

Ahead of Ramadan, Yemen's Economy is Increasingly Dire

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Brief Analysis

For Muslims, the month of Ramadan marks one of the most expensive periods of the year. Many families will spend up to twice their normal expenditures during the month of Ramadan. The end of the holiday requires further spending in order to purchase clothes and other holiday items for Eid al-Fitr, including meat eaten and donated during the holiday as a religious rite.

In addition to these increased celebration costs during Ramadan, families often arrange wedding parties between Eid al-Fitr and the Eid al-Adha holiday two months later; this is summer vacation, and weddings are more frequent during this period than during any other time of the year. This is followed by additional costs for children starting a new year of school after Eid al-Adha. All this is to say that the month of Ramadan and the following three months collectively account for a great deal of extra expenses for many Muslim families. These pressures do not abate in countries with severe economic struggles, such as Yemen.

For Yemenis, increased pressure to cover the costs of religious rites and social customs come at a time when the country's declining economy threatens to [kill \(https://www.reuters.com/article/us-yemen-war-economy-hunger/yemens-plunging-economy-threatens-to-kill-more-people-than-war-aid-agency-idUSKCN1LK1YL\)](https://www.reuters.com/article/us-yemen-war-economy-hunger/yemens-plunging-economy-threatens-to-kill-more-people-than-war-aid-agency-idUSKCN1LK1YL) more people than its war. The deterioration of the Yemeni rial, the scarcity of fuel, and the high cost of shipping insurance have all lead to an unmanageable increase in the basic commodity prices, and consequently the price of holiday clothes, meat, or the cost of furnishing a house. These unbearable economic pressures are widespread throughout the parts of Yemen not currently in conflict; the situation in active conflict areas is much more complex, since basic food security is essentially lacking.

For the past three years, the costs of celebrating Ramadan have become increasingly taxing as the Yemeni rial has collapsed: the Yemeni rial was exchanging at 340 to the dollar in Ramadan 2017, then at 491 in Ramadan 2018. Now, during the first quarter of 2019, the exchange rate is at about 588 riyals to the dollar. The Yemeni rial has also deteriorated against the Saudi rial: during Ramadan 2017 it was exchanging at 88 Yemeni riyals to the Saudi rial, then at 131 the year after, and during the first quarter of 2019, it is about 156. Exchange rate instability makes many suppliers unwilling to import; this often leads to the scarcity of certain types of goods. According to Yemeni businessmen, the export of foodstuffs from the ports of the United Arab Emirates to Yemeni ports decreased by 30-40 percent during the year 2017 compared to 2016. And, according to the Office of Commerce and Industry in the

province of Hadramawt, flour imports to the port of Mukalla during Ramadan during 2018 decreased by about 1,400 tons compared to imports during the same period of 2017. This has led to the **quick depletion** (<https://www.hadramout21.com/2018/10/08/100092>) of flour and other items such as rice from some supermarkets during and after Ramadan.

The deterioration of the Yemeni riyal, along with other factors, has also led to an increase in the prices of those goods and services that are available. The price of flour (for a bag of 10 kg) was 1500 riyals in Ramadan 2017, and raised to 2000 YR the next year and at approximately 2500 YR during the first quarter of 2019. The price of rice for a 40 kg bag also rose from 15,200 YR (Ramadan 2017) to 22,200 YR (2018) to 31,131 YR during the first quarter of 2019. Moreover, prices have risen more than average in some provinces.

Although rising prices are a source of worry, fuel and cooking gas shortages, along with electricity blackouts, are greater concerns for the population. Especially as temperatures rise during Ramadan, a lack of fuel can make fasting unbearable. It has become common to see long lines of people in front of gas stations or cooking gas shops across the country, including liberated areas. This scene becomes more dramatic during Ramadan.

Even as the general Yemeni economy collapses, the war economy and corruption are thriving through practices of both the Houthis rebels and the legitimate government. At the end of the past year, the United Nations World Food Program **called** (<https://ar1.wfp.org/news/brnamj-alaghdhyt-alalmy-ytalb-batkhadh-alajraat-allazmt-bd-alkshf-n-sw-astkhdam-almasadat>) for an immediate end to the manipulation of the distribution of humanitarian relief aid in Yemen in response to evidence of such practices in the Yemeni capital Sana'a and other parts of the country under the control of the Ansar Allah, also known as Houthis. It has also been discovered that some food aid is being given to people who are not entitled to it, and is in some cases being sold in Sana'a.

Sana'a authorities had been accused of such behavior even before the war. For example, eyewitnesses confirmed the sale of aid in the markets of Sana'a that had been intended the victims of a major flooding disaster in Yemen's southeastern Hadramawt region during 2008.

The Houthis' control of state resources has only increased the economic challenges Yemenis are likely to face. According to a **UN report in 2018** (<https://undocs.org/ar/S/2019/83>), at least 407 billion YR may be under the control of the Houthis due to their regular collection of corporate revenues and licensing fees applied to telecommunications, tobacco, and other goods and services. In addition to the revenue from the fuel imports from the western port city of Hodeidah, Houthis sell fuel on the black market in their areas of control after receiving it as potential support from Iran. The resulting earnings of these suspicious operations are likely to go into pockets of individuals on the list of UN Security Council Resolution 2140, which prohibits the provision of support to individuals and entities that threaten peace, security, and stability in Yemen.

The Houthis also **collect** (<http://sanaacenter.org/ar/publications-all/main-publications-ar/6610>) additional customs duties at internal checkpoints in some areas such as Al-Bayda governorate, Arhab Directorate in North Sana'a governorate, and the Dhamar governorate. Some sources indicate that individuals who are not part of the Houthi organization are taking advantage of the customs and tax system established by the Houthis for their own personal gains.

Corruption and war economy activities among individuals and entities of the legitimate government include the corruption and the possibility of a **transfer** (<https://undocs.org/ar/S/2019/83>) of public funds originally allocated for the production of electricity in the government-controlled areas of Aden, Lahj, and Abyan. In addition, there are large discrepancies between the volume of fuel cited in the tender documents and the amount of fuel subsequently directed to the power plants in 2017. Other manifestations of corruption mentioned in the UN report include manipulation of rations for military personnel.

Despite the gloom of the economic situation in most parts of Yemen, the local economies of some provinces seem relatively less affected. In Marib, one of Yemen's oil-producing regions, the control of the legitimate government over the region is very weak; this has led to the growing strength of local government in the province. The Central Bank's Marib branch **refuses** (<http://sanaacenter.org/ar/publications-all/main-publications-ar/6610>) to supply any of its reserves to the Central Bank of Yemen in Aden and works independently of it. The branch is unwilling to disclose its local revenue and expenditure figures.

However, Marib's strong local rule and oil reserves have had a positive effect on fuel availability. Though both under the control of the legitimate government, a liter of petrol can be bought in Marib for only YR 175, while the price per liter in Hadramawt is almost double at 300 riyals. Cooking gas can be purchased for around YR 1,500 in Marib, while its price in Hadramawt is YR 2,000.

Staying away from the Houthi conflict and limiting federal government control has created a more prosperous economic situation in Marib and has turned it into a go-to destination for deserters from the conflict zones. In addition, Yemenis who have returned from Saudi Arabia after the imposition of complex residence and work laws there during 2017 (<https://www.france24.com/ar/20180327-%D8%A7%D9%84%D8%B3%D8%B9%D9%88%D8%AF%D9%8A%D8%A9-%D8%B9%D9%85%D8%A7%D9%84-%D8%A3%D8%AC%D8%A7%D9%86%D8%A8-%D8%AA%D8%B9%D9%88%D9%8A%D8%B6-%D9%85%D9%82%D8%A7%D9%88%D9%84%D9%8A%D9%86-%D8%B1%D8%B3%D9%88%D9%85-%D8%B6%D8%B1%D9%8A%D8%A8%D8%A9-%D9%85%D9%82%D9%8A%D9%85%D9%88%D9%86>) and 2018 have also traveled to Marib. These immigrants brought some of their capital, which has led to an increase in investment projects there. Moreover, the local authority, which has broad powers, is paving many new streets, developing the region's health and education sectors, and encourages local investment, all leading to an increased quality of life for its citizens.

However, Marib is the exception rather than the norm. Overall poverty in Yemen has risen to 71-78 percent of the total population, and more than 40 percent (<https://www.worldbank.org/en/country/yemen/overview>) of households have lost their primary income source and find it increasingly difficult to purchase the minimum food requirements.

There are some reports (<https://www.focus-economics.com/countries/yemen>) that are optimistic regarding Yemen's economic future, suggesting that Yemen's economy will grow for the first time in six years in the second two quarter of 2019 at a rate of 2.9%. However, these potential long-term gains will do nothing to help Yemenis preparing for a Ramadan and two Eids this year, which will be more expensive than in previous years, even as they navigate the everyday economic challenges within Yemen. ❖

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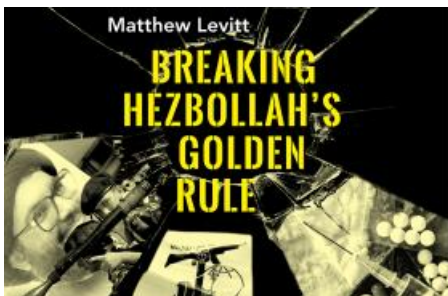
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