

## Yemen cost savings

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An unprecedented protracted humanitarian crisis, aggravated by COVID-19, leaves many Yemenis mostly dependent on relief and remittances. Socio-economic conditions are deteriorating rapidly, driven by a currency depreciation, trade disruptions, rising food prices, severe fuel supply shortages, disruption and downsizing of humanitarian operations. Intensifying violence and fragmentation of macroeconomic policies add further strains on the fragile economic conditions, and the population is at risk of famine in 2021.

The economy contracted sharply from an already low base. The oil sector -- the only large export earner -- was hard-hit by low global oil prices. Non-oil economic activity suffered significantly from COVID-19-related trade slowdown and exceptionally heavy rainfalls, which caused intense flooding, damage and loss of life. Foreign exchange shortages deepened further with the near depletion of Saudi Arabia's basic import finance facility, reduced oil revenues, and downsizing of humanitarian assistance.

Inflation has accelerated quickly in 2020. The weakening of the rial played a major role; other factors such as COVID-19 related disruptions, insecurity, trade restrictions and associated fuel shortages have also influenced price dynamics. The national average cost of the Minimum/Survivable Food Basket increased by 4% in December 2020 (m-o-m) and by 30% (yoy).

Economic and social prospects in 2021 and beyond are highly uncertain. A gradual recovery of global oil prices with increasing national production and export capacity, would help ease the strain on public finances in the government-controlled areas; means to support the government in payment of civil salaries would also reduce the recourse to central bank financing. Urgent progress to implement past agreements concerning access to supplies and fuel imports through Hodeidah would improve prices and access to food, the provision of public services and the operational environment for humanitarian operations.

After years of conflict, millions of people in Yemen are suffering from the compounded effects of armed violence, ongoing economic crisis and disrupted public services. Yemen faces the sixth largest internal displacement crisis in the world, with over 4.5 million<sup>1</sup> people internally displaced since 2015. Although key truce provisions have remained in place even after the truce expired last October, the humanitarian situation remains dire.

In 2023, an estimated 21.6 million people--two thirds of the population--will need humanitarian assistance and protection services.

Humanitarian partners are seeking \$4.3 billion to assist 17.3 million of the most vulnerable.

## THE HIGH COST OF INACTION

When funding requirements are not met, life-saving humanitarian programmes and services face delays, scale-backs and suspensions--pushing vulnerable people into even more difficult circumstances. By comparison, a well-funded multi-sectoral response in 2023 will help to prevent 17.3 million people from suffering from high levels of humanitarian need. This includes building on the gains made in 2022 to target high levels of food insecurity, particularly for the 6 million people who are currently facing emergency hunger levels.

Washington, October 31, 2024-- Yemen's economy continues to confront deepening challenges as prolonged conflict, political fragmentation, and escalating regional tensions drive the country into an even more severe humanitarian and economic crisis, according to the World Bank's latest Yemen Economic Monitor (YEM). The Fall 2024 edition, "Confronting Escalating Challenges", reveals that Yemen's GDP is projected to contract by 1 percent in 2024, following a 2 percent decline in 2023, exacerbating the 54 percent drop in real GDP per capita since 2015. The conflict has pushed most Yemenis into poverty, while food insecurity has reached historic levels, with over 60 percent of the population now facing inadequate access to food.

The report underscores the significant economic hardships caused by the continued Houthi blockade on oil exports, which contributed to a 42 percent drop in fiscal revenues for the Internationally Recognized Government (IRG) in the first half of 2024, preventing it from providing essential services to the population. The suspension of IRG oil exports, combined with a heavy reliance on imports, has intensified external pressures, leading to a depreciation of the Yemeni Rial in the Aden market from 1,619 per US dollar in January 2024 to 1,917 by the end of August.

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