Yemen Economic & Financial Platform

Yemen has endured over a decade of conflict that shattered its economy, fragmenting institutions and rewiring how money moves. The Yemen Economic & Financial Platform – also called the Yemen Economic Compass – is envisioned as a bilingual (Arabic/English) data platform providing transparent, credible insights into Yemen's war economy by connecting macroeconomic data, key events, policy decisions, and on-the-ground narratives.

Our Mission

Transforming complex war-economy information into clear analysis for all stakeholders

The platform serves as a "living" economic dashboard for researchers, journalists, policymakers, donors, bankers and Yemeni citizens. Every data point is sourced and methodology explained, with all content available equally in Arabic and English.

Platform Principles

Neutrality

Independent, unbiased coverage across all factions. We present facts objectively without political agenda.

Transparency

Every data point sourced and methodology explained. Users can trace evidence and understand data reliability.

Bilingual Parity

Entire site available equally in Arabic and English, ensuring accessibility for Yemeni audiences.

Do No Harm

Sensitive information aggregated or anonymized. Politically sensitive data appropriately flagged.

Data Sources and Credibility

The platform aggregates over a decade of trusted data from diverse sources: Central Bank reports, government budgets, World Bank/IMF datasets, UN humanitarian data, NGO analyses, and academic research.

Understanding Confidence Levels

High Confidence: Data from consistent, authoritative sources (e.g., UN population figures)

Medium Confidence: Estimates with some uncertainty (e.g., modeled GDP)

Low Confidence: Rough estimates or conflict-time data with likely gaps (e.g., poverty rates)

Primary Sources

- Central Bank of Yemen reports (both Aden and Sana'a)
- World Bank Yemen Economic Monitoring
- IMF Article IV consultations and data portal
- UN OCHA humanitarian data
- WFP market price monitoring
- Academic research and think tanks

Quality Assurance

- Each metric links to original source
- Methodology notes in tooltips
- Confidence levels clearly marked
- Last update timestamp on datasets
- "Report Issue" feature for corrections
- Cross-verification with multiple sources

2011-2025

A Decade That Rewired How Money Moves in Yemen

Platform Architecture Overview

The platform is organized into interactive sections that together tell the full story of Yemen's financial fragmentation and emerging informal economy. A dynamic, interactive architecture allows users to explore relationships between conflict events, economic indicators, and humanitarian outcomes in real time.

01

Home Dashboard

Snapshot of key indicators and latest news

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War-Economy Timeline

Chronological narrative 2014-2025

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Interactive charts on GDP, prices, poverty

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Split currency systems and exchange rates

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Cities & Regions

Local economic conditions by location

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Events & Shocks Catalog

Searchable timeline of key decisions

Additional Platform Sections

Financial Institutions

- Central Banks (CBY-Aden & CBY-Sana'a)
- Microfinance & Financial Inclusion
- Commercial Banking Sector
- Bank Directory with Profiles

Analysis & Tools

- Stakeholders Hub
- Sanctions Tracker
- Data Catalogue
- Calculators & Simulators

Resources

- Reports Library
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- Methodology Notes
- Hot Topics

Master Compass

The Dashboard That Captures Yemen's Economic Health

Front and center is the "Master Compass" – a dashboard of ~12 key indicators that collectively capture the state of the economy. Each indicator is displayed as a card with a mini-chart covering 2014–present.

Key Economic Indicators

~50%

GDP Collapse

Real GDP has shrunk by roughly 50% since 2014, one of the sharpest economic contractions globally

80%+

Poverty Rate

Population share below poverty line, up from 50% pre-war

1,500

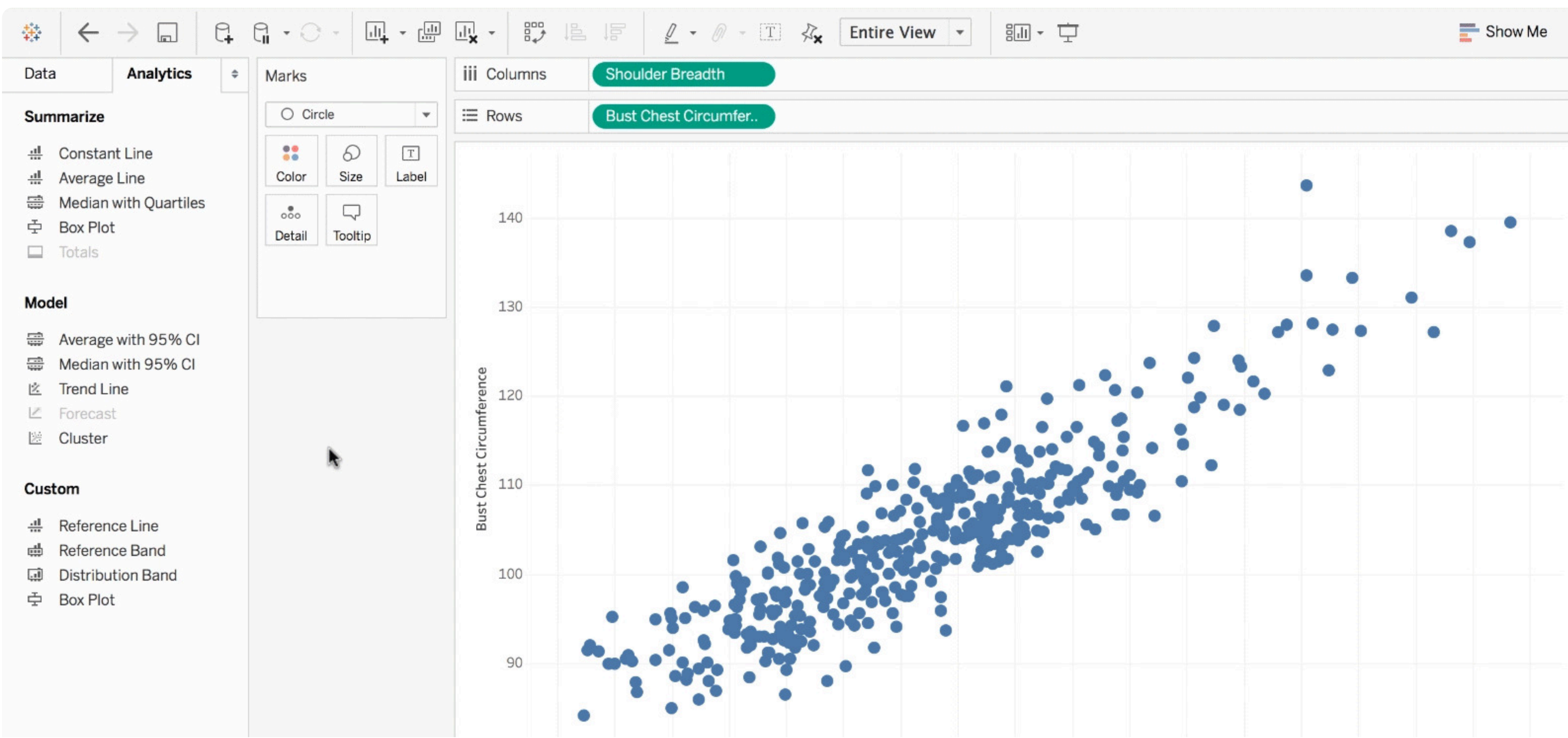
Exchange Rate (Aden)

Yemeni rial per USD in government areas, compared to ~600 in Houthi areas

$0

Oil Production

Crude oil output effectively halted since October 2022 attacks



Additional Dashboard Metrics

Inflation Divergence

Consumer price index trends show stark differences:

- **Aden (Government areas):** Episodes of 40%+ annual inflation during currency crashes
- **Sana'a (Houthi areas):** Relatively stable 10-15% inflation due to currency controls
- **Food Basket Cost:** Aden residents pay 2-3x more than Sana'a for basic staples

Financial & Humanitarian

Critical indicators of system stress:

- **Public Revenues:** Collapsed from $4.3B (2014) to minimal levels
- **Humanitarian Aid:** $2B+ annually, now a lifeline for 24 million people
- **Banking Stress Index:** Near maximum, indicating sector paralysis
- **Financial Inclusion:** Only ~6% of adults have bank accounts

Understanding the Indicators

What Does This Mean? Interactive Explanations

Each indicator card includes a "What does this mean?" link for plain-language explanations. For example:

Exchange Rate Gap: The divergence creates arbitrage opportunities and uneven prices across Yemen. Moving money from Aden to Sana'a requires converting currencies at steep black market rates, hurting families receiving remittances.

Inflation Impact: Surging prices erode household purchasing power, especially given wage stagnation. When the Aden rial crashes, prices for all imported goods (food, fuel, medicine) skyrocket.

Users can hover over any data point to see exact values with source citations, and adjust the timeline slider to view different periods (last 5 years or the whole decade).

How Yemen's Economy Was Dismantled and Refashioned by Conflict

A chronological narrative from 2014 through 2025, showing how political and military developments linked with economic indicators to create two parallel economies.

2014: The Collapse Begins

2014

Houthi Seizure of Sana'a

In September 2014, the Houthi insurgency seizes the capital Sana'a, effectively ousting Yemen's internationally recognized government. This marks the collapse of Yemen's unified political authority and foreshadows the coming war.

By late 2014, oil exports – Yemen's primary source of foreign currency – have stalled, and foreign exchange reserves are dwindling. The economy is already on the brink, and the stage is set for fiscal and monetary crisis.

2015: War Outbreak and Economic Freefall

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5

Coalition Intervention and Blockade

In March 2015, a Saudi-led military coalition intervenes to restore President Hadi's government, and nationwide conflict erupts. A strict air and sea blockade is imposed.

GDP Contracts Sharply

Yemen's total output contracts by over 30% in 2015 alone – one of the sharpest collapses globally

Humanitarian Emergency

Over 80% of population (21+ million people) require aid. Yemen declared Level-3 emergency

Currency Depreciation

Yemeni rial begins rapid depreciation, fueling hyper-inflation in food and fuel prices

The Central Bank of Yemen (CBY), still one unified institution at this time, tries to prop up the economy by spending its foreign reserves to finance essential imports and pay public salaries. However, public finances are in crisis: with oil exports halted and war expenses mounting, the government's revenue base collapses.

Understanding the Blockade Impact

The air and sea blockade severely restricted imports of food, fuel, and medicine. Yemen imports 90% of its food and nearly all fuel. The blockade created immediate shortages and price spikes, pushing millions toward starvation. While humanitarian exemptions existed on paper, in practice the inspection and approval process caused massive delays.

2016: The Central Bank Split

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The Turning Point

September 2016 marks the biggest economic turning point: President Hadi relocates the Central Bank headquarters from Sana'a to Aden, splitting the institution in two.

In April 2016, as the war grinds on with no resolution, most government employees in Houthi-controlled areas stop receiving salaries – the public payroll in the north effectively collapses. Then in September 2016, President Hadi decides to relocate the Central Bank headquarters from Sana'a to Aden, accusing the Houthi authorities of misusing state funds.

CBY-Aden	CBY-Sana'a
Internationally recognized but starting almost from scratch with limited staff and depleted reserves	Under Houthi de facto control, with experienced staff and institutional records

> "The relocation triggers immediate economic fallout: the Houthi-held areas lose access to central bank funding, so salary payments to an estimated 1.25 million civil servants in those areas cease. Purchasing power in the north plummets as households lose income."

Thus, by end-2016 Yemen enters an unprecedented "currency war," where competing authorities begin using currency issuance, exchange rate policy, and banking regulations as weapons against each other. The rial's divergence starts in late 2016: the Aden CBY prints a first batch of new banknotes (to have cash for salaries and expenses) which the Houthi side views with suspicion.

2017: Fragmentation Stabilizes

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7

Cholera and Currency Float

Yemen faces the worst cholera outbreak in modern history, compounding the humanitarian crisis. Economically, August 2017 marks a significant policy shift.

August 2017

CBY-Aden announces it will float the Yemeni rial, abandoning the fixed 250 YER/USD rate. The rial's value in government areas immediately slides.

1

2

January 2018

Saudi Arabia injects $2 billion as a deposit into CBY-Aden, temporarily slowing the rial's collapse and stabilizing prices of essentials in the south.

However, the Houthi authorities reject the currency float – they continue to enforce the old peg (roughly 250 then 300 YER/USD) in their areas, effectively maintaining a separate currency value in the north. The result is a widening dual exchange rate system: by late 2017, the rial in Houthi-controlled Sana'a is trading at a much stronger rate than in Aden.

The Saudi Deposit: A Double-Edged Sword

The $2 billion Saudi deposit to CBY-Aden was used to finance critical imports like food and fuel via a letter-of-credit system. While it temporarily stabilized prices, the injection spurred allegations of favoritism and corruption in how these funds were allocated to importers. Later investigations would question the transparency of the process.

Liquidity in banks remains extremely poor nationwide. Many banks hold large deposits in government debt or are immobilized by conflicting regulations. Yemenis who still have bank accounts find they can barely withdraw funds: in the south, banks impose strict withdrawal limits amid cash shortages; in the north, banks cannot disburse the new currency at all (since it's banned) and have little old currency liquidity either.

2018: Hardening of Economic Lines

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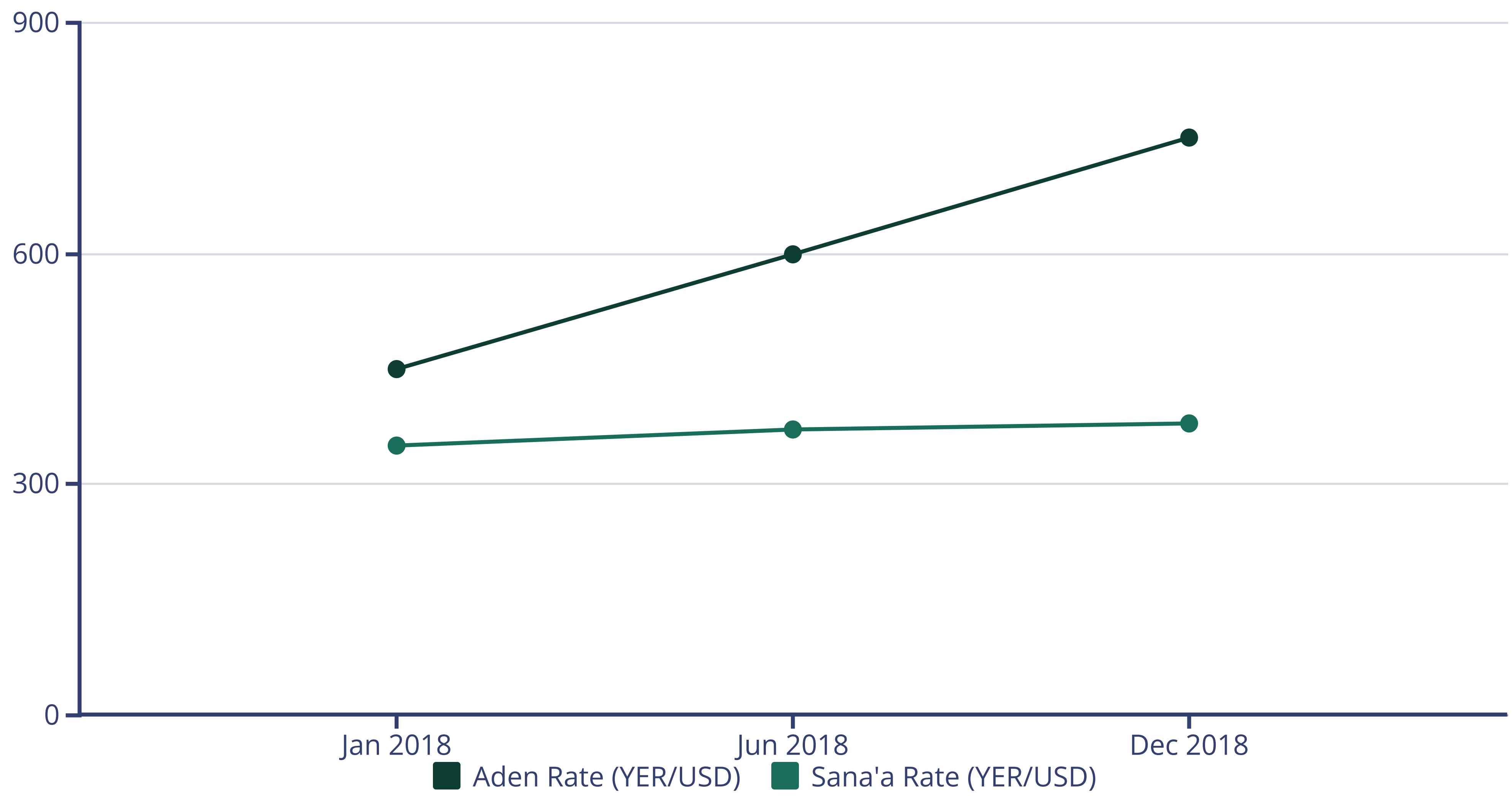
8

Institutional Fragmentation Deepens

The rival central banks and various local authorities issue competing financial regulations, creating chaos for businesses trying to operate across territories.

The dual exchange-rate regime hardens: by mid-2018, the difference between the rial's value in Houthi areas vs government areas becomes stark and persistent. This is partly because the Aden CBY, now flush with some Saudi funds, massively injects new banknotes to pay salaries and expenses – causing higher inflation in the south. Meanwhile, the Houthi side strictly limits cash circulation, so the north's rial stays more stable (but that stability comes at the cost of liquidity – cash is scarce).



The gap in market exchange rates grows, sometimes exceeding 150% (e.g. 750 YER/USD in Aden vs 380 YER in Sana'a by late 2018). Banks become increasingly sidelined: many bank branches in active conflict zones shut down or are cut off from their head offices.

> "By 2018 virtually all public sector salary payments in Houthi-controlled areas have stopped (except some partial payments to select sectors), and even in the south delays are common – this forces most households to survive on humanitarian aid or informal income."

A diplomatic breakthrough occurs in December 2018: the UN brokers the Stockholm Agreement, which establishes a ceasefire around the vital Red Sea port of Hodeidah. While the Stockholm Agreement averts a battle for Hodeidah (preventing a potential humanitarian catastrophe at the port), it does not resolve Yemen's core economic disputes – notably, it leaves unclear the issue of revenue sharing from Hodeidah's port customs.

2019: Two Currencies Formalized

2019

The Currency Ban

December 2019 is the year Yemen's monetary separation becomes official.

In December 2019, the Houthi authorities announce a ban on all new banknotes printed by CBY-Aden since 2016. They order residents in Houthi-controlled areas to stop using the "new rials" (post-2016 currency notes) and only accept/use the old pre-war bills, under penalty of law.

Old Rials (North)

Pre-2016 banknotes circulating in Houthi-controlled areas. Relatively stable value maintained through strict controls.

New Rials (South)

Post-2016 banknotes printed by CBY-Aden. Rapidly inflating due to large money supply growth.

The impact is immediate and complex. Suddenly, moving money across the north-south line entails high cost: to send money from Aden to Sana'a, one must convert new rials to old rials, which, as separate currencies, trade at a steep exchange rate difference on the black market. Indeed, a black market emerges where 1 old rial might cost 2 new rials.

The Black Market Exchange

Transfer costs skyrocket, hurting families that receive remittances or salaries across the lines. By early 2020, the market exchange rate in Aden soars to around double the Sana'a rate for the first time. For example, 1 USD might fetch ~600 YER (old) in Sana'a but ~1200 YER (new) in Aden.

On the political side, in November 2019 the Riyadh Agreement is signed between the Hadi government and the Southern Transitional Council (STC, a UAE-backed southern separatist movement). This deal is meant to end fighting between the government and STC by forming a power-sharing government. However, economically the fragmentation persists unabated.

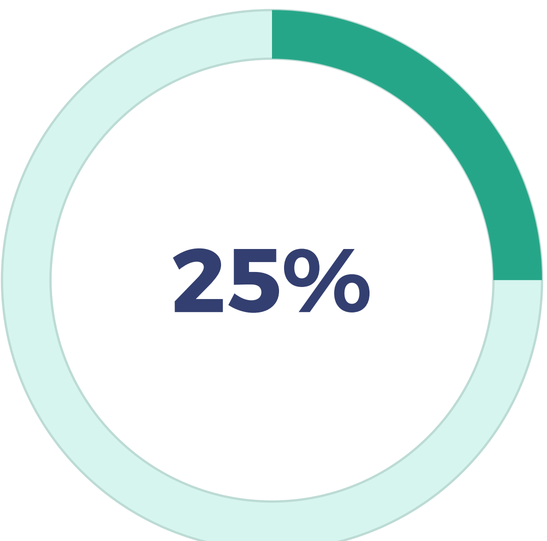
2020: Survival Amid Global Shocks

2020

COVID-19 Pandemic Hits

The year 2020 tests Yemen with new shocks as the global pandemic reaches the country.

Although Yemen's official COVID case and death numbers stay relatively low (possibly due to limited testing and Yemen's young population), the global economic impacts are significant. A global recession and travel restrictions cause a drop in Yemeni remittances – Gulf countries where many Yemenis work suffer downturns, so migrant workers send less money home. This is a blow because remittances were a backbone of household income.

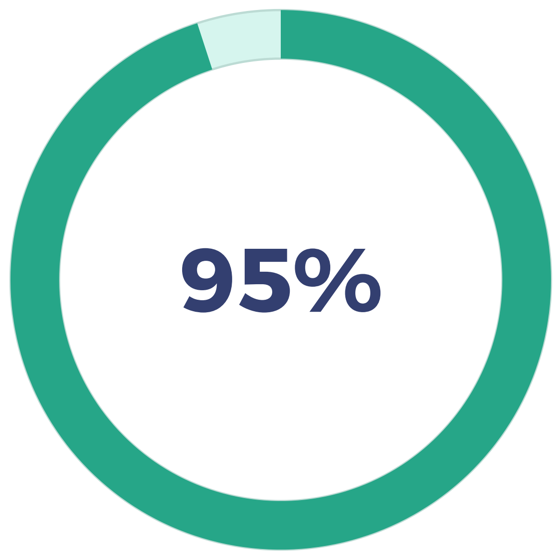


Remittance Drop

Estimated decline in remittances from Gulf countries due to COVID-19 economic impacts

Aid Shortfall

UN pledging conference raises only $1.7B out of $3.9B appeal – not nearly enough



Informal Economy

Estimated percentage of businesses operating outside formal banking system

Inside Yemen, the war economy shifts to a "war of revenues." The Houthis by 2020 have solidified control over most northern revenue sources – they collect taxes and customs (especially at Hodeidah port for fuel imports) and various fees. The Aden government, meanwhile, relies almost entirely on oil and gas revenues from the limited fields in Marib, Shabwah, and Hadramawt, and on intermittent cash infusions from Saudi Arabia.

Each side seeks to choke the other's income: the Houthis launch occasional drone/missile attacks on the southern oil facilities (aiming to disrupt the government's exports), and the government tries to restrict the flow of fuel into Houthi areas (aiming to cut Houthi customs revenues).

> "Private businesses adapt however they can: traders increasingly use hawala networks for foreign exchange and trade finance, completely bypassing banks. By 2020–21 even importers in Taiz or Aden often conduct all their international payments through informal money brokers rather than formal bank transfers."

2021-2022: War on Revenues and a Truce

2021

Sanctions and Shifting Dynamics

By 2021, the conflict's center of gravity shifts as Houthi forces push to capture oil-rich Marib.

In January 2021, in the final days of the U.S. administration, Washington designates the Houthi movement (Ansar Allah) as a Foreign Terrorist Organization (FTO). This designation causes immediate panic among banks, NGOs, and remittance companies: they fear that any dealings involving Houthi authorities or Houthi territory could violate sanctions.

1 — January 2021

US FTO designation of Houthis causes banking panic. Aid groups warn it could trigger famine by chilling financial channels.

2 — February 2021

New US administration revokes FTO designation due to humanitarian concerns. However, targeted sanctions continue.

3 — June 2021

US Treasury sanctions Houthi-affiliated money exchange networks (e.g. Swaid and Sons) for financing operations.

2022: The Truce and Oil Export Halt

2022

Hope and Setback

The real economic turning point comes in April 2022 with a UN-brokered nationwide truce.

In April 2022, the UN brokers a two-month nationwide truce, the first countrywide ceasefire since 2016. Concurrently, President Hadi resigns and hands power to a new Presidential Leadership Council (PLC) in Aden, a collective leadership that includes STC and other faction leaders. Gulf allies Saudi Arabia and the UAE promise $3 billion of financial support to the new PLC government.

The truce, which is extended multiple times, lasts from April to October 2022 and brings a measure of relief: front-line fighting drops markedly, more fuel ships enter Hodeidah port without obstruction, and the first commercial flights from Sana'a airport (to Amman and Cairo) resume, reconnecting Yemenis to the outside world.

The Truce Benefits

During the truce period, civilian casualties dropped by over 60%, fuel availability improved significantly, and commercial flights resumed from Sana'a for the first time in six years. However, economic disputes remained unresolved.

However, when the truce expires in October 2022 without agreement on renewal, the war of revenues resumes with a vengeance. The Houthis demand that the government start paying civil servant salaries in Houthi areas (using oil revenue) as a condition to extend the truce. When that doesn't happen, in late 2022 the Houthis launch a series of drone attacks on oil export terminals in Hadramawt and Shabwah, effectively halting Yemen's oil exports.

65-70%

Revenue Loss

Percentage of Aden government's income from oil exports – now completely halted

1,500

Currency Crash

Aden rial crosses 1,500 YER/USD by early 2023 after oil export halt

Since oil exports were providing up to 65–70% of the Aden government's income, this move cripples the IRG's finances – Yemeni oil production and export completely stop after October 2022. As a result, hard currency reserves in Aden plummet and the Aden rial goes into freefall again.

2023-2025: Fragmented Status Quo

2023

Seeking Remedies

Through 2023, Yemen settles into an uneasy status quo of reduced fighting but persistent economic warfare.

The PLC government in Aden struggles to manage without oil income; it leans heavily on Saudi deposits and IMF special drawing rights to fund imports and a minimal salary payment to its military and civil servants. In 2023, in a controversial move, CBY-Aden uses its regulatory powers to blacklist several banks that did not relocate headquarters from Sana'a to Aden – essentially cutting them off from SWIFT and dollar auctions.

The Houthi-run CBY in Sana'a retaliates by banning at least 12 banks (mostly those aligned with Aden) from operating in the north, further entrenching the financial split. Sanctions and counter-sanctions between the two central banks create havoc for the remaining functioning banks – many are forced to choose sides or run two sets of books.

Digital Payment Innovation

Houthi authorities launched "e-Rial" electronic payment system in 2022. Aden side explored mobile payment platform pilot in 2023.

Population Adaptation

By 2025, most Yemenis adjusted to fractured economy. Transactions via cash or mobile wallets provided by telecoms and microfinance banks.

Peace Negotiations

Oman continues mediating. Talk of "Economic Coordination Committee" to manage oil revenues and payroll across lines.

Poverty and unemployment remain dire: roughly 80% of the population lives below the poverty line, and Yemen's GDP per capita is back to levels perhaps two decades ago, a stunning regression. The UN estimates that nearly 17 million Yemenis are food insecure, with pockets at risk of famine if aid falters.

> "The economy that has emerged is a shadow of its former self: highly informal, cash-based, fragmented, and aid-dependent. In 2025, negotiations for a permanent peace deal continue fitfully. Any future peace agreement will face the monumental task of reintegrating Yemen's financial institutions and currency."

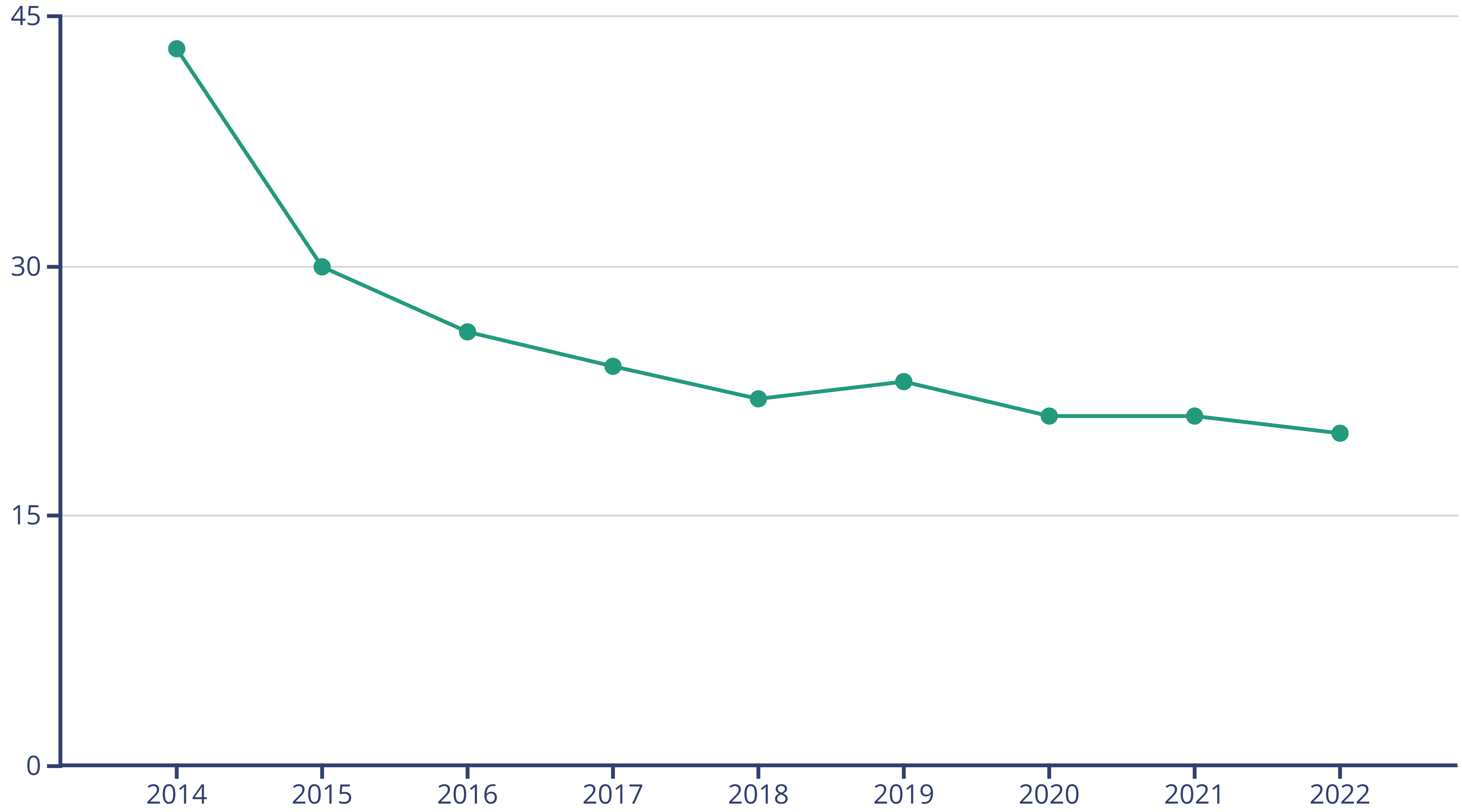
Economic Crisis

Quantifying the Collapse

The Macroeconomic Crisis Dashboard dives into Yemen's core indicators to quantify the depth of collapse across output, inflation, poverty, public finance, and external accounts.

Output & Growth: The GDP Collapse

Yemen's real GDP has shrunk by roughly 50% since 2014, essentially halving the economy. After the war outbreak in 2015, GDP plunged by over 30% in that year alone, one of the sharpest collapses globally. By 2018, cumulative real GDP loss was around 50%.



Data Confidence Note

Confidence Level: Low to Medium

Official GDP figures stopped after 2014. Post-2015 GDP is estimated by institutions like the World Bank and IMF using proxies such as nighttime lights, oil production data, and consumption indicators. These are marked as low confidence due to data collection gaps in conflict zones.

GDP per capita fell from around $1,100 in 2014 to barely $450 by 2022 – erasing two decades of development progress. The narrative explains how conflict destroyed productive infrastructure (factories, oil pipelines, power grids), cut Yemen off from trade, and caused capital and labor flight, all leading to the economic freefall.

Sectoral GDP Breakdown

Pre-War Economy (2014)

- **Oil & Gas:** ~25% of GDP, primary export earner
- **Services:** ~45% of GDP (trade, transport, government)
- **Agriculture:** ~15% of GDP
- **Manufacturing:** ~10% of GDP
- **Other:** ~5% of GDP

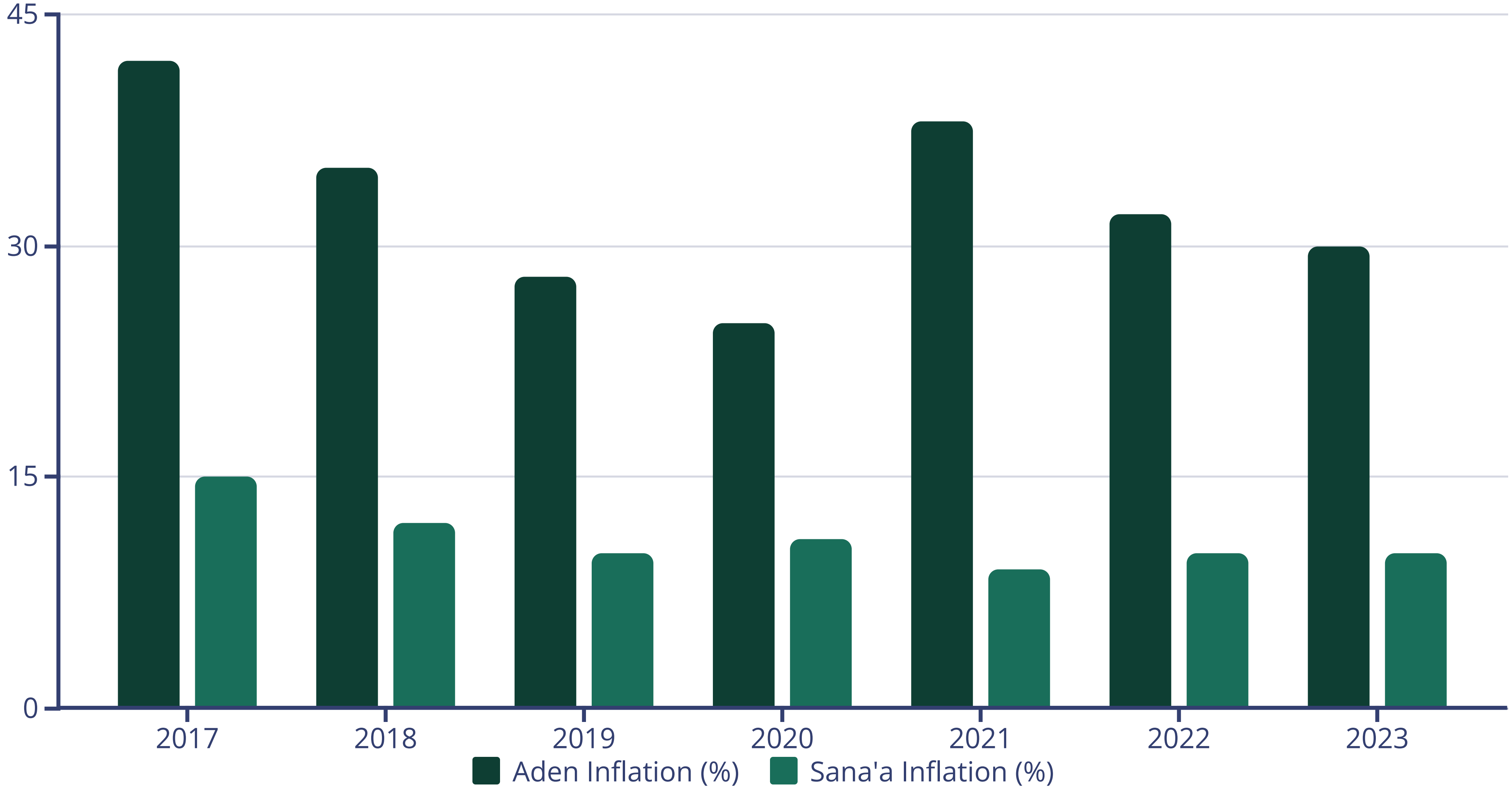
War-Time Changes

- **Oil & Gas GDP:** Nearly vanished after 2015 (exports halted for years)
- **Services:** Contracted due to insecurity and business closures
- **Agriculture:** Also contracted due to fuel shortages and displacement
- **Informal Economy:** Expanded massively but not captured in GDP

A small rebound in 2019–2020 (before COVID) is visible as some stabilization occurred, but renewed shocks (COVID, oil halt in 2022) kept growth negative or flat. The platform notes data uncertainty with methodology notes accessible via tooltips.

Inflation & Cost of Living Divergence

This analysis compares inflation rates and price levels between Aden (IRG areas) and Sana'a (Houthi areas), highlighting the stark divergence in monetary conditions.



The chart displays annual consumer price inflation – showing relatively mild inflation (~10-15%) in Houthi-controlled areas versus episodes of hyperinflation in government areas (over 40% in 2017 and over 30% in 2018 and 2021 in Aden).

Understanding Exchange Rate Pass-Through

The divergence is clearly tied to currency valuation: when the Aden rial sharply depreciated, prices for imports (food, fuel) skyrocketed in those areas, whereas the Sana'a authorities kept prices somewhat stable by enforcing currency controls (though at the cost of shortages and occasional black market markups).

Food Basket Cost Comparison

By 2021, a basic food basket cost two to three times more in Aden than in Sana'a due to the weaker currency in the south. This had dire implications for poverty, as incomes did not keep pace.

67%

Aden Price Increase

Percentage increase in food basket cost 2014-2023 in government areas

45%

Sana'a Price Increase

Percentage increase in food basket cost 2014-2023 in Houthi areas

Example: Petrol Prices (2021)

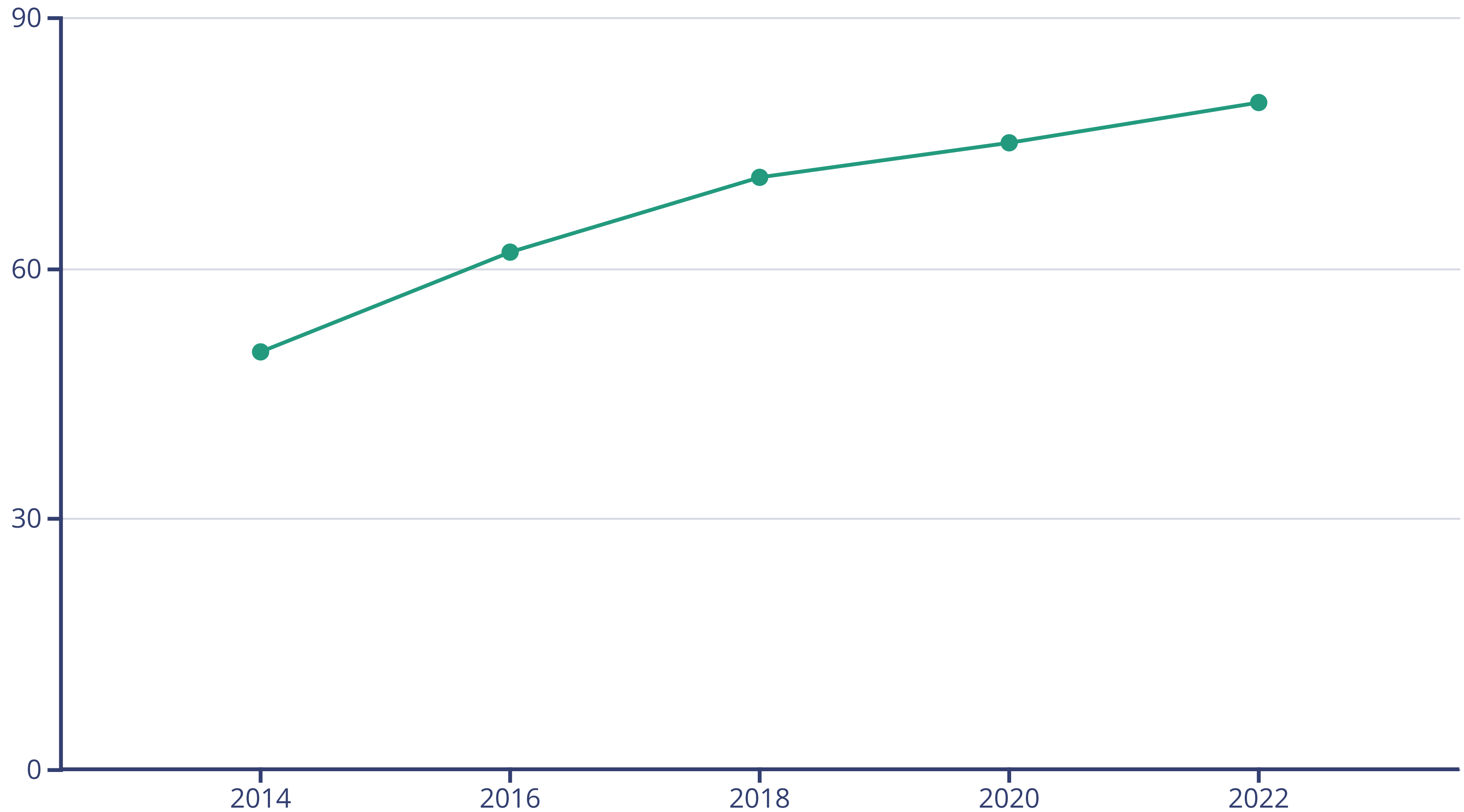
At points in 2021, petrol in Sana'a (with official subsidies and stable currency) was less than half the price of petrol in Aden (where subsidies were removed and the currency had collapsed).

Impact on Migration

The inflation disparity contributed to internal migration (people moving from high-cost areas to lower-cost ones) and fueled public discontent. Some families relocated from Aden to Sana'a specifically to escape the cost of living crisis.

Poverty & Labor Market Collapse

This section compiles indicators of humanitarian and social impact, showing how decades of progress in poverty reduction were wiped out.



Poverty was about 50% pre-war (2014); by recent estimates it has reached over 80% in 2022, meaning the vast majority of Yemenis cannot meet basic needs. Yemen now has one of the world's highest poverty rates.

2.1M

Jobs Lost

Estimated jobs lost from 2015-2019 according to ILO estimates

30%+

Unemployment

Overall unemployment rate, with youth unemployment even higher

24M

Need Aid

Yemenis requiring humanitarian assistance as of 2023 (80% of population)

16M

Food Insecure

People facing acute food insecurity (IPC Phase 3+)

> "The economic crisis has had devastating human costs: incomes have eroded (real income per capita down ~50%), prices have soared, and basic services (health, education) collapsed, driving poverty, hunger, and disease."

Regional Poverty Disparities

Poverty became nearly universal in conflict-battered governorates like Taiz and Al Bayda, whereas some coastal areas with active trade (Mukalla) fared slightly better.

Highest Poverty

- Taiz: ~90% poverty rate
- Al Bayda: ~88%
- Hajjah: ~85%
- Sa'ada: ~87%

Moderate Poverty

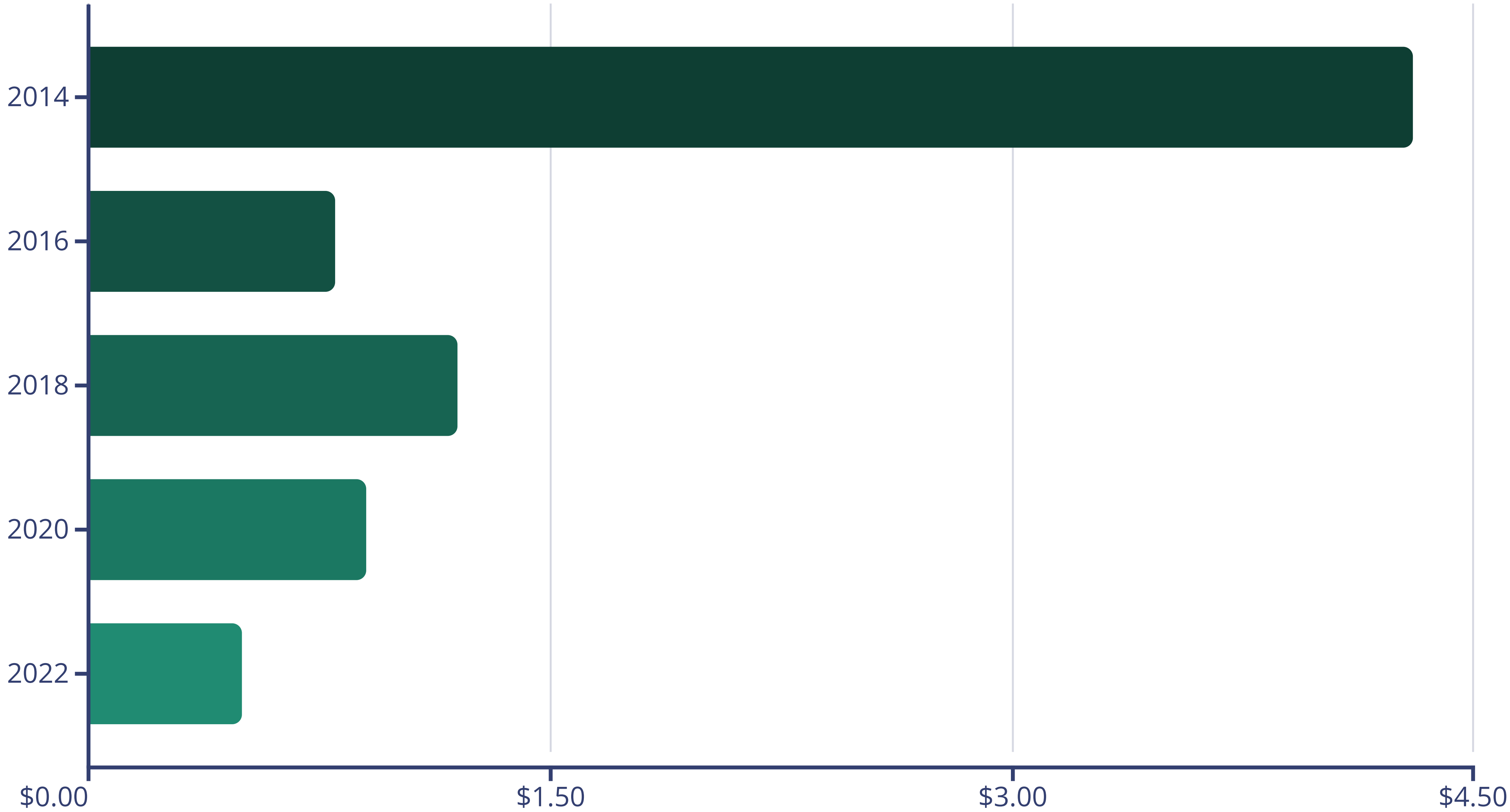
- Sana'a: ~75%
- Ibb: ~78%
- Dhamar: ~76%
- Hodeidah: ~80%

Relatively Lower

- Hadramawt: ~65%
- Marib: ~60% (pre-2021)
- Aden: ~70%
- Mukalla: ~68%

Public Finance Collapse

This analysis details the collapse of Yemen's public finances, showing government revenue and expenditure over time for both the IRG government and the de facto Houthi authorities.



Government revenues fell from about $4.3 billion in 2014 to almost nothing by 2016–2017, then partially rebounded with external help and some oil exports, but remain far below pre-war levels. Government revenues dropped from ~22% of GDP in 2014 to below 8% of GDP by 2021.

Revenue Composition Changes

Oil export earnings (once ~60% of government revenue) vanished during 2015-2016, returned modestly in 2018-2021 with Marib oil, then dropped to near-zero after 2022 due to Houthi attacks. Tax revenues shrank dramatically because the economy contracted and authorities lost control of territory.

Expenditure and Salary Crisis

Expenditures also plummeted – notably, civil servant salaries and pensions largely went unpaid or were paid only intermittently in the north, while the IRG struggled to pay its workforce in the south and resorted to printing money to cover payroll.

Salary Payment Breakdown

Public salary payments as a share of GDP dropped sharply after 2016, with massive arrears accumulating:

- 2014: Regular payments to 1.25M civil servants
- 2016: Payments cease in north after CBY split
- 2018: Partial payments in south only
- 2022: Irregular payments, huge arrears

Budget Deficit Financing

The widening budget gap was financed by:

- Printing money (causing inflation)
- Running down CBY reserves (early years)
- Foreign aid and deposits
- Accumulating domestic arrears

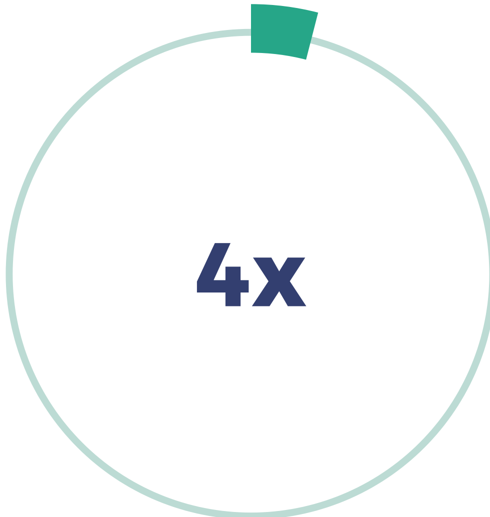
By 2020s, Yemen's public sector is split: the Sana'a authorities run their own budget (never published fully, but reliant

Public Debt Crisis

Yemen's external public debt (mostly loans from World Bank, IMF, and regional lenders) remained officially around $6-7 billion, with debt service mostly suspended due to the war. However, domestic debt skyrocketed as the government stopped paying many obligations.

Debt-to-GDP Ratio

Public debt exceeded 120% of GDP by 2022, driven by GDP collapse and domestic arrears



Money Supply Growth

Broad money supply (M2) in the south quadrupled as CBY-Aden printed new rials to finance deficits

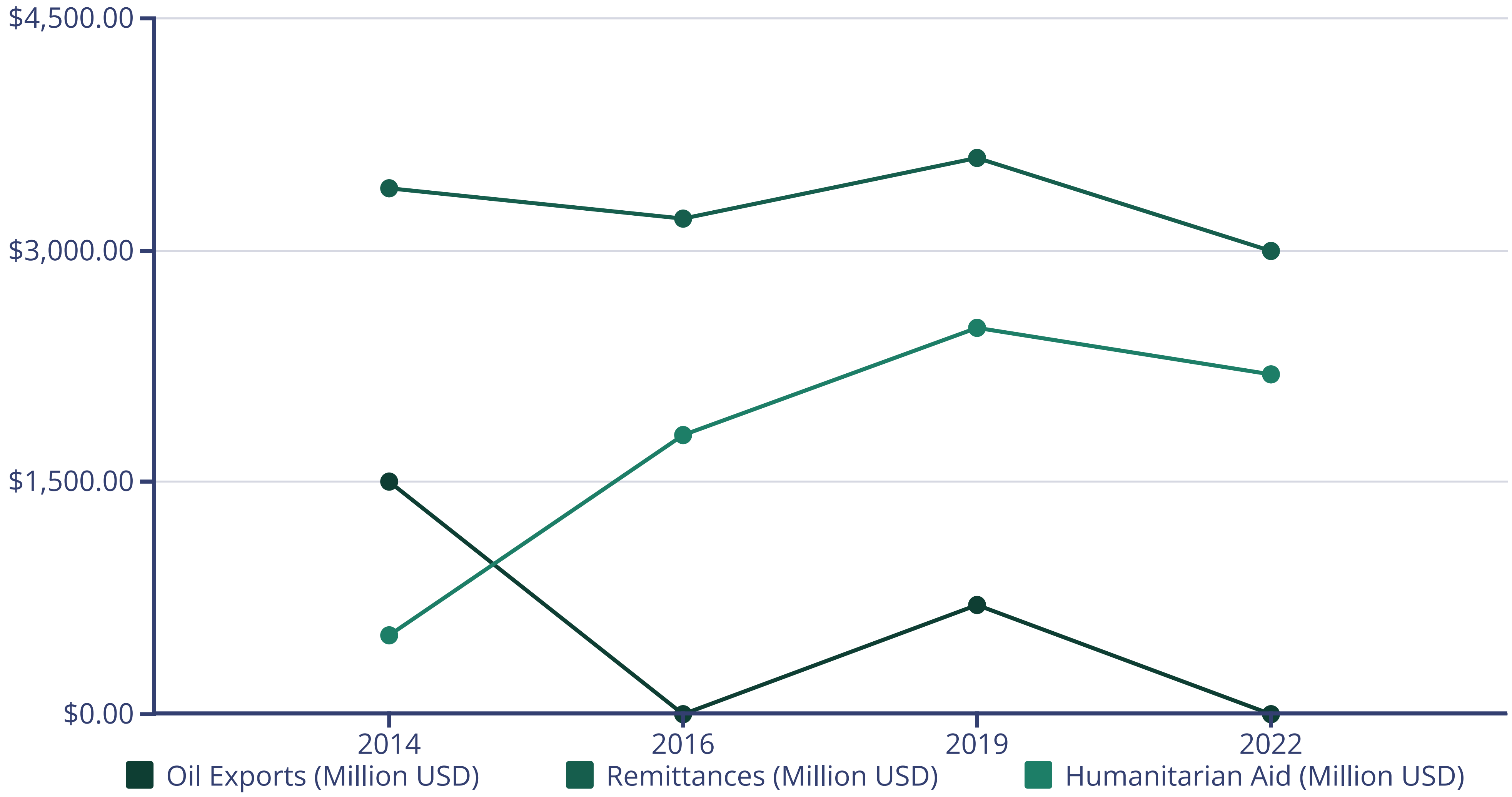
Data Confidence and Sources

Confidence Level: Medium to Low

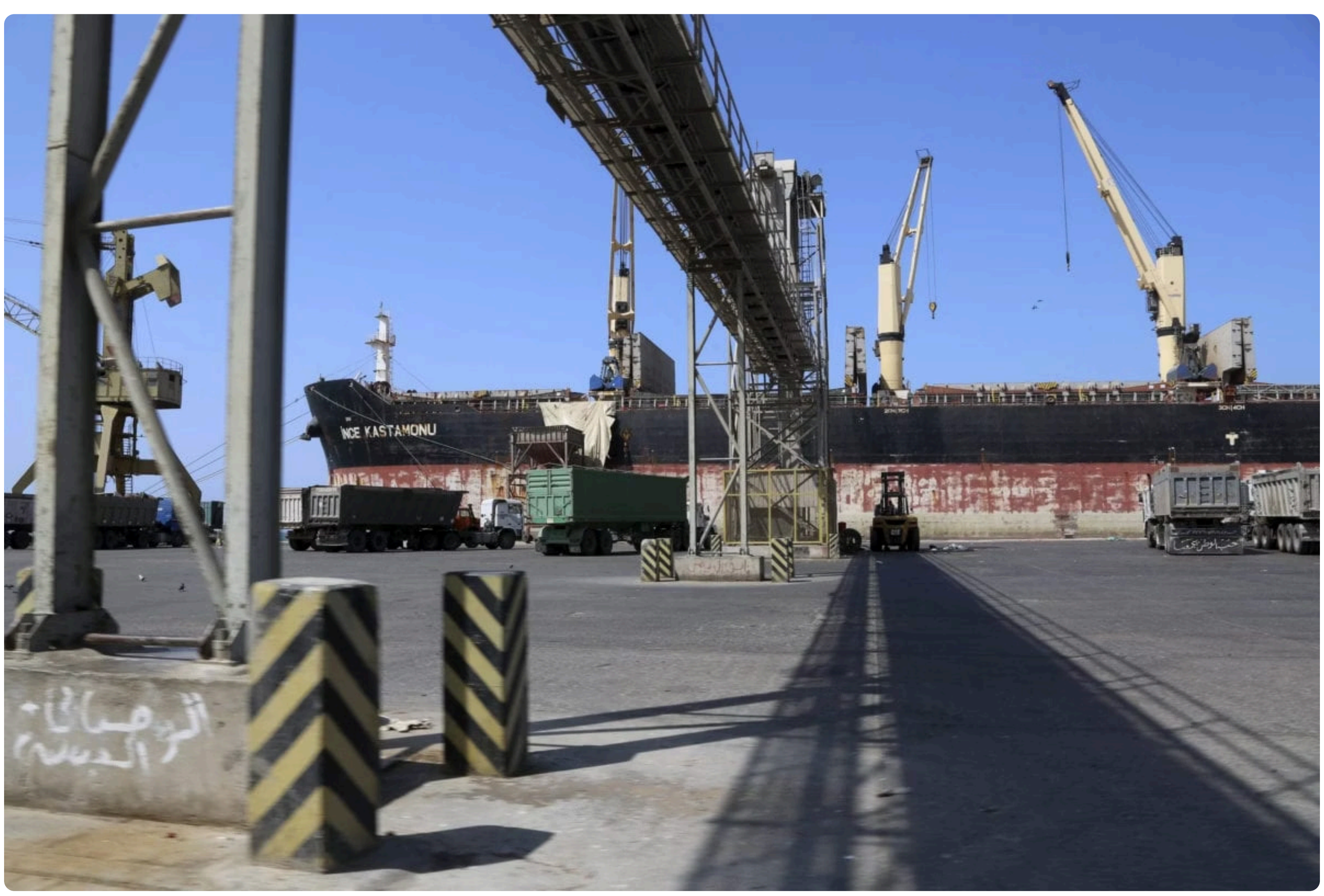
Since official budgets aren't fully available post-2015, data is pieced together from IMF reports, Yemen Economic Monitoring reports, and newspaper reports of budgets. Much of the domestic debt is in the form of arrears that could potentially be restructured in a peace scenario.

External Accounts & Balance of Payments

This analysis covers balance of payments and debt, illustrating the collapse of exports and the shift to aid-dependent financing.



Oil exports fell from $1.5bn+ in 2014 to effectively $0 in 2015–2016; a modest resumption to ~$700m by 2019; then back to $0 after 2022. Yemen swung from a current account deficit to a huge aid-dependent balance: by late 2010s, remittances (>$3bn/year pre-war) and humanitarian grants (about $2bn+/yr at peak) became the main financing sources.



Foreign Reserves Depletion

Reserve Trajectory

Foreign reserves held by CBY dropped from $5bn in 2014 to virtually nil by 2017 as the CBY spent reserves to support imports. After that, occasional Saudi deposits bumped reserves (e.g. $2bn in 2018), but they were quickly drawn down.

As of 2025, Yemen's central bank reserves are minimal (perhaps enough for a couple months of imports at best), and the country relies on an IMF-monitored account and ad-hoc donor support for critical imports like food and fuel.

$5B

2014 Reserves

Pre-war level

~$0

2017 Reserves

Depleted

$2B

2018 Injection

Saudi deposit

Debt Distress Classification

External debt charts show that Yemen hasn't been servicing most of its loans, and the IMF/World Bank have classified Yemen at high risk of debt distress. The debt-to-GDP ratio soared because GDP shrank and new domestic debt piled up.

> "This evidence can inform recovery planning: any post-conflict government will be rebuilding from an incredibly low base and will need substantial external support to stabilize prices, restore services, and reignite growth."

The Currency War

Yemen's Unprecedented Monetary Divide

Dual Monetary Systems Explained

The Currency War page analyzes Yemen's monetary divide – the split into two currencies and central banking regimes – and its impact on people and prices. A once unified national currency (Yemeni rial) fragmented into "old rials" vs "new rials," leading to stark differences in exchange rates, inflation, and economic power.

CBY-Aden (South)

Prints new banknotes, floating exchange rate, high inflation, internationally recognized

CBY-Sana'a (North)

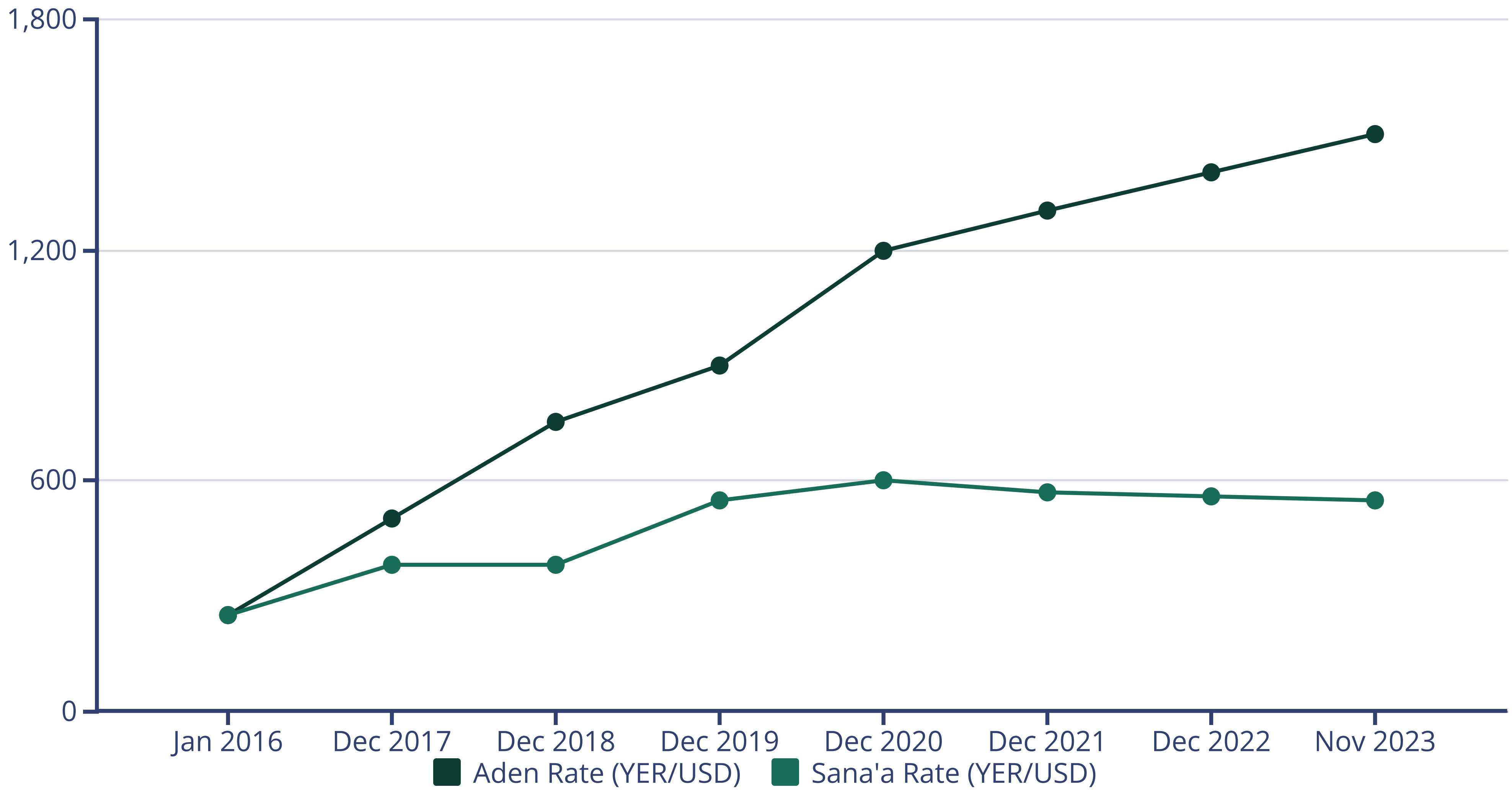
Controls old banknotes, fixed exchange rate, capital controls, stable but illiquid

Understanding the Split

Pre-war, the lines overlap at the official rate (~215 then 250 YER/USD). Post-2016, they start diverging dramatically. The Aden rate climbs steeply (depreciation), while the Sana'a rate remains much lower due to Houthi capital controls.

Exchange Rate Divergence Timeline

The centerpiece visualization shows the market exchange rate of the Yemeni rial against the US dollar in Sana'a vs. Aden over time, illustrating the dramatic "north-south gap."



By 2021–2022, the gap is enormous: the rial in Aden was trading at nearly 3 times the value in Sana'a at moments (e.g. 1200 vs 400). This chart starkly illustrates the "north-south gap" with event markers showing key policy decisions.

Key Monetary Policy Events

Sept 2016

Central Bank headquarters relocated from Sana'a to Aden (start of institutional split)

Aug 2017

Aden CBY floats the exchange rate (letting it slide from 250 to market level)

Jan 2018

Saudi deposits $2B in Aden CBY (temporarily boosts Aden rial)

Dec 2019

Houthi authorities ban new Aden-printed notes – lines diverge dramatically

Oct 2022

Houthi drone attacks halt oil exports (leading to Aden rial crash)

Early 2023

Aden CBY blacklists Houthi-aligned banks; Sana'a CBY blacklists others

Human Impact: Before & After Comparison

To make the consequences tangible, this comparison illustrates real-world impacts of currency divergence on ordinary Yemenis.

Public Sector Teacher's Salary

2014: 40,000 YER = $186 (at 215 YER/USD)

2023 in Sana'a: 40,000 YER = $70 (at 570 YER/USD)

2023 in Aden: 60,000 YER = $40 (at 1500 YER/USD)

Real income for southern teacher collapsed by 78%

100,000 YER Bank Deposit (2016)

If held in Sana'a (old rials): Still ~$170 in USD terms, relatively stable local purchasing power

If held in Aden (new rials): Only worth ~$60 by 2025, massive real value loss due to inflation

Aden depositors lost 65% of value

Cost of Living Comparison

The same currency value on paper diverged into two realities – a phenomenon rarely seen anywhere else.

Bag of Flour

Sana'a: 8,000 YER

Aden: 22,000 YER

Aden residents pay 2.75x more

Cooking Gas Cylinder

Sana'a: 6,500 YER

Aden: 18,000 YER

Aden residents pay 2.8x more

Liter of Petrol

Sana'a: 450 YER (subsidized)

Aden: 1,100 YER (market rate)

Aden residents pay 2.4x more

> "People tangibly feel that Yemen is no longer one economy – monetary fragmentation hits daily life. Houthi areas saw dual pricing emerge (some shops pricing in old vs new rials), southern areas saw dollarization of some transactions, and widespread adoption of unofficial exchange mechanisms."

Monetary Policy Tools by Each Side

CBY-Aden Tools

- Issuing new currency notes in large volumes (2017-present)
- Floating exchange rate policy (2017)
- Foreign exchange auctions (2021-present)
- Raising deposit interest rates to attract savings
- Fuel import financing via letters of credit
- Directing banks to repatriate foreign assets

CBY-Sana'a Tools

- Banning new banknotes (2019)
- Strict capital controls and withdrawal limits
- Maintaining fixed exchange rate peg
- Issuing new coins for small denominations
- Developing "e-Rial" electronic payment system
- High reserve requirements for banks

Policy Impact Analysis

Big printings by CBY-Aden corresponded with spikes in exchange rate (depreciation) and inflation. Meanwhile, CBY-Sana'a's enforcement of the currency ban kept the official rate stable while the Aden rate ballooned, but created severe liquidity shortages.

Cities & Regions

Local Economic Realities

The conflict's economic effects vary dramatically by location. Some cities became epicenters of collapse, while others adapted or even thrived as regional hubs.

Sana'a: The Northern Capital

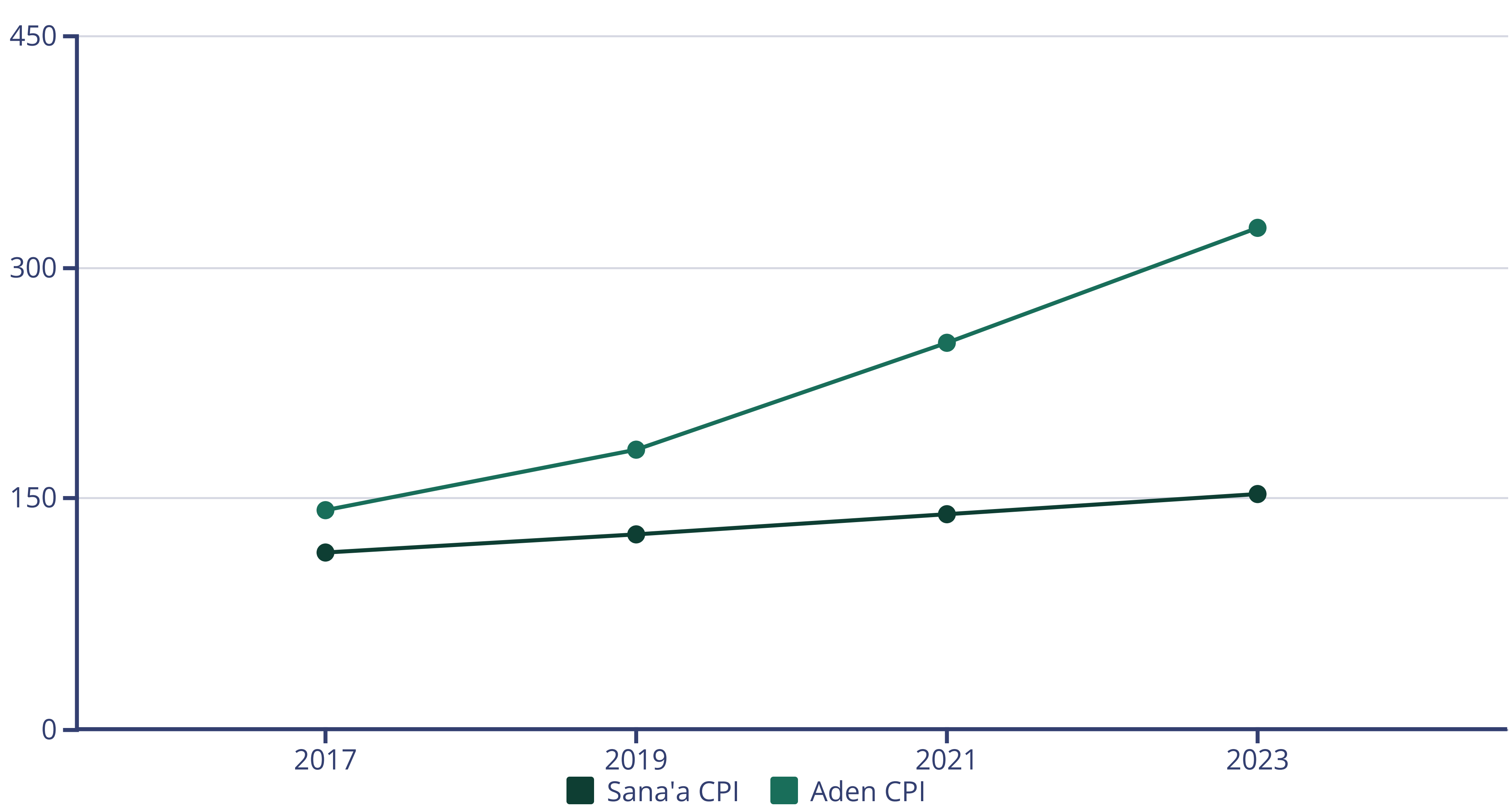
Key Facts

- **Population:** ~3.9 million (metro area)
- **Control:** Houthi authorities since 2014
- **Currency:** Old rials only
- **Exchange Rate:** ~550-600 YER/USD
- **Inflation:** Relatively stable 10-15%

Economic Profile

As the capital under Houthi control, Sana'a's economy suffered from isolation but also adapted. While businesses initially struggled after many companies relocated headquarters to Aden in 2016, Sana'a evolved into the administrative and commercial center for the Houthi-controlled north.

Prices in Sana'a remained relatively stable thanks to the currency ban – inflation was lower than in Aden, but salaries stopped for many, causing hardship.



The city's economy has pockets of boom (telecom companies, war-related trade) alongside widespread poverty. Basic services in Sana'a (electricity, water) have partially recovered through local initiatives.

Aden: The Interim Capital

Key Facts

- **Population:** ~1.2 million
- **Control:** IRG/PLC (contested with STC)
- **Currency:** New rials
- **Exchange Rate:** ~1,400-1,500 YER/USD
- **Inflation:** High 30-40% episodes

Economic Profile

As the interim capital for the IRG, Aden's economy went through booms and busts. The port activity initially slowed due to insecurity but later benefited from being the entry point for fuel and goods for the south.

Aden's prices skyrocketed during currency crashes, leading to higher cost of living than anywhere else. The city also faced repeated instability (STC-government clashes in 2018 and 2019) which disrupted commerce.

Infrastructure Status

Aden's airport reopened in 2015 and became a vital link, but the city's industries (oil refinery, factories) mostly shuttered. The port remains operational and critical for imports, though capacity is below pre-war levels.

Taiz: The Besieged City

Taiz endured one of the longest sieges of the war, with devastating economic consequences.

2015-2017: The Siege

Taiz city was besieged by Houthi forces, cutting off supplies and causing extreme shortages. The economy collapsed; many people

Price Spikes

Cooking gas and flour prices in Taiz spiked to some of the highest levels in Yemen during the siege – sometimes 5-10x normal prices.

Partial Recovery

After partial lifting of the siege, Taiz's trade routes improved somewhat, but even by 2025 movement remains restricted. The city's once vibrant manufacturing is mostly gone.

Hodeidah: The Lifeline Port

As Yemen's key Red Sea port, Hodeidah is the lifeline for imports, handling the majority of food and fuel entering the country.

Port Operations

While the city itself saw fighting (especially 2018 up to the Stockholm ceasefire), the port continued operating albeit at reduced capacity. Any port closures or threats immediately affected fuel and food availability countrywide.

The December 2018 Stockholm Agreement established a ceasefire around Hodeidah, preventing a potential humanitarian catastrophe. However, revenue sharing from port customs remains disputed between authorities.

70%

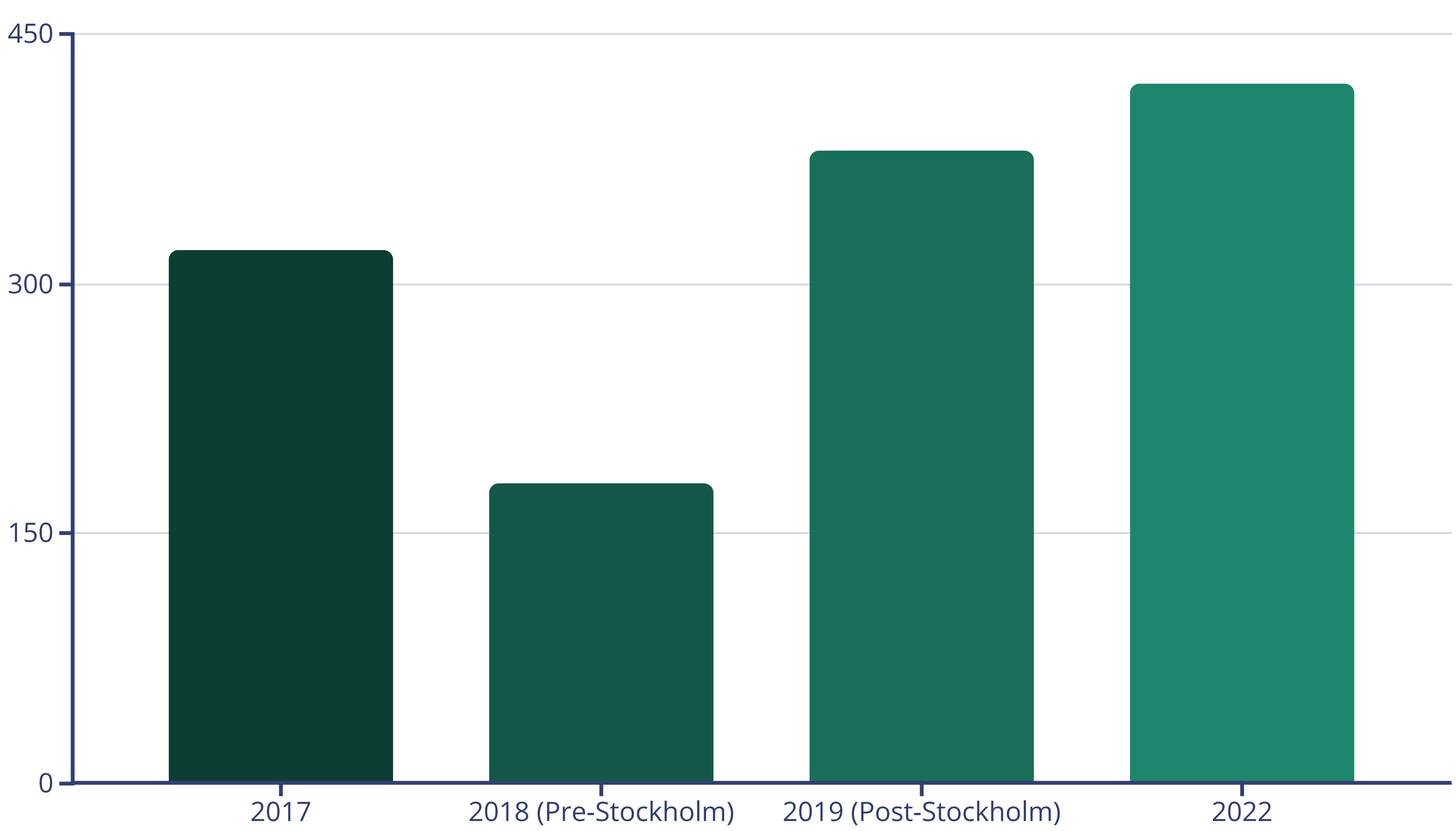
Import Share

Of Yemen's total imports

80%

Food Imports

Enter via Hodeidah



Hodeidah's population faced high unemployment due to war disruption, but the city also benefits from being under Houthi control with more stable prices (since goods enter directly and old rials are used).

Marib: The Boomtown

Marib governorate became a comparative boomtown during the war until late 2021, offering a unique case study in conflict economics.

Oil & Gas Resources

Location of Yemen's main operational oil and gas fields during the war, providing revenue to IRG

IDP Destination

Became refuge for hundreds of thousands of displaced people fleeing conflict zones

Economic Activity

Construction boom, active trade, better services than most of Yemen due to oil revenue retention

The Boom Years (2016-2021)

Local authorities in Marib (loyal to IRG) retained a significant share of oil revenues and used it to develop local services. This made Marib city an oasis of economic activity:

- Reliable electricity supply
- Better security than elsewhere
- Construction and real estate boom
- Population doubled from ~300k to ~600k

The Offensive (2021-2022)

The attempted Houthi offensive in 2021 and heavy fighting caused:

- Massive displacement from surrounding areas
- Infrastructure damage
- Economic uncertainty
- Remained under IRG control but vulnerable

> "Marib's story illustrates how an area with resources and relative stability can thrive even amid national collapse – until conflict threatens it. The contrast between Marib's boom and Taiz's siege shows the extreme variation in Yemen's war economy."

Mukalla: The Eastern Gateway

Mukalla, as the main city in the east (Hadramawt), had its own distinct trajectory through the conflict.

Conflict Timeline

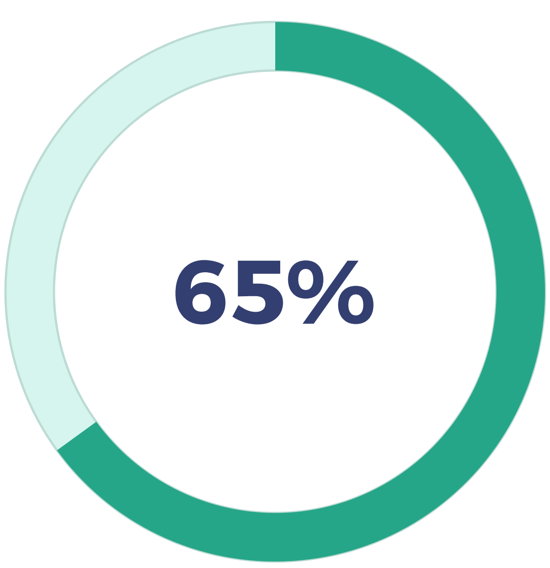
2015-2016: Briefly under AQAP control

2016: Recovered after Emirati-backed offensive

2017-present: Relative stability under local/IRG control

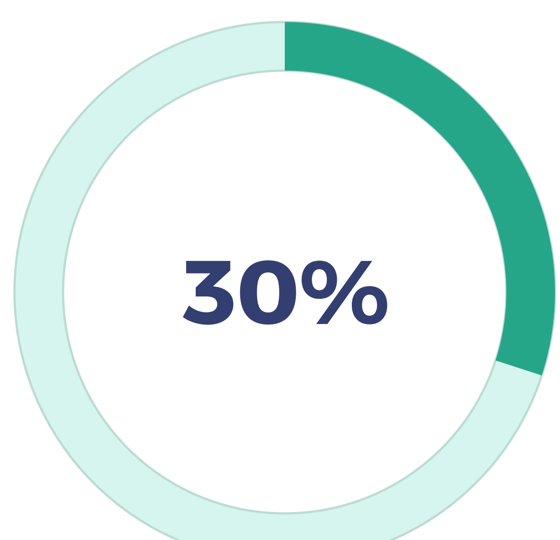
Economic Recovery

Mukalla's port became more important as a trade gateway, particularly during Hodeidah disruptions. The region exported some oil via Ash Shihr terminal until 2022.



Poverty Rate

Lower than national average of 80%, due to continued economic activity



Trade Growth

Increase in port activity 2017-2022 compared to pre-war baseline

Events & Shocks

The Timeline of Economic Decisions

A comprehensive, searchable database of significant events, decisions, and shocks that affected Yemen's economy and financial system during the conflict.

Events Catalog Structure

The Events & Shocks catalog spans from 2011 through 2025, with focus on 2014–2025. Each entry provides detailed context and impact analysis.

Date & Title

Precise dating and descriptive title for each event

Category Tags

Monetary Policy, Fiscal Policy, Conflict Shock, Infrastructure Attack, Aid, Sanctions

Actors Involved

Which stakeholders are key to this event

Impact Analysis

Economic significance with before/after data

Sources

Citations and links to original documents

Sample Event: Central Bank Relocation (2016)

Event Details

Date: September 18, 2016

Category: Monetary Policy / Institutional

Actors: President Hadi, CBY-Aden, CBY-Sana'a, Houthi Authorities

What Happened

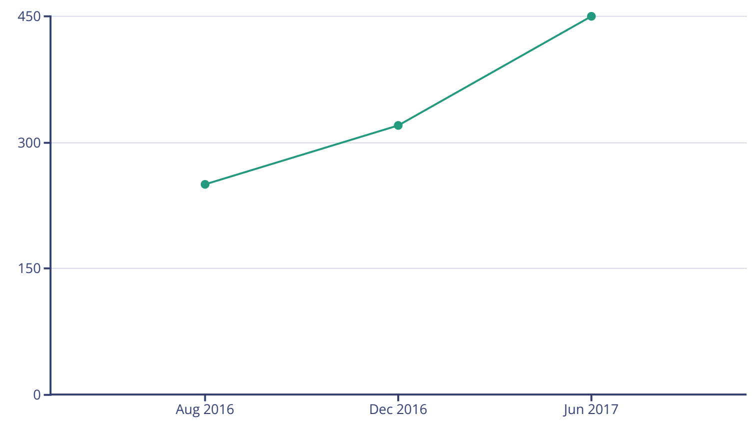
President Hadi removed the central bank governor and decreed the relocation of CBY headquarters from Sana'a to Aden, accusing the Houthi authorities of misusing state funds. This led to the halt of public salary payments in Houthi-controlled areas and marked the start of separate monetary policies.

Economic Impact

The relocation triggered immediate economic fallout:

- Salary payments to 1.25 million civil servants in north ceased
- Purchasing power in north plummeted
- Beginning of dual central banking system
- Start of currency divergence

Before & After Data



> **Sources:** Reuters report "Yemen's Hadi fires central bank governor, relocates bank to Aden" (Sept 2016); UN Panel of Experts Report 2017; World Bank Yemen Economic Monitor

Sample Event: Currency Ban (2019)

Event Details

Date: December 2019

Category: Monetary Policy

Actors: CBY-Sana'a, Houthi Authorities

What Happened

Houthi authorities announced a ban on all new banknotes printed by CBY-Aden since 2016. They ordered residents in Houthi-controlled areas to stop using "new rials" and only accept old pre-war bills, under penalty of law.

Immediate Effects

- Created two physical currencies
- Black market exchange emerged
- Transfer costs across lines skyrocketed
- Families receiving remittances severely affected

Exchange Rate Impact

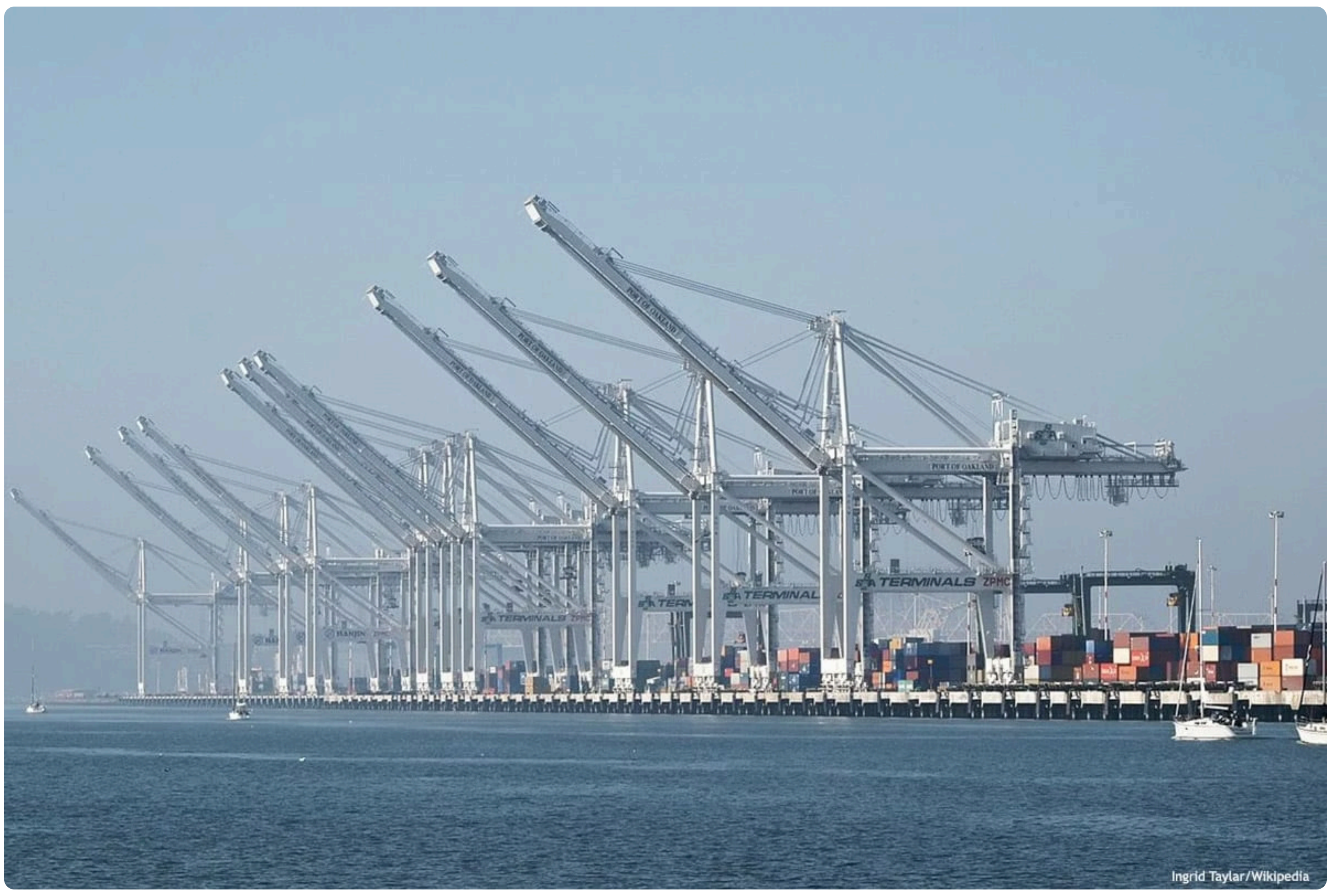
By early 2020, the market exchange rate in Aden soared to around double the Sana'a rate for the first time.

Example: 1 USD = ~600 YER (old) in Sana'a vs ~1,200 YER (new) in Aden

The gap would continue widening, reaching 3:1 by 2022.

> **Sources:** Reuters "Yemen's Houthis ban new bank notes in move that could deepen crisis" (Dec 2019); Sana'a Center "War and Peace over the Yemeni Rial"; AP "Yemenis unable to withdraw savings as banks freeze accounts"

Sample Event: Oil Export Halt (2022)



Event Details

Date: October 2022

Category: Conflict Shock / Infrastructure Attack

Actors: Houthi Forces, IRG Government, Oil Companies

In late 2022, Houthi forces launched a series of drone attacks on oil export terminals in Hadramawt and Shabwah (Dhabbah and Ash Shihr ports), effectively halting Yemen's oil exports. This came after the truce expired without agreement on salary payments.

Revenue Loss

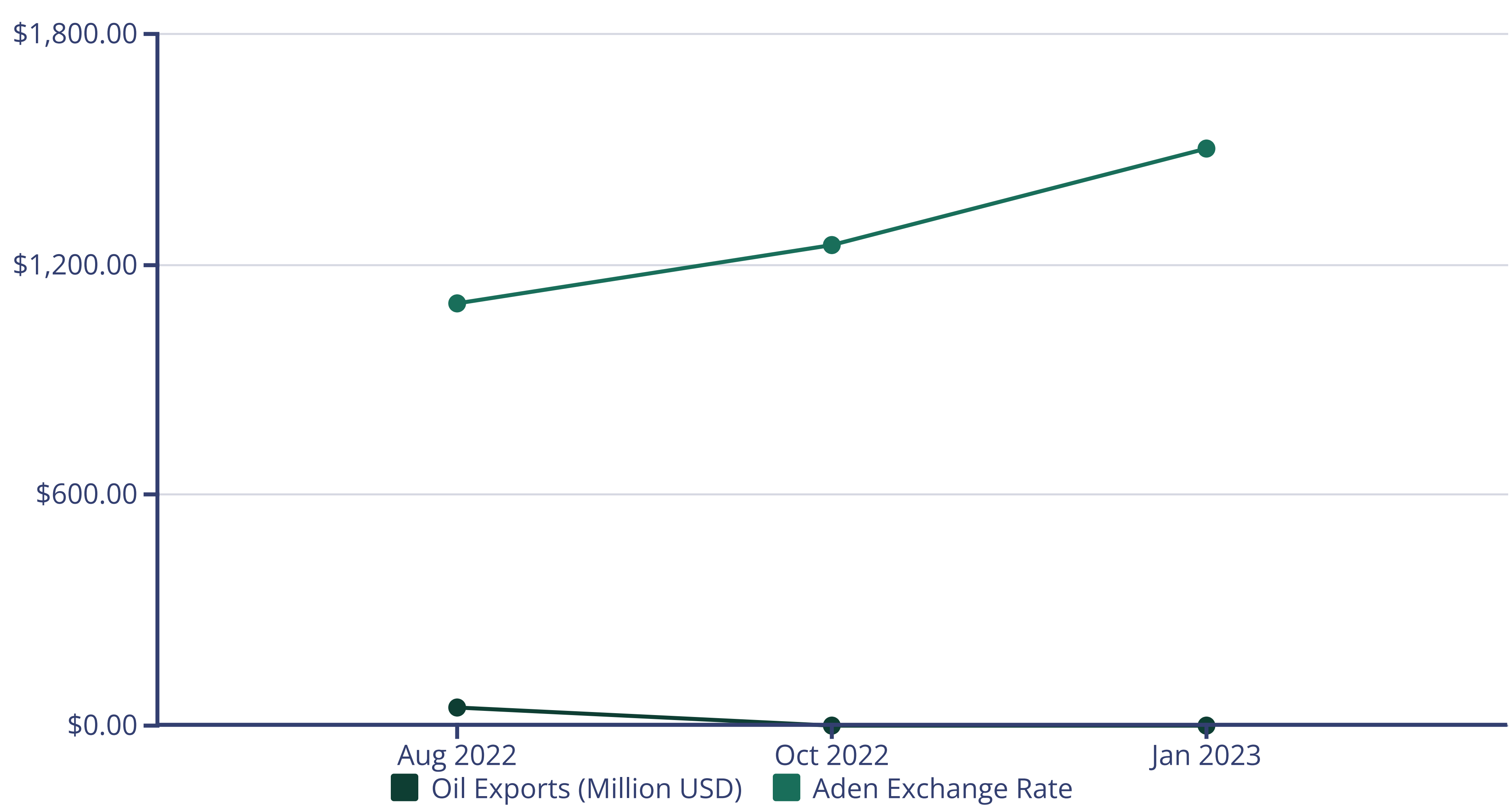
Oil exports provided 65-70% of Aden government's income – now completely halted

Currency Crash

Hard currency reserves plummeted, Aden rial went into freefall crossing 1,500 YER/USD

Economic Impact

Cost of living spiked in government areas, pushing more people into poverty



Sources: Reuters "Houthi attacks halt Yemen oil exports" (Oct 2022); World Bank Yemen Economic Update Q4 2022; IMF Staff Report

Central Banks

The Rival Institutions

Deep-dive profiles of the two rival central banking authorities that have existed since 2016, detailing their mandates, actions, and outcomes.

CBY-Aden: The Internationally Recognized Bank

Overview

Status: Internationally recognized Central Bank of Yemen

Location: Aden (relocated 2016)

Recognition: IMF, World Bank, international community

Challenges: Limited staff, depleted reserves, starting from scratch

Leadership Timeline

- **2016:** Monasser (appointed after relocation)
- **2017:** Kathim
- **2018-2020:** Fadhl
- **2020-present:** Various appointments

Frequent leadership changes reflected political instability and challenges in establishing authority.

CBY-Aden: Policy Instruments

1	**Currency Issuance** Issuing new currency notes in large volumes starting 2017 to provide liquidity for government spending. This led to rapid money supply growth and inflation.
2	**Exchange Rate Float** Abandoned fixed rate in August 2017, allowing market determination. The rial immediately depreciated but gained a market reference point.
3	**Foreign Exchange Auctions** Introduced in late 2021: selling hard currency (mainly Saudi deposit dollars) to local banks and exchangers through auction mechanism to stabilize exchange rate.
4	**Interest Rate Policy** Raising deposit rates in 2018 to try to attract back deposits and control money supply.
5	**Import Financing** Fuel import financing mechanism using letters of credit at fixed rates (e.g., 506 YER/USD in 2018) to subsidize essential imports.

Policy Effectiveness

Big printings corresponded with spikes in exchange rate depreciation. The 2018 Saudi deposit temporarily stabilized the currency, but effects were short-lived. The 2021 auction system had some success in curbing volatility but couldn't prevent the 2022-2023 crash after oil exports halted.

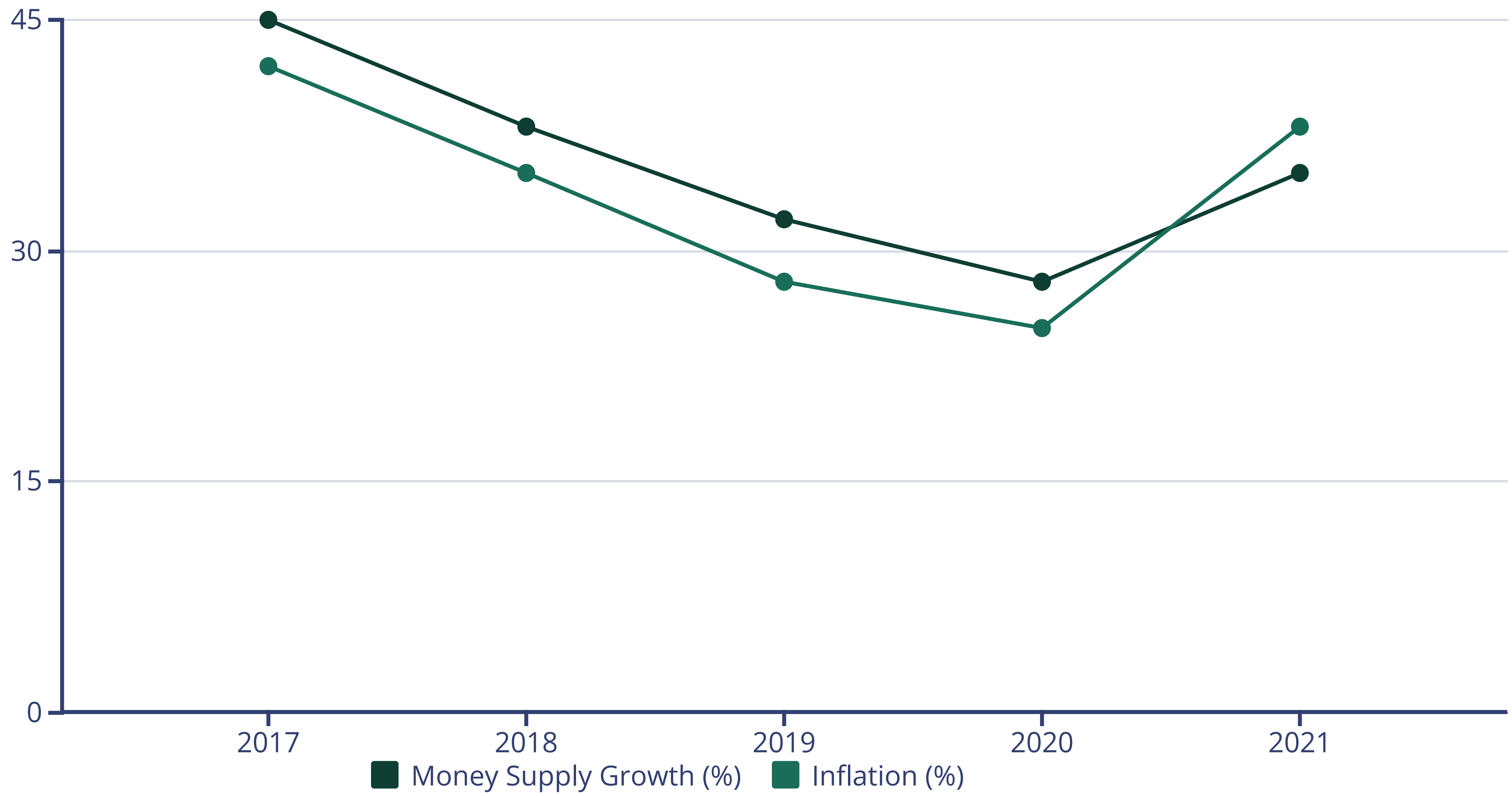
CBY-Aden: Outcomes & Effects

Positive Outcomes

- Partial restoration of public salary payments in the south
- Maintained some international banking relationships
- Received IMF technical assistance
- Managed to finance critical imports during crises

Negative Outcomes

- High inflation in areas under its currency (40%+ episodes)
- Loss of control in northern half of country
- Weakening of commercial banks under its jurisdiction
- Currency instability undermined confidence
- Limited foreign reserves (often near zero)



> "CBY-Aden's policies effectively could not influence the Houthi areas, meaning a big chunk of the economy was outside its reach. The inability to stabilize the currency undermined confidence in the entire southern financial system."

CBY-Sana'a: The De Facto Authority

Overview

Status: De facto central bank under Houthi authority

Location: Sana'a (original headquarters)

Recognition: Not internationally

Leadership

Remained under pre-2016 governor initially, then Houthi-appointed successors took over. Leadership has been more stable than Aden counterpart, reflecting consolidated control.

The bank controls monetary policy in northern Yemen without international recognition but with effective on-the-ground authority

CBY-Sana'a: Policy Instruments

1	**Currency Ban** Banning new banknotes (December 2019) to maintain control over money supply and prevent Aden-printed currency from circulating in their territory.
2	**Capital Controls** Strict capital controls: limiting cash withdrawals, setting withdrawal caps, controlling foreign exchange transactions.
3	**Fixed Exchange Rate** Maintaining official peg (600 then 550 YER/USD) for certain transactions and enforcing it through heavy regulation and market intervention.
4	**New Coin Issuance** Issuing new coins (50 and 100 rial coins in 2020/21) to substitute small denomination notes and address change shortages.
5	**Digital Payment System** Developing electronic payment network ("e-Rial") to allow digital transfers among government agencies and some merchants, reducing reliance on cash.
6	**Reserve Requirements** High reserve requirements for banks, often confiscating or reallocating funds under "profit" schemes to control liquidity.

CBY-Sana'a: Outcomes & Comparative Analysis

Positive Outcomes

- Stable exchange rate in north (500-600 YER/USD steady from 2020)
- Kept prices of basic imported goods relatively stable
- Prevented hyperinflation in their territory
- Maintained some monetary sovereignty

Negative Outcomes

- Severe cash liquidity squeeze for citizens
- Withdrawal limits persisted for years
- Inability to pay most public salaries despite revenue
- Financial sector fragmentation deepened
- International isolation increased

Aspect	CBY-Aden	CBY-Sana'a
Capital	Aden (temporary)	Sana'a (original)
International Recognition	Yes (IMF, World Bank)	No
Reserves	~$60 million (2023)	Unknown
Currency Printing	Yes (new notes)	No (controls old notes)
Exchange Rate Policy	Floating (market-determined)	Fixed peg with controls
Inflation (2023)	~30%	~10%
Policy Goal	Price stability (limited success)	Currency control & war financing
Accountability	IMF & donors oversight	None (internal only)

> "Yemen's financial collapse was not just collateral damage from the war, but was actively driven by policy decisions and power struggles – the 'weaponization' of the economy. These twin profiles highlight the institutional tug-of-war over monetary policy, with two central banks implementing opposing strategies with no coordination."

Path Forward

Any resolution must involve bridging this institutional divide. Reunifying or at least coordinating central bank functions is critical for economic recovery. Without this, Yemen will remain split into two monetary zones with minimal interaction, severely impeding reconstruction and development.