations." The **Standards and Metrology Authority** engaged in coercion and blackmail against factories producing biscuits, sweets, sponges, cigarettes, canned goods, food products, electrical appliances, plastics, aluminum, household items, margarine, soap, motor oils, disinfectants, and detergents across the Al-Hawban and Al-Ta'aziyah districts.
- The Economic Surveillance & Research Unit at SEMC also reported that Houthi-controlled security checkpoints imposed illegal levies and tolls on private sector trucks traveling along inter-governorate routes. In addition, the Houthis enforced a 100% customs fee on goods transported from government-controlled areas via 12 newly established customs posts, where trucks were often held for more than seven days in an attempt to pressure merchants into importing exclusively through **Hodeidah Port**.
- At the entrances to Sana'a, security checkpoints demanded so-called "**Capital Improvement Fees**" ranging from 80,000 to 120,000 Yemeni Riyals per truck, depending on the vehicle type.
- Further violations were documented across the governorates of Sana'a, Ibb, Hodeidah, Hajjah, Dhamar, Amran, Taiz, Al-Bayda, and Al-Jawf. These abuses included the seizure of companies and private property, looting, extortion, forced closures of businesses, and incidents of murder and arbitrary detention of business owners, employees, and entrepreneurs.

Violations Against the Private Sector in Government-Controlled Areas

In contrast, the private sector in government-controlled areas was subjected to numerous violations during 2024. These violations included the imposition of levies on transport trucks and various institutions and commercial establishments. Security checkpoints along the roads connecting the provinces within the government-controlled territories imposed hefty levies on commercial trucks, particularly the checkpoints in Abyan, Aden, and Lahj provinces, which were especially aggressive in collecting these fees.

In early May, the Economic Surveillance & Research Unit at SEMC obtained a document (a payment receipt) for an amount of 1.4 million Yemeni riyals, which was paid by an oil truck driver to a security checkpoint in Abyan province under the pretext of "City Improvement." Additionally, security checkpoints in Abyan detained several LPG tanker drivers after they refused to pay illegal levies. One checkpoint member even opened fire on a truck driver for refusing to pay.

At the beginning of August, LPG tanker drivers launched a strike in protest against new levies imposed by several security checkpoints in Abyan, Shabwa, Aden, Lahj, and Taiz provinces. In response, Presidential Leadership Council member Abu Zaraa Al-Muharrami issued directives in late September prohibiting the collection of illegal levies at military and security checkpoints on inter-provincial roads.

Following these directives, the Commander of the Security Belt Forces in Aden, issued an order banning any illegal levies on vehicles and trucks at all Security Belt units and checkpoints located along roads and at city entrances. As a result, some levy checkpoints were removed, and others temporarily ceased collecting fees. However, the situation only lasted for about three weeks before some checkpoints resumed the practice of extorting transporters, detaining hundreds of trucks for refusing to pay.

The temporary capital, Aden, topped the list of provinces witnessing the most violations against the private sector in government-controlled areas. Some of the cases documented in 2024 include:

- At the end of April, dozens of merchants and shop owners in Aden staged a protest demanding an end to what they described as "unlawful doubled taxes."
- On September 9, 2024, security forces shut down the offices of international transport companies in Al-Mansoura district and detained their employees after the offices refused to pay a new surcharge — either 1% per ticket or 30,000 riyals per trip — imposed by the Tourism Office in Aden.
- Security personnel in Aden also collected fees of up to 2,000 Yemeni riyals per vehicle, including taxis, when entering certain areas like Dar Saad District in Aden.
- On May 20, an armed man opened fire on businessman Hani Abdulqawi Al-Mansouri in Aden, inflicting severe injuries that led to his death four days later.
- In December, citizens in Aden reported that some restaurants were charging an additional 200 riyals per food bill.
- In Taiz, the Land Transport Regulatory Authority detained several LPG tankers in Al-Turba City, demanding illegal levies of up to 40,000 Yemeni riyals per tanker. Additionally, some shops in Jamal Street went on strike in solidarity with a store owner who was shot by unidentified gunmen in November 2024.
- In Shabwa, on November 8, gunmen opened fire on a commercial store, killing two workers and injuring a third.
- In Al-Mahrah, a Yemeni businessman was mysteriously murdered in April 2024 at Sarfeet border crossing.
- In Hadhramaut, fishermen from the Shihr area staged a protest in mid-December after Arab Coalition forces prevented them from fishing in the Arabian Sea.

According to the Monitoring Unit, numerous violations were documented in several provinces under the government's control, including Lahj, Taiz, Abyan, Shabwa, Hadhramaut, and Marib.

The Yemeni Government... Economic Reforms... A Minefield!

TAKEN FROM THE OFFICIAL ACCOUNT OF THE YEMENI PRIME MINISTER'S OFFICE ON X.

One of the main motives that encouraged Yemeni Prime Minister Ahmed bin Mubarak to take on the challenge of heading the Yemeni government was likely his "close relationships with international organizations and foreign states," along with the ability of a member of the Presidential Leadership Council, who is close to Saudi Arabia, to convince the Saudis that Bin Mubarak is the most suitable person for the stage!

Anyone familiar with how affairs are currently managed in Yemen would be considered insane if they accepted the post of Prime Minister without real guarantees – at least from the regional parties that control the Yemeni scene, namely Saudi Arabia and the United Arab Emirates. The Presidential Leadership Council, composed of eight individuals and reflecting the arms of both regional powers in Yemen, is an incoherent mix of conflicting projects. The government that Bin Mubarak is supposed to lead represents one face of that ongoing conflict in what is supposed to be a unified house called the "legitimate authority" recognized internationally.

To his credit, Prime Minister Bin Mubarak – who assumed office on February 5, 2024 – has focused on improving governance and tackling corruption. He also recently announced the preparation of a national budget. However, these efforts have not moved beyond identifying corruption and preparing files for certain cases he believes to be significant markers of deep-rooted corruption in the state apparatus. This includes the case of purchasing petroleum derivatives, where he managed to significantly reduce expenses.

According to his public statements, by reactivating the procurement committee for petroleum derivatives, the cost per ton was reduced from $1,200 to $770 – a nearly 40% cut, which is a significant figure considering that total spending on petroleum derivatives for electricity generation in Aden reached 775 billion Yemeni riyals in 2023. However, these savings have become almost meaningless given the government's revenue shortfall and its approach to near bankruptcy.

While the corruption file could be a gateway for Bin Mubarak to climb to higher leadership positions, it could also bring him down due to the incoherent composition of his government team. Corruption is no longer an isolated or individual practice; it has become a cancer that has spread through all the joints of the state's various institutions.

As the Prime Minister himself put it, "State officials today behave as if no one will ever question them." That statement from Bin Mubarak reflects the depth of corruption entrenched in the fractured and scattered state structures.

The Government's Five Tracks!

The countries supporting Yemen, especially under the banner of strengthening the legitimate authority, have led several inconsistent initiatives. While Bin Mubarak has worked with the support of U.S.-backed organizations, The Policy Practice — funded by the European Union and the OECD — developed what they called an "Economic Rescue Plan" for the Economic Team of the Presidential Leadership Council. The Council intended to transfer this plan to the government for discussion and approval.

Bin Mubarak's government has operated along five main tracks, which he insists will remain the focus even after the government approves the "economic rescue reforms." At the top of this list is achieving peace and restoring stability — either through peace or through war. This is a clear signal that the government intends to involve itself in both military and political tracks, in contrast to the approach of former Prime Minister Maeen Abdulmalik, who had announced that his government would refrain from engaging in military and political affairs between October 2018 and February 2024.

Bin Mubarak pointed out that all the negotiation stages with the Houthi group, which took control of the Yemeni capital, Sana'a, on September 21, 2014, were carried out without the government's participation, and that none of the previous dialogues were officially documented by the government.

The Presidential Leadership Council, with EU support as previously mentioned, pushed for this urgent reform plan – dubbed the "Rescue Plan" – which Bin Mubarak's government viewed as unrealistic and inapplicable. The government felt the plan contained interventions that could spark popular protests, wiping out the remaining superficial presence of the government in Aden. In short, it felt that the Council intended to "let the government take the heat."

This pushed the government to amend the plan, which had been prepared by a consulting firm for the Economic Team of the Presidential Leadership Council with OECD backing. The amended plan was approved in an extraordinary cabinet meeting at the end of 2024, shortly before Saudi Arabia announced the disbursement of the final installment of its $1 billion grant, including a $200 million payment to cover the government's unprecedented budget deficit.

The current government realizes it is unable to implement radical reform decisions when it cannot even control the guards at the entrance of Al-Ma'ashiq Palace, the seat of Yemen's presidency and government since the liberation of Aden in 2015. Moreover, the government has struggled to maintain its presence in the temporary capital, Aden, which is effectively under the control of the Southern Transitional Council (STC) – a group calling for the secession of southern Yemen – despite being one of the longest-standing governments in Aden before the situation recently deteriorated.

When it comes to supporting the proposed reforms, three clear tracks intersect – none of which seem likely to succeed. Despite the clarity of visions and the abundance of reform proposals, as the Prime Minister put it during a lengthy conversation with one of SEMC's researchers in Aden last August, what's missing is "knees" – a colloquial expression meaning the reforms need power and authority to be implemented, something neither the Prime Minister nor the head of the Presidential Leadership Council possess.

The legitimate authority – both the Council and the government – faces an unprecedented crisis of confidence, compounded by the collapse of public services and the depreciation of the Yemeni rial, which has fallen to 2,300 rials per U.S. dollar compared to 1,936 rials at the start of 2024.

Government revenues have sharply declined, especially after the halt of oil exports due to Houthi threats, with income now covering only about 21% of total government expenditures, according to a senior government official.

Corruption Issues!

The Prime Minister has spoken extensively about corruption, approaching what many consider the "hornet's nest" by initiating several cases and issuing decisions. However, a serious crisis soon erupted in his own office, revealing the true nature of the challenges the government faces and highlighting clear divisions and a lack of cohesion with both the Presidential Leadership Council and even within the government itself. A conflict between the Prime Minister's Office Director and the Cabinet's Secretary-General ultimately led to both their dismissals after the case created both vertical and horizontal fractures across the legitimate government's institutions.

Both Dr. Rashad Al-Alimi, President of the Presidential Leadership Council, and Prime Minister Dr. Ahmed bin Mubarak are considered part of the technocratic current, though Al-Alimi was deeply involved in the regime of former President Ali Abdullah Saleh, becoming one of his close and influential lieutenants. He was even one of the victims injured in the June 2011 Mosque bombing targeting Saleh. Al-Alimi was the architect of security deployments and the Interior Ministry's automated issuance centers — achievements credited to him during Saleh's rule.

In truth, there is no logical explanation for the recent conflict between Al-Alimi and Bin Mubarak. When this question was posed to one of the ministers, he paused for a moment, his expression revealing nothing. When asked, "Did Dr. Rashad Al-Alimi feel that Bin

Mubarak was imposed on him?" the minister nodded, suggesting this might have been the first point of contention.

Personally, we still cannot find a convincing reason for their rift, especially since what unites them far outweighs what divides them. They are the only two figures within the "legitimacy framework" (the Presidential Leadership Council and the government) who are not backed by political parties or military factions, unlike most other council members and ministers.

Feeling constrained, the Prime Minister turned to the one domain still within reach — the corruption file. But seriously pursuing it and getting too close to powerful figures and entities is like lighting a spark in a pile of dry straw.

Bin Mubarak understands that an effective anti-corruption drive requires a high-level political will and an administration with real power and influence — neither of which he has. He couldn't even remove a tax official who defied his directives, let alone implement his decision to replace the director of the General Authority for Oil Investments, who outright refused to comply with his dismissal.

In a meeting with several Western diplomats, Bin Mubarak dropped what could only be described as a political bombshell, the effects of which were not limited to his relationship with Al-Alimi but also spread both vertically and horizontally — the same pattern of action used by the Council's own leadership.

Days later, the Presidential Leadership Council - for the first time - published over twenty major corruption cases via the official Yemeni News Agency, SABA. A close look at these cases reveals they spanned different periods, with the intended message being that opening such files could lead many individuals and entities to face accountability.

Some insiders believe the message was directed at the team of Deputy Council President Abdullah Al-Alimi Ba Wazir, as some members of the Council — including the President himself — suspected that Bin Mubarak's corruption campaign had been greenlit by Ba Wazir.

Whether Bin Mubarak's anti-corruption drive and his approach toward figures close to the Council were sanctioned by his backers or a personal effort to assert his authority, working in such a mine-laden environment as Yemen is no simple task.

Former Prime Minister Dr. Maeen Abdulmalik is probably smiling to himself as he watches these disputes unfold, satisfied that he had avoided similar traps by sticking to his familiar policy of "Let it be, for it is ordained" distancing himself from risky confrontations.

The internal conflicts within the Presidential Leadership Council, as well as between its members and the government, are a primary factor in the erosion of the legitimate authority's structure, dragging it into dangerous fragility. This is compounded by the growing deficit in public revenues, the collapse of the Yemeni rial, the inability to deliver services to citizens, and – most dangerously – the complete loss of public and donor confidence.

When a government cannot pay salaries for three consecutive months and has no answer for employees except to admit its inability, this is a clear sign of looming bankruptcy. Can countries go bankrupt? The answer is yes, when they fail to meet their obligations.

The government's inability to pay salaries represents the peak of its financial crisis, even if it hasn't officially declared bankruptcy. Without Saudi Arabia's financial aid at the end of last year, public outrage would have boiled over far beyond current levels. If present conditions persist, Yemen faces an impending catastrophe whose timeline is only temporarily delayed.

Prime Minister Ahmed bin Mubarak also announced that his government had devised a short-term plan for 2025-2026 aimed at economic recovery, focusing on:

- Strengthening financial sustainability, increasing government revenues, rationalizing spending, and reducing public debt.
- Stabilizing the banking system, ensuring currency stability, and preventing further depreciation.
- Promoting economic growth by focusing on agriculture, industry, telecommunications, oil, energy, and attracting investment.
- Curbing inflation, reducing prices, and encouraging local production to improve citizens' living standards.
- Enhancing governance, institutional reform, and improving the efficiency of government institutions, a priority approaches the government asserts, with many practices confirming its commitment to transparency and anti-corruption.
- Partnering with the private sector by enhancing its role in the economy and economically and socially empowering women.

Additionally, the government team has outlined five short-term pathways as follows:

- Achieve peace, security, and stability while preserving the state's legal status.
- Fight corruption and promote transparency.
- Implement financial and administrative reforms.
- Develop resources.
- Optimize the use of foreign aid.

The Efforts of the Economic Reforms Team (ERT) ... The Voice of the Private Sector!

A PHOTO OF A MEETING OF THE ECONOMIC REFORM TEAM (ERT) IN YEMEN.

This section highlights the efforts of the Economic Reforms Team during 2024, a voluntary initiative composed of 30 elite businesspeople and economic experts from the private sector. The team's mission is to enable the private sector to contribute in a unified and effective manner to decision-making, as well as to participate in shaping visions, strategies, and policies that promote economic reforms and stimulate growth in Yemen by mobilizing individual capacities across different sectors and regions in the country.

Throughout the year, the team has contributed to numerous initiatives aimed at fostering economic and developmental reforms through proposals, visions, and activities both locally and internationally. Below are the key highlights of these efforts:

- **The Economic Reforms Team launched an initiative to address transportation challenges in Yemen,** including reopening main roads, airports, and ports, and easing the movement of people and goods to alleviate the severe economic and humanitarian hardships caused by the war.
- The initiative addressed issues affecting the private sector and the economic and humanitarian situation in Yemen, such as: customs duplication, city entrance tolls, continued road closures, deteriorating side roads, rising inflation, and the devaluation of the national currency.

The team offered several recommendations through this initiative, including: reopening major roads between cities, reopening airports and ports, allowing the import of goods under pre-war regulations, eliminating illegal fees and levies at city entrances, and permitting all licensed banks in Yemen to issue customs guarantees and certified checks without limiting this function to specific banks, a restriction that complicates customs clearance and imposes penalties on traders and imported goods.

- **The team and its secretariat, the SEMC, organized media advocacy campaigns** supporting the initiative to solve domestic and external transport problems in Yemen. One of these efforts was the production of a documentary shedding light on the transport challenges – both domestic and maritime

– and the economic consequences for citizens, as rising transportation costs directly impact food prices and citizens' purchasing power. The film included testimonies and interviews with truck drivers, traders, and private sector representatives.

- **A total of 40 pieces of campaign content advocating for road openings** were published on the Economic Media and Studies Center's social media platforms, including 39 visual designs and text excerpts, and one short video reel.
- The advocacy campaign attracted wide media coverage, with 66 news outlets and social media pages, 9 satellite TV coverages, and 3 international news sites reporting on the campaign.
- **The Economic Reforms Team, in collaboration with the Aden Business Club, organized a seminar** on "The Impact of Developments in the Red Sea and Gulf of Aden on Yemen's Economic and Humanitarian Situation."
- Held both in-person in Aden and online via Zoom, the seminar was attended by over 30 participants, including representatives from government authorities, the private sector, economists, and representatives from local and international humanitarian organizations.
- Participants proposed alternative solutions, such as establishing a local maritime shipping fleet between Yemen's main ports and revisiting prior recommendations from the Economic Reforms Team's earlier initiatives, such as the "Monetary Policy Unification Initiative" (2022) and the "Transportation Solutions Initiative" (2024).
- **On May 23, 2024, the team organized a seminar titled "The Impact of Monetary Division on the Banking Sector and Yemen's Economic and Humanitarian Conditions,"** following the escalation between the Central Bank of Yemen in Aden and the Central Bank in Sana'a, after the latter issued a new banknote of 100 riyals.

During the seminar, the team launched an initiative aimed at defusing the crisis, proposing an approach that accommodates Aden's decisions while preserving the functioning of local banks in Houthi-controlled areas and supporting their continued operation.

- **The team organized four discussion panels to analyze the investment environment** and opportunities in four governorates: Aden, Taiz, Hadhramout, and Marib. These panels involved representatives from the public and private sectors and local economists and enriched the draft investment opportunity bulletins prepared by the team's secretariat. Four economic bulletins were then released for these governorates.
- **The team drafted a vision paper titled "The Private Sector's Vision for Comprehensive and Sustainable Peace in Yemen,"** presenting a practical roadmap for achieving sustainable peace through an economic lens — viewed as a cornerstone for any real steps toward stability. The vision suggests that a sustainable peace process should begin with an economic truce that would lay the groundwork for institutional reform, governance, partnership, reconstruction, and long-term prosperity.
- **Several team members participated in meetings and discussions,** including a February 2024 meeting in Aden between Aden's Chamber of Commerce — represented by the chamber's president and team member Abubakr Baobeid — and Prime Minister Ahmed Awad bin Mubarak. The meeting focused on strengthening the partnership between the government and the private sector to ensure the steady supply of goods and market stability.
- **Hadramout Chamber of Commerce and Industry members, headed by team member Omar Bajrash, met with Presidential Leadership Council Chairman Rashad Al-Alimi** in Mukalla, July 2024, to discuss the private sector's role in economic recovery, job creation, addressing operational challenges, and improving service accessibility through decentralized, streamlined procedures.

- **The Economic Reforms Team and its secretariat devoted substantial efforts to establishing the Local Economic Development Council in Taiz Governorate.**
- The team drafted the council's structural framework and bylaws, coordinated closely with local authorities and private sector representatives, and successfully advocated for the council's formal creation. On January 29, 2025, the Governor of Taiz issued a decree establishing the council as an advisory body to contribute to economic and social development planning, infrastructure improvements, investment promotion, and sustainable development in Taiz.
- **Throughout 2024, the team's secretary, Mustafa Nasr, conducted advocacy meetings across various governorates** to support the team's initiatives on monetary policy unification and transport solutions. Notably, he met with Prime Minister Ahmed Awad bin Mubarak in Aden (November 2024) to discuss establishing a public-private partnership framework and creating an Economic Council composed of representatives from the government, private sector, and civil society. Other proposals included supporting the establishment of local economic councils and organizing a national public-private partnership conference in Hadramout.
- **In November 2024, the team secretary held separate meetings with the governors of Hadramout (Mubkhout bin Madi) and Marib (Sultan Al-Aradah)** to explore ways to enhance joint efforts for development and investment in both governorates.
- The discussions covered strategic planning, institutional capacity building, and providing technical and advisory support for improved economic governance.
- **Several team members and the secretariat conducted advocacy dialogues for the team's Monetary Policy Unification and Transportation Solutions Initiatives** with local decision-makers, international stakeholders – including the Quartet Ambassadors, the UN Special Envoy's Economic Advi-

sor, and the World Bank's Yemen office director.

- **On December 22, 2024, several team members attended the Yemeni-Saudi Business Council meeting in Mekkah, Saudi Arabia,** alongside more than 300 Saudi and Yemeni investors to discuss investment opportunities in renewable energy, agriculture, livestock, telecommunications, and exports.

The meeting resulted in initiatives to enhance trade and investment cooperation between the two countries, including:

- Upgrading border crossings and logistics services to expand trade.
- Establishing the Yemeni Investors Club in Saudi Arabia to encourage joint investments.
- Setting up quarantine facilities to inspect Yemeni livestock, agricultural, and fishery exports.
- Creating smart food cities in border areas to enhance food security and sustainable economic cooperation through advanced resource management and production technologies.

The meeting also stressed the importance of resolving banking and credit challenges facing Yemeni and Saudi traders, improving banking cooperation, and modernizing Yemen's exchange and remittance sectors.

Additionally, the session announced the establishment of three joint Yemeni Saudi companies:

1. A renewable energy firm focused on solar-powered electricity production with an initial capital of $100 million.
2. A satellite communications company in partnership with "Starlink."
3. An exhibitions and conferences company to promote Saudi products and host trade shows supporting Yemen's reconstruction efforts.

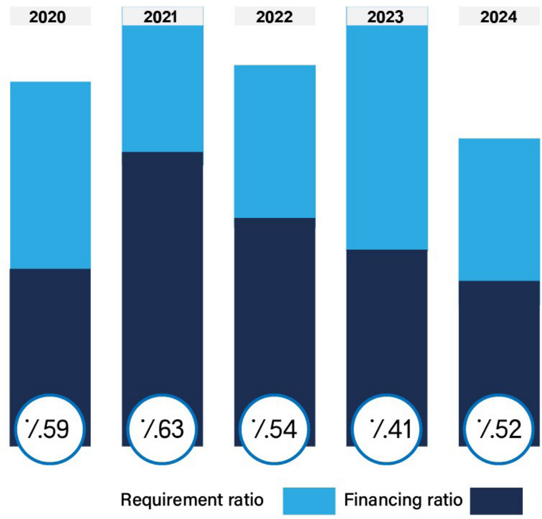
Several Economic Reforms Team members were included in the council's executive committees.

International Interventions in Yemen in 2024

The year 2024 has ended, and actual funding for Yemen's Humanitarian Response Plan, launched by the United Nations in February 2024, remains limited. The plan aimed to raise $2.71 billion. According to UN data, by the end of December 2024, funding coverage for Yemen's humanitarian needs reached only 52.8%, amounting to $1.428 billion out of the total $2.71 billion sought by the UN to ensure the implementation of humanitarian and relief activities in a country that has been suffering from an ongoing conflict for more than nine consecutive years.

This funding gap contributed to a decrease in the number of beneficiaries from aid, as the number of people receiving monthly food assistance did not exceed 1.7 million, and only 373,000 people received healthcare services.

Comparison of the funding volume for the Yemen Humanitarian Response Plan



By the end of the year, the Humanitarian Response Plan had secured only 55.3% of the needed funds, totaling $1.5 billion out of the $2.71 billion required – a gap of 44.7% from the total amount needed – marking the worst funding year to date.

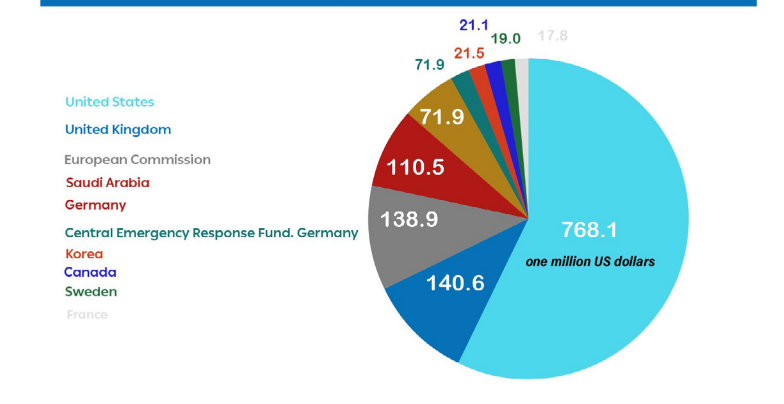
Total Humanitarian Funding for Yemen: 2.33$ Billion (2024)

Source: OCHA

Top Donor Countries for the Response Plan:

Among the largest donor countries contributing to the response plan were the United States of America, providing $517,939,644; the United Kingdom, $130,315,711; Saudi Arabia, $84,886,189; and Germany, $39,308,946.

The countries that contributed the most to the Yemen Humanitarian Response Plan 2024



Source: OCHA

Weak Funding and Great Needs:

Throughout 2024, the humanitarian response faced a significant decline in international funding, with only 50.3% of the required $2.71 billion secured. This created a major funding gap for all humanitarian interventions and activities, which gradually widened over time, forcing some relief agencies to halt or suspend their operations.

This funding shortfall can be attributed to several key factors:

- **Declining Global Attention:** As the Yemeni crisis has persisted for years, global interest has waned, leading to a decrease in donations from donor entities.
- **Concurrent Global Crises:** The world has faced several humanitarian and health emergencies in recent years, such as the COVID-19 pandemic, which diverted financial resources to other fronts and reduced allocations for the Yemeni crisis.
- **Global Economic Challenges:** These have led many donor countries to reduce their foreign aid budgets, negatively affecting the funding of Yemen's humanitarian response.
- **Bureaucratic Constraints and Interference:** Delivering aid has faced increasing challenges due to movement restrictions, bureaucratic barriers, and insecurity in many areas, making it harder to reach those in need.

As a result, many UN agencies and international organizations were forced to scale back or shut down vital programs, depriving millions of Yemenis of essential, life-saving assistance and services.

The World Food Programme (WFP), which assists around 15 million people with food supplies, has also faced funding shortages. It announced the suspension of its malnutrition prevention project in Yemen starting in August 2023 due to these shortfalls. Between August 2023 and December 2024, the plan secured only 53.3% of the required $1.05 billion in funding.

Needs in Yemen remain enormous. More than half of the population, or 18.2 million people, needed some form of humanitarian assistance in 2024, as regional conflict risks worsened the situation.

Women and children make up 80% of Yemen's 4.56 million internally displaced persons, and more than 6.36 million women and girls are at increasing risk of various forms of violence, including harmful practices. The insufficient availability of comprehensive protection services, which are lacking in 90% of rural areas, exacerbates the issue.

Approximately 17.8 million people need health care assistance in 2024, including 5.5 million women of reproductive age who face challenges accessing reproductive health services. Additionally, 2.7 million pregnant and breastfeeding women are expected to require treatment for acute malnutrition. Only one in five health facilities in the country offers maternal and child health services, highlighting the urgent need for efficient healthcare.

The funding decline is not a new or recent issue; over the past three years, funding has been in steady decline. In 2022, the humanitarian response received only 53% of the required funding, 62% in 2021, and in 2023 pledges amounted to just $1.3 billion out of a total $4 billion needed.

Sectors with the Highest Presence of Humanitarian Organizations in the Rapid Response Mechanism

Source: United Nations

Saudi Arabia's Support for Yemen:

At the end of December 2024, Saudi Arabia announced new economic support for Yemen amounting to $500 million to boost the Yemeni government's budget and support the Central Bank of Yemen in Aden.

The new Saudi package includes a $300 million deposit in the Central Bank to stabilize the economic and financial situation, and $200 million to address Yemen's budget deficit, estimated at $1.2 billion, through the Saudi Program for the Development and Reconstruction of Yemen. This aims to strengthen food security, support salaries, operating expenses, and assist the government in implementing economic reform programs.

Saudi Arabia, through its development program, has implemented 263 projects and initiatives across various Yemeni provinces, covering eight essential sectors: education, health, water, energy, transport, agriculture and fisheries, government capacity-building, and developmental programs.

In February 2023, Saudi Arabia signed a $1 billion deposit agreement with the Central Bank of Yemen, which was fully deposited. Additionally, in August 2023, it provided $1.2 billion in economic support for Yemen's government budget, covering salaries, operational expenses, and securing food supplies.

Saudi Arabia's financial support to the Central Bank has totaled $4 billion from 2012 to 2022. The Kingdom deposited $1 billion in 2012, and $2 billion in 2018, to cover the import of essential foodstuffs such as wheat, rice, milk, cooking oil, and sugar, helping to improve human development indicators, enhance the bank's foreign currency reserves, limit currency collapse, reduce fuel prices, and improve living standards, while contributing to GDP growth in 2019.

Key Organizations with Ongoing Interventions:

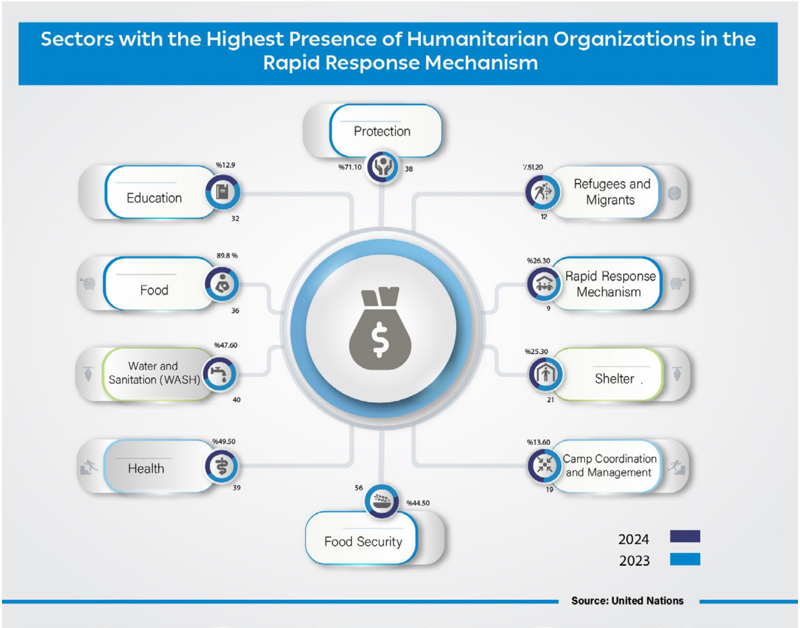
In 2024, a total of 122 humanitarian organizations participated in implementing Yemen's Humanitarian Response Plan activities. This number includes eight UN agencies, 72 national NGOs, and 42 international NGOs.

The Protection Cluster topped the list for the largest number of implementing organizations, with 50 partners active in 223 districts, followed by the Health Cluster with 47 partners in 298 districts. The Food Security and Agriculture Cluster worked with 43 partners across 224 districts, while the Nutrition Cluster had 38 partners in 332 districts. The Water, Sanitation, and Hygiene Cluster worked with 27 partners in 63 districts. The Shelter and Non-Food Items Cluster had 20 partners operating in 65 districts, while the Education Cluster worked with 19 partners in 73 districts.

Other sector groups included the Refugee and Migrant Multi-Sector Cluster, which had 13 partners in 38 districts, the Rapid Response Mechanism Cluster, with 13 partners in 47 districts, and the Camp Coordination and Camp Management Cluster, which had 10 partners working in 42 districts.

In 2023, 138 humanitarian organizations carried out response activities across all districts in Yemen. This included nine UN agencies operating in 332 districts, 88 local NGOs in 304 districts, and 41 international NGOs in 209 districts. The Food Security and Agriculture Cluster recorded the highest number of active organizations, with 56 organizations in 227 districts, followed by the Water, Sanitation, and Hygiene Cluster, with 40 organizations in 102 districts. The Health Cluster had 38 organizations in 328 districts. The Protection and Nutrition Clusters came in fourth and fifth, with 38 organizations in 178 districts and 36 organizations in 330 districts, respectively.

The Education Cluster had 32 organizations active in 61 districts, the Shelter Cluster had 21 organizations in 52 districts, and the Camp Coordination and Camp Management Cluster had 19 organizations in 86 districts.



According to the World Bank's "Yemen Economic Monitor" report, Yemen's economy continues to face deepening challenges, as the protracted conflict, political fragmentation, and escalating regional tensions push the country further into a severe humanitarian and economic crisis. The Fall 2024 edition of the Monitor, titled "Facing Growing Challenges," predicts a 1% contraction in Yemen's GDP for 2024, following a 2% decline in 2023. This continues the erosion of real GDP per capita, which has shrunk by 54% since 2015.

The conflict has plunged most Yemenis into poverty, and food insecurity has reached unprecedented levels, with over 60% of the population struggling to afford enough food.

One of the major economic difficulties facing the internationally recognized government is the ongoing blockade imposed by the Houthis on oil exports, which caused government revenue to drop by 42% in the first half of 2024. This has hindered the government's ability to provide basic services. The halt in oil exports, along with heavy dependence on imports, has intensified external pressures, causing the Yemeni rial to depreciate – from 1,619 rials per U.S. dollar in January 2024 to 1,917 rials by the end of August.

The World Bank report noted that extreme food deprivation has more than doubled in some provinces. Economic fragmentation continues to worsen between Houthi-controlled areas and those held by the internationally recognized government, as disparities in inflation rates and exchange rates undermine stability and future recovery efforts.

Meanwhile, regional tensions, particularly in the Red Sea, have led to a 60% drop in shipping traffic through the strategic Bab el-Mandeb Strait and the Suez Canal, although these disruptions have not yet resulted in a significant increase in consumer prices.

The report concludes that Yemen's economic outlook for 2025 remains bleak due to ongoing regional and internal conflicts, which threaten to deepen the country's fragmentation and exacerbate its social and humanitarian crises. However, if a lasting peace agreement is reached, the potential peace dividends could drive rapid economic recovery, opening the way for Yemen to access vital external aid, reconstruction efforts, and the implementation of reforms needed to stabilize the country and its economy.

Yemen remains one of the largest humanitarian crises in the world, with an estimated 18.2 million people in need of humanitarian assistance and protection services in 2024.

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