



CENTRAL BANK OF YEMEN

# **Annual Report**

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## **2020**



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# *Annual Report*

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## *2020*

Issued by

General Department of Research and Statistics

Central Bank of Yemen

Head Office -Aden



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## **Table of Contents**

<b><u>Foreword</u></b> .....	<b>6</b>
<b><u>Key Economic Indicators</u></b> .....	<b>7</b>
<b><u>CHAPTER I: Current Situation and Economic Prospects</u></b> .....	<b>8</b>
<u>I.1 World Economic Growth</u> .....	9
<u>I.2 Local Economic Developments</u> .....	11
<b><u>CHAPTER II: Monetary Developments</u></b> .....	<b>14</b>
<u>II.1 Central Bank Balance Sheet</u> .....	15
<u>II.2 Consolidated Balance Sheet of Commercial and Islamic Banks</u> .....	17
<u>II.3 Monetary Survey</u> .....	21
<u>II.4 Exchange Rate Policy Developments</u> .....	22
<b><u>CHAPTER III: Public Finance</u></b> .....	<b>25</b>
<u>III.1 Public Revenues</u> .....	26
<u>III.2 Public Expenditures</u> .....	28
<u>III.3 Overall Balance</u> .....	29
<u>III.4 Public Domestic Debt</u> .....	29
<b><u>CHAPTER IV: External Sector</u></b> .....	<b>31</b>
<u>IV.1 Balance of Payments</u> .....	32
<u>IV.2 Public External Debt</u> .....	35
<b><u>Statistical Tables</u></b> .....	<b>37</b>

## Foreword

The Central Bank of Yemen is pleased to put in the hands of readers, researchers and those interested in economic, monetary and financial developments in the Republic of Yemen the annual report for the year 2020. We hope that it will benefit everyone who uses it.

The annual report reviews the economic, monetary and financial developments witnessed by the Yemeni economy during the year 2020, and it consists of four chapters. The first chapter dealt with the economic conditions at the global and local levels, while the second chapter dealt with the latest developments in money and credit. The third and fourth chapters, respectively, are devoted to public finance and external sector developments.

The high level of efforts exerted by the General Administration of Research and Statistics in issuing this report has greatly contributed to the smooth and effective performance of the Central Bank of Yemen, which deserves our deep appreciation. We also do not forget the other departments that contributed with their efforts and data. Therefore, we would like from here to express our special thanks to the concerned departments for what they have done in order to make this great work a success.

**God bless,**

**Ahmed Obaid Al-Fadhli**

**Governor**

## Key Economic Indicators

	2018	2019	2020
<b>Gross domestic product at market prices</b>			
<i>Billion Rials</i>	11,579	12,606	14,012
<i>Growth in (%)</i>	15.7	8.9	11.2
<b>Consumer price index (CPI)</b>			
<i>CPI (end of period)</i>	14.3	10.0	35.0
<i>CPI(annual average)</i>	27.6	12.0	23.1
<i>Crude oil export price (weighted average) \$/barrel</i>	68.3	61.4	41.3
<i>Exchange rate (period average) USD/YER</i>	493	559	741
<i>Exchange rate (end of period) YER/ USD</i>	526	591	669
<b>Monetary aggregates</b>	<b>(Annual growth rate)</b>		
<i>Broad money (M2)</i>	28.5	8.5	16.5
<i>Narrow money (M1)</i>	33.1	10.6	15.0
<i>Monetary base</i>	28.3	11.5	13.3
<i>Money velocity</i>	2.1	2.1	2.2
<i>Money multiplier</i>	1.8	1.7	1.8
<b>Government finance</b>	<b>(by % of GDP)</b>		
<i>Total revenue</i>	6.4	7.3	6.6
<i>Total expenditure</i>	14.3	12.9	12.2
<i>Budget deficit</i>	-7.9	-5.6	-5.6
<b>External sector</b>	<b>(by % of GDP)</b>		
<i>Current account deficit</i>	-2.1	-3.6	-3.4
<i>Exports of goods and services</i>	5.6	6.9	6.2
<i>Oil exports</i>	3.9	4.9	3.8
<i>Other exports</i>	1.7	2.0	2.5
<i>Imports of goods and services</i>	37.7	45.4	44.4
<i>Imports of petroleum products</i>	11.0	12.0	10.9
<i>Food commodity imports</i>	9.1	12.9	16.5

Current Situation  
And  
Economic Prospects



Chapter I

## I.1 World Economic Growth

The COVID-19 pandemic severely impacted all parts of the world with dire consequences for world economic growth and employment, especially in the services sector. In 2020, the world experienced the worst economic recession since the Great Depression of 1930s.

According to the April 2021 IMF World Economic Outlook Report, global growth is projected to fall by 3.3% in 2020, largely due to the effects of the COVID-19 pandemic. Global growth is expected to rise by 6% in 2021 backed by continued policy support and vaccine rollout. However, the recovery is likely to be uneven depending on the effectiveness of vaccination programs, the extent of policy support, and the structural characteristics of economies.

Indeed, global prospects remain highly uncertain one year and half into the pandemic. New virus mutations and the mounting human toll are constant concerns. The divergent economic recoveries across countries and sectors reflect differences in the pandemic-induced disruptions they are experiencing and the extent of policy support. The global and local outlook depends not just on the outcome of the battle between the novel coronavirus and vaccines. It also hinges on how effectively economic policies deployed in these conditions of intense uncertainty can limit lasting damage from this unprecedented crisis.

The economic disruptions caused by the pandemic were reflected in a slump in demand that led to weak price growth and deflation across the globe. The average inflation rate in advanced economies increased to 1.6% in 2020 from 0.7% in 2019 and decreased slightly from 5.1% in 2019 to 4.9% in 2020 in emerging markets and developing economies. While considerable uncertainty also surrounds future inflation projections, inflation is expected to remain low due to relatively weak aggregate demand.

**Table I.1**

Global Growth Forecast			
	Estimates	Projections	
	2020	2021	2022
<i>Global growth rate, %</i>	3.3	6.0	4.4
<i>Growth rate (Advanced Economies), %</i>	-4.7	5.1	3.6
<i>Growth rate (Emerging and Developing Economies), %</i>	-2.2	6.7	5.0
<i>Growth rate (Middle East and North Africa), %</i>	-3.4	4.0	3.7
<i>Growth rate (Low-Income Developing Countries), %</i>	0.0	4.3	5.2

Source: IMF, *World Economic Report*, April 2021.

### • ***Major Countries and Regions Economic Growth and Inflation***

Advanced economies recorded a 4.7 % contraction in their real GDP in 2020 against a growth of 1.6 % in 2019. The US economic growth went down by 3.5 % in 2020 compared to a growth of 2.2 % in the preceding year.

The economies of the euro area also contracted by 6.6 % in 2020 against a growth of 1.3 % in the preceding year. France, Germany and Italy witnessed contraction rates of 8.2 %, 4.9 % and 8.9 %, respectively, compared to growth rates of 1.5 %, 0.6 % and 0.3 % in the preceding year. Moreover, in the United Kingdom, the economy shrunk by 9.9 % in 2020 compared to a growth of 1.4 % in 2019. The Japanese economy also recorded a contraction rate of 4.8 % against a growth of 0.3 % in 2019.

In addition, emerging market and developing economies contracted by 2.2 % in 2020 against a growth rate of 3.6 % in 2019. The growth rate in China slowed down to 2.3 % against a growth of 5.8 % in 2019. By contrast, India recorded a sharp contraction of 8.0 % compared with a growth of 4.0 % in the preceding year. The growth rate in economies of the Middle East and North Africa (MENA) countries decreased by 2.9 % in 2020 compared to a growth of 1.4 % in the preceding year.

Emerging and developing Europe registered a contraction rate of 2.0 % against a growth rate of 2.4 % in the preceding year. Moreover, Latin America and the Caribbean economies shrunk by 7.0 % in 2020 compared to a growth of 0.2 % in 2019. The economies of emerging and developing Asia declined by 1.0 % in 2020 compared to a growth rate of 5.3 % in 2019.

According to the WEO Report (IMF, April 2021), the global economy is expected to recover and grow by 6.0 % in 2021 compared to a 3.3 % contraction in 2020, and advanced economies are expected to grow by 5.1 % in 2021. The US economy is expected to rise by 6.4 % and that of the euro area by 4.4 %. Emerging market and developing economies are expected to grow by 6.7 % in 2021 as China is expected to register a growth rate of 8.4 % in 2021.

Regarding prices developments, the inflation rate declined in advanced economies to 0.7 % in 2020 compared to 1.4 % in 2019, and it is expected to rise by 1.6 % in 2021. In the United States, the inflation went down from 1.8 % in 2019 to 1.2 % in 2020, and it is expected to rise to 2.3 % in 2021. In the euro area, the inflation rate decreased from 1.2 % in 2019 to 0.3 % in 2020 but is expected to increase to 1.4 % in 2021. As for the emerging market and developing economies, the inflation rate remained stable at 5.1 % in 2020 as in the preceding year. However, it is expected

to decrease to 4.9 % in 2021. The inflation in the MENA countries rose to 10.2 % in 2020 compared to 7.4 % in 2019 and is expected to reach 11.2 % in 2021.

### **I.3 Local Economic Developments**

At the local level, economic activities recorded a contraction of 8.5% in 2020 as a result of the recorded decline, especially in oil activities, compared to a growth rate of 1.4% in 2019. The contraction in the national economy is mainly due to the decline in oil export revenues due to the decline in international oil prices, In addition to the noticeable slowdown in the indicators of GDP growth and global trade, which resulted from the Covid-19 pandemic. As for the annual inflation rate, it rose to 35% at the end of 2020 compared to a low annual inflation rate of 10% at the end of 2019. It is noted that imported inflation is one of the main determinants that negatively affect the general level of prices in the local economy, but the internal factors have also played a role in influencing the inflationary conditions in the country.

For the current year 2021 and the next year 2022, expectations indicate the continuation of the spread of the Corona pandemic (Covid-19) that may have a noticeable negative impact on global economic activity in general and on the Yemeni economy in particular, in addition to that if the government continues to rely on the cash issuance from the bank Central to covering the public budget deficit, will inevitably lead to further depreciation of the exchange rates, in addition to the rise in international food and oil prices, which will contribute to increasing the pace of accelerating inflation. This will put additional pressures on the balance of payments and reserves position. Where it is expected that the GDP will shrink by 2.0% in 2021, after which it will return to its positive trend to achieve a growth rate of 1.0% in 2022.

On the other hand, the curve of the general level of prices witnessed an upward pattern during the year 2020, reaching an average of about 25% compared to 10% in 2019. This is due to the deterioration of the value of the Yemeni riyal in the currency market, which at that time reached levels that exceeded what it had reached in the fall of 2018. To reflect directly on the prices of imported basic commodities, which represent about 90% of the total consumed materials. Expectations also indicate that the inflation rate will reach nearly 40% at the end of 2021. The survey on the monthly index of the lowest price of the food basket indicates an average level of 41,142 Yemeni riyals in 2020 compared to 37,353 riyals in 2019, an increase of more than 10%.

With regard to the developments of local liquidity and its components during 2020, the money supply (M2) increased in 2020 by 896.1 billion riyals, or 15%, to record 6869.8 billion riyals. Compared with an increase of 469.5 billion riyals, by 8.5% in 2019. The increase came in In 2020, as a result of an increase in cash in circulation by 437.1 billion riyals, or 15.0%, and an increase in demand deposits by 74.5 billion riyals, or 11.4%. Quasi cash also increased in 2020 by 384.5 billion riyals, or 26.8%, compared to an increase of 78.1 and 5.8% in 2019.

The ratio of the circulating currency to the broad money supply in riyals was 46.5% in 2020, compared to 46.2% in 2019. The ratio of demand deposits to the wide money supply in riyals was 10.6% in 2020, compared to 10.9% in 2019. While the ratio remained Quasi-cash deposits (time, savings and allocated deposits) to the broad money supply in riyals in 2020 as it was in the previous year at the level of 42.9%. The ratio of foreign currency deposits to broad money supply was 26.5%, compared to 24.0% in 2019.

As for exchange rate developments, the US dollar exchange rate against the Yemeni riyal reached 669 riyals per dollar at the end of 2020, compared to 591.2 riyals per dollar at the end of 2019. This noticeable deterioration in the national currency is mainly due to the great pressures on the Yemeni economy as a result of the impact of A number of circumstantial and structural factors related to the decline in foreign exchange reserves and the shrinking of export revenues, mainly derived from oil exports.

With regard to public financial developments, the state's public revenues increased in 2020 by 8.0 billion riyals, or 0.9%, to reach 930 billion riyals. Compared to an increase of 179.0 billion riyals, or 24.1% in 2019. It is noted that the ratio of public revenues to GDP amounted to 6.6% in 2020. compared to 7.3% in 2019. Public expenditures in 2020 also increased by 87 billion riyals, or 5.4%, to reach 1712 billion riyals, to reach 12.2% of the gross domestic product in 2020, compared to a decrease of 27.0 billion riyals, or 1.6%, in the previous year.

While the overall balance of the state's general budget in 2020 showed a cash deficit of 782 billion riyals, compared to a cash deficit of 703 billion riyals in 2019. It is noted that the percentage of revenue coverage of public expenditures in 2020 amounted to 54.3%. compared to 56.7% in 2019.

In view of the developments in the local public debt since the decision to transfer the operations of the Central Bank of Yemen to the temporary capital of Aden in September of 2016, it recorded a total value of about 3,009 billion riyals at the end of 2020. Compared to the value of 2,377 billion riyals in 2019. The form of borrowing from The Central Bank in 2020 is the first source with an amount of 2909 billion riyals, or 96.7% of the total internal public debt. Followed by (Wakala deposits, certificates of deposit) with a total value of 100 billion riyals and 3.3% of the total internal public debt.

Regarding external sector developments, preliminary data during the year 2020 showed a deficit in the total balance of payments by about 465.1 million dollars, with a ratio of 2.5% to the gross domestic product in 2020. This deficit was reflected in the total foreign reserves of the Central Bank of Yemen to record 937 million dollars in 2020, which is enough to cover Yemen's imports for about 1.3 months. This deficit in the balance of payments is mainly due to the deficit of the current account and the capital and financial account.

Looking at the developments of the external public debt, the latest estimates made by the International Monetary Fund for the position of Yemen's external public debt indicate a decrease in the outstanding balance of the external public debt by \$52.0 million, or 0.8%, in 2020 to record 6,665 million dollars, or 35.2% of GDP in 2020. The debt balance of the International Development Agency decreased in 2020 by \$83.3 million (installments and interests paid) and by 5.5%, to record \$1,421.4 million.

# Monetary Developments



## Chapter II

This chapter analyzes the development of base money and broad money aggregates in Yemen from 2019 through 2020 to understand the linkages between money and other macroeconomic variables. To this end, we review the CBY balance sheet in detail, the commercial and Islamic banking survey, and the overall monetary survey.

The year 2020 brought positive news regarding Yemen's monetary policy. Money supply growth was contained in 2019 and 2020 following the CBY's adoption of a more appropriate monetary policy based on a monetary programming framework designed to ensure adequate economic absorptive capacity and money creation.

The impact of this ongoing reform has become evident in the significant decline of the currency issuance growth rate: This was 12.4% in 2019 and 15.1% in 2020, a progression from just 2018, when it was 35.8%, and from 2017 when it was 37.6%. Relatedly, the money supply (M2) rose by 8.5% in 2019 and 15% in 2020.

## **II.1 Central Bank Balance Sheet**

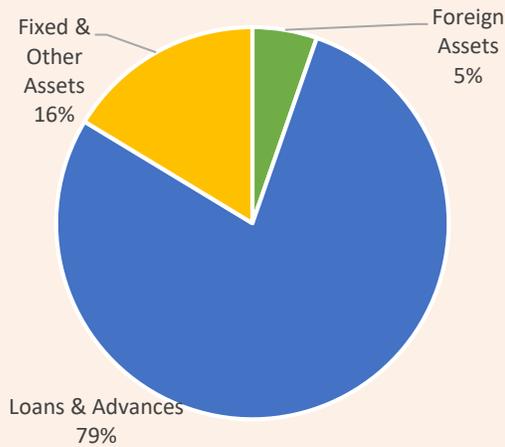
CBY's balance sheet rose in 2020 by 727.5 billion Rials or 11.1% year-over-year (YoY) to reach 7286.3 billion Rials. The following analyzes the key balance sheet components (see Table II.1).

- **Assets**

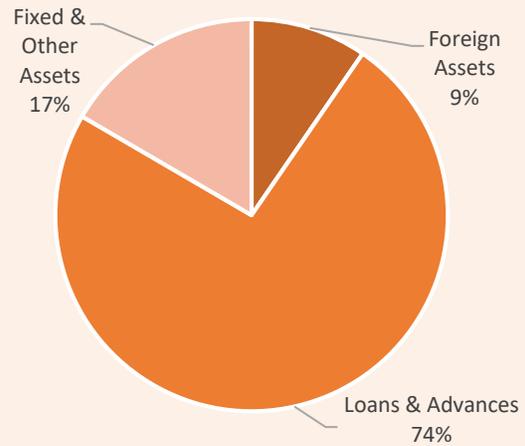
The central bank's net foreign assets decreased in 2020 by 240.6 billion Rials or 50.6% YoY compared to the previous year, to record a negative value of 907.5 billion Rials, equal to USD2269 billion. This decrease has two main causes. First, Yemen's ongoing political instability has slowed oil exports. Secondly, the steep decline in international oil prices lessened the value of Yemen's exports and deprived the country of its primary source of foreign assets.

As a result, total external assets as a share of total assets fell from 9.6% in 2019 to 5.3% in 2020., Net claims on the government increased by 767.4 billion Rials (18.3% YoY) and 689.4 billion Rials (19.6% YoY) in 2020 and 2019, respectively.

**Relative importance of assets 2020**



**Relative importance of assets 2019**

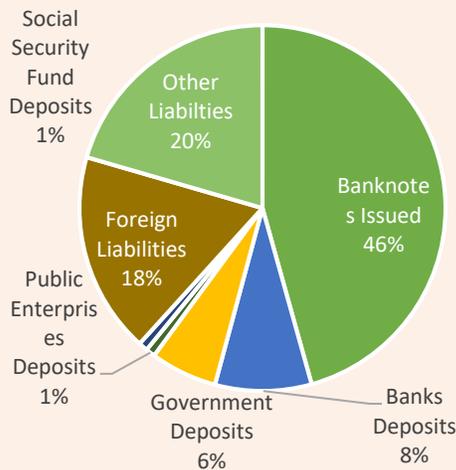


• **Liabilities**

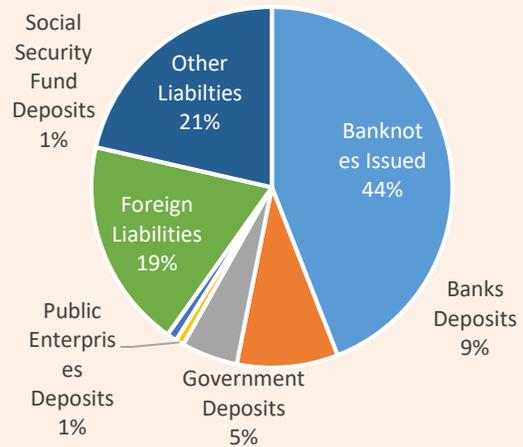
Base money grew by 13.3 percent over the entire CY 2020 against a target of 20.6 percent. Recall that base money is the sum of currency issued and bank reserves held with CBY. Currency issued and bank reserves grew over the same period by 15.1 and 4.4 percent, respectively.

This trend is mainly attributed to the net effect of the increase in credit to the government in form of direct financing of the budget deficit from one hand and the decrease of foreign assets as result of the disbursement of the remaining balance of the Saudi deposit.

**Relative weight of total liabilities 2020**



**Relative weight of total liabilities 2019**



**Table II.1**

<b>Central Bank of Yemen Balance Sheet</b> (billion Rials)		
<b>Items</b>	<b>2019</b>	<b>2020</b>
<b>Foreign assets</b>	<b>628.4</b>	<b>387.8</b>
<b>Domestic assets</b>	<b>5,930.4</b>	<b>6,898.5</b>
Government	4,532.3	5,398.9
Public enterprises	309.5	309.5
Banks		
Fixed and other assets	1,088.6	1,190.1
<b>Assets=liabilities</b>	<b>6,558.8</b>	<b>7,286.3</b>
<b>Base money</b>	<b>3,484.7</b>	<b>3,948.2</b>
Banknotes issued	2,890.5	3,327.5
Banks	594.2	620.6
Government	330.6	429.7
Public enterprises	48.5	60.3
Social Security Fund	58.7	58.7
Certificates of deposit		
<b>Foreign liabilities</b>	<b>1,230.9</b>	<b>1,295.3</b>
<b>Other liabilities</b>	<b>1,405.4</b>	<b>1,494.1</b>
Capital and reserves	517.5	623
Revaluation account	214.4	259.8
Special drawing rights	83.8	93.5
Other liabilities	589.7	517.8

Source: CBY.

## **II.2 Consolidated Balance Sheet of Commercial and Islamic Banks**

The consolidated balance sheet of commercial and Islamic banks totaled 4,408.9 billion Rials in 2019, an increase of 374.7 billion Rials or 9.3% over 2018 (Table II.2).

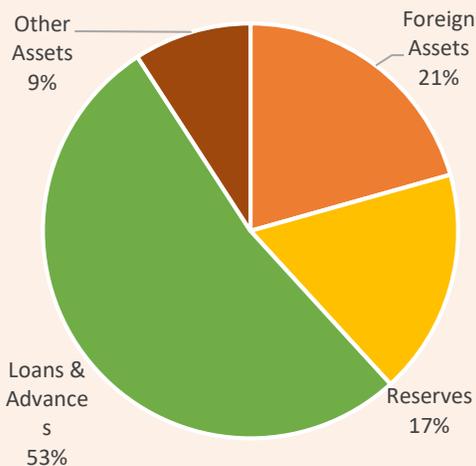
### **• Assets**

Net foreign assets of commercial and Islamic banks increased by 113.4 billion Rials, or 14.9%, in 2019, to a total of 873.2 billion Rials, due primarily to a 56.7-billion Rial (13.7%) year-over-year rise in correspondent accounts and a 30.6-billion Rial (45.8%) year-over-year rise in foreign exchange. Total foreign assets rose year-over-year in the amount of 87.2 billion Rials, or 10.6%, to 909.8 billion Rials, equal to 20.6% of total assets in 2019.

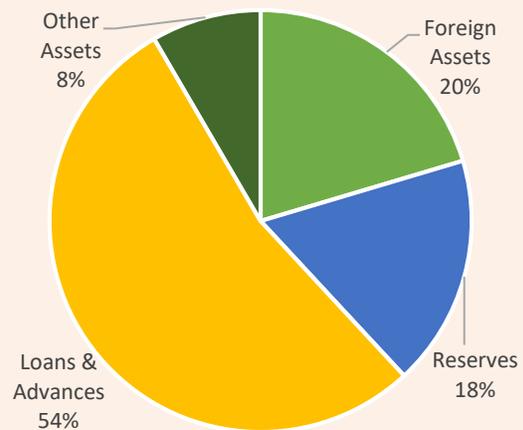
In 2019, bank reserves (cash in vaults and account balances at the CBY) increased by 60.9 billion Rials (8.5% year-over-year) to 774.5 billion Rials. This increase resulted from a 61.5-billion Rial (85.6%) year-over-year increase in local currency held and a 0.6-billion Rial (0.1%) year-over-year decrease in reserves held with the Central Bank. Bank reserves as a share of total deposits equaled 23.8% in 2019.

Bank loans and advances increased by 161.6 billion Rials, or 7.5%, in 2019 to reach 2,319.4 billion Rials. The bulk of this increase came from loans provided to the government (primarily represented in treasury bills and Islamic Sukuk), which increased by 166 billion Rials (10.7% year-over-year). Advances for public institutions also increased moderately, by 0.6 billion Rials or 3% year-over-year. In contrast, private sector advances decreased year-over-year by 5 billion Rials (0.9%) in 2019.

**Relative importance of assets 2019**



**Relative importance of assets 2018**



- **Liabilities**

In 2019, total deposits grew by 222 billion Rials (7.3%) year-over-year to a total of 3,249.3 billion Rials. This increase reflected growth across several types of deposit categories: Year-over-year, demand deposits increased by 11.9%, earmarked deposits by 8%, savings deposits by 7.8%, and time deposits by 5.4%.

The net amount of other liabilities rose by 113.9 billion Rials (18.8%) during 2019 to reach 718.8 billion Rials. This rise reflected, in part, an increase in the capital and reserves of commercial and Islamic banks, which grew by 42.6 billion Rials (14.6% year-over-year) in 2019, reaching 333.7 billion Rials.

- **Deposits**

CBY 2019 data indicate increases in deposits across the board. Time deposits rose by 41.7 billion Rials (5.4% year-over-year) to 815.7 billion Rials or 25.1% of total deposits; demand deposits increased by 69.7 billion Rials (11.9% year-over-year) to 653.9 billion Rials, accounting for 20.1% of total deposits; saving accounts increased by 18.9 billion Rials (7.8% year-over-year) to total 260.9 billion Rials, equal to 8% of total deposits; and earmarked deposits increased by 3.7 billion Rials (8% year-over-year), making up 1.5% of total deposits. Government deposits increased by 9.8 billion Rials or 43% year-over-year, equaling 1% of total 2019 deposits.

Likewise, deposits denominated in foreign currency recorded an increase of 78.1 billion Rials, or 5.8%, in 2019, to a total of 1,436.1 billion Rials and a 44.2% share of total deposits. This increase reflected the stronger overall economic performance of Yemen in 2019.

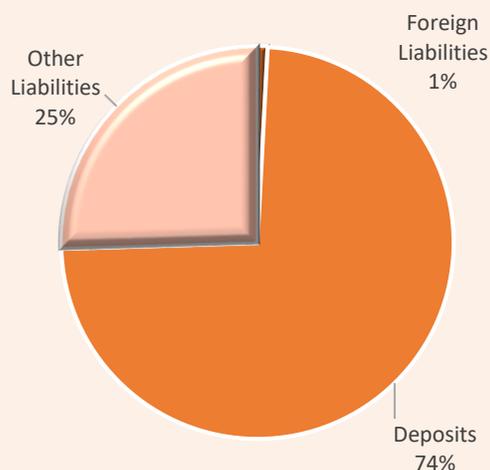
- **Loans and advances**

The banking sector granted 578.2 billion Rials in credits to the private sector in 2019, a decline of 5 billion Rials, or 0.9%, from 2018 levels.

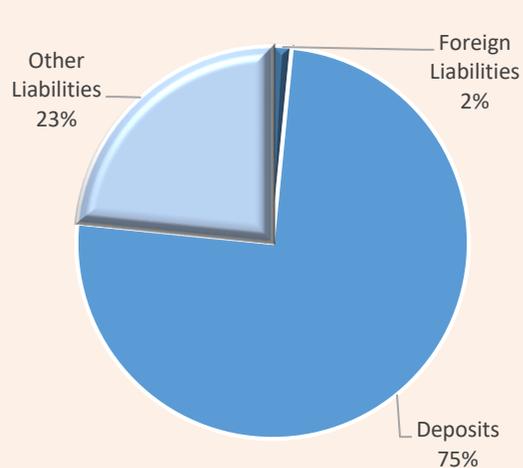
Credit to the private sector in 2019 was distributed as follows:

- Short-term loans and advances accounted for 18% of total non-government credit;
- Medium- and long-term loans accounted for 3% of total non-government credit;
- Investments from Islamic banks represented 26% of total non-government credit;
- Non-performing loans represented 53% of total non-government credit.

**Relative weight of Liabilities 2020**



**Relative weight of Liabilities 2019**



**Table II.2**

<b>Commercial and Islamic Banks Balance Sheet</b>		
<b>(Rials billion)</b>		
<b>Items</b>	<b>2018</b>	<b>2019</b>
<b>Assets</b>	<b>4,034.2</b>	<b>4,408.9</b>
<b>Foreign assets</b>	<b>822.6</b>	<b>909.8</b>
Foreign currency	66.8	97.4
Banks abroad	414.3	470.9
Non-residents	0	0
Foreign investment	341.5	341.5
<b>Reserves</b>	<b>713.6</b>	<b>774.5</b>
Local currency	71.8	133.3
Deposits with the CBY	641.8	641.2
<b>Gross Loans and advances</b>	<b>2,157.8</b>	<b>2,319.4</b>
Government	1,554.8	1,720.8
Public enterprises	19.8	20.4
Private sector	583.2	578.2
<b>Certificates of deposit</b>	<b>1</b>	<b>1</b>
<b>Treasury bills purchased from the CBY</b>	<b>0</b>	<b>0</b>
<b>Other assets</b>	<b>339.2</b>	<b>404.2</b>
<b>Liabilities</b>	<b>4,034.2</b>	<b>4,408.9</b>
<b>Deposits</b>	<b>3,027.3</b>	<b>3,249.3</b>
Government	23	32.8

<i>Demand</i>	584.1	653.9
<i>Time</i>	774	815.7
<i>Saving</i>	242	260.9
<i>Foreign currency</i>	1,358	1,436.1
<i>Earmarked</i>	46.2	49.9
<b>Foreign liabilities</b>	<b>62.7</b>	<b>36.6</b>
<i>Banks abroad</i>	59.8	33.6
<i>Non-residents</i>	2.9	3
<i>Borrowing from banks</i>	0	0
<b>Other liabilities</b>	<b>944.1</b>	<b>1,123</b>
<i>Loans from the CBY</i>	5.6	13.5
<i>Other liabilities</i>	647.4	775.8
<i>Capital</i>		
<i>Capital and reserves</i>	291.1	333.7

Source: CBY.

### II.3- Monetary Survey

A rise in net domestic assets combined with a decline of net foreign assets led to an estimated overall rise in the money supply (M2) to 6,869.8 billion Rials in 2020, a year-over-year increase of 896.1 billion Rials (15%).<sup>1</sup>

When analyzing the dynamics of money supply components in 2020, it is worth noting that year-over-year, narrow money (M1) increased by 511.6 billion Rials (15%), while quasi-money rose by 384.6 billion Rials (15%). Taken together, this represents an increase in money across all sectors of the financial system. The rise in narrow money reflected an increase in both currency in circulation and demand deposits, and the upward trend in quasi-money was due to the increase in time and foreign deposits.

The predominance of currency in circulation, which accounted for 46.5% of the total money supply in 2020, is evidence that Yemen continues to rely heavily on cash as its primary means of financial intermediation. This reflects the ongoing institutional and access constraints characterizing the nation's financial system and generates high costs at both the consumer and institutional levels. In this regard, the overreliance on cash limits intermediation capacity and prevents access to

sophisticated payment systems. Table II.3 shows the overall composition of Yemen's money supply.

**Table II.3**

<b>Decomposition of Broad Money</b> (Rials billion, unless otherwise indicated)			
<b>Items</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Broad money (M2)</b>	<b>5,504.2</b>	<b>5,973.7</b>	<b>6,869.8</b>
<i>Broad money, annual % change</i>	28.5	8.5	15
<b>Quasi-money</b>	<b>2,420.2</b>	<b>2562.6</b>	<b>2,947.2</b>
<i>Quasi-money, annual % change</i>	23.1	5.9	15
<i>Quasi-money/broad money, in %</i>	44	42.9	42.9
<i>Foreign currency deposits</i>	<b>1,358</b>	<b>1436.1</b>	<b>1,820.6</b>
<i>Foreign currency deposits, annual % change</i>	52.5	5.8	26.8
<i>Foreign currency deposits, as % of total deposits</i>	45.2	44.6	49.5
<b>Narrow money (M1)</b>	<b>3084</b>	<b>3411.1</b>	<b>3,922.7</b>
<i>Narrow money, annual % change</i>	33.1	10.6	15
<i>Narrow money, as % of broad money</i>	56	57.1	57.1
<i>Demand deposits</i>	<b>584.2</b>	<b>653.9</b>	<b>728.4</b>
<i>Demand deposits, annual % change</i>	20.1	11.9	11.4
<i>Demand deposits, as % of broad money</i>	10.6	10.9	10.6
<b>Currency in circulation</b>	<b>2499.8</b>	<b>2757.2</b>	<b>3,194.3</b>
<i>Currency in circulation, annual % change</i>	36.6	10.3	15.9
<i>Currency in circulation, as % of broad money</i>	45.4	46.2	46.5

Source: CBY.

A significant fraction of Yemen's net monetary emissions has been utilized to finance the government deficit. The deficit has spiked in recent years due to the deterioration of oil export revenues, alongside persistently high public wages that continue to represent the bulk of government expenditures. It should be noted that drawdowns from the Saudi Letter of Credit deposit, which was utilized to help finance urgently needed imports, helped the CBY bring broad money growth to 8.5% in 2019 (from 28.5% in 2018) and 15% in 2020.

#### **II.4- Exchange Rate Policy Developments**

The exchange rate of the U.S. dollar against the Yemeni Rial reached about 700 Rials per dollar at the end of 2020, up from 591 Rials per dollar at the end of 2019. The exchange rate crossed the threshold of 900 Rials per dollar several times during the last quarter of 2020. The significant depreciation, in turn, led to a

substantial shortage of foreign currency in the local foreign exchange market needed to cover essential goods. Multiple shocks that hit Yemen's economy in early 2020 caused this dramatic depreciation; among them, the fall in oil prices, the decline in remittances due to the COVID-19 pandemic, and the depletion of the 2018 Saudi deposit. All of these put serious downward pressures on the exchange rate, rolling back progress made over the previous year.

The downward pressure on the exchange rate, which has escalated due to the pandemic crisis, persisted during the first half of 2021, considering the lack of foreign reserves available to cover the widening balance of payments deficit. The Yemeni Rial depreciated to around 860 YER per USD at the end of 2021Q1. During the second quarter of CY 2021, the exchange rate has crossed the threshold of 900 Rials per dollar on several occasions. These trends have led to a substantial shortage of foreign currency in the local FX market, hindering the country's ability to finance its imports of essential goods.

In response to these downward pressures and the accelerating depreciation of the Rial, the CBY approved a set of short-term measures to help further limit the demand for foreign exchange in the market:

- It adopted a new mechanism for oil derivatives imports financing that requires importers to obtain the approval of the CBY to access foreign exchange resources. Under the new arrangement, importers are required to deposit their daily cash sales in local currency to their accounts in commercial banks, while the CBY provides foreign currency to be utilized to cover imports.
- It set a per-day, per-individual ceiling of 500,000 Rials (or the equivalent in foreign currency) for every financial transfer and prohibited the use of foreign currency for payments in the domestic market.
- In cooperation with security agencies and the Public Funds Prosecution, it intensified periodic inspection of all exchange companies and facilities in the liberated governorates.

Nonetheless, these downward pressures on the exchange rate are expected to persist in 2021 due to a projected lack of foreign reserves available to cover the widening gap in the balance of payments. This will continue to affect Yemeni purchasing power, placing stress on consumers and institutions. Because of these challenging economic conditions, it is likely that additional international support in

the form of balance of payments assistance will be vital to Yemen's economic health.

Moving ahead, allowing for greater foreign exchange management and pricing flexibility will enable CBY to better to absorb economic shocks (for example, pandemic adverse effects, external demand shocks, negative terms-of-trade shocks, natural disasters...), and deal more effectively with high current account deficits and exchange rate risk.

# Public Finance



## Chapter III

At the end of 2020, Yemen had a public deficit of 782 billion Rials, equal to 5.1% of its GDP, compared to a deficit of 703 billion Rials or 5.6% of GDP at the end of 2019. Though economic conditions worsened in 2020 in the wake of the pandemic outbreak, greater attention to public finance management avoided running excessive expenditures. It held the fiscal deficit close to the previous year's level.

Yemen's persistently high fiscal deficit must be addressed in the near term by maintaining tight control on spending, given the limited availability of public resources. Moreover, it is critically important to control spending in a manner that is also designed to bring down inflation and contain additional depreciation pressures.

To accomplish these objectives and effectively align public expenditures with available revenues, it will be important to focus clearly on fiscal consolidation. This should include cutting non-essential expenses, reshuffling, and prioritizing public spending (in a way that frees funds to be allocated to healthcare spending), and minimizing tax evasion and fraud. Though under the purview of the Ministry of Finance, this process requires coordination across the government. Careful coordination with the CBY will be required to avoid excessive monetary emission-based financing of the public deficit.

### **III.1 Public Revenues**

Total revenues and grants slightly increased by 8 billion Rials (0.9% year-over-year) in 2020, reaching 930 billion Rials. The increase resulted from the 31.7-billion Rial increase in non-oil revenues such as from taxes and customs duties and the 23.7-billion Rial decrease in oil revenues. Public revenues totaled 6.1% of GDP in 2020 (Table III.1).

- ***Oil revenues***

Oil revenues declined to 330.3 billion Rials in 2020, a drop of 23.7 billion Rials or 6.7% year-over-year. They accounted for 35.5% of total public revenues and 2.2% of GDP.

- ***Non-oil revenues***

Non-oil revenues rose to 551.7 billion Rials in 2020, a year-over-year increase of 31.7 billion Rials (6.1%). They made up 59.3% of total public revenues and 3.6% of GDP.

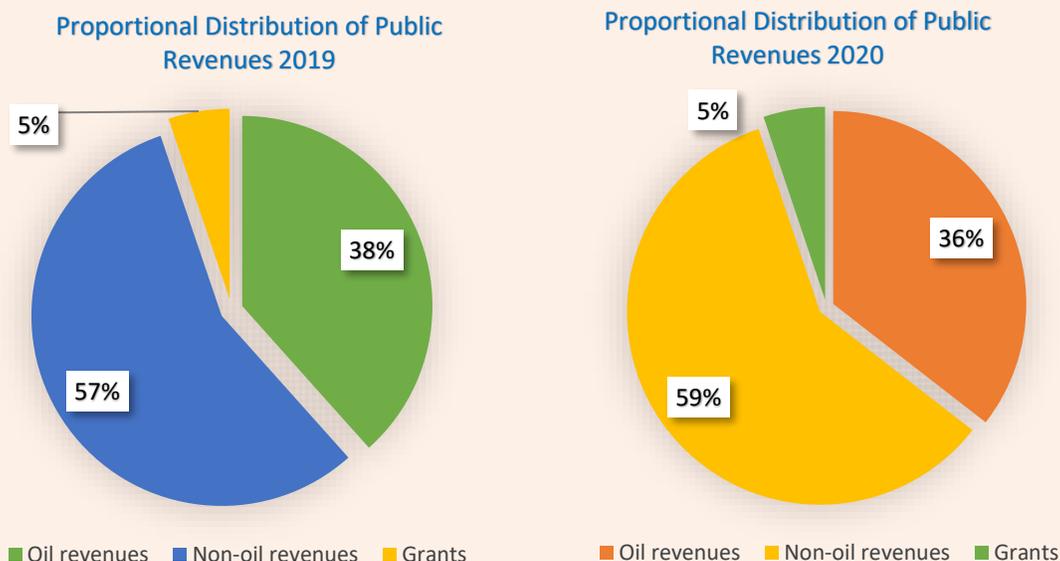
The composition and shifts in non-oil revenues were as follows:

- Tax revenues (including customs duties) increased to 345.5 billion Rials in 2020, a year-over-year increase of 7.5 billion Rials, or 2.2%. Tax receipts represented 37.2% of total public revenues and 2.3% of GDP.
- Non-tax revenues (which include fees and profit transfers) increased in 2020 by 24.2 billion Rials (13.3% year-over-year), totaling 206.2 billion Rials, representing 22.2% of total public revenues and 1.4% of GDP.

**Table III.1**

Public Revenues and Grants (Rials billion)		
Items	2019	2020
<b>Total revenues and grants</b>	<b>922</b>	<b>930</b>
<b>Oil revenues</b>	<b>354</b>	<b>330.3</b>
<b>Non-oil revenues</b>	<b>520</b>	<b>551.7</b>
Tax revenues	338	345.5
Other revenues	182	206.2
<b>Grants</b>	<b>48</b>	<b>48</b>

Source: Ministry of Finance.



### III.2 Public Expenditures

Public expenditures increased by 5.4% year-over-year during the 2019-20 period, rising from 1.625 billion Rials in 2019 to 1.712 billion Rials in 2020. They account for 11.3% of GDP in 2020. (Table III.2).

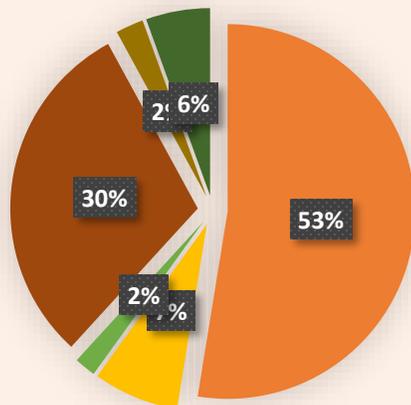
- **Current expenditures**

Current expenditures totaled 1,663 billion Rials in 2020, a year-over-year increase of 128 billion Rials or 8.3%.

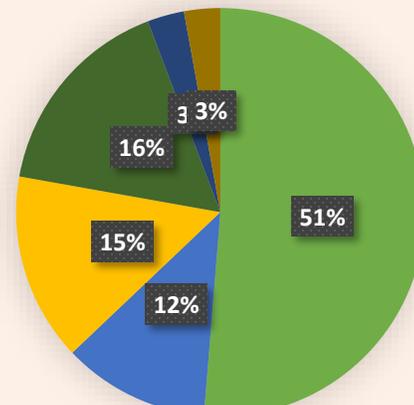
- **Capital expenditures**

Capital expenditures totaled 49 billion Rials in 2020, a year-over-year decrease of 41 billion Rials or 45.6%. These remained a fairly marginal component of public spending, however, accounting for only 2.8% of overall budget expenditures in 2020.

Proportional Distribution of Public expenditures 2019



Proportional Distribution of Public expenditures 2020



- |                      |                           |                      |                           |
|----------------------|---------------------------|----------------------|---------------------------|
| ■ Wages and salaries | ■ Goods and services      | ■ Wages and salaries | ■ Goods and services      |
| ■ Interest payments  | ■ Subsidies and transfers | ■ Interest payments  | ■ Subsidies and transfers |
| ■ Other expenditures | ■ Capital expenditures    | ■ Other expenditures | ■ Capital expenditures    |

**Table III.2**

<b>Public Expenditures</b> (Rials billion)		
<b>Items</b>	<b>2019</b>	<b>2020</b>
<b>Total expenditures</b>	<b>1,625</b>	<b>1,712</b>
<b>Current expenditures</b>	<b>1,535</b>	<b>1,663</b>
<i>Wages and salaries</i>	854	878
<i>Goods and services</i>	120	199
<i>Interest payments</i>	30	255
<i>Subsidies and transfers</i>	492	281
<i>Other expenditures</i>	39	50
<b>Capital expenditures</b>	<b>90</b>	<b>49</b>

Source: Ministry of Finance.

### III.3 Overall balance

The overall budgetary balance in 2020 revealed a public deficit of 782 billion Rials (approx. 5.1% of GDP), compared to the deficit in 2019 of 703 billion Rials (5.6% of GDP). The ratio of total revenues and grants to public expenditures was 54% in 2020, down from 57% in 2019. While still far from the 80% coverage ratio commonly considered the rule of thumb for emerging markets, these nevertheless represented a significant improvement compared to the 45% ratio in 2018. (Table III.3).

**Table III.3**

<b>Overall Balance</b> (Rials billion)		
<b>Items</b>	<b>2019</b>	<b>2020</b>
<b>Total public revenues and grants</b>	<b>922</b>	<b>930</b>
<b>Total public expenditures</b>	<b>1625</b>	<b>1,712</b>
<b>Overall balance</b>	<b>-703</b>	<b>-782</b>

Source: Ministry of Finance.

### III.4 Public Domestic Debt

Due to the ongoing decline in public revenues, net internal public debt (stock of internal debt since CBY's temporary relocation to Aden in fall 2016) soared by 632

billion Rials (26.6% YoY) in 2020; reaching a value of 3009 billion Rials at the end of December 2020.

Direct borrowing from the central bank represented the primary source of domestic public financing, amounting to 2909 billion Rials in 2020. This was equal to 97% of total public internal debt. Wakala Sukuks and certificates of deposit constituted the second-largest source of domestic public financing, with 100 billion Rials representing a share of 3% of the total internal public debt.

**Table III.4**

<b>Public Internal Debt</b> (in billion Rials)		
<b>Items</b>	<b>2019</b>	<b>2020</b>
<b>Internal public debt</b>	<b>2,377</b>	<b>3,009</b>
- Central Bank financing of the government (overdraft)	2,277	2,909
- Commercial and Islamic bank financing of the government (Certificates of deposits and Wakala deposits).	100	100

Source: Ministry of Finance and CBY.

While the current situation poses significant challenges from the perspective of stable public financial management, the Ministry of Finance is committed to achieving fiscal balance in the medium term, strengthening its institutional and governance structures, and enhancing its operational capacity to promote effective planning and timely implementation of a sound fiscal policy framework.

External Sector



Chapter IV

The improvement in Yemen’s political and security situation during 2019 played a fundamental role in boosting the performance of the national economy and, more specifically, the external sector. This boost was reflected, in turn, in the status of the balance of payments as exports increased and foreign earnings rose.

In contrast, the widening balance of payments deficit witnessed during CY 2020 reflects a rapid and radical deterioration of economic fundamentals due to the adverse effects of the COVID-19 pandemic and the fall in oil prices. The sharp drop in foreign export earnings led to extensive utilization of available foreign reserves, which shrank precipitously, reflecting economic headwinds and further depreciated the national currency.

#### IV.1 Balance of Payments

Preliminary data indicate that Yemen experienced a deficit in the overall balance of payments of about USD 465 million in 2020. This deficit was reflected in the USD 465 billion decrease in the Central Bank of Yemen’s total foreign reserves in 2020, which fell to USD 937 million — only enough to cover 1.3 months of imports. The deficit in the balance of payments is primarily due to the twin deficits in the current account and capital and financial account.

All balance of payment indicators reflected Yemen’s challenging economic position heading into 2020. The deficit in the current account amounted to USD 644 million in 2020, equal to 3.4% of GDP; the capital and financial account recorded a small surplus of USD 7 million in 2020. The deficit of the total balance of payments at the end of 2021 is projected to be USD 1396 million.

**Table IV.1**

Balance of Payments Key Indicators		
	2019	2020
<i>Current deficit, as % of GDP</i>	-3.6	-3.4
<i>(Exports + Imports), as % of GDP</i>	52.4	50.7
<i>Exports, as % of GDP</i>	6.9	6.2
<i>Oil Exports, as % of GDP</i>	4.9	3.8
<i>Remittances, as % of GDP</i>	18.8	18.5
<i>Imports, as % of GDP</i>	45.4	44.4
<i>Oil imports, as % of GDP</i>	12.0	10.9

<i>Food imports, as % of GDP</i>	12.9	16.5
<i>Gross international reserves (USD million)</i>	1402.0	936.9
<i>Foreign reserves coverage in months of imports</i>	1.6	1.3

Source: IMF.

The following section presents the primary indicators of the balance of payments in greater detail.

- **Current account**

As noted, the deficit in the current account (transactions related to goods and services, income, and current transfers) was USD 644 million in 2020, equal to 3.4% of GDP and a year-over-year decline of 20.7%. The trade deficit improved significantly in 2020, totaling about USD 7225 million compared to USD 8694 million in 2019.

- **Exports of crude oil and gas**

Crude oil and gas exports declined in CY 2020 to USD 711 million due to political instability and worsening international economic conditions from a level of USD 1101 million in 2019, equivalent to 35.5% year-over-year decrease.

- **Non-oil exports**

The value of non-oil exports increased in 2020 by 1.5% to USD 468 million, a bright spot for Yemen and a reflection of early-stage work underway to diversify the country's exports.

Yemen's dependence on imported goods is reflected in the sector's share of GDP, which is well above global averages. The value of imports amounted to around USD 8404 million in 2020, a year-over-year decrease of USD 1852 million or 18.1%.

- **Imports of oil products**

At USD 2070 million, the value of oil derivative imports decreased by USD 630 million, a 23.3% year-over-year decline against the 2019 figure of USD 2700 million.

- **Food imports**

Food imports reflect a core part of Yemen's consumer spending. The bulk of basic goods are imported, which means that worsening global conditions place

significant demands on consumers. At a total of USD 3114 million, the cost of food imports increased by 7.3% year-over-year in 2020.

**- Balance of income and transfers**

The net balance of income and transfers dropped to USD 6.581 million in 2020, a year-over-year decline of USD 1301 million, or 16.5%. The decline, in turn, reflected a decrease in both humanitarian assistance and worker remittances. The decline in remittances appeared to reflect regional instability and the economic difficulties faced by the Yemeni diaspora due to the effects of the pandemic.

**• Capital and financial account**

Yemen's capital and financial account recorded a small surplus of USD 7 million in 2020.

**• Overall balance**

The overall balance recorded a deficit of USD 465 million in 2020, a decrease of USD 425 million, or 47.8%, year-over-year. This was chiefly due to the low current account deficit, reflecting the decrease in oil prices in international markets. As result, the Central Bank's gross foreign reserves decreased by USD 465 million during 2020, the equivalent of only 1.3 months of imports. The deficit of the total balance of payments for 2021 is projected to increase by USD 901 million, or 193.8% year-over-year, and reach USD 1366 million (Table IV.2).

**Table IV.2**

<b>Balance of Payments, Actual and Projected</b> (USD million)		
<b>Items</b>	<b>2019</b>	<b>2020</b>
<b>Exports of goods and services</b>	<b>1,561.8</b>	<b>1,178.2</b>
Hydrocarbon	1,101.0	710.5
Other exports	460.8	467.7
<b>Imports of goods and services</b>	<b>10,255.6</b>	<b>8,403.5</b>
Hydrocarbon	2,700.0	2,070.0
Food	2,901.5	3,114.1
Other imports	4,654.1	3,219.4
<b>Balance of goods and services</b>	<b>-8,693.9</b>	<b>-7,225.3</b>
Incomes	-17.9	-19.0

<i>Transfers</i>	7,900.0	6,600.0
<i>Remittances</i>	4,250.0	3,500.0
<i>Use of donor grants</i>	3,650.0	3,100.0
<b><i>Balance of incomes and transfers</i></b>	<b>7,882.1</b>	<b>6,581.0</b>
<b><i>Current account</i></b>	<b>-811.7</b>	<b>-644.3</b>
<i>Capital inflows net</i>	-78.3	179.2
<i>Financial inflows net</i>	-740.0	6.8
<i>Errors and omissions</i>	661.7	172.4
<b><i>Overall balance</i></b>	<b>-890.0</b>	<b>-465.1</b>

Source: IMF.

Both the balance of payments deficit and the fiscal deficit are expected to widen further over the coming months as the effects of the COVID-19 crisis continue to reverberate. Unless the main causes are addressed in the short term, these deficits will lead to more weakening of the local currency. To combat this downward pressure and help stabilize the Yemeni economy, macroeconomic and structural policies that help revive private sector activity, boost export earnings, contribute to building up a buffer of foreign reserves and limit debt monetization should be pillars of economic policy moving forward.

To stabilize the macroeconomy, Yemen needs to mobilize additional external resources while containing further exchange rate depreciation and curbing inflationary pressures in a difficult context characterized by significant rise of international food and fuel prices.

## **IV.2 Public External Debt**

The lack of accurate data from public authorities and lending and donor countries on the size of the Republic of Yemen's external debt is a significant, ongoing barrier to managing the nation's finances. To address this, a working group has been formed to collect data by communicating with lenders, and help restart the Debt Management and Financial Analysis System (DMFAS). The group IV comprises representatives of the Central Bank, the Ministry of Finance, and the Ministry of Planning and International Cooperation supported by USAID- and UK Aid-financed Pragma experts.

The most recent IMF estimates of the external public debt of Yemen indicate that the outstanding balance has increased by USD 23 million (0.3% year-over-year) to

a total of USD 6.658 billion, which equals 29.5% of 2019 GDP. Due to installments and interest paid, the balance of the debt to the International Development Agency (IDA) decreased in 2019 to USD 1.535 billion, a USD 78-million (4.8%) drop. The IDA debt represents 23% of the balance of the outstanding external public debt in 2019. For the entire year 2020, total debt service to IDA equaled USD 85.9 million, of which USD 74.8 million represented principal repayments, with USD 11.1 million in interest payments.



### Monetary survey (In Billions Rials)

Items	2016	2017	2018	2019	2020
<b>1- Broad money (M2)</b>	<b><u>3,697.5</u></b>	<b><u>4,282.3</u></b>	<b><u>5,504.2</u></b>	<b><u>5973.7</u></b>	<b><u>6,869.8</u></b>
Broad money, annual change	14.2	15.8	28.5	8.5	15
<b>2- Quasi-money</b>	<b><u>1,907.8</u></b>	<b><u>1,965.9</u></b>	<b><u>2,420.2</u></b>	<b><u>2562.6</u></b>	<b><u>2,947.2</u></b>
Quasi-money, annual change	9.9	3.0	23.1	5.9	15
Quasi-money to broad money	51.6	45.9	44.0	42.9	42.9
Foreign currency deposits	850.8	890.2	1,358.0	1436.1	1,820.6
Foreign currency deposits, annual change	10.4	4.6	52.5	5.8	26.8
Foreign currency deposits to total deposits	36.2	36.3	45.2	44.6	49.5
<b>3- Narrow money (M1)</b>	<b><u>1,789.6</u></b>	<b><u>2,316.5</u></b>	<b><u>3,084.0</u></b>	<b><u>3,411.1</u></b>	<b><u>3,922.7</u></b>
Narrow money, annual change	19.1	29.4	33.1	10.6	15
Narrow money (M1) to broad money M2	48.4	54.1	56.0	57.1	57.1
Demand deposits	441.1	486.4	584.2	653.9	728.4
Demand deposits, annual change	1.7	10.3	20.1	11.9	11.4
Demand deposits to broad money (M2)	11.9	11.4	10.6	10.9	10.6
Currency in circulation	1348.6	1830.1	2499.8	2757.2	3,194.3
Currency in circulation to broad money (M2)	36.5	42.7	45.4	46.2	46.5

**Monetary survey, counterparts of monetary aggregates (In Billions Rials)**

Items	2016	2017	2018	2019
<b><u>Net foreign assets</u></b>	<b><u>491.3</u></b>	<b><u>379.9</u></b>	<b><u>662.5</u></b>	<b><u>270.7</u></b>
Net foreign assets, annual change	-25.5	-22.7	74.4	-59.1
<b><u>Net claims on government</u></b>	<b><u>3,435.8</u></b>	<b><u>4,118.7</u></b>	<b><u>5,044.6</u></b>	<b><u>5889.7</u></b>
Net claims on government, annual change	26.9	19.9	22.5	16.8
<b><u>Credit to private sector</u></b>	<b><u>731.9</u></b>	<b><u>739.5</u></b>	<b><u>748.5</u></b>	<b><u>800.9</u></b>
Credit to private sector, annual change	5.8	1.0	1.2	7.0
Credit to private sector to GDP	8.2	7.4	6.5	6.3

### Central bank survey (In Billions Rials)

	2016	2017	2018	2019	2020
<b><u>Monetary base</u></b>	<b><u>1,795.9</u></b>	<b><u>2,435.8</u></b>	<b><u>3,125.9</u></b>	<b><u>3,484.7</u></b>	<b><u>3,948.2</u></b>
Monetary base, annual change	23.6	35.6	28.3	11.5	13.3
<b><u>Currency issued</u></b>	<b><u>1,375.8</u></b>	<b><u>1,893.5</u></b>	<b><u>2,571.6</u></b>	<b><u>2,890.5</u></b>	<b><u>3,327.5</u></b>
Currency issued, annual change	25.1	37.6	35.8	12.4	15.1
<b><u>Banks reserves held at the CBY</u></b>	<b><u>420.2</u></b>	<b><u>549.3</u></b>	<b><u>554.3</u></b>	<b><u>594.2</u></b>	<b><u>620.6</u></b>
Banks reserves held at the CBY, annual change	18.9	30.7	0.9	7.2	4.4
<b><u>Net foreign assets</u></b>	<b><u>-61.1</u></b>	<b><u>-125.0</u></b>	<b><u>-97.3</u></b>	<b><u>-602.5</u></b>	<b><u>-907.5</u></b>
Net foreign assets, annual change	-133.6	104.5	-22.2	519.2	50.6
<b><u>Net claims on government</u></b>	<b><u>2,153.2</u></b>	<b><u>2,760.2</u></b>	<b><u>3,512.4</u></b>	<b><u>4,201.7</u></b>	<b><u>4,969.2</u></b>
Net claims on government, annual change	46.1	28.2	27.3	19.6	18.3
Velocity (GDP/M2)	2.4	2.3	2.1	2.1	2.2
Money multiplier (M2/Monetary base)	2.1	1.8	1.8	1.7	1.8

## Balance Sheet Central Bank Of Yemen (In Billions Rials)

Items	2016	2017	2018	2019	2020
<b><u>Assets</u></b>	<b><u>2829.6</u></b>	<b><u>3983.9</u></b>	<b><u>5750.3</u></b>	<b><u>6558.8</u></b>	<b><u>7286.3</u></b>
<b><u>Foreign Assets</u></b>	<b><u>250.3</u></b>	<b><u>361.8</u></b>	<b><u>1133.6</u></b>	<b><u>628.4</u></b>	<b><u>387.8</u></b>
<b><u>Loans &amp; Advances</u></b>	<b><u>2536.8</u></b>	<b><u>3170.3</u></b>	<b><u>4065.8</u></b>	<b><u>4841.8</u></b>	<b><u>5708.4</u></b>
Government	2228.6	2860.8	3756.3	4532.3	5398.9
Public Enterprises	308.2	309.5	309.5	309.5	309.5
Banks	0.0	0.0	0.0	0.0	0.0
<b><u>Fixed &amp; Other Assets</u></b>	<b><u>42.6</u></b>	<b><u>451.8</u></b>	<b><u>550.9</u></b>	<b><u>1088.5</u></b>	<b><u>1190.1</u></b>
Exchange Valuation	0.0	0.0	0.0	0.0	0.0
<b><u>Liabilities</u></b>	<b><u>2829.6</u></b>	<b><u>3983.9</u></b>	<b><u>5750.3</u></b>	<b><u>6558.8</u></b>	<b><u>7286.3</u></b>
<b><u>Banknotes Issued</u></b>	<b><u>1375.8</u></b>	<b><u>1893.5</u></b>	<b><u>2571.6</u></b>	<b><u>2890.5</u></b>	<b><u>3327.5</u></b>
<b><u>Sight Liabilities</u></b>	<b><u>592.3</u></b>	<b><u>756.8</u></b>	<b><u>961.9</u></b>	<b><u>1032.0</u></b>	<b><u>1169.4</u></b>
Government	75.4	100.6	243.6	330.6	429.7
Social Security Fund	58.7	58.7	58.7	58.7	58.7
Public Enterprises	38.1	48.1	105.4	48.5	60.3
Demand Deposits	32.8	38.2	93.7	34.2	45.3
Time Deposits	0.0	0.0	0.0	0.0	0.0
Foreign Currency	5.3	9.9	11.7	14.3	15.0
Banks	420.2	549.3	554.3	594.2	620.6
Certificates of Deposits	0.0	0.0	0.0	0.0	0.0
Treasury Bills sold to Banks (repos)	0.0	0.0	0.0	0.0	0.0
<b><u>Foreign Liabilities</u></b>	<b><u>311.4</u></b>	<b><u>486.8</u></b>	<b><u>1230.9</u></b>	<b><u>1230.9</u></b>	<b><u>1295.3</u></b>
<b><u>Other Liabilities</u></b>	<b><u>550.1</u></b>	<b><u>846.9</u></b>	<b><u>985.9</u></b>	<b><u>1405.4</u></b>	<b><u>1494.1</u></b>
Capital & Reserves	35.0	52.1	110.9	517.5	623.0
Revaluation Account	222.8	143.0	164.6	214.4	259.8
SDR's	77.7	82.8	83.8	83.8	93.5
Other Liabilities	214.6	569.0	626.6	589.8	517.8

## Consolidated Balance Sheet of Commercial & Islamic Banks

(In Billions Rials)

Items	2016	2017	2018	2019
<b><u>Assets</u></b>	<b><u>2961.7</u></b>	<b><u>3183.1</u></b>	<b><u>4034.2</u></b>	<b><u>4408.9</u></b>
<b><u>Foreign Assets</u></b>	<b><u>581.7</u></b>	<b><u>532.0</u></b>	<b><u>822.6</u></b>	<b><u>909.8</u></b>
Foreign Currency	83.5	44.6	66.8	97.4
Banks Abroad	256.6	254.0	414.3	470.9
Non-residents	0.0	0.0	0.0	0.0
Foreign Investment	241.5	233.4	341.5	341.5
<b><u>Reserves</u></b>	<b><u>440.4</u></b>	<b><u>571.8</u></b>	<b><u>713.6</u></b>	<b><u>774.5</u></b>
Local Currency	27.2	63.4	71.8	133.3
Deposits with CBY	413.2	508.4	641.8	641.3
<b><u>Loans &amp; Advances</u></b>	<b><u>1725.7</u></b>	<b><u>1817.4</u></b>	<b><u>2157.8</u></b>	<b><u>2319.4</u></b>
Government	1301.9	1387.4	1554.8	1720.8
Public Enterprises	19.5	13.7	19.8	20.4
Private Sector	404.3	416.3	583.2	578.2
Certificate of Deposits	0.0	0.0	1.0	1.0
Treasury bills purchased from CBY	0.0	0.0	0.0	0.0
<b><u>Other Assets</u></b>	<b><u>213.9</u></b>	<b><u>262.0</u></b>	<b><u>339.2</u></b>	<b><u>404.2</u></b>

## Consolidated Balance Sheet of Commercial & Islamic Banks

(In Billions Rials)

Items	2016	2017	2018	2019
<b><u>Liabilities</u></b>	<b><u>2961.7</u></b>	<b><u>3183.1</u></b>	<b><u>4034.2</u></b>	<b><u>4408.9</u></b>
<b><u>Deposits</u></b>	<b><u>2271.4</u></b>	<b><u>2374.4</u></b>	<b><u>3027.3</u></b>	<b><u>3249.3</u></b>
Government	19.3	28.9	23.0	32.8
Demand	408.3	448.2	584.2	653.9
Time	732.5	751.0	774.0	815.7
Saving	215.9	221.1	242.0	260.9
Foreign Currency	845.5	880.3	1358.0	1436.1
Earmarked	49.9	44.8	46.2	49.9
<b><u>Foreign Liabilities</u></b>	<b><u>29.3</u></b>	<b><u>27.0</u></b>	<b><u>62.7</u></b>	<b><u>36.6</u></b>
Banks Abroad	27.4	25.3	59.8	33.6
Non-residents	1.9	1.7	2.9	3.0
Borrowing from bks	0.0	0.0	0.0	0.0
<b><u>Other Liabilities</u></b>	<b><u>661.0</u></b>	<b><u>781.7</u></b>	<b><u>944.1</u></b>	<b><u>1123.0</u></b>
Loans from CBY	3.9	4.3	5.6	13.5
Capital & Reserves	239.9	267.8	291.1	333.7
Other Liabilities	417.1	509.6	647.3	775.8

### Government Finances (In Billions of Rials)

Items	2016	2017	2018	2019	2020
<b><u>Total revenues and grants</u></b>	<b><u>672</u></b>	<b><u>349</u></b>	<b><u>743</u></b>	<b><u>923</u></b>	<b><u>915</u></b>
Oil revenues	114	193	342	459	331
Non-oil revenues	557	156	377	416	576
Tax revenues	340	156	223	338	416
Other revenues	217	0	154	78	160
<b><u>Grants</u></b>	<b><u>2</u></b>	<b><u>0</u></b>	<b><u>24</u></b>	<b><u>48</u></b>	<b><u>8</u></b>
<b><u>Total expenditures</u></b>	<b><u>1429</u></b>	<b><u>840</u></b>	<b><u>1652</u></b>	<b><u>1625</u></b>	<b><u>1647</u></b>
<b><u>Current expenditures</u></b>	<b><u>1393</u></b>	<b><u>831</u></b>	<b><u>1556</u></b>	<b><u>1535</u></b>	<b><u>1547</u></b>
Wages and salaries	736	556	821	855	710
Goods and services	33	45	220	168	212
Subsidies and transfers	476	23	8	29	283
Other expenditures	68	125	389	444	304
<b><u>Capital expenditures</u></b>	<b><u>80</u></b>	<b><u>82</u></b>	<b><u>117</u></b>	<b><u>39</u></b>	<b><u>38</u></b>
<b><u>Overall balance</u></b>	<b><u>36</u></b>	<b><u>8</u></b>	<b><u>96</u></b>	<b><u>90</u></b>	<b><u>100</u></b>

### Balance of Payments (In millions of U.S. dollars)

Items	2016	2017	2018	2019	2020
<b><u>Current account</u></b>	<b><u>-887.6</u></b>	<b><u>-370.0</u></b>	<b><u>-482.1</u></b>	<b><u>-811.7</u></b>	<b><u>-644.3</u></b>
<b><u>Exports of goods and services</u></b>	<b><u>1,046.8</u></b>	<b><u>1,006.4</u></b>	<b><u>1,308.5</u></b>	<b><u>1,561.8</u></b>	<b><u>1,178.2</u></b>
Oil	248.0	599.3	914.5	1,101.0	710.5
Other exports	798.8	407.1	394.0	460.8	467.7
<b><u>Imports of goods and services</u></b>	<b><u>7,369.3</u></b>	<b><u>7,826.0</u></b>	<b><u>8,844.0</u></b>	<b><u>10,255.6</u></b>	<b><u>8,403.5</u></b>
Of which: Oil	1,705.9	1,979.4	2,589.0	2,700.0	2,070.0
Of which: Food	2,314.5	2,424.9	2,139.9	2,901.5	3,114.1
Other Imports	3,348.9	3,421.7	4,115.1	4,654.1	3,219.4
<b><u>Balance of goods and services</u></b>	<b><u>-6,322.5</u></b>	<b><u>-6,819.6</u></b>	<b><u>-7,535.5</u></b>	<b><u>-8,693.8</u></b>	<b><u>-7,225.3</u></b>
<b><u>Balance on oil trade</u></b>	<b><u>-1,457.9</u></b>	<b><u>-1,380.1</u></b>	<b><u>-1,674.5</u></b>	<b><u>-1,599.0</u></b>	<b><u>-1,359.5</u></b>
<b><u>Balance of incomes and transfers</u></b>	<b><u>5,434.9</u></b>	<b><u>6,449.6</u></b>	<b><u>7,053.4</u></b>	<b><u>7,882.1</u></b>	<b><u>6,581.0</u></b>
Balance of incomes	-64.1	-40.4	-16.6	-17.9	-19.0
Of which: Transfers	5,499.0	6,490.0	7,070.0	7,900.0	6,600.0
Remittances	2,867.0	3,390.0	3,900.0	4,250.0	3,500.0
Donor financing	2,632.0	3,100.0	3,170.0	3,650.0	3,100.0

**Balance of Payments (In millions of U.S. dollars)**

Items	2016	2017	2018	2019	2020
<b>Capital &amp; Financial Account Net</b>	<b><u>-112.2</u></b>	<b><u>-123.3</u></b>	<b><u>1,908.1</u></b>	<b><u>-740.0</u></b>	<b><u>6.8</u></b>
Capital inflows net 1/	0.0	0.0	0.0	0.0	19.6
Financial inflows net	-112.2	-123.3	1,908.1	-740.0	-12.8
<b>Errors and omissions</b>	<b><u>454.4</u></b>	<b><u>334.7</u></b>	<b><u>233.8</u></b>	<b><u>661.7</u></b>	<b><u>172.4</u></b>
<b>Overall balance</b>	<b><u>-545.4</u></b>	<b><u>-158.6</u></b>	<b><u>1,659.8</u></b>	<b><u>-890.0</u></b>	<b><u>-465.1</u></b>
<b>Change in gross international reserves</b>	<b><u>545.4</u></b>	<b><u>158.5</u></b>	<b><u>-1,659.9</u></b>	<b><u>890.0</u></b>	<b><u>465.1</u></b>
<b>Memorandum items</b>					
Gross international reserves	790.7	632.1	2,292.0	1,402.0	936.9
in months of imports	1.3	1.0	3.1	1.6	1.3
Export oil price (US\$/barrel)	42.8	52.8	68.3	61.4	41.3
Minimum food imports needed	3,319.9	3,494.0	3,418.0	3,638.7	3,920.3
Exchange rate (YER per US\$, average)	287.4	374.3	493.0	558.6	741.0
Exchange rate (YER per US\$, eop)	313.0	460.0	526.0	591.2	669.0

## Disclaimer

- According to Article (45) of the Central Bank Law No. (14) of 2000, all information and individual data provided to the Central Bank is strictly confidential information and to be used only for statistical purposes, and no information may be published that reveals the financial conditions of any bank or financial institution.
- The data in this Report received from sources such as ministries and government agencies are preliminary data, subject to change.
- We use projections made by the International Monetary Fund when and/or if no relevant national sources of data and/or information are available.
- This Report is issued by the Department of Research and Statistics at the Central Bank of Yemen – Aden.

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