



REPUBLIC OF YEMEN

April 2026

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR REPUBLIC OF YEMEN

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with the Republic of Yemen, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its March 31, 2026 consideration of the staff report that concluded the Article IV consultation with the Republic of Yemen.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 31, 2026, following discussions that ended on October 9, 2025, with the officials of the Republic of Yemen on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 20, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for the Republic of Yemen.

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International Monetary Fund
Washington, D.C.



IMF Executive Board Concludes 2025 Article IV Consultation with Republic of Yemen

FOR IMMEDIATE RELEASE

Washington, DC – March 31, 2026: The Executive Board of the International Monetary Fund (IMF) concluded the 2025 Article IV consultation¹ with Yemen. The authorities have consented to the publication of the Staff Report prepared for this consultation.

- The IMF resumed Article IV consultations with Yemen after an 11-year hiatus. Yemen faces an acute humanitarian crisis and significant macroeconomic challenges after years of civil conflict.
- Supported by the authorities' stabilization efforts and external financing, the economy is gradually emerging from the deep recession following the suspension of oil exports in 2022, with the pace of contraction moderating and fiscal and external pressures easing. However, the war in the Middle East is expected to weigh on Yemen's economy this year, while risks to the outlook remain substantial.
- The authorities' commitment to revenue mobilization and fiscal governance enables the delivery of essential public services. A market-based exchange rate, energy and pro-business reforms, along with creditor dialogue and ongoing external financing, collectively support Yemen's economic recovery and social stability.

The IMF welcomes the opportunity to resume Article IV consultations with Yemen after an 11-year hiatus. The conflict that began in 2014 suspended the production of key economic indicators and disrupted policymaking. The renewed consultation reflects enhanced institutional capacity and data production.

After years of civil war, Yemen remains one of the world's most fragile states. The internal conflict has resulted in significant macroeconomic vulnerabilities and a marked decrease in income per capita, leaving over half of the population in urgent need of humanitarian support. It has caused widespread food insecurity, disease outbreaks, mass family displacement, and limited access to clean water. Although international organizations and bilateral partners have provided aid, the scale of the crisis is far bigger than the available resources.

The economy is emerging from the deep recession it entered after oil exports halted in 2022, with GDP contracting by 0.5 percent in 2025 from nearly 10 percent in 2023. The fiscal and external deficits deteriorated sharply at the onset due to the substantial loss of government revenues and foreign exchange inflows following the halt of oil and Liquefied Petroleum Gas

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

exports. They have since narrowed, reflecting major compression in government spending and private demand amidst high inflation, currency depreciation, and lower real incomes, as well as strong support from regional partners and remittance inflows. Despite signs of stabilization, the economic and humanitarian situation remains fragile. Reserves barely cover one month of imports—mainly food, energy, and medicines—and budget limits restrict essential services.

While spillovers from the recent war in the Middle East have so far been contained, Yemen remains exposed to higher global food and fuel prices. The outlook envisages a modest contraction of 0.7 percent this year, amidst rising inflation and weakening private consumption. Higher imports and weak export growth are expected to worsen the external position, strain the exchange rate, and further deplete already low reserves. Meanwhile, the prioritization of essential spending is expected to weigh temporarily on the fiscal balance. From 2027 onward, the economy is expected to begin regaining momentum as inflation declines, real incomes recover, fiscal consolidation eases, and remittances and non-oil exports expand under the authorities' Agriculture Plan. Over time, rising government revenues are expected to support essential public services and imports, easing the ongoing humanitarian crisis.

The outlook remains exposed to a range of domestic and external risks. Economic precarity could hinder reforms and pose challenges to both economic stability and social cohesion, while successful peace efforts may accelerate the recovery. If prolonged, the Middle East conflict poses substantial risks—particularly through higher food and energy prices, supply disruptions, and lower remittances—which could intensify currency depreciation and inflation, given Yemen's limited fiscal and external buffers, force import compression, worsening food security and humanitarian conditions.

Executive Board Assessment²

Directors agreed with the thrust of the staff appraisal. They welcomed the resumption of Article IV consultations with Yemen after more than a decade and positively noted the tentative signs of economic stabilization despite years of civil conflict and suspended oil exports, which have resulted in one of the world's worst humanitarian crises. Directors noted that the war in the Middle East appears to have had a limited economic impact on Yemen so far, although the country remains exposed to higher global food and fuel prices. Given that the outlook remains subject to significant downside risks, Directors called for prudent policy implementation, strengthened governance, and carefully sequenced adjustment and reforms to achieve macroeconomic stability, catalyze donor support, and mitigate risks. Continued and deeper IMF engagement, guided by its Strategy for Fragile and Conflict-Affected States and with sustained technical assistance, as well as support by the international community and development partners are also critical.

Directors commended the authorities for the substantial fiscal consolidation achieved since 2022. To achieve lasting fiscal consolidation while safeguarding essential public services, they welcomed the adoption of a comprehensive fiscal reform plan in line with staff advice and emphasized the need to enhance domestic revenue mobilization, strengthen tax and customs

² At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summing up can be found here: <http://www.IMF.org/external/np/sec/misc/qualifiers.htm>.

administration, and improve fiscal governance and public financial management. Directors also supported efforts to streamline electricity subsidies and prioritize essential social and development spending to address humanitarian needs and support inclusive growth. Engagement with creditors to support a comprehensive debt treatment is also essential to restore debt sustainability.

Directors positively noted that inflation has eased and encouraged the authorities to maintain a prudent monetary stance, limit monetary financing, and continue enhancing central bank independence. They emphasized the importance of a market-based exchange rate regime to enhance policy credibility and improve foreign exchange allocation. Strengthening the foreign exchange auction framework and addressing any emerging exchange rate misalignments are key priorities.

Directors considered the relocation of major banks to Aden as an opportunity to strengthen financial stability and integrity. They encouraged extending regulation to all deposit-taking institutions and enhancing the AML-CFT framework to safeguard correspondent banking relationships.

Directors stressed that comprehensive structural and governance reforms are critical to foster private sector-led growth. They underscored the importance of strengthening institutions to address corruption vulnerabilities and ensure social acceptability of reforms. Directors also emphasized the need to enact energy sector reforms and foster basic public services and infrastructure development. They commended the authorities' commitment to continue improving macroeconomic statistics to support surveillance and policymaking.



REPUBLIC OF YEMEN

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

November 20, 2025

KEY ISSUES

Context. After years of civil war, Yemen remains one of the world's most fragile states. Since 2014, the internal conflict has resulted in significant macroeconomic vulnerabilities and a marked decrease in income per capita, leaving over half of the population in need of humanitarian support. The economy entered a deep recession after oil exports halted in 2022, making Yemen an oil importer. The fiscal and external deficits deteriorated sharply at the onset but have since narrowed, driven by compression of government spending and private demand amid high inflation, currency depreciation, and lower real incomes.

Outlook and risks. Yemen's growth is projected to recover starting in 2026, rising moderately from 0.5 percent to 2.5 percent by 2030, as fiscal consolidation slows and non-oil exports, remittances, and development projects gain momentum. Inflation is expected to ease, aided by declining monetary financing amid stable global food and energy prices. Fiscal and external positions are expected to stabilize from 2027 onwards, with the fiscal overall balance (after grants) at equilibrium and the current account deficit at roughly 7–8 percent of GDP. Over time, rising government revenues, non-oil exports, and remittances are expected to support essential public services and imports, easing the ongoing humanitarian crisis. Significant downside risks to the outlook include renewed conflict and/or social unrest from economic precarity hindering reforms, and reduced donor funding. On the upside, successful peace efforts would accelerate the recovery.

Policy recommendations. Comprehensive policy efforts are needed to achieve long-lasting macroeconomic stability, enhance confidence and growth, and catalyze much needed external financing. These include:

- Sustaining fiscal discipline through the prioritization of operational and social expenditures and revenue mobilization. This includes ensuring timely revenue remittance from governorates, strengthening tax and customs administration collaboration, improving fiscal governance, and using market-exchange rates for customs valuation. The authorities' Revenue Plan, which was developed following IMF technical assistance, aims to assist with these efforts.

- Tempering inflation by limiting monetary deficit financing and enhancing central bank autonomy; ensuring exchange rate flexibility; and leveraging the shift of all major banks to Aden to enhance oversight and AML/CFT efforts for financial stability and integrity.
- Enhancing public institutions' governance, including to address vulnerabilities to corruption, reforming the electricity sector, and improving the business climate to foster private sector growth. Key electricity measures are to gradually align tariffs with costs protecting vulnerable households, promote efficient use, and target infrastructure upgrades for better service.

Approved By
Taline Koranchelian
(MCD) and Jarkko
Turunen (SPR)

The mission took place in Amman during September 28–October 9, 2025. The team comprised Miss. Perez Ruiz (head), Messrs. Augsten and Kassim, and Ms. Ture (all MCD). The mission met with the Prime Minister of Yemen, Salim Bin Bureik, the Governor of the Central Bank, Ahmad Ghaleb, the Acting Minister of Finance, Hani Wahab, the Minister of Planning and International Cooperation, Waed Abdullah Badhib, the Minister of Electricity and Energy, Manea Bin Yameen; and other officials from the Central Bank of Yemen, Ministry of Finance, Ministry of Planning and International Cooperation; Ministry of Oil and Minerals, Customs Administration, and Central Statistical Office, as well as representatives from the financial sector, trading sector, and representatives from humanitarian aid organizations. Ms. Mira Merhi, advisor to the Executive Director’s office accompanied the mission. Ms. De Mesa and Sriram (both MCD) provided excellent support for preparing the report.

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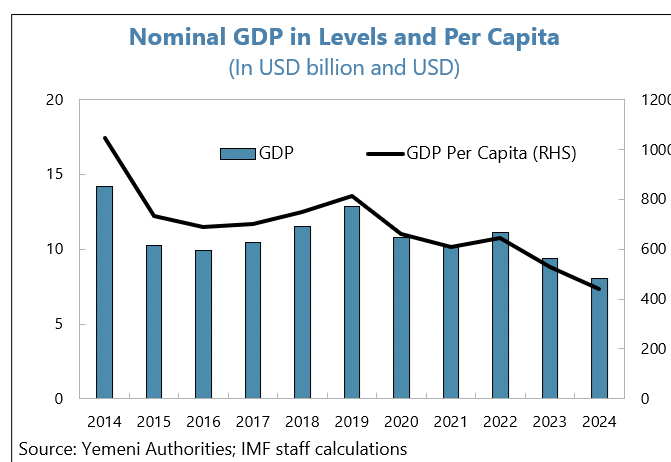
CONTEXT

1. Years of civil war have left Yemen a fragile and conflict affected state (FCS). The conflict that began in late 2014 with the Houthi forces seizing Sanaa has since evolved into a multi-layered regional crisis. Hopes raised by a 2023 UN peace roadmap stalled, as a result of interferences in the Israel-Gaza conflict through Red Sea attacks. The conflict remains a key driver of economic fragility, as described in the Country Engagement Strategy (CES) (Annex I).

2. Increased IMF engagement since 2020 has supported surveillance re-engagement with Yemen. The conflict had previously halted a three-year Extended Credit Facility (ECF) arrangement¹ and Article IV consultations. Nonetheless, the IMF continued to engage with Yemen's Internationally Recognized Government (IRG) through policy advice and capacity development. Since 2020, this engagement has been intensified, to help Yemen gradually strengthen its institutional capacity and data production and pave the way for the resumption of IMF surveillance. Accordingly, in 2025, the Article IV consultation resumes with Yemen, focusing on the territory under the effective control of the authorities (approximately two thirds of Yemen). Fund engagement with Yemen is guided by the 2022 Executive Board-endorsed [FCS strategy](#) while the Article IV consultation follows the principles set out in the 2023 Staff [Guidance Note](#) and leverages the findings in the CES (Annex I). All data in this report relates to areas under the authorities' control, unless otherwise stated, and has benefited from enhanced technical support from IMF's Statistics Department (STA) (Annex IV).

3. The protracted conflict disrupted macroeconomic stability and triggered a humanitarian crisis (Figure 1).

- Output, exchange rate and inflation.* Over 2014–24, real GDP declined by about 27 percent and the Yemeni real (YER) depreciated sharply against the U.S. dollar by an annual average of 26 percent, causing inflation to surge to an average of 30 percent during the conflict. Per capita income plummeted from US\$1,046 in 2014 to about US\$441 in 2024. These combined shocks left over half of the population in urgent need of humanitarian assistance.²



- External position.* The current account deficit widened from 2.1 percent of GDP in 2014 to an annual average of 30 percent over 2015–24. This reflects a sharp decline in hydrocarbon export revenues coupled with continued reliance on imported food and fuel. Remittances and external

¹ The ECF was approved in September 2014 for an amount equivalent to 150 percent of quota and SDR 365.25 million.

² United Nations Yemen Humanitarian Needs and Response Plan (2025).

grants rose steadily, sustaining household consumption and essential imports.

- *Government finances and international reserves.* Government revenues (excluding grants) declined from 22.5 percent of GDP in 2014 to under 12 percent in 2024. Public debt rose to over 100 percent of IRG GDP during the same period, owing to substantial GDP contraction, missed external debt payments, and higher fiscal deficits. The deteriorated external position depleted the international reserve coverage to less than one month's worth of imports—despite extensive financial support primarily from Saudi Arabia, as well as from the United Arab Emirates, totaling about US\$2.3 billion over 2023–24.
- *Yemen faces one of the world's worst humanitarian crises.* The conflict has caused widespread food insecurity, poor water access, disease outbreaks like cholera, and family displacement, leaving children especially at risk. Although international organizations and bilateral partners have provided aid, the scale of the crisis is far bigger than available resources.

4. Despite the authorities' purposeful efforts, Yemen remains economically vulnerable and reliant on international support. In recent years, the IRG has worked to preserve macroeconomic stability, containing fiscal deficits and limiting monetary financing under extremely challenging circumstances. After oil exports halted at end-2022, cutting government revenues by almost half, the IRG significantly curtailed expenditures by nearly 5.5 percentage points of GDP over 2022–24, and minimized deficit monetization. Earlier this year, it launched an Economic Recovery Plan (ERP) to tackle immediate vulnerabilities and structural challenges. Nevertheless, Yemen's fiscal and external positions remain fragile, with the IRG continuing to depend on external support to finance essential spending and stabilize the external position.

5. Staff considers Yemen's data adequate for surveillance, despite limitations. Due to the Central Statistical Office's (CSO) conflict-induced limited compilation capacity, extensive capacity development (CD) support was provided to estimate data to facilitate surveillance, particularly in the external and national accounts. Yemen's data provided to the Fund has some shortcomings that somewhat hamper surveillance, which corresponds to a "C" overall rating in Yemen's Data Adequacy Assessment (DAA) (Annex V). Fiscal and public sector debt data are considered broadly adequate for surveillance, while monetary and financial data have some shortcomings that somewhat hamper surveillance. Significant data deficiencies remain (¶35, ¶36), particularly in the national and external sector accounts and price statistics, which somewhat hamper staff analysis. Going forward, sustained ownership from the authorities, with STA CD support, are required to ensure continued reliability in production of data and structurally improve Yemen's statistical architecture and overall data quality (Annex VI).

RECENT DEVELOPMENTS

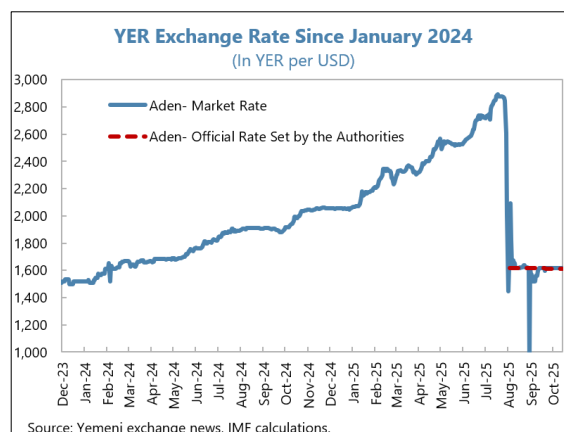
6. The economy contracted in 2024, due to declining oil and LPG production, exports, and domestic demand amid high inflation. Following the October 2022 attacks on oil export facilities in Hadramout and Shabwa governorates, oil exports have been suspended since January 2023. Crude oil production fell sharply from an estimated 46 thousand barrels per day in 2021–22 to just 22 and 19 thousand barrels per day in 2023 and 2024 respectively, while LPG output declined since 2023 due to

sale restrictions on Marib-sourced LPG.³ High inflation, resulting from exchange rate depreciation and, to a lesser extent, monetary deficit financing (¶17), combined with public wage containment, has eroded real incomes despite steady remittances, thereby constraining consumption. Public and private investment remain severely limited amid constrained fiscal space. In 2024, GDP is estimated to have contracted for the third consecutive year by 1½ percent.

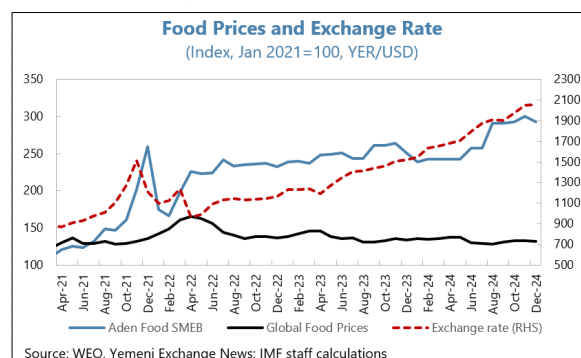
7. Inflation has remained elevated until recently due to significant exchange rate

depreciation. Headline inflation declined from about 36 percent in 2022 to 18 percent in 2023 as global food and fuel prices eased. However, it rebounded to around 27 percent in 2024 and averaged 28 percent in the first half of 2025, as the depreciation of the Yemeni rial—stemming from limited FX inflows and weakening confidence in the currency—was transmitted to prices nearly one-to-one. The expansion of monetary aggregates resulting from the Central Bank of Yemen (CBY)'s deficit financing, conducted under stringent FX constraints, also drove inflation, though were partly offset by sterilized liquidity injections through FX sales.

Headline inflation eased markedly in the second half of 2025, from 35 percent y/y in July to 6¼ percent y/y in September, following a sharp appreciation of the rial.



8. Since August 2025, the Yemeni rial (YER) has appreciated markedly. It strengthened from about YER 2,900 to YER 1,600 per U.S. dollar from mid-July to early August, and has remained broadly stable since, following a series of measures, including imposing limits on the availability of foreign currency for personal use, banning the use of foreign currency in local transactions, and revoking licenses of money exchange houses suspected of currency manipulation. In this context, the authorities created the National Committee for the Regulation and Financing of Imports (NCRFI) to prioritize FX use for essential imports, enhance import transparency, and channel FX into the formal banking sector.



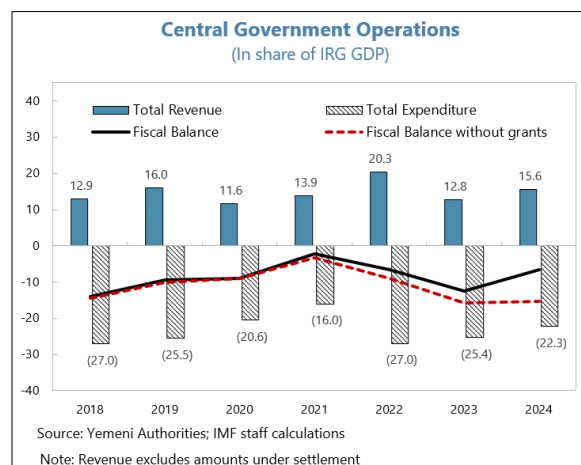
9. The IRG has strived to preserve fiscal discipline.

- *2023–24 fiscal performance.* In response to the economic downturn following the halt of oil exports, the government reduced expenditures—primarily energy subsidies, goods and services, and public wages—by an average of 3.2 percentage points of GDP over 2023–24. Reduced government spending helped offset a 4.7 percent GDP drop in revenues from falling oil sales and

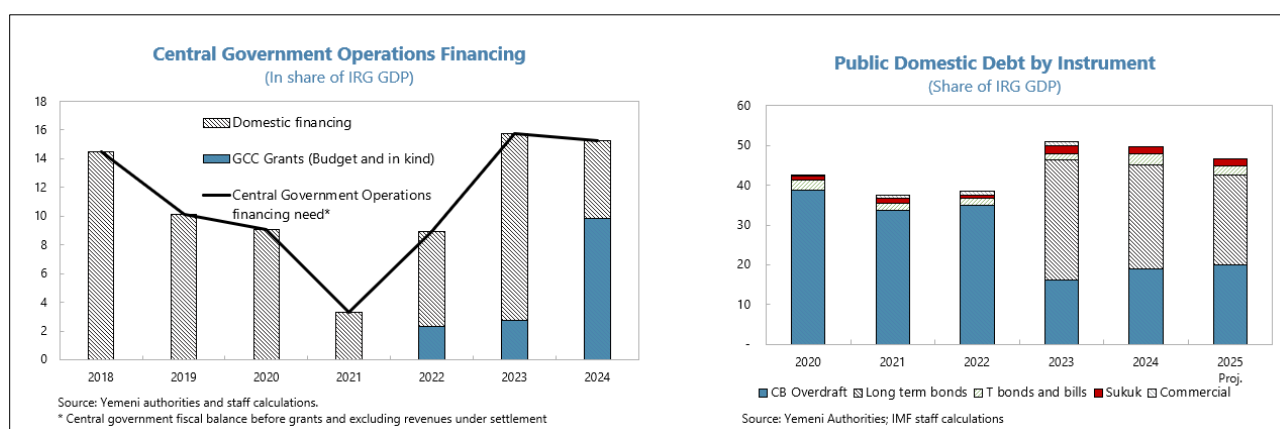
³ In May 2023, AA prohibited selling LPG from Safer company in Marib within their controlled territory.

lower customs and tax receipts. This sizeable expenditure reduction, alongside significant grant support from Saudi Arabia, kept the average government deficit (after grants) over 2023–24 at roughly 6.2 percent of GDP, up from 4.6 percent of GDP in 2022.

- 2025. The fiscal deficit (before grants) is expected to decline by over 4 percentage points of GDP from 2024, to 6.3 percent of GDP. This reduction primarily owes to spending cuts, which in 1H2025 were reduced by 30 percent relative to the budget, especially in capital investments (-80 percent), goods and services (-40 percent), and electricity subsidies (-20 percent). Revenue collection remained steady while the central government faced cash issues with some governorates retaining income, mainly from sales of hydrocarbons and taxes on imported goods. On a cash basis, the deficit is expected to have risen by 2.7 percent of GDP, reflecting a 6.9 percent of GDP decrease in external grants, from US\$ 0.6 billion in 2024 to US\$ 0.2 billion in 2025,⁴ offset partially by a nearly 4 percent of GDP reduction in spending.



10. External grants have supported the financing of government operations in recent years. Following a decline between 2018 and 2021, government financing needs increased due to lower revenues resulting from the suspension of oil exports. Financing needs in 2023 and 2024 reached 14.6 and 10½ percent of GDP respectively,⁵ and were addressed through budget support from Saudi Arabia alongside treasury overdrafts, which the CBY largely sterilized by selling Saudi-provided FX reserves to control money supply growth. As a result, deficit monetization significantly declined from about 82 percent of the borrowing needs in 2023, to about 36 percent in 2024.



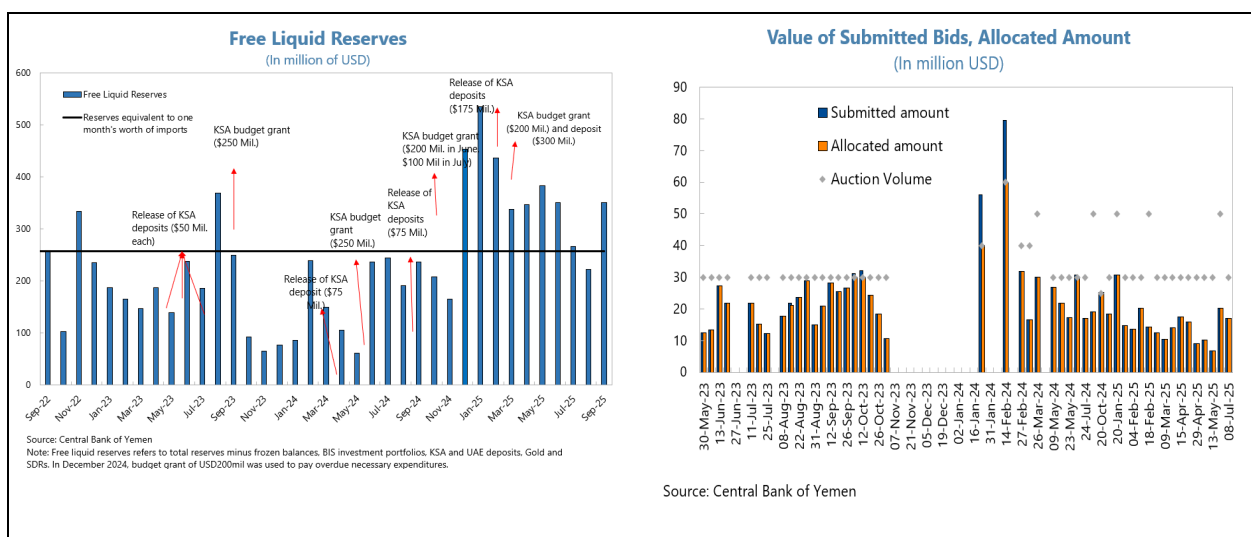
⁴ The budget support included in the US\$ 368 million pledged by Saudi Arabia in September 2025 is estimated at US\$ 0.2bn.

⁵ The government financing needs are equal to the fiscal balance before grants and revenues settled with governorates in the territory under the IRG’s control.

Overall, domestic debt increased from 37 percent in 2021 to 50 percent of GDP in 2024, while the average maturity lengthened in 2023 as pre-existing overdrafts were converted into long-term debt.

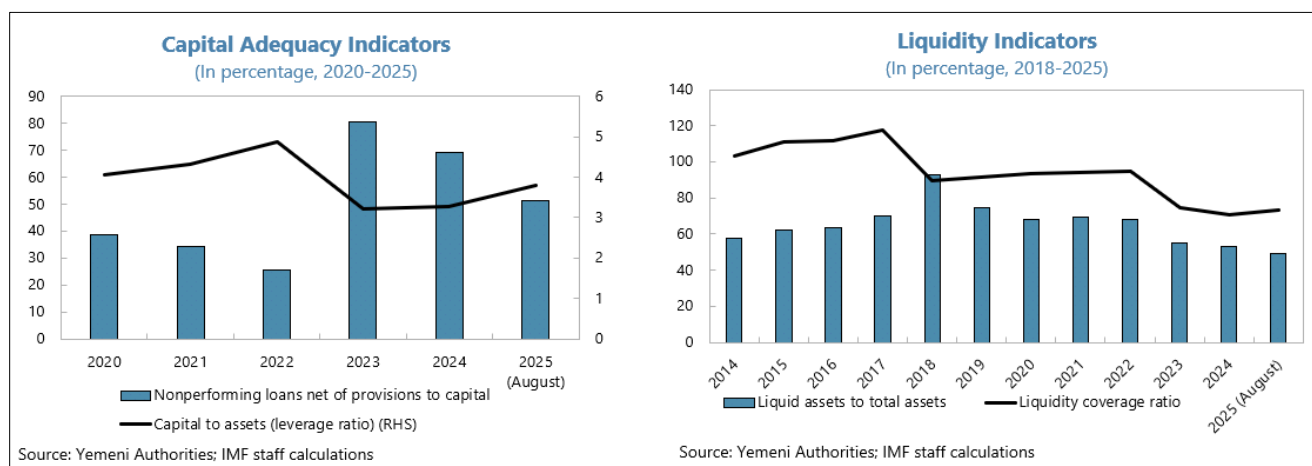
11. Despite the ongoing blockade on oil exports, the current account deficit fell. Following robust output in previous years, oil production and exports declined sharply since 2023, resulting in a cumulative drop of about 70 percent in total exports over 2023–24. Nevertheless, the current account deficit improved from 40½ percent of GDP in 2022 to 14½ percent of GDP on average in 2023–24 due to import compression, strong remittances, and grants from bilateral partners. Yemen’s external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies (Annex III), though the assessment is subject to significant uncertainty owing to data limitations, including high net errors and omissions.

12. Reserves remain critically low. In 2023–24, Saudi Arabia provided major US\$ 1.2 billion budget support grant to address fiscal needs through the Saudi Development and Reconstruction Program for Yemen (SDRPY) and committed a US\$ 1 billion deposit to the CBY linked to an Arab Monetary Fund (AMF) program. Part US\$ of this deposit (US\$ 0.775 billion) has been made available to date, allowing CBY to conduct periodic FX auctions to finance essential imports. As the CBY auctioned off US\$ 1.05 billion for import financing throughout 2023-24, operational FX reserves as of September 2025 remain low at USD\$350million, covering about a month worth of imports.



13. The banking sector has faced capital adequacy and liquidity challenges, and growing exchange rate risk exposure, following the economic downturn. Key Financial Soundness Indicators (FSI) (Table 5) have deteriorated since 2023. An increase in non-performing loans (NPLs) without commensurate provisioning led to a decline in the capital to assets ratio from about 5 in 2022 to 2½ in April 2025. The liquid assets to short term liability ratio have sharply declined, from 148 in 2022 to 69 in April 2025, as deposits shifted from the formal sector to unregulated money exchangers. The rise in FX-denominated loans to private and public enterprises has heightened liquidity and capital risks amid currency depreciation, especially with reduced FX inflows from halted oil exports. The Houthis’ FTO designation by the United States in early 2025 restricted banks from operating in Houthi-controlled areas and raised compliance costs related to AML/CFT policies. The

largest banks moved their headquarters to Aden under CBY direction to safeguard their corresponding banking relationships (CBR) and reduce the complexity of their operations.



OUTLOOK AND RISKS

14. Staff projects a modest recovery with moderating inflation. Data limitations (115) and the fragile environment suggest elevated uncertainty around the economic outlook.

- 2025.** Staff projects a slight growth contraction of 0.5 percent in 2025, driven by reduced budget grants limiting government expenditure and electricity services, and declining private consumption amidst still elevated, albeit declining, inflation and arrears in government salary payments. The suspension of USAID assistance—averaging around US\$ 900 million⁶ in three years, including US\$ 785 million for humanitarian relief—has halted the UN World Food Program, limited children's access to necessary medicine and health care, and reduced the reach of USAID's Economic Recovery and Livelihoods Program (ERLP). While the humanitarian impact may be significant—particularly in the absence of alternative aid—the broader macroeconomic impact is expected to be relatively limited in the near term, because: (i) declines in consumption and imports likely balance each other due to donor aid's high import content,⁷ resulting in limited direct GDP effect; (ii) offsetting grants and imports leave the current account deficit unchanged; and (iii) the fiscal deficit remains unaffected since the assistance is off-budget, and limited financing prevents on-budget support for the lost humanitarian services. A prolonged humanitarian crisis and limited fiscal space may adversely impact physical and human capital, thereby reducing overall economic prospects.
- 2026 onwards.** The economy is expected to gradually recover from 0.5 percent in 2026 to around 2½ percent by 2030 supported by steady increase in non-oil exports, growing remittances, and gradual growth in domestic oil production and refining, boosting electricity generation and

⁶ Data encompasses all of Yemen.

⁷ The import content of donor aid is estimated to be 95 percent ([United Nations Central Emergency Response Fund, 2024](#))

consumption. The authorities' *Agriculture Plan* and envisaged acceleration of ongoing development projects are key enabling factors for the recovery. Inflation is expected to ease further from over 24 percent in 2025 to about 10 percent in the medium term, aided by forecast declines in global food and oil prices and strictly limited monetary financing.

15. Yemen's external position is expected to remain weak. Despite the suspension of oil exports, the current account deficit is projected to narrow in 2025 due to import compression and resilient remittance inflows. Over the medium term, the deficit is expected to remain around 7–8 percent of GDP as higher demand for essential imports is projected to be broadly balanced by a steady increase in remittances and non-oil exports under the *Agriculture Plan*. Remittances are expected to remain a key source of FX throughout the forecast period, following the U.S. FTO designation of the Houthis—which channels flows toward formal banks—and Saudi Arabia's policies enhancing financial inclusion and easier access to bank accounts for migrants. These inflows are projected to exceed US\$ 3 billion by 2030, while grants are conservatively anticipated to stabilize at US\$ 750 million from 2025, well below the previous decade's average.

16. Domestic risks to the outlook are tilted to the downside. A resumption of hostilities and/or social unrest due to the precarious economic situation may impede reforms. Reduced donor funding would weaken capacity building, constrain basic services, increase depreciation and inflation, and exacerbate the humanitarian crisis, particularly considering the current minimal levels of social support. A reduction in non-oil revenues may exacerbate the contraction of oil-related income, potentially resulting in delays to critical education and health projects and/or worsen debt dynamics. On the upside, successful peace efforts could accelerate the recovery.

17. Additional external risks emanate from increased global uncertainty (Annex II):

- *Lower budget support* would cause a funding shortfall, requiring improved revenue mobilization efforts. Should revenues fall short, fiscal deficits may widen, resulting in increased monetization with inflationary impact.
- *Higher global commodity prices* would drive depreciation and inflation, reducing purchasing power especially for poor households. Given the low reserve levels, it is also possible that essential imports decline, worsening food insecurity, and elevating risks of social unrest.
- *Tariffs.* The direct impact of U.S. tariffs on Yemen is limited, reflecting the country's minimal bilateral trade with the U.S. Specifically, the current average tariff rate of 15.2 percent affects only about US\$ 8.7 million in trade—less than 1 percent of IRG's total exports. Nevertheless, global tariff retaliation could disrupt supply chains and raise imports costs.
- *Recurring natural disasters* could damage critical infrastructure, worsening power outages and access to water, thereby affecting agriculture and food security.

Should these adverse risks occur, the authorities would need to strengthen domestic revenue efforts and rationalize expenditures. However, due to already minimal reserves, constrained social safety

nets, and a challenging humanitarian context, additional support from the international community would be required to address any significant adverse scenario.

Authorities' Views

18. The authorities broadly agreed with staff's assessment of the macroeconomic outlook and associated risks. They concurred that there will likely be no resumption of oil exports pending peace resolution, and the import trajectory will likely be supported by sustained remittances and grants. They recognized that the projected stabilization path and modest recovery rely on sustained policy efforts. In this regard, they highlighted opportunities to boost productivity in agriculture and fisheries, citing their *Agriculture Plan* as a key initiative to enhance food security and export capacity, which they noted would rely on support from Yemen's international partners. The authorities stressed that the implementation of the *Agriculture Plan*, the ongoing shift toward using domestically produced fuel oil instead of imported diesel for electricity generation, and expedited execution of ongoing development projects would collectively reduce reliance on imports and save scarce FX. Looking ahead, they highlighted the potential impact of peace negotiations, resumption of oil exports, and investments in electricity generation, transmission, and road networks as key upside risks. On natural disasters, the authorities noted that increased rainfall in recent years has supported agricultural output, while acknowledging that excessive rain also poses downside risks through flooding.

POLICY DISCUSSIONS

Amid severely constrained finances, Yemen should prioritize revenue mobilization and rationalization of spending, including by ensuring timely revenue remittance by the governorates, enhancing custom and tax administration effectiveness, implementing high-impact tax measures, and improving public financial management (PFM). Sustained fiscal discipline will be key to unlocking further external financing. Advancing creditor dialogue for arrears clearance and a comprehensive debt treatment is essential for restoring debt sustainability. Monetary policy should prioritize controlling inflation by continuing prudent management of monetary aggregates, enhancing CBY autonomy, and limiting monetary financing; and the exchange rate should remain market based. Financial sector policies should prioritize stability and integrity while ensuring liquidity. Structural reforms need to enhance public institutions' governance and the anti-corruption framework, reform the electricity sector, and strengthen social safety nets. Overall, policy recommendations are consistent with the priorities and constraints identified in the CES.

A. Mobilizing Revenues, Prioritizing High-Quality Spending, and Enhancing Fiscal Governance

19. Following substantial fiscal consolidation in 2026, government deficits are projected to stabilize over the medium term:

- *2026 fiscal outlook.* The fiscal deficit (excluding grants) is expected to improve further to 4.5 percent of GDP assuming: (i) timely revenue remittance by governorates; (ii) the gradual reduction of electricity subsidies after a temporary spike during 2022–24; (iii) moderate gains from revenue-enhancing measures under implementation (Text Table 1); and (iv) declining domestic and external debt service due to ongoing inflation and modest arrears accrual on non-serviced debt. For the 2026 budget, the authorities are currently setting revenue targets and spending priorities. They also plan to tie expenditures to available revenue and grants, to avoid monetary financing.

Text Table 1. Yemen: Authorities' Fiscal Measures

Expenses

Electricity subsidies

Restructure power purchasing agreements

Enhance cost recovery

Revenues

Hydrocarbon

Eliminate regional tax exemptions

Rehabilitate Aden Refinery

Tax and Customs

Increase tax compliance, esp. large taxpayers

Restructure tax administration

Reform customs valuation

Strengthen customs enforcement

Source: Staff analysis based on the ERP and Comprehensive Fiscal Reforms Plan (120).

- *Medium term fiscal outlook.* Starting in 2027, the fiscal deficit excluding grants is expected to remain at approximately 4 percent of GDP, implying a zero overall balance in cash terms. Revenue growth should fund essential spending while keeping deficits steady. Budget grants are projected to remain a stable source of revenue based on 2023–25 annual averages, in line with regional partners' commitment since the cessation of oil exports in 2022 to support social and political stability.

20. Achieving lasting fiscal consolidation while safeguarding essential public services relies on enhanced revenue integrity and collections. Starting in 2026, three priorities emerge: (i) linking expenditure authorizations to timely revenue remittances by the governorates; (ii) swiftly adopting high-impact tax and customs measures, notably valuing customs at market exchange rates and unifying the advance tax rate for import value for all sea, air, and land import crossings at a minimum of 3 percent and governance reforms to restore sound revenue collection at entry ports; and (iii) implementing the authorities' comprehensive fiscal reforms plan,⁸ which includes the above plus IMF-backed short-term revenue mobilization program measures (Box 1) aimed at enhancing tax and customs revenues within the next 12 months. This plan also seeks to require all revenue-generating entities, including oil and gas State-Owned Enterprises (SOE), to deposit income with the CBY, closing illegal seaports, banning off-budget spending, liberalizing the customs exchange rate within two weeks, and strengthening tax and customs coordination and enforcement.

21. Enhancing the governance of revenue institutions is vital for delivering essential services and addressing any perceived unfairness in the allocation of public resources. Key priorities include advancing the GTD re-organization, strengthening oversight of revenue collection and transfers from governorates' GTD branches, and formalizing the collaboration with the YCA.

⁸ This plan was adopted on October 28, 2025, through presidential leadership council resolution No. 11 (2025), with immediate implementation and biweekly progress reports to the President. The resolution pledged legal action for non-compliance with the reform plan.

Box 1. Short-Term Revenue Mobilization

Several IMF CD missions were conducted in summer 2025 to support the near-term enhancement of government revenues. Two parallel missions analyzed Yemen's fiscal capacity and designed short-term revenue plans for both the General Taxation Department (GTD) and the Yemen Customs Authority (YCA). Another tax policy mission was focused on improving income and consumption taxation.

Both the GTD and YCA operate under severe constraints due to the ongoing conflict, governance deficiencies, and a fragile economy, which undermine fiscal capacity. The GTD faces operational fragmentation exposing it to undue influence from local governors, limited resources, and significant reliance on manual processes with minimal digitalization. A lack of autonomy in hiring and training staff further hampers its effectiveness. GTD's reliance on external stakeholders for implementation of the advance payment has grown, but its supervisory ability remains limited, raising compliance and oversight risks. Overall tax compliance also remains weak, especially for large taxpayers. Similarly, the YCA lacks a comprehensive strategic plan, faces underfunding, and relies on outdated legal frameworks and fragmented digital systems. Human resource challenges, weak internal controls, and limited coordination with the tax administration further impede effective revenue collection and reform.

Staff proposed a set of targeted tax and customs actions which would help Yemen substantially increase revenue collection over the next 12 months. Key measures include strengthening oversight of revenue collection and transfers from governorates' GTD branches, establishing a Treasury Single Account (TSA), accelerating digitalization, and establishing a centralized data analysis unit. For the YCA, a reform committee should be responsible for overseeing an action plan that encompasses activating risk-based customs controls through modernization of IT systems, training staff, strengthening governance through internal audits and a new Code of Ethics, and formalizing cooperation with the tax administration.

Staff further proposed a feasible tax policy reform agenda. Measures focused on four priorities: harmonizing the application of the sales tax across all goods and services by suspending tax refunds and registration thresholds; introducing excise taxes on cigarettes, khat, and telecommunication services; increasing customs tariffs currently below the WTO-bound tariff rates; and harmonizing collection rates and advance payment rules across all ports of entries (land, sea, and air).

The authorities have incorporated staff recommendations into their comprehensive fiscal reforms plan adopted by end-October. The proposed reforms emphasize the need for robust governance structures, improved data sharing between the tax and customs administrations, and high-level coordination to support Yemen's economic recovery. A high-level joint committee comprising representatives from the GTD and YCA, chaired by the Deputy Finance Minister, will secure stakeholder collaboration and monitor implementation of the overall revenue mobilization program.

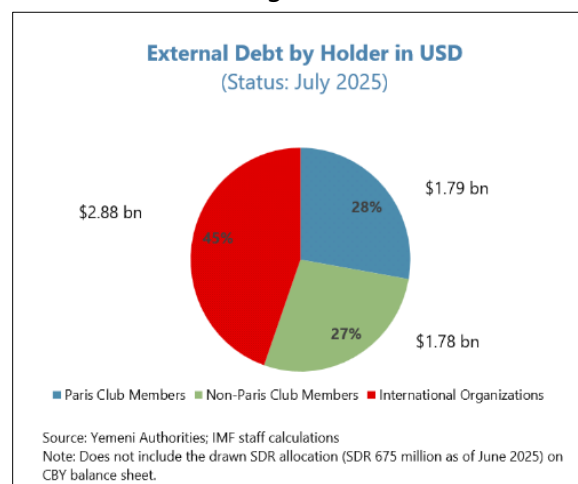
22. After *ad hoc* spending reductions prompted by oil revenue shortfalls, policies should focus on strategically streamlining expenditures and enhancing public financial management.

Priority areas include:

- *Optimizing budget planning.* The government should focus on streamlining expenditures through upstream consultation during budget planning, cutting inefficiencies, while safeguarding essential services.

- *Public wage bill.* Strengthening the integrity of the public wage bill requires establishing a civil servant registry and registered bank accounts for salary payments to eliminate payroll irregularities.
- *PFM.* The ERP emphasis on public financial management is welcome. Planned measures include accelerating the rollout of commitment controls reviewing spending efficiency across ministries to prioritize expenditures; gradually implementing an integrated financial management system (IFMIS); and establishing a cash management unit and implementing a treasury single account (TSA) to improve cash flow oversight, enhance fiscal transparency and discipline, and minimizing overdrafts.
- *Electricity subsidies.* Discontinuing the current poorly designed Purchasing Power Arrangements (PPAs) with private operators is a positive step. These contracts led to high production inefficiencies which contributed to rising budget subsidies, amid unreliable service provision with widespread outages, and corruption vulnerabilities. Gradually increasing tariffs to approach cost recovery while ensuring social protection for vulnerable households, along with more efficiency use, better bill collection, and targeted generation and transmission upgrades, would allow the electricity sector to self-finance over time.

23. Yemen is assessed in external and overall debt distress. Despite the anticipated fiscal consolidation, government debt is projected to remain unsustainable. By July 2025, Yemen's IRG had accrued debt totaling 135 percent of GDP, which includes 90 percent of external debt inherited from the time before the conflict.⁹ Debt is deemed unsustainable (DSA) due to significant external arrears (8.3 percent of GDP), mainly to Saudi Arabia, the Arab Fund for Economic and Social Development, and the Russian Federation (2.9, 2.6, and 1.1 percent of GDP respectively). Limited debt-carrying capacity and sizable projected fiscal deficits add to debt being assessed as unsustainable. Overall public debt is projected to increase to about 143 percent of GDP in 2030. Additional external financing will be essential to prevent sharp exchange rate depreciation and worsening debt dynamics. Restoring debt sustainability will require advancing dialogue with creditors on a comprehensive debt treatment alongside sustained fiscal consolidation.



Authorities' Views

24. The authorities agreed with the thrust of staff's fiscal analysis and advice. The authorities demonstrated ownership of staff recommendations and committed to advancing a comprehensive fiscal reforms plan—subsequently adopted on October 28, 2025 (1120)—for the

⁹ Expressed as a share of GDP estimates for IRG-controlled areas. These figures represent 62 and 35 percent of the whole Yemen's GDP, though the latter estimates remain highly uncertain.

implementation of emergency measures in tax and customs administration, notably customs valuation at the market exchange rate, effective integration between tax and customs administration to better combat tax evasion, and timely revenue collection from governorates starting in 2026. While they saw more limited room to lower expenses, following the marked compression of nearly 10 percentage points of GDP over 2022–25, they were determined to prioritize higher impact spending and ensure timely payment of public sector salaries. They plan to reduce electricity subsidies through better leveraging domestic fuels for electricity generation, encourage judicious use in public administration, gradually raise tariffs toward cost coverage, while protecting lifeline consumers and reducing losses by selectively enhancing infrastructure.

25. The authorities noted that successful economic stabilization—absent oil exports—rests on the continuation of sound policies and external grants, alongside debt restructuring. They highlighted that the 2026 budget will incorporate the ERP’s emphasis on the sustainability of public finances. The authorities acknowledged that public debt is unsustainable but noted that the high share of public debt to GDP partly stems from including all of Yemen’s outstanding liabilities, which they assumed responsibility for, while the GDP was limited to the territories under their control. In their view, the high debt burden underscored the need for comprehensive debt treatment, and they plan to advance dialogue in this regard.

B. Tempering Inflation, Ensuring Exchange Rate Flexibility, and Strengthening Financial Oversight

26. Monetary policy should continue to prioritize reducing inflation. Moderate inflation would help preserve real incomes, facilitate domestic lending, and more effective monetary transmission. To control inflation, the CBY should continue to manage monetary aggregates carefully, using government bond issuance and foreign exchange auctions, subject to FX availability, while strictly limiting monetary financing of the deficit. Enhancing CBY independence by amending its law, including with IMF TA support, would help sustain the phasing-out of monetary financing.

27. A flexible exchange rate regime would support Yemen’s macroeconomic stability and resilience. Reliance on administrative controls to stabilize the currency may prove unsustainable without sufficient reserve buffers and strict fiscal discipline. The rate used for imports by the NCRFI should remain closely aligned with the market rate in order to prevent potential distortions in the foreign exchange market. A market-determined regime, backed by transparent FX auctions, effective oversight of money exchangers, and restricted monetary financing, can help absorb shocks and build reserves.

28. Staff are assessing Yemen’s exchange system under Article VIII, sections 2(a) and 3 of the IMF’s Articles of Agreement in the context of the resumption of Article IV consultation. Staff are currently collecting the necessary information and regulations to assess whether the existing foreign exchange system is free of exchange restrictions and multiple currency practices. These include, among others, information and regulations on FX auctions and recent measures limiting the FX for individuals for certain transactions and prioritizing FX for essential imports (18).

29. Financial sector policies should safeguard financial stability, integrity, and liquidity.

Decisively enforcing and enhancing AML/CFT policies in line with international standards is critical for reducing governance and corruption vulnerabilities and maintaining CBRs. Following the United States' designation of the Houthis as an FTO in early 2025, major banks relocated their headquarters to Aden. To safeguard their CBRs, the CBY should strengthen bank oversight, ensure that banks have stronger AML/CFT preventive measures, including customer due diligence and reporting of suspicious transactions, and provide guidance to help them effectively implement targeted financial sanctions. Expanding financial sector oversight to cover all deposit-taking money exchangers will help bring liquidity back into the banking sector, improve banks' liquidity, and reduce the potential buildup of unmonitored financial stability risks.

Authorities' Views**30. The authorities reinstated their commitment to controlling inflation, a market-determined exchange rate, and a robust financial sector.**

The CBY will maintain its focus on controlling monetary aggregates to limit monetary supply growth and minimize and sterilize any further deficit monetization. The CBY highlighted its intention to strengthen its AML/CFT framework and extend financial sector oversight to money exchangers to promote financial sector health, integrity, and liquidity. The CBY viewed the recent establishment of the NCRFI and the import foreign exchange reference rate as a helpful, though temporary, arrangement. The authorities reinstated their commitment to a market-determined exchange rate and acknowledged the role of fiscal and external positions in driving exchange rate movements.

31. The authorities stressed that the recent abovementioned FX measures are temporary and primarily intended to safeguard the currency from speculative depreciation and ensure compliance to prevent illicit FX transactions.

As per authorities, FX is also allocated to non-essential imports or above the stated limits when supported by appropriate documentation. In line with the CBY law, such measures may be implemented for a maximum duration of one year, and only if warranted to protect the level of the official reserves. The authorities concurred that the NCRFI needed to keep its import rate close to the market rate to avoid FX market distortions; and are collaborating with staff to determine the measures' alignment with Article VIII requirements.

C. Unlocking Yemen's Economic Potential**32. Over time, Yemen needs substantial structural reforms to unlock its economic potential.** Priorities include:

- *Public infrastructure and basic services.* Improving roads, health, water, and education would allow businesses to grow in scale, thereby raising longer-term growth potential.
- *Electricity sector reform.* Yemen's electricity sector faces deep structural challenges that hinder economic growth and service delivery (Box 2). Key reforms are essential to enhance governance, reduce losses, and attract investment. These include subsidy rationalization, enhancing cost recovery through improved bill collection from the public sector, gradual tariff reform while protecting vulnerable households through direct social transfers, targeted enhancements to

domestic fuel refining capabilities, and focused investments in transmission and distribution infrastructure to reduce technical losses. The ongoing discontinuation of costly and ineffectively designed diesel-based PPAs is welcome as it allows spending prioritization for infrastructure upgrades, promoting more efficient electricity generation and transmission. Collaboration with the World Bank aims to support these reforms and promote a shift toward affordable, green energy.

- *Business climate.* Reducing barriers to business activity and exports would further support jobs and government revenues and reduce reliance on imports. Reinvigorating government agencies that facilitate international trade can promote export-oriented sectors. In addition to improvements to the security situation, this entails trade facilitation, updating the legal framework for public private partnerships, and electricity sector reform.

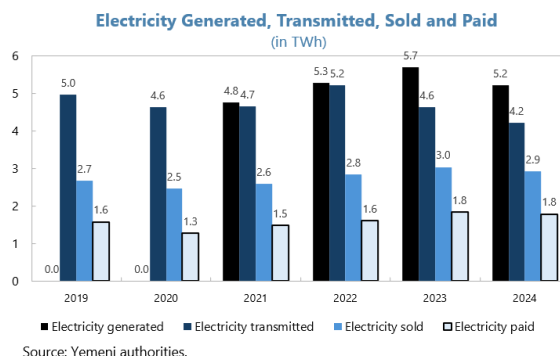
33. Yemen’s fragility is marked by significant governance weaknesses and corruption vulnerabilities. Enhanced governance practices within public institutions would increase trust of economic actors and foster private sector led growth. Key measures to address governance vulnerabilities include (i) strengthening Yemen’s Supreme Audit Institution to enhance accountability and mitigate corruption; strengthening the AML/CFT framework to effectively mitigate the money laundering risks of the proceeds of corruption (¶29); and (iii) safeguarding scarce public resources via stronger commitment controls across all ministries, a treasury single account, reorganizing the tax administration, and enhancing transparency and accountability of customs (¶21-¶22).

Authorities’ Views

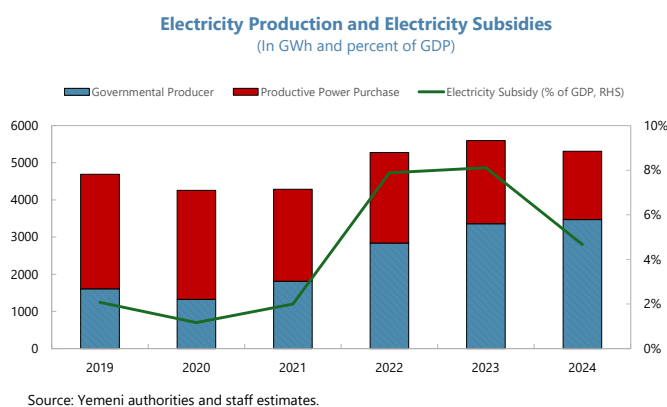
34. The authorities agreed with staff’s policy advice and launched an ERP in early 2025 to tackle structural challenges. The ERP includes appropriate measures to modernize electricity infrastructure, move towards cost-recovery tariffs, and strengthen accountability and transparency in spending, tax and customs administrations. The plan also envisages improving efficiency of public services by reforming laws governing private sector partnerships (PPPs). Under the Yemen’s ERP, the government also aims to leverage support from international partners to increase electricity supply and lower costs by upgrading the Marib gas power plant and developing new wind and solar projects. However, the authorities noted that leveraging private financing and transferring risk to the private sector may involve considerable long-term commitments, particularly given the present uncertainty related to the peace process. Amidst capacity constraints, the authorities are focused on advancing the implementation of staff recommendations in the areas of fiscal governance, AML/CFT, compliance with Article VIII, and amendments to the CBY law to enhance central bank independence. As progress is being made in these areas, they may consider seeking targeted IMF CD support for assessing governance and corruption vulnerabilities.

Box 2. Yemen’s Electricity Sector – Structural Deficiencies and Budget Impact

Outdated infrastructure, high technical losses, and low bill collection rates hamper cost recovery and render Yemen’s electricity sector financially unsustainable. Heavy reliance on aged fossil power plants, including costly diesel generation, raises average generation costs to nearly US\$ 0.20 per kWh, and increases import dependence. Transmission and distribution infrastructure is dated, resulting in technical and non-technical losses of almost 50 percent. This, alongside a bill recovery rate of around 60 percent—mostly due to unpaid bills from the public sector—results in just about one-third of generated electricity being paid for. Meanwhile, the average tariff remains below US\$ 0.03 per kWh, after a decade without adjustments for high inflation. The resulting cost recovery rate of well below 10 percent renders Yemen’s electricity sector financially unsustainable.



The electricity sector relies heavily on budget subsidies. Average annual electricity subsidies rose sharply from around 2 percent historically to roughly 7 percent of GDP over 2022–24, with budget subsidies reaching US\$ 810 million in 2024. Cost increases were driven by higher diesel fuel import costs from the war in Ukraine and dollar-denominated power purchase agreements (PPA). While budget subsidies 2022–24 more than tripled vs. 2021, electricity output only rose by 25 percent, while PPA-generated electricity declined, highlighting production inefficiencies and exchange rate effects. As of 2025, these PPAs have been discontinued.



Overall, the electricity sector fails to supply reliable power to households and businesses. The structural deficiencies outlined above as well as fuel shortages lead to frequent outages, with the capital Aden receiving just 2–6 hours of electricity daily. Businesses face high operating expenses due to reliance on costly diesel generators, which undermines competitiveness and constrains growth. Households’ livelihood and productivity are stifled, disproportionately affecting the most vulnerable households.

D. Enhancing Data and Building Capacity

35. The data provided to the Fund has shortcomings due to capacity issues, which somewhat hamper surveillance. The authorities provide quarterly fiscal data on revenues, expenditures, and debt, but information on contingent liabilities and SOEs is lacking due to capacity constraints. Monthly monetary and financial data are reported, including balance sheets of the central bank and the banking system, while comprehensive FSI data are being compiled as all major banks continue to relocate operations to Aden, following the Houthis’ designation as an FTO by the U.S. External sector statistics cover key indicators such as trade, remittances, and grants, but stock-flow discrepancies persist with

the International Investment Position (IIP). The CSO provides monthly CPI data for 2022–25 and is developing national accounts.

36. The authorities have requested additional TA to strengthen capacity across sectors. Fiscal TA will focus on integrating SOE data and contingent liabilities and advancing digitalization of tax and customs administration. Monetary and financial sector TA will enhance CBY's capacity to provide financial sector data for the territory under IRG control. External statistics TA will improve data granularity and consistency and deepen the analysis of cross-border transactions according to BoP components. A joint External Sector Statistics (ESS) and Monetary and Financial Sector Statistics (MFS) mission is planned for FY26. The World Bank plans to support CPI quality enhancements and a household income-expenditure survey starting January 2026. To ensure continued IRG GDP compilation, an IMF mission is planned for January 2026 to transfer STA expertise to the CSO and provide targeted training on national accounts methods and measurements.

37. The Fund will continue to support Yemen in strengthening capacity development in essential areas for macroeconomic stability (Annex VI). Technical assistance will be provided to the Ministry of Finance in the areas of tax policy, revenue administration digitalization, customs valuation and processing, public financial management and debt management. In addition, the CBY will be supported in enhancing AML/CFT compliance, financial supervision and regulation, and payments regulatory reforms. Fund engagement will continue to leverage strong relationships with international partners to coordinate capacity building.

Authorities' Views

38. The authorities emphasized their determination to strengthen data provision for surveillance. The Prime Minister commended staff's data-building support underlying the Article IV consultation resumption. The authorities agreed with the DAA assessment and acknowledged gaps and inconsistencies, including substantial net errors and omissions in external sector statistics and lack of SOE data in the fiscal accounts. The authorities committed to enhancing statistics production for surveillance and a dissemination calendar. They plan to: (i) publish monetary and fiscal data that is already produced at high frequency through the IMF platform to enhance transparency and alignment with international dissemination standards; (ii) apply STA methodology provided during the in-depth TA mission in July 2025 to update 2025 ESS by April 2026; (iii) request IMF TA to include SOE data in fiscal accounts; and (iv) leverage targeted support from STA and the Middle East Technical Assistance Center (METAC) to maintain IRG GDP compilation. The authorities seek to improve coordination among the CBY, MoF, and CSO to enhance data consistency and coverage.

STAFF APPRAISAL

39. Yemen's economy continues to adjust to the 2022 cessation of oil exports, with encouraging stabilization signs. Real GDP contraction is expected to ease to 0.5 percent in 2025 from over 9 percent in 2023. Fiscal and external deficits are narrowing due to sharp compression of government spending and private demand following the collapse in oil revenue, as well as increased remittances and support from regional partners. Budget constraints have reduced capacity to fund

essential services, though electricity subsidies remain a significant burden. Inflation is easing, supported by tight monetary control and recent rial appreciation. To curb speculation and improve FX allocation, the government established the NCRFI in July 2025. Yemen's external position was weaker than the level implied by medium-term fundamentals and desirable policies, although staff assessment is subject to significant uncertainty due to data limitations.

40. Growth is expected to accelerate in 2026 and over the medium term as supply-side adjustments proceed, with macroeconomic imbalances easing. Real GDP is expected to expand by 0.5 percent in 2026, supported by stronger private consumption amid declining inflation and higher remittance inflows. Fiscal consolidation is set to continue in 2026, with expenditure containment and higher government revenues contributing equally. Over the medium term, growth is projected to steadily increase to 2.5 percent by 2030, driven by rising non-oil exports, sustained remittance inflows, and higher domestic electricity generation and consumption. The fiscal position is expected to reach balance from 2027 onwards, with increased revenues allocated to essential expenditures. The current account deficit is expected to stabilize at around 7–8 percent of GDP as the rise in pent-up import demand is balanced by increased remittances and exports from the execution of the *Agriculture Plan*. Inflation is expected to ease further, supported by declining global food and oil prices and tightly controlled monetary aggregates.

41. Yemen's outlook remains exposed to a range of domestic and external risks. Renewed internal conflict or social unrest could derail reforms and destabilize the economy, while successful peace efforts may accelerate the recovery. Data limitations and the country's fragile environment make the outlook uncertain. Externally, rising global commodity prices and reduced grant support could trigger currency depreciation, inflation, and budget shortfalls—worsening humanitarian conditions.

42. Comprehensive policy efforts are needed to achieve long-lasting macroeconomic stability. Mobilizing domestic revenues, rationalizing expenditures, and strengthening fiscal governance are essential to creating space for social and development spending. Monetary policy should remain focused on tempering inflation and enhancing financial oversight to safeguard stability, while allowing greater exchange rate flexibility and preventing distortions in the currency market. Structural reforms, including efforts to revamp the electricity sector and improve the business environment, will support private sector-led growth. These measures would rebuild confidence, catalyze external support, and lay the foundations for sustained development. At the same time, given limited reserves and a fragile humanitarian context, substantial international support would be needed to accompany the authorities' policy efforts.

43. Streamlining spending, enhancing revenue integrity and collection, and strengthening fiscal governance are key to budget sustainability. Staff welcomes substantial fiscal efforts following the sharp decline in revenues in 2022, which led to an expected cumulative reduction of the deficit before grants of about 7.3 percentage points of GDP over 2023–25. With the bulk of the consolidation undertaken so far through spending contraction, looking forward, sustaining sound public finances will require enhancing revenue collection and remittance by governorates, strengthening tax and customs administration and coordination, including through implementing the GTD re-organization, and implementing high-yield revenue measures, notably customs valuation at the

market exchange rate. Scarce public resources should be safeguarded by enhancing fiscal governance, including by stronger commitment controls across all ministries, a treasury single account, and enhancing transparency and accountability of customs. Staff welcomes the adoption by the authorities of a comprehensive fiscal reforms plan in October 2025, which foresees implementation of these revenue measures within the next 12 months. Streamlining electricity subsidies and prioritizing spending necessary for government operations and social support are also key to raising spending efficiency, supporting demand, and easing the acute humanitarian crisis.

44. Pursuing a market-based exchange rate regime remains essential for preserving macroeconomic stability and reinforcing policy credibility. Recent administrative controls may have curbed speculation, and supported the rial; however, reliance on such measures to stabilize currency markets may prove unsustainable without sufficient FX reserves and strict fiscal discipline. Addressing misalignments in the customs exchange rate would enhance transparency and improve pricing of essential imports. Strengthening a transparent and competitive FX auction framework will facilitate market access to foreign exchange and ensure a reference rate that reflects true market conditions.

45. The recent relocation of major banks to Aden represents an opportunity to further strengthen financial stability and integrity. Extending financial regulation to all deposit taking corporations and protecting CBRs through strengthening of the AML-CFT framework will enhance transparency, accountability, and trust in Yemen's financial sector. A sound and liquid financial sector will facilitate financial intermediation needed for economic activity.

46. Structural and governance reforms will be crucial to boost growth potential and raise living standards. Improving public infrastructure and services including roads, electricity, health, water, and education would aid economic development and raise Yemen's growth potential. Although major investments in human and physical capital may be required once the conflict ends, in the immediate future the government should be prioritizing vital social services and electricity sector reform to support domestic demand and activity. Phasing in a targeted governance agenda informed by Fund CD would help authorities strengthen institutions, improve governance, and reduce vulnerabilities to corruption. In the near-term, revitalizing anti-corruption institutions will enhance trust and promote investment and financial stability.

47. Unlocking external financing and engaging with creditors is essential for advancing the authorities' policy efforts. Debt is assessed as unsustainable and in distress. The implementation of policies in line with staff recommendations would support the authorities' efforts towards restoring debt sustainability. At the same time, external financing needs are substantial and the authorities' intentions to engage creditors will be critical for debt sustainability as well as to facilitate access to new funding.

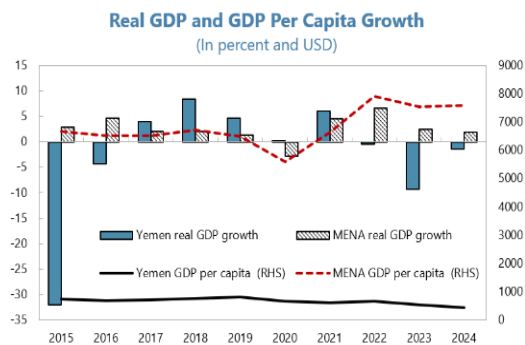
48. The authorities' determination to take ownership of the production of key statistics for surveillance purposes is commendable. With IMF TA support, efforts are underway to improve macroeconomic statistics and enhance surveillance. Staff welcomes the authorities' commitment to further strengthening the granularity, coverage, and consistency of national accounts, external sector, and financial soundness indicators in line with DAA requirements, with targeted IMF TA. Continued

advancements in data collection methods and the timely provision of statistics will enhance the quality of economic analysis and policymaking.

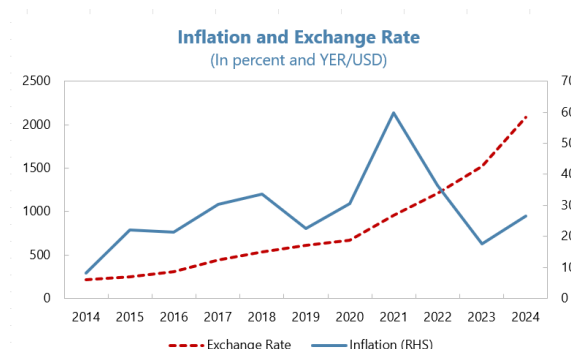
49. It is recommended that the next Article IV consultation with Yemen be held on the standard 12-month cycle.

Figure 1. Yemen: The Economic Impact of Conflict, 2014–2024

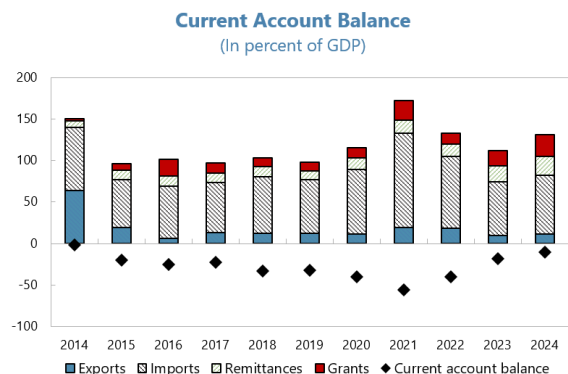
The conflict has disrupted macroeconomic stability with real GDP declining by 27 percent between 2014 and 2024



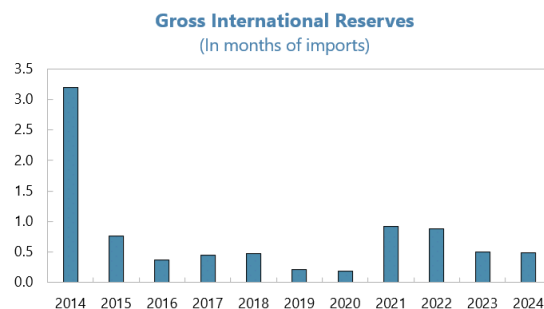
The Yemeni rial depreciated sharply while inflation surged



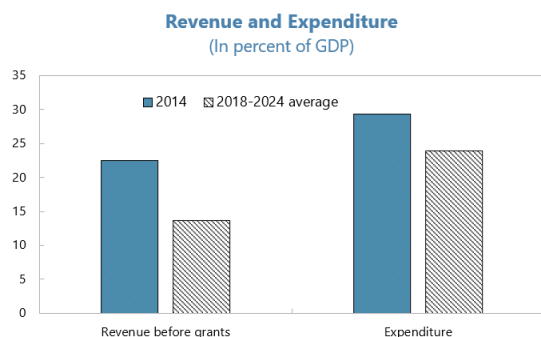
The current account deficit widened from -2.1 percent of GDP in 2014 to an annual average of 30 percent between 2015 and 2024



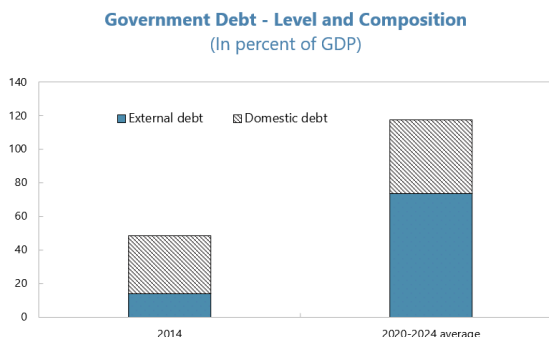
Gross foreign reserves declined dramatically from levels seen before the conflict...



Government revenues declined substantially after the halt of oil exports in 2022, which was partially offset by expenditure containment...



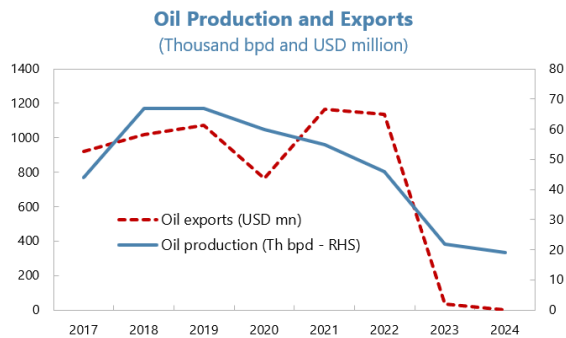
...while government debt as a share of GDP rose sharply.



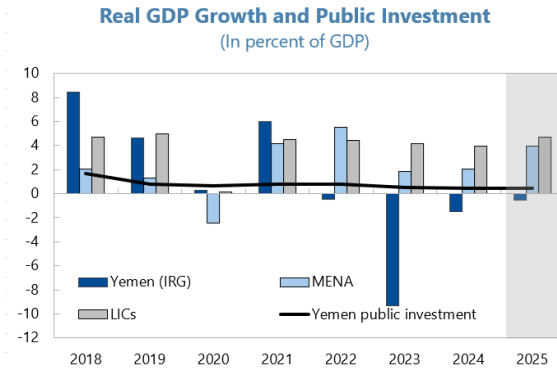
Source: Yemeni Authorities; WEO; IMF Staff Calculations

Figure 2. Yemen: Real and External Sector Developments

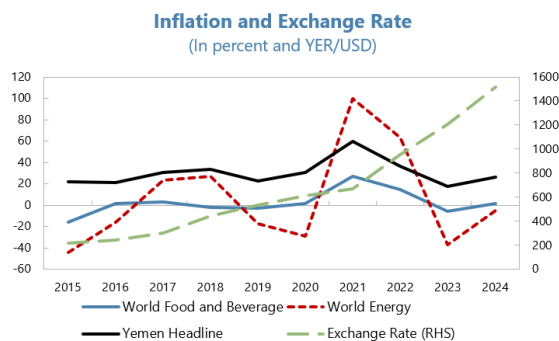
Following the attacks on oil exports facilities, crude oil production and exports fell drastically in 2023–24...



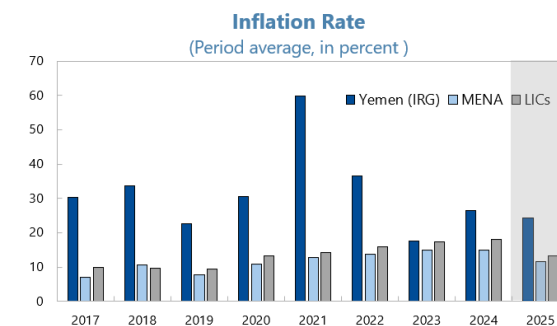
...and public investment remained limited, causing declines in industrial activity and GDP.



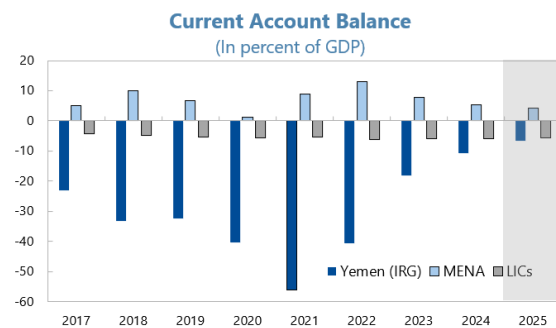
Inflation dropped by over 10 percentage points in 2023 due to lower global food and energy prices...



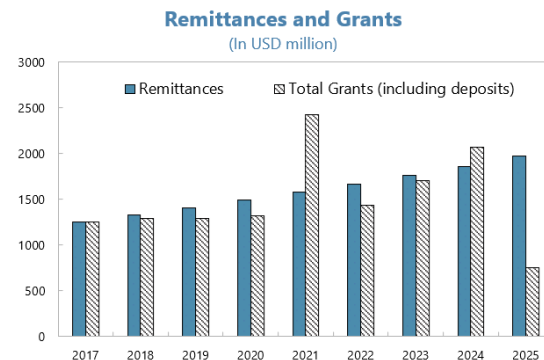
...but surged to almost 30 percent in 2024 due to monetary financing and the depreciation of the Yemeni rial



Nevertheless, the current account deficit improved from 40½ percent of GDP in 2022 to 14½ percent of GDP on average in 2023–24...



due to import compression, strong remittances, and grants from bilateral partners



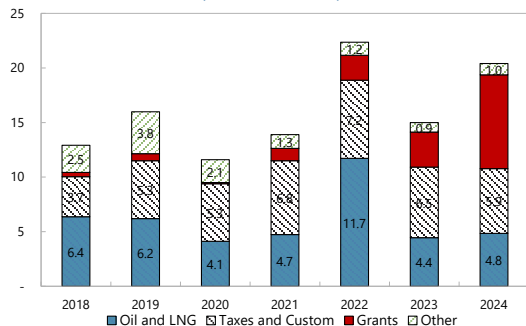
Source: Yemeni Authorities; WEO; IEA; IMF Staff Calculations

Figure 3. Yemen: Government Finances and Debt Developments

As the halt of oil exports and subsequent economic downturn substantially affected government revenues....

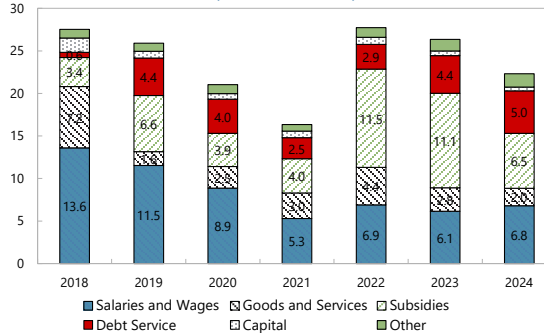
...the IRG practiced fiscal prudence through public wages, subsidies, and goods and services restraint....

Central Government Revenues
(Share of IRG GDP)



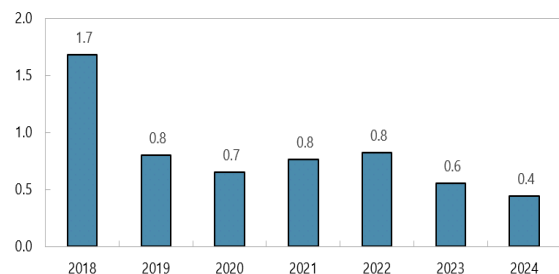
Note: Revenues include amounts under settlement

Government Expenditures
(Share of IRG GDP)



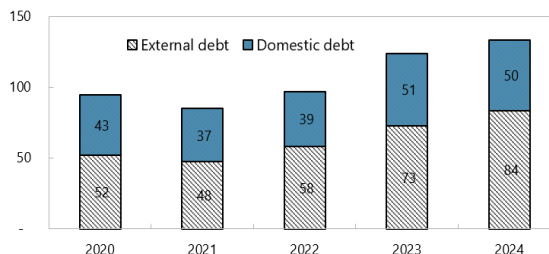
....as well as public investment

Public Investment
(Share of IRG GDP)



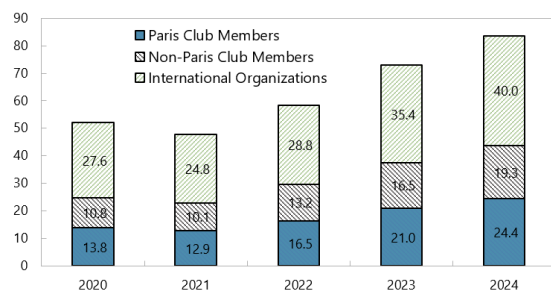
Public external debt has increased since 2021 primarily due to accruing interest and exchange rate depreciation

Composition of Public Debt
(Share of IRG GDP)



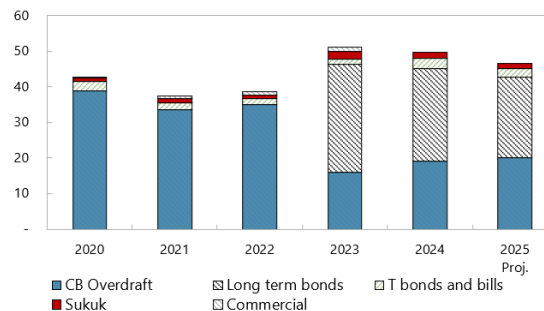
Roughly half of external debt is owed to international organizations, with less than a third owed to Paris Club Members....

Public External Debt by Holder
(Share of IRG GDP)



...while domestic debt mainly consists of Central Bank overdraft, partly converted into long term bonds.

Public Domestic Debt by Instrument
(Share of IRG GDP)



Source: Yemeni Authorities; WEO; IEA; IMF Staff Calculations

Table 1. Yemen: Selected Economic Indicators, 2018–2030

	2018	2019	2020	2021	2022	2023	2024	Est. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Real Economy													
	(percentage change, unless otherwise indicated)												
GDP at constant 2015 prices	8.5	4.7	0.3	6.0	-0.5	-9.3	-1.5	-0.5	0.5	1.5	2.5	2.5	2.5
Oil Production (thousands of barrel per day)	67.0	67.0	60.0	55.0	46.0	22.0	19.0	19.0	19.5	20.0	21.0	22.0	23.0
Consumer prices (period average)	33.6	22.6	30.5	59.8	36.4	17.6	26.6	24.3	21.4	18.7	12.7	11.4	10.0
General Government Accounts													
	(percent of GDP)												
Total revenue	12.9	16.0	11.6	13.9	22.4	15.0	20.4	13.3	16.2	16.7	16.8	16.9	17.0
Revenue	12.5	15.3	11.5	12.8	20.1	11.8	11.8	11.8	12.4	12.7	12.8	13.0	13.1
Grants	0.4	0.6	0.1	1.1	2.3	3.2	8.6	1.4	3.9	4.0	4.0	3.9	3.9
Total expenditure	27.5	25.9	21.0	16.3	27.7	26.4	22.3	18.1	16.8	16.7	16.8	17.0	17.0
Fiscal balance (cash basis)	-14.6	-9.9	-9.5	-2.5	-5.4	-11.4	-1.9	-4.9	-0.6	0.0	0.0	0.0	0.0
Fiscal balance (before grants)	-15.0	-10.6	-9.6	-3.6	-7.7	-14.6	-10.5	-6.3	-4.5	-4.0	-4.0	-4.0	-3.9
External debt 1/			63.6	66.5	69.7	89.9	107.1	73.9	102.0	106.2	106.9	105.7	104.2
Domestic debt			42.6	37.4	38.5	51.0	49.7	47.5	43.2	39.4	37.8	38.2	39.1
Of which: CBY overdraft 2/			38.8	33.6	34.9	16.1	19.0	20.0	17.9	15.7	14.1	12.8	11.7
External sector													
	(in millions USD, unless otherwise indicated)												
Exports of goods and services	1,454	1,533	1,256	1,949	2,045	906	921	1,000	1,104	1,218	1,345	1,485	1,639
Of which: hydrocarbons	1,017	1,071	764	1,167	1,137	37	0	0	0	0	0	0	0
Exports of goods and services (percent change)	7.1	5.5	-18.1	55.2	5.0	-55.7	1.6	8.6	10.4	10.4	10.4	10.4	10.4
Imports of goods and services	7,834	8,326	8,374	11,635	9,605	6,077	5,705	4,255	4,540	4,853	5,212	5,613	6,063
Imports of goods and services (percent change)	24.9	6.3	0.6	38.9	-17.5	-36.7	-6.1	-25.4	6.7	6.9	7.4	7.7	8.0
Balance of goods and services	-6,380	-6,792	-7,118	-9,687	-7,559	-5,171	-4,784	-3,255	-3,436	-3,635	-3,867	-4,128	-4,423
Primary income, net	-42.4	-56.5	-34.1	-40.2	-56.4	-4.1	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
Current transfers, net	2,618	2,700	2,808	4,002	3,104	3,465	3,928	2,723	2,907	3,107	3,327	3,566	3,828
Remittances	1,329	1,408	1,491	1,578	1,668	1,763	1,862	1,973	2,157	2,357	2,577	2,816	3,078
Total Grants (including deposits)	1,289	1,292	1,317	2,424	1,436	1,702	2,066	750	750	750	750	750	750
Current account (in percent of GDP)	-33.1	-32.3	-40.3	-56.1	-40.6	-18.3	-10.7	-6.7	-6.9	-7.0	-7.2	-7.4	-7.8
Memorandum items													
Gross foreign reserves (millions of US\$)	313	144	127	891	704	256	230	142	113	114	156	291	488
Reserves in months of imports	0.5	0.2	0.2	0.9	0.9	0.5	0.5	0.4	0.3	0.3	0.4	0.6	1.0
Exchange rate (YER per US\$, average)	536	576	743	1028	1115	1355	1818						
Exchange rate (YER per US\$, eop)	535	612	669	952	1205	1518	2086						
Nominal GDP at current prices													
In trillions of Yemeni rials	6.2	7.4	8.0	10.5	12.4	12.7	14.7	16.9	19.4	22.2	24.7	27.2	29.8
In billions of US\$	11.5	12.8	10.8	10.2	11.1	9.4	8.1	8.0	7.7	7.5	7.6	7.6	7.7
Per capita (in US\$)	749	813	663	610	647	528	441	426	399	378	368	360	354
Population (IRG, in millions)	15	16	16	17	17	18	18	19	19	20	21	21	22

Source: Yemeni Authorities; IMF staff calculations

1/ Excludes drawn SDR allocation and includes debt in arrears.

2/ Includes securitized overdraft

Table 2a. Yemen: General Government Operations, 2018–2030
(Share of IRG GDP)

	2018	2019	2020	2021	2022	2023	2024	Est. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Government finances													
Total revenue and grants	12.9	16.0	11.6	13.9	22.4	15.0	20.4	13.3	16.2	16.7	16.8	16.9	17.0
Total expenditure	27.5	25.9	21.0	16.3	27.7	26.4	22.3	18.1	16.8	16.7	16.8	17.0	17.0
Overall fiscal balance (cash basis)	(14.6)	(9.9)	(9.5)	(2.5)	(5.4)	(11.4)	(1.9)	(4.9)	(0.6)	(0.0)	(0.0)	(0.0)	0.0
<i>Fiscal balance before grants</i>	(15.0)	(10.6)	(9.6)	(3.6)	(7.7)	(14.6)	(10.5)	(6.3)	(4.5)	(4.0)	(4.0)	(4.0)	(3.9)
<i>Fiscal balance before grants and revenues under settlement</i>	(14.5)	(10.1)	(9.1)	(3.3)	(8.9)	(15.8)	(15.3)	(10.3)	(4.5)	(4.0)	(4.0)	(4.0)	(3.9)
External debt			63.6	66.5	69.7	89.9	107.1	73.9	102.0	106.2	106.9	105.7	104.2
Domestic debt			42.6	37.4	38.5	51.0	49.7	47.5	43.2	39.4	37.8	38.2	39.1
Of which: CBV overdraft			38.8	33.6	34.9	16.1	19.0	20.0	17.9	15.7	14.1	12.8	11.7
Total revenue and grants	12.9	16.0	11.6	13.9	22.4	15.0	20.4	13.3	16.2	16.7	16.8	16.9	17.0
Hydrocarbon revenue	6.4	6.2	4.1	4.7	11.7	4.4	4.8	4.8	4.9	5.0	5.1	5.2	5.3
Non-hydrocarbon revenue	6.2	9.1	7.4	8.0	8.4	7.3	7.0	7.0	7.4	7.7	7.7	7.7	7.8
Tax revenue	3.7	5.3	5.3	6.8	7.2	6.5	5.9	5.9	6.2	6.4	6.4	6.4	6.4
Non-tax revenue	2.5	3.8	2.1	1.3	1.2	0.9	1.0	1.0	1.2	1.2	1.3	1.3	1.3
Grants	0.4	0.6	0.1	1.1	2.3	3.2	8.6	1.4	3.9	4.0	4.0	3.9	3.9
Total expenditure	27.5	25.9	21.0	18.8	27.7	26.4	22.3	18.1	16.8	16.7	16.8	17.0	17.0
Current expenditure	20.8	13.2	11.4	10.8	11.3	8.9	8.8	6.8	6.8	7.5	8.1	8.7	9.1
Wages and salaries	13.6	11.5	8.9	5.3	6.9	6.1	6.8	5.6	5.6	6.0	6.3	6.8	6.8
Goods and services	7.2	1.6	2.5	3.0	4.4	2.8	2.0	1.2	1.2	1.5	1.8	1.9	2.3
Debt service	0.6	4.4	4.0	2.5	2.9	4.4	5.0	4.2	3.7	3.2	2.9	2.6	2.4
Of which: Interest payments	0.1	4.0	3.5	2.2	2.2	3.4	3.8	2.7	2.4	2.1	1.9	1.7	1.6
Of which: Amortization	0.5	0.4	0.5	0.3	0.8	1.0	1.2	1.5	1.3	1.1	1.0	0.9	0.8
Social benefits, subsidies, and transfers	3.4	6.6	3.9	4.0	11.5	11.1	6.5	5.1	4.4	4.0	3.8	3.6	3.5
Of which: Electricity subsidies	0.9	2.1	1.2	2.0	7.9	8.1	4.7	3.3	2.6	2.3	2.0	1.8	1.7
Capital expenditure	1.7	0.8	0.7	0.8	0.8	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other	1.0	0.9	1.1	0.8	1.1	1.4	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Overall balance (cash basis)	(14.6)	(9.9)	(9.5)	(2.5)	(5.4)	(11.4)	(1.9)	(4.9)	(0.6)	(0.0)	(0.0)	(0.0)	0.0
Financing													
External													
Concessional Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic													
Overdraft	-	10.6	11.0	4.0	6.5	(18.1)	5.1	4.8	0.6	-	-	-	-
Other Instruments	-	2.7	0.1	0.9	0.4	31.2	0.4	-	-	-	-	-	-
Memorandum Item													
Nominal GDP at current prices (YER trillion)	6.2	7.4	8.0	10.5	12.7	14.7	16.9	19.4	22.2	24.7	27.2	29.8	32.5

Source: Yemeni authorities; IMF staff calculations.

Note: External debt excludes drawn SDR allocation and includes debt in arrears.

Table 2b. Yemen: General Government Operations, 2018–2030
(YER Trillions, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	Est. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Government finances													
Total revenue and grants	0.8	1.2	0.9	1.5	2.8	1.9	3.0	2.2	3.2	3.7	4.1	4.6	5.1
Total expenditure	1.7	1.9	1.7	1.7	3.4	3.3	3.3	3.1	3.3	3.7	4.2	4.6	5.1
Fiscal balance (cash basis)	(0.9)	(0.7)	(0.8)	(0.3)	(0.7)	(1.4)	(0.3)	(0.8)	(0.1)	(0.0)	(0.0)	(0.0)	0.0
<i>Fiscal balance before grants</i>	(0.9)	(0.8)	(0.8)	(0.4)	(0.9)	(1.8)	(1.5)	(1.1)	(0.9)	(0.9)	(1.0)	(1.1)	(1.1)
<i>Fiscal balance before grants and revenues under settlement</i>	(0.9)	(0.8)	(0.7)	(0.3)	(1.1)	(2.0)	(2.2)	(1.7)	(0.9)	(0.9)	(1.0)	(1.1)	(1.1)
External debt	3.6	4.2	4.6	6.5	8.6	11.4	15.7	12.2	19.8	23.6	26.4	28.8	31.0
Domestic debt				3.4	3.9	4.8	6.5	7.3	8.0	8.4	8.7	9.3	10.4
Of which: CBY overdraft				3.1	3.5	4.3	2.0	2.8	3.4	3.5	3.5	3.5	3.5
Total revenue and grants	0.8	1.2	0.9	1.5	2.8	1.9	3.0	2.2	3.2	3.7	4.1	4.6	5.1
Hydrocarbon revenue	0.4	0.5	0.3	0.5	1.5	0.6	0.7	0.8	1.0	1.1	1.3	1.4	1.6
Non-hydrocarbon revenue	0.4	0.7	0.6	0.8	1.0	0.9	1.0	1.2	1.4	1.7	1.9	2.1	2.3
Tax revenue	0.2	0.4	0.4	0.7	0.9	0.8	0.9	1.0	1.2	1.4	1.6	1.8	1.9
Non-tax revenue	0.2	0.3	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.4
Grants	0.0	0.0	0.0	0.1	0.3	0.4	1.3	0.2	0.8	0.9	1.0	1.1	1.2
Total expenditure	1.7	1.9	1.7	1.7	3.4	3.3	3.3	3.1	3.3	3.7	4.2	4.6	5.1
Current expenditure	1.3	1.0	0.9	0.9	1.4	1.1	1.3	1.2	1.3	1.7	2.0	2.4	2.7
Wages and salaries	0.8	0.9	0.7	0.6	0.9	0.8	1.0	0.9	1.1	1.3	1.6	1.9	2.0
Goods and services	0.4	0.1	0.2	0.3	0.5	0.4	0.3	0.2	0.2	0.3	0.4	0.5	0.7
Debt service	0.0	0.3	0.3	0.3	0.4	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
<i>Of which: Interest payments</i>	0.0	0.3	0.3	0.2	0.3	0.4	0.6	0.5	0.5	0.5	0.5	0.5	0.5
<i>Of which: Amortization</i>	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Social benefits, subsidies, and transfers	0.2	0.5	0.3	0.4	1.4	1.4	0.9	0.9	0.8	0.9	0.9	1.0	1.0
<i>Of which: Electricity subsidies</i>	0.1	0.2	0.1	0.2	1.0	1.0	0.7	0.6	0.5	0.5	0.5	0.5	0.5
Capital expenditure	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.5
Overall balance (cash basis)	(0.9)	(0.7)	(0.8)	(0.3)	(0.7)	(1.4)	(0.3)	(0.8)	(0.1)	(0.0)	(0.0)	(0.0)	0.0
Financing													
External													
Concessional Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Domestic													
Overdraft	-	0.8	0.9	0.4	0.8	(2.3)	0.7	0.8	0.1	-	-	-	-
Other Instruments	-	0.2	0.0	0.1	0.0	4.0	0.1	0.0	-	-	-	-	-

Source: Yemeni authorities; IMF staff calculations.

Note: External debt excludes drawn SDR allocation and includes debt in arrears.

Table 3. Yemen: Central Bank and Depository Corporations Survey, 2014–2025

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	(Trillions of YER, end of period)											
<i>I. Central Bank Survey</i>												
Net foreign assets	0.56	0.03	0.02	-0.02	-0.01	-0.91	-1.14	-0.66	-2.39	-4.09	-6.23	-12.51
Claims on nonresidents	1.02	0.49	0.27	0.39	1.15	0.67	0.51	0.55	1.59	2.49	2.55	4.60
less: Liabilities to nonresidents	0.47	0.47	0.24	0.41	1.15	1.58	1.65	1.21	3.98	6.58	8.78	17.11
Net domestic assets	0.64	1.47	0.06	0.67	1.39	2.55	3.24	3.17	5.02	6.99	9.33	16.04
Net claims on government	0.68	1.46	-0.02	0.48	1.37	2.29	3.21	3.39	4.30	5.98	6.85	5.80
Claims on private sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equity	0.28	0.25	0.03	0.14	0.28	0.42	0.63	0.40	-0.83	-1.37	-2.71	-10.30
Other items (net)	-0.03	-0.01	0.11	0.33	0.30	0.68	0.65	0.19	-0.11	-0.36	-0.23	-0.06
Monetary base (M0)	1.19	1.50	0.05	0.65	1.38	1.65	2.10	2.51	2.63	2.91	3.10	3.53
Currency in circulation	0.85	1.10	0.00	0.49	1.17	1.49	1.93	2.40	2.31	2.49	2.55	2.42
Liabilities to other depository corporations	0.26	0.35	0.04	0.14	0.12	0.13	0.13	0.06	0.23	0.29	0.44	0.96
Liabilities to other sectors	0.09	0.19	0.04	0.14	0.16	0.13	0.13	0.06	0.17	0.21	0.28	0.57
<i>II. Depository Corporations Survey</i>												
Net foreign assets	0.67	0.11	0.16	0.13	0.32	-0.49	-0.74	-0.28	-2.06	-2.75	-4.45	-9.28
Claims on nonresidents	0.38	0.39	0.17	0.24	0.93	0.51	0.35	0.38	1.06	2.16	2.14	3.47
less: Liabilities to nonresidents	0.52	0.50	0.30	0.48	1.29	1.72	1.78	1.34	4.10	6.86	9.17	17.47
Net domestic assets	0.25	0.60	0.90	1.40	2.45	3.81	4.12	3.79	5.18	7.96	10.23	18.42
Net claims on government	1.91	2.67	1.22	1.81	2.85	3.93	4.98	5.22	6.11	7.81	8.42	7.68
Claims on private sector	0.16	0.09	0.12	0.15	0.29	0.31	0.28	0.26	0.24	0.74	0.88	0.97
Equity	0.34	0.31	0.11	0.24	0.46	0.77	1.03	-0.48	-0.67	-1.30	-3.03	-10.18
Other items (net)	-2.56	-2.86	-0.72	-1.05	-1.60	-1.72	-2.73	-1.87	-1.26	-0.63	2.34	19.08
Broad Money (M2)	0.92	0.71	1.05	1.53	2.76	3.32	3.37	3.52	3.11	5.21	5.78	9.14
Narrow Money (M1)	0.69	0.55	0.83	1.24	2.26	2.72	2.79	2.93	2.54	3.94	4.24	9.32
Currency in circulation	0.85	1.07	-0.03	0.43	1.10	1.36	1.77	2.14	2.03	2.20	2.19	2.45
Transferable deposits	0.43	0.29	0.40	0.52	0.93	1.08	1.05	1.07	1.03	2.27	2.73	4.80
Other deposits and securities	0.23	0.16	0.22	0.29	0.50	0.60	0.58	0.59	0.57	1.28	1.55	-0.18
	(Annual percentage change)											
Net foreign assets		-83	37	-19	147	-256	-51	63	-649	-33	-61	-109
Net domestic assets		138	51	56	74	56	8	-8	37	54	28	80
Net claims on government		40	-54	48	58	38	27	5	17	28	8	-9
Claims on private sector		-45	28	27	95	9	-10	-9	-4	201	20	10
Broad money		-23	48	45	80	20	2	4	-12	67	11	58
<i>Memorandum Items</i>												
GDP at market prices (YER trillion)	3.06	2.37	2.82	3.89	6.16	7.40	8.01	10.49	12.40	12.69	14.65	16.93
USD per Yemeni Rial (end of period)	215	245	304	444	535	612	669	952	1,205	1,518	2,086	1,625
Gross Foreign Reserves (YER trillion)	0.64	0.11	0.10	0.15	0.22	0.16	0.17	0.17	0.53	0.33	0.42	0.58
In US\$ billion	2.98	0.44	0.32	0.35	0.40	0.27	0.25	0.18	0.44	0.22	0.20	0.36
Of which: SDR	0.07	0.07	0.08	0.12	0.12	0.12	0.12	0.12	0.37	0.12	0.06	0.08
Velocity (GDP / Broad Money)	3	0	0	0	0	0	5	2	-1	0	1	0

Source: Country authorities and IMF staff calculations.

Note: Data represents estimates for the territory under control of Yemen's internationally recognized government (IRG).

Table 4. Yemen: External Sector, 2018–2030
(In millions of U.S. dollars)

	2018	2019	2020	2021	2022	2023	2024	Est. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Balance on Current Account	-3804.0	-4148.6	-4344.4	-5725.3	-4512.1	-1709.8	-860.0	-535.7	-533.3	-531.2	-544.3	-566.1	-598.9
Balance on Current Account (% GDP)	-33.1	-32.3	-40.3	-56.1	-40.6	-18.3	-10.7	-6.7	-6.9	-7.0	-7.2	-7.4	-7.8
Trade balance	-5420.9	-5777.5	-6065.2	-8309.9	-6628.1	-4745.9	-4430.3	-3183.2	-3330.3	-3540.0	-3783.0	-4055.4	-4361.3
Exports of goods	1336.9	1407.8	1157.2	1750.2	1663.2	475.4	448.9	475.8	573.9	633.6	699.5	772.2	852.5
Import of goods	6757.8	7185.3	7222.4	10060.1	8291.3	5221.3	4879.2	3659.1	3904.2	4173.6	4482.5	4827.6	5213.8
Services balance	-959.0	-1015.0	-1052.9	-1376.7	-931.4	-425.0	-353.6	-71.8	-105.8	-94.6	-84.0	-73.1	-61.8
Exports of services	117.1	125.7	98.6	198.6	382.1	431.0	471.9	523.9	529.7	584.8	645.7	712.8	786.9
Primary income, net	-42.4	-56.5	-34.1	-40.2	-56.4	-4.1	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
Remittances	1329.2	1408.4	1491.1	1577.7	1668.2	1762.8	1861.7	1973.4	2156.9	2357.5	2576.7	2816.3	3078.3
Grants	1289.1	1292.0	1316.7	2423.8	1435.6	1702.4	2066.2	750.0	750.0	750.0	750.0	750.0	750.0
Balance on Capital Account	91.0	91.6	97.3	96.7	98.9	98.6	89.9	90.1	90.2	90.4	90.4	90.5	90.8
Balance on Financial Account¹	68.0	-817.4	-486.3	294.3	-853.6	-789.8	-195.0	-445.7	-443.1	-440.8	-453.9	-475.6	-508.0
Direct investment, net	-7.8	-36.0	-19.6	-63.9	-51.4	-12.1	-2.7	-5.0	-10.0	-20.0	-30.0	-40.0	-50.0
Portfolio investment, net	-134.3	105.6	19.5	38.9	-31.0	-21.4	-3.8	-5.0	-10.0	-15.0	-20.0	-25.0	-30.0
Other investment	131.7	-705.9	-450.7	-447.6	-614.9	-295.2	-138.4	-347.4	-393.9	-407.4	-445.6	-545.5	-625.1
Reserve assets (+ implies accumulation)	78.3	-181.1	-35.5	766.9	-156.4	-461.2	-50.2	-88.3	-29.2	1.6	41.8	134.9	197.1
Errors and Omissions, Net	3781.0	3239.6	3760.7	5922.9	3559.5	821.4	575.1	0.0	0.0	0.0	0.0	0.0	0.0
Errors and Omissions, Net (% GDP)	32.9	25.2	34.9	58.0	32.0	8.8	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (in Bn USD)	11.5	12.8	10.8	10.2	11.1	9.4	8.1	8.0	7.7	7.5	7.6	7.6	7.7

Source: Yemeni Authorities; IMF Staff Calculations

Note: GDP in current prices is IRG estimate based on the production approach.

¹ In accordance with BPM6, - denotes inflows

Table 5. Yemen: Financial Soundness Indicators, 2014–2025

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24	Aug-25
Core FSIs												
Nonperforming loans net of provisions to capital					-111.6	-144.0	38.8	34.3	25.6	80.5	69.3	51.4
Capital to assets (leverage ratio)	7.7	8.3	8.0	9.1	5.5	4.1	4.0	4.3	4.9	3.2	3.3	3.8
Nonperforming loans to total gross loans							58.5	60.8	60.2	60.5	55.3	60.0
Loan concentration by economic activity	35.8	30.0	29.8	30.1			2.5	2.2	2.8	5.5	8.3	5.8
Provisions to nonperforming loans							77.4	77.3	80.1	72.1	73.3	73.8
Liquid assets to total assets	57.8	62.1	63.8	70.2	92.9	74.4	67.8	69.3	68.1	55.3	53.3	48.9
Liquid assets to short-term liabilities	171.8	161.9	168.5	170.2	175.8	182.2	152.1	154.0	147.2	98.6	92.3	73.6
Liquidity coverage ratio	103.2	111.2	111.6	117.2	89.6	91.2	93.2	93.9	94.9	74.5	70.6	73.4
Net open position in foreign exchange to capital	1.4	-8.4	-5.3	-17.7	-607.1	-104.1	-67.8	-95.7	-95.0	-158.4	-117.8	-197.0
Additional FSIs												
Customer deposits to total (noninterbank) loans	328.4	413.6	436.7	439.2	521.9	572.0	620.5	690.6	698.2	507.0	508.0	579.5
FX loans to total loans	56.5	53.9	55.4	48.0	56.5	57.1	58.6	61.4	64.1	84.9	87.4	83.4
FX liabilities to total liabilities	32.3	30.9	33.3	33.3	49.7	38.7	37.1	35.1	33.3	64.1	70.8	65.4
Credit growth to private sector	-4.3	-9.2	-2.9	0.3	18.5		-4.6	-4.6	121.0	-3.3	-6.9	4.1

Source: Yemeni Authorities; IMF Staff Calculations

Annex I. Country Engagement Strategy

Yemen has a long history of fragility. An armed conflict that started in 2014 has substantially affected social and macroeconomic stability and is currently the key driver of fragility. It has weakened Yemen's institutions and the economy and resulted in an acute humanitarian crisis. In addition to the resolution of conflict, overcoming fragility will require policies that prioritize macroeconomic stabilization. The resumption of Article IV consultations together with continued strong capacity development (CD) and donor coordination will support the authorities' reform efforts, while allowing them to start working towards restoring debt sustainability and access to external financing.

This Country Engagement Strategy¹ was informed by consultations with the authorities, multilateral and bilateral development partners. Stakeholders concurred that reaching a peace agreement would enhance the economic environment by restoring confidence, enabling reconstruction, and fostering conditions for sustainable growth. However, pending peace resolution, they recognized that the resumption of Article IV consultations is a promising avenue to strengthen the Internationally Recognized Government's (IRG) policymaking, potentially unlocking external financing and facilitating progress towards debt sustainability and access to IMF financing.

Drivers of Fragility—Conflict and Institutional Fragmentation

- 1. The ongoing conflict arises from a system marked by patronage, tribal powers, regional disparities, and external influences.** Yemen has a long history of fragility. The consolidation of the Yemeni state following the unification in 1990 proved challenging, with systematic use of patronage networks and corruption, eroding trust in institutions and social cohesion. Tensions between political, economic, and tribal powers have fueled longstanding regional grievances, notably between the north and south of the country. Yemen's dependence on hydrocarbon production and exports, coupled with competition to control these scarce resources, is a key driving force behind the current internal conflict.
- 2. Yemen's descent into protracted conflict began in 2014, after the Houthis seized control of Sanaa.** The takeover led President Abdrabbuh Mansur Hadi to go into exile, while the Houthis swiftly expanded their territorial control. By 2015, the conflict had expanded regionally. What followed was a grinding, multilayered war—defined by shifting alliances, cross-border rivalries, and the deepening external involvement—entrenching instability and complicating prospects for resolution.
- 3. Yemen's fragility is further compounded by regional entanglements.** After early momentum from the 2023 UN peace roadmap, progress was disrupted by the Israel-Gaza conflict and attacks on Red Sea shipping. Although a U.S.-brokered ceasefire in May 2025 marked a step toward

¹ The purpose of a Fund Engagement Strategy is to outline the approach and priorities for the Fund's engagement with fragile and conflict-affected member countries (FCS). For more details, please refer to the Executive Board-endorsed [FCS strategy](#).

de-escalation, its viability remains uncertain due to missile strikes launched from Yemen and may hinge on the evolving dynamics of negotiations and conflict in the region.

4. Yemen is confronting one of the most severe humanitarian crises globally. Several Israeli airstrikes in the first half of 2025, targeting infrastructure like Sanaa’s airport and the port of Hodeida, have destroyed civilian assets and hindered essential humanitarian supply lines. The designation of the Houthis as a Foreign Terrorist Organization (FTO) by the U.S. in March 2025, alongside significant cuts to U.S. aid—including emergency food assistance—have left critical humanitarian efforts underfunded, forcing aid agencies to scale back essential services. Over 18 million Yemenis currently require assistance, with more than 17 million facing acute food insecurity and nearly five million nearing famine. These developments underscore the urgent need for increased donor support to prevent further deterioration and bolster relief systems.

5. The conflict has devastated Yemen’s economy. Yemen’s GDP is estimated to have contracted by almost 27 percent since 2014, including from a conflict-induced decline in hydrocarbon output. Hydrocarbon exports have been halted since 2022 due to attacks on oil facilities and infrastructure, depriving Yemen of significant revenues and foreign exchange. Meanwhile, real incomes have been eroded by double-digit inflation that has seen domestic prices rise by an estimated 49 percent from 2022 to 2024.

Strengthening Resilience—Policy Priorities and Constraints

6. Policies to strengthen resilience in Yemen will need to prioritize macroeconomic stabilization in the near term. The resumption of Article IV Consultations, which is enabled by improved data capabilities, is expected to reinforce policy effectiveness through:

- *Fiscal discipline:* Limit government borrowing by broadening tax bases, enhancing tax compliance, including by implementing a Treasury Single Account (TSA), and implementing tax reforms following comprehensive Technical Assistance (TA) in this area. Prioritize equitable spending and expand social safety nets as capacity grows.
- *Curbing inflation and exchange rate depreciation:* Avoid monetary financing and ensure fiscal-monetary coordination to curb inflation and exchange rate depreciation through more regular and predictable auctions and support private sector development.
- *Electricity sector reforms:* Reduce infrastructure inefficiencies, align tariffs with costs, increase electricity bill recovery, and strengthen governance to enhance savings and limit corruption risks.
- *CD priorities:* (i) Continuously enhance data collection, especially in national accounts and external sector statistics; (ii) improve budget execution controls and cash management; (iii) strengthen tax compliance and the tax administration organizational structure; (iv) enhance reserves management; and (iv) strengthen the AML/CFT framework to safeguard CBRs, bolster credibility and attract investment following the Houthis’ FTO designation by the U.S.

7. In the long term, if a lasting peace process were to take hold, key priorities would include the unification of Yemen’s currency and financial sector, and the resumption of oil exports. Currency and financial unification across Yemen would facilitate economic activity and provide a platform for sustainable growth. At the same time, reviving oil exports would expand fiscal space, generate resources for infrastructure and essential services like education and health, and reduce dependence on external aid. With sound governance, the oil sector would underpin macroeconomic stability and facilitate strengthened state institutions.

8. While confronting significant risks to reform implementation amid the current fragmentation, Yemen can still capitalize on opportunities to enhance its policies. Constrained IRG revenues due to halted oil exports may cause prolonged delays in critical projects. Renewed hostilities, reduced donor funding, and fragmented monetary policy may further hinder the enforcement of financial regulations and impede economic recovery. The FTO designation of the Houthis by the U.S. through banks relocating to Aden, may result in stability and enhance supervision. Regional tensions may redirect trade through Aden’s seaport, potentially increasing revenues for the IRG, while remittances remain vital economic support. Continued TA can bolster policy implementation and data collection. Yemen’s tribal structures, though challenging, can also provide a foundation for rebuilding on principles of inclusion, transparency, and accountability.

Fund Engagement

9. Fund policy advice provided through periodic staff visits and consultations has guided IRG efforts to preserve macroeconomic stability. Since 2020, the Fund has been engaging with Yemen’s IRG relating to the economy of the territory under its effective control, ending the hiatus caused by the civil war that began in 2014. This engagement has been stepped up since 2022, with the preparation of a comprehensive report on economic developments, outlook, and policies for the Executive Board. Traction of policy advice and CD has been increasing over the last five years, despite conflict-induced limitations. Notably, in 2021–22 the authorities implemented key reforms with the introduction of an FX auction and the elimination of parallel exchange rates.

10. The resumption of Article IV consultations is expected to enhance ongoing efforts by authorities to enhance data quality, further reinforcing sound macroeconomic policies. The close integration of CD recommendations and surveillance policy advice will help support the authorities’ policy priorities and aid Yemen’s efforts to unlock much-needed external support and financing. In this context, the following engagement modalities are essential:

- *Surveillance policy advice aimed at macroeconomic stabilization.* Published Article IV reports create transparency and may facilitate international support for critical reforms to achieve greater macroeconomic stability, reduce fragility, and, eventually, reestablish debt sustainability. Policy advice provides useful information to donors and TA providers.
- *CD aimed at enhancing economic management.* To strengthen Yemen’s policy making capacities, CD should continue to proactively help build institutions and support policy priorities. Fiscal and monetary reforms should aim at creating policy space and promoting transparency and

accountability. Fiscal priorities include supporting domestic revenue mobilization through tax policy reforms, tax compliance and administration, and improving public financial management (PFM) such as budget execution and controls. Monetary policy priorities include strengthening central bank governance and financial market regulation and oversight post-FTO, with a focus on enhancing the AML/CFT framework.

- *Clearing the path for financial support.* Transparency on macroeconomic policies through published Article IV reports, and a potential subsequent deepened policy engagement to help Yemen strengthen economic programs and policies, could catalyze additional CD support and external grants. Over the medium term, advancements in debt management capacities, the clearance of external arrears, achieving debt sustainability and capacity to repay, could further enhance access to additional external financing, including through an Upper Credit Tranche (UCT) program from the Fund.

11. Fund engagement will continue to leverage strong relationships with international partners and local actors in Yemen. Staff is in regular dialogue with development partners active in Yemen, including UN agencies, the World Bank, and multilateral and bilateral partners (World Bank, FCDO, EU, OECD, SDRPY), and frequently meets with representatives of the private sector, think tanks and CSOs. An IMF-led coordination mechanism to promote further tailoring of CD to country needs and facilitating onsite provision is currently under consideration. These partnerships will help the advancement of issues related to:

- *Macroeconomic surveillance.* Partnerships, especially the World Bank, will advance policy priorities such as creating fiscal space, preserving macroeconomic stability, data capabilities, and strengthening the credibility of the policy framework.
- *CD.* Alignment of CD and surveillance, with enhanced coordination and given limited absorption capacities, will contribute to improving governance and transparency while reducing corruption vulnerabilities.
- *Statistics.* Partnerships to improve data coverage, quality, and timeliness, will strengthen transparency and accountability.

12. Risks of lacking Fund engagement with Yemen are substantial. After more than a decade of internal conflict and the halt of oil exports, declining official development aid could exacerbate food security and threaten the already precarious macroeconomic situation further, negatively impacting social cohesion and support for reforms. The resumption of Article IV consultations presents an opportunity to support reform momentum through enhanced transparency and prioritization of economic policies. This would help strengthen Yemen's financial position and unlock financing.

13. Steps towards durable peace could accelerate opportunities for the Fund to engage on economic policies across Yemen. While the 2023 UN peace process is stalled and the outlook remains uncertain, a lasting peace agreement would allow the Fund to advise on sound policies across Yemen on fiscal, currency, exchange rate, and financial market regulation regimes, thereby informing macroeconomic policy priorities and sequencing in support of peace and post-conflict recovery.

Annex II. Risk Assessment Matrix¹

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
Domestic Risks			
<p>Widespread social unrest caused by worsening economic situation. Lacking access to food and basic services leads to widespread protests, further limiting the IRG's policy space.</p>	Medium	High. Escalating protests and dissatisfaction with economic management by the IRG further limits policy space and hampers external financial support.	Decisive implementation of Yemen's Economic Recovery to ensure cohesive policies across governorates; increase revenues and spending efficiency to improve the economic situation and public services.
<p>Resumption of internal hostilities. Ongoing regional tensions and intensified conflict over Yemen's oil resources and political control lead to renewed internal military confrontations.</p>	Medium	High. Diversion of resources into military efforts further exacerbates humanitarian and economic situation and social cohesion. Destruction of infrastructure, migration and loss of life further hamper long-term growth potential.	Continue to work towards peace with all parties, and refrain from policies which may escalate the conflict.
External Risks			
<p>Additional reduced or discontinued bilateral or international financial support. Lacking financial support from donors and partners exacerbates the economic and humanitarian crisis.</p>	High	High. An escalating crisis due to lack of financial resources exacerbates food security and humanitarian conditions, worsens public finances and debt vulnerabilities, causes political fragmentation and social unrest, and further hampers the IRG's ability to design and implement policy reforms.	Decisive reform implementation, specifically domestic revenue mobilization and prioritization of social spending, and continuous engagement with external partners, including with the IMF through Article IV consultations, facilitates access to continued external financial support.
<p>Geopolitical Tensions. Intensification of conflicts, coupled with the weakening of multilateralism, may introduce new shocks to the global economy. These developments would reignite inflation, trigger commodity</p>	High	Medium Increased geopolitical tensions may escalate regional tensions and weigh on peace prospects in Yemen and elevated global food prices may exacerbate food insecurity.	Continue consultation with humanitarian organizations and bilateral partners to facilitate continued provision of aid and enhance food security.

¹ Note: The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and the overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risk	Relative Likelihood	Impact if Realized	Policy Response
price volatility, and weigh on growth by undermining confidence, investment, tourism, trade and supply chains.			
Climate Change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. Adaptation and mitigation policies affect fiscal balances.	Medium	Low. <i>Climate events may damage critical infrastructure (electricity, water), worsening power outages and access to water, and affect agriculture, impacting food security.</i>	Consider climate risks when prioritizing repairs or modernization of critical infrastructure. Maintain buffers for food supply to the extent possible.

Annex III. External Sector Assessment

Overall Assessment: Yemen’s external position in 2024 was weaker than the level implied by medium-term fundamentals and desirable policies. The EBA Lite Model points to a current account (CA) gap of 2.7 percent of GDP, implying a REER overvaluation of 15.1 percent, reflecting savings investment imbalance, weak competitiveness, and high import dependence. In addition, reserves are assessed to be inadequate, covering less than month of imports in 2024. The EBA results are subject to significant uncertainty owing to data deficiencies, including high net errors and omissions (of about 7 percent of GDP in 2024) which could imply an underreporting on inflows in the financial account or an overstating of outflows in the current account.

Potential Policy Responses: With limited fiscal space, maintaining prudent fiscal policy and mobilizing domestic revenue will support higher public savings, while greater financial inclusion can help channel remittances into formal savings. Structural reforms that enhance economic diversification, promote private sector-led growth and reduce import dependence can contribute to long term external sustainability. Allowing greater exchange rate flexibility will enhance competitiveness and boost exports.

Foreign Assets and Liabilities: Position and Trajectory

Background. Yemen’s net international investment position deteriorated to about –US\$9.7 billion in 2024, as external assets (including reserves) declined more sharply than liabilities. This primarily reflects large current account deficits and unfavorable exchange rate valuation changes. The 10 percent reduction in assets indicates reserve drawdown to finance essential imports, and potential reduction in bank’s foreign deposits. The negative NIIP underscores Yemen’s external vulnerability and the need to rebuild reserves and restore export earnings.

Assessment. Yemen’s net debtor position has weakened on the back of lower reserves and high public and publicly guaranteed external debt.

Yemen: EBA-lite Model Results, 2024

	CA model 1/
CA-Actual	-10.7
Cyclical contributions (from model) (-)	-0.4
Natural disasters and conflicts (-)	0.6
Adjusted CA	-10.9
CA Norm (from model)	-8.2
Adjustments to the norm (+)	0.0
Adjusted CA Norm	-8.2
CA Gap	-2.7
o/w Relative policy gap	2.1
Elasticity	-0.2
REER Gap (in percent)	15.1

1/ Based on the EBA-lite 3.0 methodology

2024 (% GDP) **NIIP:** -121 **Gross Assets:** 26 **Gross Lib.:** 147

Current Account

Background. Despite the halt in oil-exports, the CA deficit declined to 10.7 percent of GDP in 2024 from 18.3 percent in 2023 due to significant grant inflows and compressed imports. In the near term, the CA is expected to narrow due to import compression and an increase in non-oil exports. Over the medium term, the CA is projected to deteriorate to above 10 percent of GDP as imports steadily increase to meet humanitarian needs and support growth. Remittances will continue to remain strong over the forecast horizon providing support for private consumption.

Assessment. The CA model finds a negative current account gap of 2.7 percent in 2024, implying that the external position was weaker than the level implied by fundamentals. This reflects significant import reliance, funded mainly by grants and remittances. The CA model suggests a CA norm of -8.2 percent of GDP, against a cyclically adjusted CA of 10.9 percent of GDP. The policy gap, which is assessed at 2.1 percent of GDP, is driven by a combination of lower-than-desired public health spending, private credit and credit growth, compared to desirable policies.

Real Exchange Rate

Background. In 2024, deposits from bilateral creditors allowed the CBY to conduct FX auctions which financed essential imports and alleviated some pressure on the exchange rate. Nevertheless, the Yemeni rial is estimated to have depreciated by about 33.4 percent from 2023 to 2024, due to the suspension of oil exports—a key source of foreign exchange. In August 2025, the CBY and MoF took steps to limit speculation and currency manipulation, leading to currency appreciation (SR 118).

Assessment. With an elasticity of -0.2, the CA model suggests that the REER is overvalued by 15.1 percent, indicating a loss of competitiveness and reliance on external support to finance imports. Structural reforms that address competitiveness and boost diversification could address this overvaluation.

Capital and Financial Accounts: Flows and Policy Measures

Background. Yemen's capital and financial account flows are dominated by long-term official financing and reserve use. The financial account inflow reduced significantly from about US\$800 million in 2023 to around US\$200million in 2024 due to decrease in FDI and portfolio inflows, and reserves drawdown. The capital account stabilized at approximately US\$90million. Yemen maintains open capital account policies.

Assessment. Capital and financial account flows in Yemen are expected to improve over the medium term and in line with the government economic recovery plan.

FX Intervention and Reserves Level

Background. As of 2024, Yemen's gross foreign reserves cover less than 1 month of imports. Over the medium-term, however, reserves are estimated to reach about 1 month of imports, supported by budget grants, donor deposits and non-oil exports.

Assessment. Reserve coverage is assessed as inadequate in 2024 with a modest improvement anticipated over the medium term.

Annex IV. Statistical Enhancements with the Resumption of the 2025 Article IV Consultation with Yemen¹

Intensive capacity development (CD) provided to Yemen since 2020, which accelerated in 2025, has enabled the internationally recognized government (IRG) to gather macroeconomic data to inform policy formulation and implementation. The data provided to the Fund today allow staff to assess recent developments and the outlook, and to formulate policy recommendations intended to assist the IRG's stabilization efforts. The IMF is coordinating with partners such as the World Bank, EU and OECD to help strengthen data quality, economic institutions and their data capabilities, thereby supporting policymaking.

The authorities' sustained capacity-building efforts remain critical to ensure continued progress and reliability in data production, which underpins effective policy design and implementation. To maintain progress, the Article IV Consultation serves as a platform to emphasize the importance of timely updates and transmission of macroeconomic variables, supported by a clearly defined dissemination schedule.

Data Enhancements

1. Real Sector. The GDP data was derived by STA with input and in collaboration with the authorities through a multi-step process, beginning with Supply and Use Tables (SUTs) shared by the World Bank staff that provided comprehensive coverage of economic activities and formed the foundation for production- and expenditure-based estimates. These were refined by integrating data from the FAO for agriculture, the Central Statistical Organization (CSO) in Aden, historical governorate-level surveys and publications received through United Nations Population Fund (UNFPA), and the Central bank of Yemen (CBY) in Aden. Twelve governorates were used to represent the IRG-controlled territory, with no adjustments for territorial control changes to preserve trend consistency. No exceptions have been made for any of the districts of these governorates which may not have been part of the IRG or are front line governorates. The base year is 2015 and estimates using both the production and expenditure approaches were compiled for the years 2014–24. Custom price indices were constructed for the series and cross-validated with FAO-WFP food price indices and other indicators. External trade estimates for the IRG-controlled region were estimated from UN Comtrade mirror data, while fiscal estimates utilized data from the Ministry of Finance in Aden. Satellite-based indicators from the IMF Big Data Center, including NO₂ emissions and built-up area measures were developed using shape files for the administrative boundaries received from FAO for demarcating the IRG-controlled area. These indicators were used primarily for estimating ratios and for validation. The World Bank is currently designing a capacity-building project for CSO Aden, with a key emphasis on the System of National Accounts (SNA) due to its critical importance and the need to fill in substantial data and methodological gaps. Additionally, the IMF's Statistics Department (STA) plans to conduct TA missions on national accounts via METAC.

¹ Prepared by Thomas Augsten, Olanrewaju Kassim (MCD), Malik Bani Hani, P. Bhanumati, Padma Hurree Gobin, Kristy Howell, and Nelson Rutto (STA).

2. External Sector. The external sector data was compiled using multiple sources and estimation techniques to overcome significant data limitations and complexities. To disaggregate between IRG and non-IRG controlled regions, the mission applied the population ratio, allocating 33 percent² to the IRG controlled areas. Virtual engagements with CBY over September 2024–April 2025 followed by an in-person offsite TA mission (July 20–31) supported compilation efforts and enhanced accuracy.

- *Trade.* For 2014–24, export and import estimates relied primarily on the UN Comtrade database, while non-oil imports reported by partner countries (recorded as Yemen’s exports) were adjusted downward by 15 percent to convert CIF to FOB values. Oil export data was drawn from the Ministry of Oil. For the disaggregation between IRG and non-IRG controlled regions, export and import data reported by the IRG was used and temporary imports were excluded.
- *Personal transfers.* Estimating personal transfers was particularly challenging given limited data and the role of informal channels; thus, a demographic and behavioral model—based on the number of Yemenis abroad, family size, and average transfer amounts— as well as the ratio of 33percent to the IRG controlled areas was applied.
- *Grants.* Official grants from Saudi Arabia and the UAE, key for current transfers, were compiled using publicly announced disbursements, budget support records, and data from the CBY and the Ministry of Finance, with all grants allocated to the IRG. SWIFT-scope transactions—both incoming and outgoing were used to estimate some balance of payments components such as humanitarian grants, services, earned income, and some financial account transactions. Further, an estimation technique based on the number of arrivals and departures by nationality and border crossing points, visa issuance data, and other informed assumptions as well as the results of the 2009 travel survey (which was used to estimate the average length of stay and expenditure levels by type of visitor) were used to estimate travel and transport receipts. For transport payments (mainly maritime freight services for imports) a typical freight rate of 15 percent was used.
- *Financial account.* For the financial account, Monetary and Financial Statistics (1SR and 2SR), external debt data, as well as mirror data from the IMF’s Coordinated Direct Investment Survey (CDIS) and Coordinated Portfolio Investment Survey (CPIS) and Bank for International Settlements (BIS) International Banking Statistics were used to estimate direct investment, portfolio investment, other investment, and reserve assets transactions. Furthermore, development expenditures by international oil companies operating in Yemen were recorded as new direct investment inflows in the BOP.

3. Fiscal Sector. Fiscal data is provided monthly by the Ministry of Finance for the central government, on a cash basis, with a delay of one month. Financing data is also made available monthly, albeit with a longer delay. This progress was made possible through intensive CD provision by the Fund, World Bank, and USAID, since 2020. Availability and accuracy of domestic and external debt data has greatly improved as well. While conflict-induced institutional fragmentation of the CBY led to loss of information on Yemen’s debt after 2014, intensified CD engagement, particularly since

² As proposed by the authorities.

2023, has allowed Yemen to rebuild debt databases for domestic and external debt, with monthly domestic debt and quarterly external debt data available for all debt instruments and external creditors, including understanding external arrears. As of early 2025, accuracy and timelines of Yemen's central government and central bank debt data provides a solid base for conducting a DSA. Going forward, the Fund will provide focused CD to help Yemen strengthen fiscal reporting, including financing data, and CBY will further develop the accuracy of external and domestic debt data with the objective to publish it in 2026, thanks to continued efforts to enhance debt management capacities and the compilation of a comprehensive fiscal and debt database.

4. Monetary Sector. Central Bank and other depository corporations (ODCs) balance sheets data are made available by the CBY in Aden monthly. ODCs' balance sheet data covers the whole of Yemen while the CBY data covers the IRG controlled region with estimates for the non-IRG controlled region based on legacy data. The data has been compiled based on the IMF standardized report forms (SRFs) with the support of two TA missions from STA conducted during September 2023 and February 2025. While CBY continues to develop sound data capturing and processing abilities as recommended by STA missions, the data bifurcation between the IRG and non-IRG controlled territories relies on estimates, including GDP estimates, and subject to further refinement. For data bifurcation, given that the residency concepts between IRG and non-IRG controlled regions have not been statistically defined in the current reporting framework, the IRG monetary aggregates were compiled starting with broad money which was derived as a ratio of IRG estimated GDP and velocity of money (derived as a ratio of whole of Yemen GDP and broad money). Other components of the depository corporation survey for the IRG were derived based on ratios for the whole of Yemen monetary data, except for foreign exchange reserves and claims on government, which were all allocated to CBY. Going forward, STA plans to also provide TA to improve the quality of compiled financial soundness indicators to align with the *2019 FSI Guide methodology*. In addition, STA stands ready to further support CBY to expand MFS and FSI coverage to include non-bank financial institutions.

5. Consistency. Efforts to build statistics for the IRG entailed close coordination among key stakeholders to ensure a consistent macroeconomic framework. This process was facilitated by the establishment of a coordination committee, comprising the authorities' leadership alongside management and technical staff from both MCD and STA, which met periodically to synchronize and guide the work. Progress was further reinforced by STA's facilitation of several in-person and virtual missions, providing critical support and continuity.

The Way Forward

6. The authorities have made meaningful contributions to the data improvements achieved to date, demonstrating commitment through active engagement via workshops and in CD initiatives, and willingness to adopt recommended methodologies. However, their current capacity remains constrained by limited human resources, technical expertise, and security concerns,

which challenges their ability to fully absorb and sustain the CD provided.³ While progress is evident, a candid assessment reveals that significant gaps persist, particularly in ensuring consistent data quality and timely reporting. Adequate resourcing and continued support will be essential for the authorities to strengthen their data systems and achieve long-term self-sufficiency in macroeconomic data production.

- *National accounts.* Going forward, the CSO should adopt a comprehensive strategy for regular production of national accounts that includes; (i) reinstating and institutionalizing annual surveys across agriculture, industry, services, and construction sectors; (ii) activating and consolidating statistical units within various ministries under the oversight of the CSO; (iii) developing a national digital statistics platform to enhance and streamline data collection and exchange; and (iv) enforcing mandatory data sharing through legal frameworks and the use of standardized reporting templates.
- *External sector accounts.* CBY authorities are expected to take full ownership of compiling BOP on a regular annual basis. To support this, an action plan aimed at improving BOP compilation has been developed and documented in the mission reports. This plan outlines key steps and timelines for enhancing data quality, coverage, and consistency. The authorities will rely on the recommendations and estimation techniques introduced and applied during the technical assistance (TA) mission, which provides a practical framework for addressing data gaps and methodological challenges. Continued capacity building and institutional coordination will be essential to ensure sustained improvements in BOP compilation and reporting. Building on the efforts to enhance debt management capacities and the compilation of a comprehensive fiscal and debt database, CBY should continue developing the accuracy of external and domestic debt data, with the objective to publish it in 2026.
- *Monetary statistics.* For monetary sector, CBY should continue to report SRFs based data, with further improvements to be supported by IMF TA as needed.

7. The authorities can capitalize on these ongoing efforts to revive data dissemination in line with Yemen’s commitment under the e-GDDS framework.

³ TA missions have been held in person offsite and virtually.

Annex V. Data Issues

Table 1. Yemen: Data Adequacy Assessment Rating for Surveillance

Data Adequacy Assessment Rating 1/															
C															
Questionnaire Results 2/															
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating								
	D	C	B	D	C	C	C								
Detailed Questionnaire Results															
Data Quality Characteristics															
Coverage	C	C	B	C	D										
Granularity 3/	D		C	D	C										
Consistency			B		NA										
Frequency and Timeliness			C	D		C									
	D	C	B	D	B										
<p>Notes: GO: Government Operations; Debt: Government Debt; MFS: Monetary and Financial Statistics; FSI: Financial Soundness Indicators. When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>															
<table border="0"> <tr> <td style="background-color: #4CAF50; color: white; padding: 2px;">A</td> <td>The data provided to the Fund are adequate for surveillance.</td> </tr> <tr> <td style="background-color: #8BC34A; color: white; padding: 2px;">B</td> <td>The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.</td> </tr> <tr> <td style="background-color: #FFEB3B; color: white; padding: 2px;">C</td> <td>The data provided to the Fund have some shortcomings that somewhat hamper surveillance.</td> </tr> <tr> <td style="background-color: #F44336; color: white; padding: 2px;">D</td> <td>The data provided to the Fund have serious shortcomings that significantly hamper surveillance.</td> </tr> </table>								A	The data provided to the Fund are adequate for surveillance.	B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.	C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.	D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.
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C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.														
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.														
<p>Rationale for staff assessment. Yemen's data provided to the Fund has some shortcomings that somewhat hamper surveillance.</p> <p>National accounts provide useful coverage of key sectors, industries, and activities, but there are gaps that could affect comprehensive economic analysis. Coverage of the formal economy outside the government and the informal sector remains insufficient, diminishing data completeness. In terms of granularity, the measures of expenditure and income lack sufficient breakdown to clearly distinguish between public and private consumption and investment. The frequency and timeliness of national account updates remain limited (expected lag of 9-12 months), constraining timely analytical work. CPI data are only available from 2022 at a monthly frequency, with missing data for some months. It covers whole of Yemen and would need to be bifurcated between IRG and non-IRG. Fiscal and debt data is broadly adequate for surveillance, given its timely provision on a monthly (GFS and domestic debt) or quarterly (external debt) basis, and the comprehensive coverage of revenues and expenses of the central government, although at an aggregated level. Areas of improvement include the completion of external debt reconciliation, improving consistency between central government GFS and financing data, and increasing the timeliness of the provision of disaggregated revenue and expenditure.</p> <p>Monetary and financial data have some shortcomings that somewhat hamper surveillance. While both 1SR and 2SR data are released monthly with a one-month lag, estimates for IRG-controlled areas rely on overall monetary surveys. Future plans include collecting data more granularly to enhance data accuracy and building out and regularly generating Financial Soundness Indicator. The external sector data encompasses both the balance of payments and the international investment position, although gaps persist. Many BOP data are obtained using mirror statistics as well as estimation techniques. Functional categories such as financial derivatives and other investments are insufficiently detailed, and there is limited breakdown by goods, services, institutional sectors, and currency composition. Data on net international reserves excludes pledged assets and foreign exchange swap arrangements. Consistency issues remain, with large net errors and omissions affecting reliability, while incomplete data on (price and exchange rate) valuation and other changes in volume complicate reconciliation between BOP flows and IIP stocks. There is also room to improve the frequency and timeliness of external sector statistics (expected with a lag of 9-12 months).</p> <p>Changes since the last Article IV consultation. Yemen's last Article IV consultation took place in 2014, prior to the onset of the internal conflict which lasts until today. While conflict-induced institutional fragmentation and data limitations had posed significant challenges to conducting Article IV consultations since 2014, intensified engagement since 2020 by the Fund (and other development partners) with a focus on Capacity Development (CD) has resulted in a substantial improvement of data availability, particularly in fiscal, debt, monetary and financial data. There is active CD work underway to improve the statistical infrastructure in national accounts and the external sector, complementing one off data efforts in this area.</p> <p>Corrective actions and capacity development priorities. The IRG has been highly receptive and committed to the Fund's policy and CD advice. Intensified CD engagement since 2020 has yielded results leading to broadly adequate data provision in the areas of fiscal, monetary and financial, and debt data. In 2025, CD efforts by the Fund and other partners like the World Bank will focus on further improving external sector, national accounts and CPI data while continuing support in the other sectors (Annex VII).</p> <p>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. For sensitivity analysis and robustness checks, staff uses the Joint Market Monitoring Initiative to track prices before 2022 while COMTRADE data monitor trade flows. Oil production data from the International Energy Agency show daily oil production in Yemen. These data compliment official data.</p> <p>Other data gaps. Data related to smuggling of goods across Yemen's borders and across both currency areas in Yemen would enhance staff's analysis.</p>															

Table 2. Yemen: Data Standards Initiatives

Yemen participates in the Enhanced General Data Dissemination System (e-GDDS) and first posted its metadata in April 2001 but is yet to disseminate the data recommended under the e-GDDS.

Table 3. Yemen: Table of Common Indicators Required for Surveillance
(As of November 2025)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data ⁶	Frequency of Reporting ⁶	Expected Frequency ^{6,7}	Yemen ⁸	Expected Timeliness ^{6,7}	Yemen ⁸
Exchange Rates	Oct-25	Oct-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	Sep-25	Oct-25	M	M	M	...	1M	...
Reserve/Base Money	Jul-25	Oct-25	Q	M	M	M	2M	25D
Broad Money	Jul-25	Oct-25	Q	M	M	M	1Q	25D
Central Bank Balance Sheet	Jul-25	Oct-25	Q	M	M	M	2M	25D
Consolidated Balance Sheet of the Banking System	Jul-25	Oct-25	Q	M	M	M	1Q	25D
Interest Rates ²	Jul-25	Oct-25	Q	M	M	W,M	...	1M
Consumer Price Index	Sep-25	Oct-25	M	M	M	M	2M	1W
Revenue, Expenditure, Balance and Composition of Financing ³ —General Government ⁴	Jun-25	Sep-25	Q	Q	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing ³ —Central Government	Jun-25	Sep-25	Q	Q	Q	Q	1Q	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	Jun-25	Sep-25	Q	Q	Q	M,Q	2Q	4M
External Current Account Balance	Dec-24	Aug-25	Y	Y	Q	A,Q	1Q	4-6M
Exports and Imports of Goods and Services	Jun-25	Oct-25	Q	6M	M	A,Q	12W	6M
GDP/GNP	N/A	N/A	N/A	N/A	Q	A	1Q	6M
Gross External Debt	Jun-25	Sep-25	Q	Q	Q	Q	2Q	1M
International Investment Position	Dec-24	Aug-25	Y	Y	Q	A,Q	3Q	4M

¹ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

² Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

³ Foreign, domestic bank, and domestic nonbank financing.

⁴ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

⁵ Including currency and maturity composition.

⁶ Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁷ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

⁸ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "...".

Annex VI. An Enduring Partnership for Capacity Development in Yemen

1. **Given the fragility of Yemen’s institutional structure and data challenges, capacity development (CD) is essential to reinforce resilience and strengthen policymaking.** In support of this effort, the IMF has been consistently delivering TA to the Internationally Recognized Government (IRG) in key areas of macroeconomic stabilization (Table 1).
2. **Fiscal sector.** The Fund is helping implement urgent reforms to income and consumption taxes to mobilize short-term revenue. It is also assisting the General Taxation Department and Yemen Customs Authority in designing emergency revenue programs, improving tax arrears management, enhancing tax compliance starting with the banking sector, and drafting a unified tax procedure code. In public financial management (PFM), the Fund is supporting the review of current expenditure control practices and guiding the next phase of reforms in budget execution and commitment controls.
3. **Monetary sector.** The IMF is providing support in financial integrity, banking supervision, and monetary operations. This includes finalizing amendments to the AML/CFT law and the regulations, as well as establishing the risk-based AML/CFT supervisory framework and helping the CBY develop risk management regulations tailored to the local banking sector. The Fund is also assisting in the creation and implementation of capital adequacy frameworks for both conventional and Islamic banks and offering training on foreign reserve management.
4. **Data capabilities.** The Fund has been and continues to work with Yemen on strengthening capacity in the following areas:
 - *Fiscal.* Fiscal and debt data have greatly improved over the last five years. Initial reporting focused on central government budget data, and, following support from STA and METAC, was subsequently extended to include information on domestic debt, external debt, and central government financing data. All data is provided monthly with a 30-days delay, except external and domestic debt data which is provided quarterly. Data accuracy and coverage has substantially improved, with future efforts focusing on enhancing data consistency of revenues and expenditures with financing data, finalizing the reconciliation of external debt data, and broadening data coverage across local governments and SOEs.
 - *Monetary.* Substantial progress was also made in monetary and financial sector data (MFS). Supported by tailored CD from STA and METAC, Yemen was able to start

reporting on the Central Bank Balance Sheet and money supply (since 2023) and the other depository corporation survey (since 2024). Another milestone was reached in 2025 when CBY started to report on a set of financial soundness indicators. Focus areas for upcoming CD support include enhancing accuracy of the monetary survey, as well as expanding the financial soundness indicator reporting.

- *External Sector.* External trade data for IRG-controlled areas have been received from customs authorities since 2022. Ongoing efforts aim to enhance the compilation of primary, secondary income, direct, portfolio and other investments, as well as the international investment position. To support this, STA's 2025 action plan included virtual training sessions held bi- two monthly for the CBY. In addition, a TA mission in July 2025 provided guidance on data sources and compilation techniques for key balance of payments (BOP) components and delivered hands-on support in compiling cross-border transactions related to goods, services, travel, and grants and personal transfers. Additionally, monetary and financial statistics, along with other available data, were used to support the compilation of selected financial account components. The CBY is expected to compile BOP and IIP data for 2025 using data sources and estimation techniques identified during the mission.
- *National Accounts.* The authorities of the Central Statistical Organization (CSO) in Aden aim to strengthen national accounts compilation following the reactivation of the Aden office in August 2022. The initial stage involves GDP compilation at current and constant prices, by both final expenditures and industries. Available source data in the Statistical Yearbook includes general government, financial corporations, agriculture, and other administrative records. To enhance technical capacity, the Fund has been providing tailored training on national accounts compilation, source data, volume measurements, and practical applications through hands-on exercises. A recent mission in April 2025 highlighted the Supply and Use Tables framework as a valuable tool for integrating production and expenditure data at detailed industry and product levels, facilitating consistency checks among data sources.

5. Fund engagement continues to leverage strong relationships with international partners to coordinate capacity building (Table 2). Staff is in regular dialogue to coordinate with development partners active in Yemen, including UN agencies, the World Bank, and multilateral and bilateral partners (World Bank, EU, OECD, FCDO, SDRPY), and frequently meets with representatives of the private sector, think tanks and civil society organizations. The end of USAID support in 2024, which averaged about US\$ 110 million per annum in 2022–24, has elevated the importance of ramping up these joint efforts to provide CD support in priority areas.

Table 1. Yemen: Fund CD Delivered in FY25

Public Financial Management	Budget Execution Commitment | Expenditure controls Cash forecasting
Revenue Administration	Tax compliance. CIP for the banking sector Tax administration. Organization structure modernization Development of a tax procedure code Customs Support on ASYCUDA Framework FCS Workshop on Kontaktu's platform functionalities
Tax Policy	Improving income and consumption tax policy
Governance Finance Statistics	Public Sector Debt Statistics and Government Finance Statistics – Compilation and Consistency
Monetary and Financial Statistics	Expanding MFS coverage to include other depository corporations and compiling the depository corporation survey
Financial Sector Regulation	Enhancing Supervision and regulation on Capital Framework (CD and Roadmap) Development Risk Management Regulation for Banks Enhancing Supervision and regulation on Capital Framework (Regulation Development) Enhancing regulatory reporting for Conventional banks
Real Sector Statistics	GDP – Annual National Accounts
External Sector Statistics	Balance of Payments – Methodology Training (remote)

Table 2. Yemen: Capacity Development Mapping FY26–27

Entity	Workstream	Partner	Activity	
CBY	AML/CFT	IMF	AML/CFT Legal Drafting and Risk-based Supervision	
		World Bank	Enhancing AML/CFT monitoring and compliance system	
		EU/OECD	Strengthening AML/CFT supervision	
	Financial supervision and regulation	IMF	Risk management regulations for banks	
		IMF	Development and implementation of Capital Adequacy Framework/Islamic Banks	
		IMF	Development of risk management regulations for Islamic Banks	
		IMF	IFRS 9 standard implementation	
		World Bank	Strengthening CBY's institutional capacity/performance of banking supervision	
		World Bank	Issuing a monthly financial sector monitoring report to actively monitor the banking sector	
		EU-OECD	Strengthening the Deposit Guarantee Scheme (DGS)	
		EU-OECD	Improving banking regulatory and supervisory frameworks	
		FX, monetary operations, and digitization	IMF	Foreign Reserve management training
			IMF	Investment management
	World Bank		Enhancing monetary control and exchange rate management framework	
	World Bank		Developing the business and technical requirements for the Real Time Gross Settlement (RTGS) and the Fast Payment Systems (FPS)	
	World Bank		Advancing payments regulatory reforms	
		Data capabilities	IMF	External accounts compilation
MoF	Tax policy	IMF	Improving income and consumption tax policy- follow up	
	Revenue administration	IMF	Support the General Taxation Department in developing a short-term emergency revenue program	
		IMF	Support the Yemen Customs Authority in developing a short-term emergency revenue program	
		IMF	Development of a tax procedure code - phase 2 and 3	
		IMF	Revenue administration digitalization	

Table 2. Yemen: Capacity Development Mapping FY26–27 (concluded)

Entity	Workstream	Partner	Activity
		IMF	Customs valuation and processing
		IMF	Training on TADAT good practices
		EU-OECD	Develop sector-specific tax audits
	PFM	IMF	Cash consolidation
		IMF	Budget execution and commitment controls
		IMF	Cash forecasting
		World Bank	Review the existing Financial Management Information System (FMIS)
		EU-OECD	Enhance sovereign cash flow and account management
	Debt management	IMF	Training on debt recording and reporting
		IMF	Training on Debt Sustainability Analysis
		World Bank	Strengthen debt management capacity
	Data capabilities	IMF	GFS Data Improvement
		IMF	PSDS Data Improvement and Publication
MoPIC/CSO	Data capabilities	IMF	GDP Estimation
		World Bank	Support on household budget survey
		World Bank	Technical advice on the construction of the consumer price index in accordance with the latest international standards
		EU-OECD	Support Statistics Task Force (STF), improve data visualization and uptake, promote gender data integration, introduce AI and digital tools for official statistics



REPUBLIC OF YEMEN

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 20, 2025

Prepared By

The Middle East and Central Asia Department
(In consultation with other departments)

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RELATIONS WITH THE FUND

(As of September 30, 2025)

Membership Status: Joined: May 22, 1990; Article VIII

General Resources Account:

	SDR Million	Percent Quota
Quota	487.00	100.00
Fund holdings of currency	486.99	100.00
Reserve tranche position	0.01	0.00

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	699.02	100.00
Holdings	7.42	1.06

Outstanding Purchases and Loans: None

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
ECF	Sep. 02, 2014	Mar. 01, 2016	365.25	48.75
ECF	Jul. 30, 2010	Apr. 04, 2012	243.50	34.79
ECF ^{1/}	Oct. 29, 1997	Oct. 28, 2001	264.75	238.75

^{1/} Formerly PRGF.

Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR million)	Amount Drawn (SDR million)
RCF	Apr. 04, 2012	Apr. 16, 2012	23.58	23.58
RCF	Apr. 04, 2012	Apr. 16, 2012	37.30	37.30

^{1/} Undrawn outright disbursements (RFI and RCF) expire automatically 60 days following the date of commitment, i.e. Board approval date.

Overdue Obligations and Projected Payments to the Fund^{2/}

(SDR million; based on existing use of resources and present holdings of SDRs):

	2025	2026	2027	2028	2029
Principal					
Charges/interest	4.98	19.50	19.50	19.51	19.49
Total	4.98	19.50	19.50	19.51	19.49

^{2/} When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative: Not Applicable

Implementation of Multilateral Debt Relief Initiative (MDRI): Not applicable

Implementation of Catastrophe Containment and Relief (CCR):

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr. 13, 2020	14.44	14.44
N/A	Oct. 02, 2020	10.96	10.96
N/A	Apr. 01, 2021	17.05	17.05
N/A	Dec. 15, 2021	4.88	4.88

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed into the Catastrophe Containment and Relief (CCR) Trust.

Exchange Rate Arrangements

The currency of Yemen is the Yemeni rial. The de-jure exchange rate arrangement is classified as “free floating”, while the de facto exchange rate arrangement is classified as “floating”.

Yemen has accepted the obligations of Article VIII, Sections 2, 3, and 4, of the Articles of Agreement. At the time of the last Article IV consultation in 2014, Yemen did not maintain any exchange restriction or multiple currency practice inconsistent with these provisions. Staff are currently collecting the necessary information and regulations to assess whether the existing foreign exchange system is free of exchange restrictions and multiple currency practices.

Article IV Consultation

On September 2, 2014, the Executive Board of the IMF concluded the 2014 Article IV consultation with Yemen (IMF Country Report No. 14/276).

FSAP Participation

The last Financial Sector Assessment Program was conducted, along with the World Bank, in October-November 2000.

Resident Representative: Mr. Mohamed Jaber, based in Amman, Jordan, in post since July 2024.

RELATIONS WITH THE WORLD BANK

(As of October 2025)

The activities of the World Bank Group in Yemen can be found at:

<https://www.worldbank.org/en/country/yemen>



REPUBLIC OF YEMEN

November 20, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION— DEBT SUSTAINABILITY ANALYSIS

Approved By
**Taline Koranchelian and
Jarkko Turunen (IMF) and
Manuela Francisco and
Sandeep Mahajan (IDA)**

Prepared jointly by the staff of the International Monetary Fund (IMF) and International Development Association (IDA), in consultation with the authorities, using the debt sustainability framework for low-income countries approved by the Boards of both institutions.

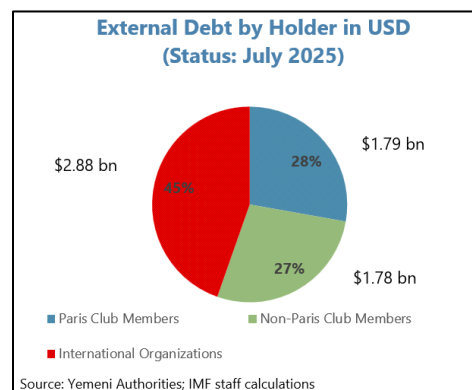
Risk of external debt distress	<i>In debt distress</i>
Overall risk of debt distress	<i>In debt distress</i>
Granularity in the risk rating	<i>Unsustainable</i>
Application of judgment	<i>No</i>

Yemen is assessed as in “external and overall debt distress”¹ and its debt is unsustainable. Significant arrears are owed to multilateral and official bilateral creditors, which prevents access to official concessional as well as market financing. All indicators on present value (PV) of PPG external and total public debt continue to breach the relevant thresholds in both the baseline and shock scenarios throughout the medium term. Restoring debt sustainability requires (i) Maintaining fiscal prudence by raising revenues and rationalizing expenditures, and implementing structural reforms to promote Yemen’s export potential and (ii) reaching agreement with creditors on a comprehensive debt treatment.

¹ Yemen’s debt carrying capacity is considered “weak” amid a Composite Indicator (CI) score of 1.77 based on the April 2025 WEO and the World Bank’s 2024 CPIA data vintages.

BACKGROUND ON DEBT

1. **As of December 31, 2024, Yemen’s total public debt owed by the central government stood at \$9.2 billion, equivalent to 128 percent of GDP (Text Table 1).**² Approximately two thirds of this public debt is external PPG debt totaling \$6.4 billion, or 79 percent of GDP, while the remaining third is domestic debt, adding up to \$3.5 billion, or 50 percent of GDP. Yemen’s external PPG debt is almost evenly split between multilateral and bilateral creditors. Multilateral creditors account for about 45 percent of external PPG debt, with the IDA and the Arab Fund for Economic and Social Development (AFESD) each accounting for 18 percent. Bilateral creditors represent the remaining 55 percent of external PPG debt, divided almost equally between Paris Club members—particularly the Russian Federation—and non-Paris Club creditors, notably the Kingdom of Saudi Arabia.



2. **Yemen’s external PPG debt profile is largely shaped by obligations incurred prior to the outbreak of internal conflict in 2014, except for ongoing disbursements from the International Development Association (IDA).** While the internationally recognized government (IRG) has assumed responsibility for all pre-conflict external liabilities, external debt servicing, except for IDA loan repayments and SDR charges for drawn allocation, has been suspended since the conflict started.

3. **Since the onset of the conflict in 2014, Yemen is in arrears to all its current official bilateral creditors and multilateral creditors except the World Bank’s IDA and the IMF.** As of December 2024, the total stock of external arrears reached around 8 percent of GDP. These arrears were due to international organizations, Non-Paris Club and Paris Club bilateral creditors, representing 4, 3 and 1 percent, respectively. In this DSA, arrears continue to accrue throughout the forecast horizon, at the average annual rate observed from 2018–24. Public debt levels as share of GDP are projected to rise further through 2030, reflecting ongoing buildup of external arrears and increased domestic financing amid ongoing fiscal deficits.

4. **On the domestic front, debt began accumulating following the onset of the conflict in 2014, and reached \$3.5 billion, or 50 percent of GDP as of end-2024.** While approximately 90 percent of this domestic debt originates in credit from the Central Bank in Aden (CBY) to the government, the remaining 10 percent consists of financial market instruments such as Treasury Bills, Treasury Bonds, and Islamic instruments (Sukuk). The CBY credit to the government includes government overdraft and a long-term, low-interest bond (30 years, 5 yrs grace period, 1 percent annual interest) which replaced earlier overdrafts through conversion in early 2023, in roughly similar amounts.

² Yemen’s public debt also includes a liability to the IMF of approximately USD 1.0 billion as of September 2025 for drawn SDR allocation, which is not shown here.

Text Table 1. Yemen: Central Government Public and Publicly Guaranteed Debt, December 2024 and June 2025

	December 2024					June 2025		
	Debt outstanding	Arrears and Penalties	Total	% of GDP	% of Total	Total	% of GDP	% of Total
	<i>US\$ millions</i>					<i>US\$ millions</i>		
Total Public Debt	9,158	670	9,828	128.3	100	9,608	135.0	100
External	5,685	670	6,354	78.9	64.7	6,459	90.1	67.2
Multilateral creditors	2,537	305	2,842	35.3	28.9	2,881	40.2	30.0
AFESD	905	210	1,115	13.8	11.3	1,137	15.9	11.8
IDA	1,043	-	1,043	12.9	10.6	1,054	14.7	11.0
AMF	245	80	325	4.0	3.3	317	4.4	3.3
IFAD	117	7	124	1.5	1.3	131	1.8	1.4
Islamic Development Bank	200	4	203	2.5	2.1	210	2.9	2.2
OPEC	28	5	33	0.4	0.3	33	0.5	0.3
Bilateral Creditors	3,148	364	3,512	43.6	35.7	3,577	49.9	37.2
Paris Club	1,619	114	1,733	21.5	17.6	1,795	25.0	18.7
Russian Federation	1,203	91	1,293	16.1	13.2	1,326	18.5	13.8
JICA	158	5	163	2.0	1.7	177	2.5	1.8
NEXI	4	0	4	0.1	0.0	5	0.1	0.0
USAID for DFC	7	1	8	0.1	0.1	8	0.1	0.1
USAID for USDA	106	10	116	1.4	1.2	116	1.6	1.2
Italy	19	0	19	0.2	0.2	21	0.3	0.2
Spain	17	0	17	0.2	0.2	17	0.2	0.2
Netherlands	-	-	-	0.0	0.0	0	0.0	0.0
Germany	1	0	1	0.0	0.0	1	0.0	0.0
France	78	6	83	1.0	0.8	94	1.3	1.0
Korea	27	1	28	0.4	0.3	31	0.4	0.3
Non-Paris Club	1,529	250	1,779	22.1	18.1	1,782	24.9	18.6
China	46	8	55	0.7	0.6	56	0.8	0.6
Kuwait Development Fund	153	9	162	2.0	1.7	164	2.3	1.7
SFD/loans	299	42	341	4.2	3.5	341	4.8	3.6
SFD/exports	30	6	36	0.4	0.4	36	0.5	0.4
SFD/deposits	1,000	185	1,185	14.7	12.1	1,185	16.5	12.3
ADFD	-	-	-	0.0	0.0	0	0.0	0.0
Domestic Debt	3,474		3,474	49.5	35.3	3,149	44.8	32.8
Overdraft	1,335		1,335	19.0	13.6	1,273	18.1	13.2
Gov. Bond for CB benefit	1,822		1,822	25.9	18.5	1,558	22.2	16.2
Treasury Bills	85		85	1.2	0.9	81	1.2	0.8
Treasury Bonds	101		101	1.4	1.0	101	1.4	1.0
Gov. Bond for Electricity	-		-	-	-	21	0	0.2
Certificates of Deposit	3		3	0.0	0.0	0	0.0	-
Islamik Sukuk	128		128	1.8	1.3	116	1.6	1.2
Memorandum Items				2024		2025 proj.		
Nominal GDP (USD million)				8,058		7,166		
YER\$ per US\$ (eop)				2,086		2,451		
YER\$ per US\$ (avg)				1,818		2,451		

Note: External Debt does not include drawn IMF SDR allocation (SDR 675 million as of June 2025) on CBY balance sheet, or GCC deposit support since 2018.
Sources: Country Authorities and IMF staff estimates.

DEBT COVERAGE

5. Debt coverage includes public debt of the central government and the central bank borrowed on behalf of the Central Bank (Text Table 2). Supported through significant capacity development (CD) efforts from the IMF, World Bank, and other CD partners over the last five years, the authorities have made substantial progress in improving timeliness and accuracy of domestic and

external debt reporting. With the help of IMF TA, the authorities plan to commence periodic publication of public debt data in early 2026 and are continuing to work with CD providers on closing remaining data gaps in external debt. The authorities are committed to expanding public debt coverage in the future to publicly guaranteed debt,³ including SOEs, which are not included in this DSA. Debt is measured on a gross basis, and the currency criterion is used to distinguish domestic and external PPG debt.

Text Table 2. Yemen: Coverage of Public Sector Debt

Subsectors of the public sector	Sub-sectors covered
1 Central government	X
2 State and local government	
3 Other elements in the general government	X
4 <i>o/w: Social security fund</i>	X
5 <i>o/w: Extra budgetary funds (EBFs)</i>	
6 Guarantees (to other entities in the public and private sector, including to SOEs)	
7 Central bank (borrowed on behalf of the government)	X
8 Non-guaranteed SOE debt	

6. Accuracy and frequency of provision of Yemen’s central government and central bank debt data provides a solid base for conducting a DSA. While conflict-induced institutional fragmentation of the CBY had led to loss of information on Yemen’s debt after 2014, intensified CD engagement, particularly since 2023, allowed Yemen to rebuild debt databases for domestic and external debt, with monthly domestic debt and quarterly external debt data available for all debt instruments and external creditors, including understanding external arrears. While reliable data in private external debt is not yet available, IMF staff assesses debt data quality as *broadly adequate for surveillance*, based on coverage, frequency of provision, and accuracy of PPG domestic and external debt. The Fund and World Bank will continue providing focused CD to help Yemen finalize the almost completed reconciliation of external debt, strengthen debt reporting, and CBY will further develop the accuracy of external and domestic debt data with the objective to publish it in early 2026, thanks to continued efforts to enhance debt management capacities and the compilation of a comprehensive fiscal and debt database.

7. In addition to standard stress tests, a combined contingent liability stress test is applied to reflect potential risks not captured in the baseline (Text Table 3). This stress test models a one-off increase in the debt-to-GDP ratio in the second projection year. The stylized shock is equivalent to 11 percent of GDP and accounts for the following risks:

- *Other elements of the general government (2 percent of GDP).* This risk relates to potential discovery of state and local debt as data collection improves.
- *SOE debt (4 percent of GDP).* This shock is calibrated at two times the magnitude of the standard assumption for contingent liabilities from SOEs, given the size of the SOE sector in Yemen and current limited visibility. It includes debt and arrears to service providers.

³ Local governments do not have borrowing authority.

- *Public Private Partnership shock (0 percent of GDP)*. According to the World Bank PPP database,⁴ the associated risk is minimal, as the PPP capital stock constitutes less than 3 percent of GDP.
- *Financial Market (5 percent of GDP)*. This factor captures risks emanating from the financial sector, including exchange rate and interest rate risks, which may affect debt burden, asset quality, or necessitate bank recapitalizations.

Text Table 3: Yemen: Calibration of the Standard Contingent Liability Shock

1 The country's coverage of public debt	The central government plus social security, central bank		
	Default	Used for the analysis	Reasons for deviations from the default settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	2.0	Potential state and local debt
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	4.0	Size of public sector
4 PPP	35 percent of PPP stock	0.0	There are no PPPs
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
Total (2+3+4+5) (in percent of GDP)		11.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

BACKGROUND ON MACRO FORECASTS

8. The macroeconomic forecasts contained in this DSA significantly differ from those in 2014. Surveillance in 2025 focuses on the territories controlled by the IRG while coverage in 2014 included the entire territory. Consequently, there is limited comparability of the macro forecasts with those in Yemen's last DSA published in 2014. The macroeconomic framework considers substantial changes in population, territory, as well as the underlying economic activity resulting from the conflict, as further illustrated below.

9. The macro framework is focused on the territory under effective control of Yemen's IRG, in line with the 2025 Article IV consultation. The IRG controls approximately two thirds of Yemen's territory.

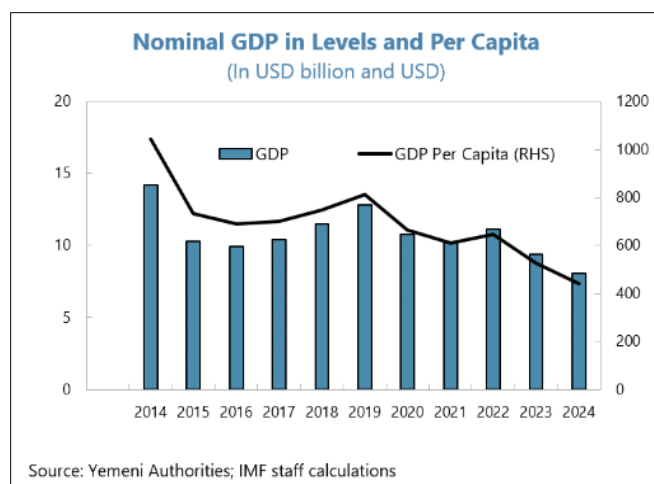
10. After a decade of ongoing civil war, Yemen remains a fragile and conflict affected state (FCS). The conflict that began in late 2014 and its impacts remain key drivers of economic fragility. Prospects raised by a 2023 UN peace roadmap stalled, as a result of involvement in the Israel-Gaza conflict through Red Sea attacks.

11. The protracted conflict disrupted macroeconomic stability and triggered a humanitarian crisis.

- *Humanitarian situation.* The conflict has caused widespread food insecurity, poor water access, disease outbreaks like cholera, and family displacement, leaving children especially at risk. Although international organizations and bilateral partners continue to provide critical aid, the scale of the crisis far exceeds the resources currently available. Yemen remains heavily dependent on external assistance and remittances.

⁴ For details, please see here: <https://ppp.worldbank.org/tools/data>.

- *Output, exchange rate and inflation.* Over 2014–24, real GDP declined by about 27 percent as per capita income plummeted from USD1,046 in 2014 to about USD441 in 2024, leaving over half of the population in urgent need of humanitarian assistance.⁵ In addition, the collapse and depletion of Yemen’s assets and capital stock have sharply reduced its long-term potential output. While the services sector dominates the economy, its growth is hampered by weak demand, frequent power shortages, and limited investment. Agriculture and fisheries offer opportunities for rapid livelihood improvement. Oil remains the primary source of foreign exchange; however, resuming production will require improved security and substantial rehabilitation of facilities.



- *External position.* The current account deficit widened from 2.1 percent of GDP in 2014 to an annual average of 30 percent over 2015–24. This reflects a sharp decline in hydrocarbon export revenues coupled with continued reliance on imported food and fuel. Remittances and external grants rose steadily over the same period, sustaining household consumption and essential imports.
- *Government finances and international reserves.* Government revenues (excluding grants) declined from 22.5 percent of GDP in 2014 to under 12 percent in 2024. In 2024, grants made up 42 percent of fiscal revenue, followed by tax revenues—including customs duties—at 29 percent, and hydrocarbon revenues from domestic sales at 24 percent. Government expenditure also declined, reaching 22.3 percent of GDP in 2024, from 27.7 percent of GDP in 2022. The largest spending categories were public salaries (32 percent), debt service (22 percent), and electricity subsidies (21 percent), with goods and services at 9 percent and capital expenditure at just 2 percent. The deteriorated external position depleted the international reserve coverage to less than one month of imports—despite extensive financial support from regional partners, esp. Saudi Arabia and the UAE, totaling about \$2 billion over 2023–24.

12. The baseline scenario assumes no resumption of hydrocarbon exports, and continued accumulation of external debt arrears. Staff projections assume significant financing constraints, and fiscal consolidation efforts guided by an economic reform plan based on Fund policy and TA advice. Amid limited government revenues due to halted oil exports, external PPG debt other than that of IDA is not expected to be serviced, resulting in further accumulation of arrears to bilateral official and multilateral creditors other than the IMF and World Bank, reaching an estimated 10 percent of GDP by 2030. Prudent fiscal management, together with sustained grants from regional and international partners,⁶ is anticipated to enable the authorities to discontinue monetary financing beginning in 2027, thereby facilitating a moderate reduction in domestic debt over the projection period.

⁵ United Nations Yemen Humanitarian Needs and Response Plan (2025).

⁶ The projected sustained budget grants of US \$300 million and overall grants of around 5 percent of GDP in the long-term million are based on engagement with regional and international donors during the Art. IV mission and staff estimates.

13. The macro forecast built in the baseline scenario projects a moderate recovery amid receding inflation over the medium-term:

- *Growth and inflation.* The economy is adjusting to the major shock caused by the halt in oil exports in 2022. The contractionary impact on GDP is moderating, with output expected to decline by just 0.5 percent in 2025, compared to nearly 10 percent in 2023. Staff projects a modest recovery, with growth accelerating to 2.5 percent of GDP starting in 2028, broadly representing Yemen's growth potential absent oil exports. The reduction (2026) and eventual cessation (2027 onwards) of monetary financing is projected to reduce inflationary pressures. The medium-term recovery is driven by receding inflation, supported by expansion of non-oil exports (mainly agricultural goods), growing remittances, and gradual growth in domestic oil production and refining.
- *Fiscal outlook.* Expenditure consolidation has been significant since 2022, with expenditures compressed by nearly 10 percentage points of GDP to accommodate the sharp drop in revenues following the halt of oil exports. This consolidation, combined with grant support from regional partners—primarily from KSA, but also the UAE—has helped contain the fiscal deficit. Going forward, staff projects continued fiscal prudence, with a primary fiscal surplus (including budget grants) of 1.8 percent of GDP on average over 2026–30.
- *External outlook.* Despite a cumulative drop of about 70 percent in total exports over 2023–24 due to halted oil exports, the current account deficit improved from 40½ percent of GDP in 2022 to 14½ percent of GDP on average in 2023–24 due to import compression, growing remittances, and grants from bilateral partners. The current account deficit is projected to continue narrowing in the near term (2025–26), due to further import compression, rising remittances and non-oil exports inflows, amidst stable grant support. As demand for essential imports rises with the gradual recovery, the current account deficit is expected to widen again over the medium term, partly offset by a modest increase in non-oil exports. At US\$ 0.35 billion as of June 2025, reserves are projected to slightly recover to around one month's worth of imports over the medium-term.
- *Financing outlook.* Financing needs in 2023 and 2024 reached 14.6 and 10½ percent of GDP respectively and were addressed through financial support from Saudi Arabia and government overdrafts at the CBY. The projected fiscal consolidation alongside modest domestic bank financing and continued external grants from regional partners—albeit at levels lower than in 2023–24—are expected to allow CBY to discontinue monetary financing starting in 2027 and sustain macroeconomic stabilization. The outlook does not include concessional financing given outstanding arrears.

Text Table 4. Yemen: Macroeconomic Framework

	2018	2019	2020	2021	2022	2023	2024	Est. 2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Real Economy													
Real GDP growth (percent)	8.5	4.7	0.3	6.0	-0.5	-9.3	-1.5	-0.5	0.5	1.5	2.5	2.5	2.5
Inflation (period average)	33.6	22.6	30.5	59.8	36.4	17.6	26.6	24.3	21.4	18.7	12.7	11.4	10.0
Current account (percent of GDP)	-33.1	-32.3	-40.3	-56.1	-40.6	-18.3	-10.7	-6.7	-6.9	-7.0	-7.2	-7.4	-7.8
External debt (USD bn)			6.1	6.0	6.1	6.1	6.0	6.3	6.3	6.3	6.3	6.3	6.3
Exchange rate (YER per US\$, eop)	535	612	669	952	1205	1518	2086						
Nominal GDP at current prices													
In billions of US\$	11.49	12.85	10.78	10.20	11.12	9.36	8.06	8.02	7.72	7.54	7.56	7.62	7.71
Per capita (in US\$)	749	813	663	610	647	528	441	426	399	378	368	360	354
Population (in millions)	15.34	15.80	16.26	16.71	17.20	17.73	18.26	18.81	19.37	19.96	20.55	21.17	21.81

Source: Yemeni authorities; IMF staff calculations.

14. Realism tool outcomes are included in this report (Figure 4) yet have limited applicability in the case of Yemen. Following significant shifts in the political and economic landscape since 2014—including the cessation of oil exports, which contributed to more than half of annual government revenues from 2005 to 2014, as well as changes in the geographic scope of surveillance that have led to considerable variations in the macroeconomic framework—the realism tool outcomes are of limited analytical value. Consequently, this report does not include a discussion of these results.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

15. Yemen's debt carrying capacity continues to be classified as weak, and its composite indicator score has further deteriorated from its pre-conflict assessment (Text Table 5). Based on calculations from the LIC-DSF composite indicator index, using the April 2025 WEO updates and the 2024 World Bank CPIA vintages, based on the World Bank's Country Policy and Institutional Assessment (CPIA) index, real growth rates, reserve coverage, remittances, and world economic growth, Yemen continues to be rated as having a weak debt carrying capacity. As a result, the relevant indicative debt thresholds for countries with weak debt-carrying capacity as shown in Text Table 6 are applied.

16. A standardized set of stress tests is conducted. This includes stress tests on real GDP growth, the primary balance, exports, current transfers, foreign exchange rate depreciation, and the combination shock scenario changes to all variables above. The first four shocks are calibrated to the variables' lower historical average minus one standard deviation, or its baseline projection minus one standard deviation, whichever value is less. The exchange rate depreciation considers a nominal depreciation of 30 percent in line with the default setting for the shock for the first year of the projection, while the combination shock applies half the magnitude of the individual shocks in the second or third years of the projection period. As Yemen does not currently export oil, no commodity price shock test has been performed.

Text Table 5. Yemen: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	1.865	0.72	41%
Real growth rate (in percent)	2.719	0.569	0.02	1%
Import coverage of reserves (in percent)	4.052	8.555	0.35	20%
Import coverage of reserves^2 (in percent)	-3.990	0.732	-0.03	-2%
Remittances (in percent)	2.022	15.494	0.31	18%
World economic growth (in percent)	13.520	2.973	0.40	23%
CI Score			1.77	100%
CI rating			Weak	
Debt Carrying Capacity	Weak			
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage	
Weak	Weak 1.77	Weak 1.81	Weak 1.82	

Text Table 6. Yemen: Debt Carrying Capacity and Applicable Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of Exports	140
PV of debt in % of GDP	30
Debt service in % of Exports	10
Debt service in % of Revenue	14

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	35

DEBT SUSTAINABILITY AND RISK RATING

A. External Debt Sustainability Analysis

17. **Yemen's external debt is assessed to be in distress and unsustainable.** The PV of both the external PPG debt-to-GDP as well as the external PPG debt-to-export ratios in the baseline exceed the indicative thresholds of 30 and 140 percent, respectively, throughout the projection horizon (Figure 1, Tables 1 and 3). The temporary drop of external PPG debt-to-GDP in 2025 is driven by the sudden and stark improvement of the exchange rate from YER 2,900 to YER 1,600 per US Dollar in August 2025, which is expected to reverse in 2026 and years thereafter. The large unpaid arrears to external creditors—assuming no repayment, and no restart of hydrocarbon

exports—render debt unsustainable. External debt liquidity indicators (debt service-to-export ratio and debt service-to-revenue ratios) remain below their respective thresholds in the baseline scenario (except for the debt service-to-export ratio in 2026). However, this outcome is only due to the model assumption that debt service throughout the projection period is limited to IMF and IDA only. All other external PPG debt will continue to accrue arrears, implying a continued lack of access to new official external financing which started in 2014.

18. Standard stress test scenarios yield external debt burden indicators which further deteriorate results throughout the projection period (Table 3). This is true for all stress tests, to varying degrees, based on the indicator in question. The findings highlight that, beyond the fiscal consolidation included in the baseline, Yemen requires significant additional fiscal adjustment and comprehensive debt relief to regain debt sustainability.

B. Public Debt Sustainability Analysis

19. Under the baseline scenario, Yemen’s overall public debt remains above the benchmark and assessed to be in distress and unsustainable (Figure 2, Table 2). As a share of GDP, overall public debt is projected to remain substantially above the 35 percent benchmark for countries with weak debt carrying capacity. Total public debt (both domestic and external) is projected to remain elevated throughout the projection horizon given continued accumulation of external arrears as well as the assumed closure of the financing gap with domestic debt. The temporary drop of PPG debt-to GDP in 2025 is owing to the exchange rate appreciation in 2025 affecting external PPG debt (see ¶17).

20. Stress tests reinforce the debt assessment. Under stress tests, the PV of the public debt-to-GDP ratio remains further above the indicative benchmarks over the projection horizon, while the PV of public debt-to-revenue and the debt service-to-revenue ratio keeps rising under the stress scenarios, particularly under the growth shock. This is true for all stress tests, to varying degrees, based on the indicator in question.

RESTORING DEBT SUSTAINABILITY

21. Restoring Yemen's debt sustainability requires a steadfast commitment to fiscal consolidation and debt relief. Yemen faces significant challenges due to the suspension of oil exports, which have resulted in the loss of more than half of its government revenues, rendering it unable to service its debt obligations. In staff’s assessment, Yemen’s debt level and debt service profile are such that the policies needed for debt stabilization under both the baseline and realistic shock scenarios are neither politically feasible nor socially acceptable and are inconsistent with preserving growth at a satisfactory level while making adequate progress towards the authorities’ development goals. Achieving debt sustainability therefore requires substantial improvements in government finances, which could be facilitated by increasing hydrocarbon production and resuming exports of oil, LNG, and LPG. The authorities have started preliminary discussions with

creditors and plan to engage them on comprehensive debt treatment in the future. These fiscal measures, coupled with a comprehensive debt operation that addresses legacy arrears, would allow Yemen to resume debt service, and, with time, restore debt sustainability.

CONCLUSION

22. Yemen is assessed to be in “external and overall debt distress”, with debt being unsustainable. Absent Yemen’s ability to service external PPG debt except IMF and IDA related debt, indicators regarding the total public debt continue to breach the indicative thresholds in both the baseline and shock scenarios. Domestic debt has been increasing as a share of GDP since 2018, due to greater reliance on monetary financing of government deficits. Resolving substantial outstanding arrears to multilateral and official bilateral creditors is essential to enable the resumption of official financing and market access. Restoring debt sustainability requires a steadfast commitment to fiscal discipline and structural reforms alongside efforts to boost the country's exports potential. The continuous implementation of sound macroeconomic policies, along with structural reforms that focus on improving Yemen’s attractiveness for investors and its competitiveness, will help to restore macroeconomic stability and set the stage for sustainable and inclusive long-term growth.

AUTHORITIES’ VIEWS

23. The authorities broadly agreed with the overall assessment of the country’s debt sustainability. The authorities accepted the assessment that public debt is not sustainable but noted that the high share of public debt to GDP is a result of assuming all outstanding liabilities for Yemen while the GDP is limited to the territories under their control. The authorities agreed that restoring debt sustainability requires steadfast implementation of fiscal consolidation alongside continued partner support and a comprehensive debt treatment, which they are seeking to advance with their creditors.

Table 1. Yemen: External Debt Sustainability Framework, Baseline Scenario, 2022–2045
(In percent of GDP, unless otherwise indicated)

	Actual			Projections							Average 8/		
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	69.7	89.9	107.1	73.9	102.0	106.2	106.9	105.7	104.2	96.0	88.1	50.0	99.5
<i>of which: public and publicly guaranteed (PPG)</i>	69.7	89.9	107.1	73.9	102.0	106.2	106.9	105.7	104.2	96.0	88.1	50.0	99.5
Change in external debt	8.1	20.3	17.2	-33.2	28.1	4.2	0.7	-1.1	-1.5	-1.5	-0.3		
Identified net debt-creating flows	35.0	31.2	25.2	7.2	6.4	5.3	4.1	4.2	4.5	3.6	-0.1	37.8	4.7
Non-interest current account deficit	39.6	16.9	10.0	6.7	6.9	7.0	7.1	7.4	7.7	7.2	4.2	29.5	7.3
Deficit in balance of goods and services	68.0	55.2	59.4	40.6	44.5	48.2	51.1	54.2	57.3	60.1	68.5	59.6	53.7
Exports	18.4	9.7	11.4	12.5	14.3	16.2	17.8	19.5	21.3	22.3	25.4		
Imports	86.3	64.9	70.8	53.1	58.8	64.4	68.9	73.7	78.6	82.4	93.9		
Net current transfers (negative = inflow)	-27.9	-37.0	-48.7	-34.0	-37.6	-41.2	-44.0	-46.8	-49.6	-52.9	-64.3	-29.8	-46.4
<i>of which: official</i>	-12.9	-18.2	-25.6	-9.4	-9.7	-10.0	-9.9	-9.8	-9.7	-7.9	-5.0		
Other current account flows (negative = net inflow)	-0.4	-1.3	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	0.0
Net FDI (negative = inflow)	-0.5	-0.1	0.0	-0.1	-0.1	-0.3	-0.4	-0.5	-0.6	-1.2	-2.1	-0.2	-0.6
Endogenous debt dynamics 2/	-4.2	14.4	15.3	0.6	-0.4	-1.5	-2.6	-2.6	-2.6	-2.4	-2.2		
Contribution from nominal interest rate	0.9	1.3	0.7	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0		
Contribution from real GDP growth	0.3	7.7	1.5	0.6	-0.4	-1.5	-2.7	-2.7	-2.7	-2.5	-2.2		
Contribution from price and exchange rate changes	-5.4	5.4	13.0	...	...	...	...	...	...	...	...
Residual 3/	-26.9	-11.0	-8.0	-40.4	21.7	-1.1	-3.5	-5.3	-5.9	-5.2	-0.2	-29.7	-5.7
<i>of which: exceptional financing</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	78.0	80.4	85.1	88.5	89.3	89.0	88.3	83.5	79.0		
PV of PPG external debt-to-exports ratio	...	...	682.6	644.9	595.3	547.7	501.9	456.5	415.3	374.4	311.1		
PPG debt service-to-exports ratio	5.0	13.8	6.2	4.9	10.5	9.6	8.7	7.7	6.7	5.7	1.5		
PPG debt service-to-revenue ratio	4.6	11.3	6.0	5.2	12.2	12.3	12.1	11.6	10.8	12.1	5.7		
Gross external financing need (Million of U.S. dollars)	4460.7	1697.7	857.3	579.5	638.4	625.9	627.7	636.0	654.0	608.8	231.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-0.5	-9.3	-1.5	-0.5	0.5	1.5	2.5	2.5	2.5	2.5	2.5	-2.4	2.0
GDP deflator in US dollar terms (change in percent)	9.5	-7.2	-12.7	0.1	-4.2	-3.8	-2.1	-1.7	-1.3	-1.1	-1.5	-2.1	-1.6
Effective interest rate (percent) 4/	1.6	1.6	0.7	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	1.2	0.0
Growth of exports of G&S (US dollar terms, in percent)	5.0	-55.7	1.6	8.6	10.4	10.4	10.4	10.4	10.4	10.4	2.5	-1.4	6.6
Growth of imports of G&S (US dollar terms, in percent)	-17.5	-36.7	-6.1	-25.4	6.7	6.9	7.4	7.7	8.0	2.5	2.5	-3.0	2.2
Grant element of new public sector borrowing (in percent)	...	...	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	...	0.0
Government revenues (excluding grants, in percent of GDP)	20.1	11.8	11.8	11.8	12.4	12.7	12.8	13.0	13.1	10.5	6.8	...	9.6
Aid flows (in Million of US dollars) 5/	554.7	450.3	1316.8	140.0	300.0	300.0	300.0	300.0	300.0	166.4	187.0	...	12.1
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.7	3.9	4.0	4.0	3.9	3.9	2.0	2.0	...	2.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	49.1	60.6	65.9	74.1	100.0	100.0	100.0	100.0	...	86.3
Nominal GDP (Million of US dollars)	11,124	9,364	8,058	...	...	...	...	...	...	...	...	...	...
Nominal dollar GDP growth	9.0	-15.8	-13.9	-0.5	-3.7	-2.4	0.4	0.8	1.2	1.4	1.0	-4.6	0.3
Memorandum items:													
PV of external debt 7/	...	...	78.0	80.4	85.1	88.5	89.3	89.0	88.3	83.5	79.0		
In percent of exports	...	...	682.6	644.9	595.3	547.7	501.9	456.5	415.3	374.4	311.1		
Total external debt service-to-exports ratio	5.0	13.8	6.2	4.9	10.5	9.6	8.7	7.7	6.7	5.7	1.5		
PV of PPG external debt (in Million of US dollars)	...	...	6285.8	6446.9	6569.6	6672.8	6751.4	6779.1	6808.5	6945.4	7386.3		
(PVI-PV1)/GDPt-1 (in percent)	...	...	2.0	1.5	1.3	1.0	0.4	0.4	0.4	0.2	0.7		
Non-interest current account deficit that stabilizes debt ratio	31.5	-3.3	-7.2	39.9	-21.2	2.8	6.5	8.5	9.2	8.8	4.5		

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $(r - g - p)(1 + g)^t / (1 + r + p + g)^t$ times previous period debt ratio, with r = nominal interest rate, g = real GDP growth rate, and p = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability; whereas projections averages are over the first year of projection and the next 10 years.

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No

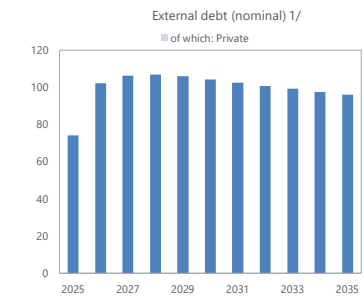
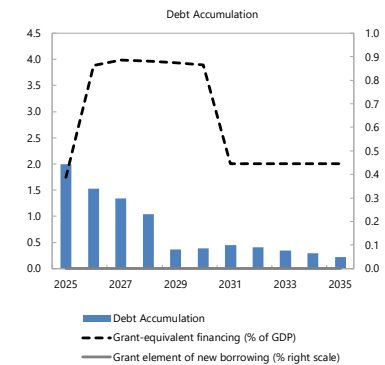
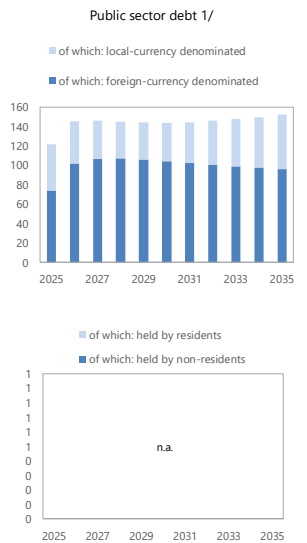


Table 2. Yemen: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–2045
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	108.2	140.8	156.6	121.6	145.2	145.6	144.7	143.9	143.3	152.1	201.5	77.8	143.9
of which: external debt	69.7	89.9	107.1	73.9	102.0	106.2	106.9	105.7	104.2	96.0	88.1	50.0	99.5
Change in public sector debt	10.0	32.6	15.8	-34.9	23.6	0.5	-1.0	-0.8	-0.6	2.5	7.2	8.0	-3.8
Identified debt-creating flows	5.0	28.0	12.9	0.5	-5.4	-6.4	-6.3	-5.7	-5.1	-1.8	3.4	3.6	-0.6
Primary deficit	3.2	7.9	-1.9	1.8	-1.8	-2.1	-1.9	-1.7	-1.6	-0.2	-0.8	11.2	15.0
Revenue and grants	22.4	15.0	20.4	13.6	16.2	16.7	16.8	16.9	17.0	12.5	8.8	14.8	14.3
of which: grants	2.3	3.2	8.6	1.7	3.9	4.0	4.0	3.9	3.9	2.0	2.0		
Primary (noninterest) expenditure	25.6	22.9	18.5	15.4	14.4	14.6	14.9	15.2	15.4	12.4	8.0		
Automatic debt dynamics	1.8	20.1	14.8	-1.3	-3.6	-4.4	-4.4	-4.0	-3.5	-1.6	4.2		
Contribution from interest rate/growth differential	-6.5	8.2	-3.2	-1.3	-3.6	-4.4	-4.4	-4.0	-3.5	-1.6	4.2		
of which: contribution from average real interest rate	-7.0	-2.8	-5.3	-2.2	-3.0	-2.3	-0.8	-0.4	0.1	2.1	9.0		
of which: contribution from real GDP growth	0.5	11.1	2.1	0.9	-0.6	-2.1	-3.6	-3.6	-3.6	-3.7	-4.8		
Contribution from real exchange rate depreciation	8.3	11.8	18.0	...	...	...	...	...	...	...	...
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	5.0	4.6	2.9	-35.4	28.9	6.9	5.3	4.9	4.5	4.3	3.8	4.2	3.4
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	138.9	109.5	128.3	128.0	127.1	127.1	127.3	139.5	192.4		
PV of public debt-to-revenue and grants ratio	...	...	680.9	807.4	789.6	767.4	756.2	751.5	748.5	1115.2	2180.1		
Debt service-to-revenue and grants ratio 3/	13.4	31.2	21.7	46.8	70.9	73.3	76.6	84.3	101.5	329.3	1223.8		
Gross financing need 4/	6.2	12.6	2.5	8.2	9.7	10.2	11.0	12.6	15.7	41.0	107.2		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-0.5	-9.3	-1.5	-0.5	0.5	1.5	2.5	2.5	2.5	2.5	2.5	-2.4	2.0
Average nominal interest rate on external debt (in percent)	1.5	1.7	0.8	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	1.2	0.0
Average real interest rate on domestic debt (in percent)	-10.2	-3.5	-7.5	-5.3	-3.0	-1.3	2.7	3.9	5.4	8.3	10.3	-9.2	3.5
Real exchange rate depreciation (in percent, + indicates depreciation)	14.1	15.7	20.1	...	...	...	...	...	...	...	...	7.2	...
Inflation rate (GDP deflator, in percent)	18.8	12.8	17.2	16.2	14.3	12.5	8.5	7.6	6.7	6.5	6.5	21.2	8.9
Growth of real primary spending (deflated by GDP deflator, in percent)	79.6	-18.7	-20.5	-17.3	-5.6	2.7	4.7	4.7	3.6	-1.8	-1.8	-1.7	-1.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-6.8	-24.7	-17.7	36.8	-25.3	-2.5	-0.9	-0.9	-1.0	-2.7	-8.1	-16.4	-0.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	No



Sources: Country authorities and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, central bank. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio (-): a primary surplus, which would stabilize the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Yemen: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025-2035
(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of debt-to GDP ratio											
Baseline	80	85	89	89	89	88	87	86	85	84	83
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	80	97	115	134	154	175	198	223	250	277	304
B. Bound Tests											
B1. Real GDP growth	80	110	149	150	150	149	147	145	144	142	140
B2. Primary balance	80	85	90	91	91	91	91	90	89	89	88
B3. Exports	80	96	111	112	112	112	111	111	110	108	107
B4. Other flows 3/	80	94	109	110	111	111	110	110	109	107	106
B5. Depreciation	80	111	108	108	107	106	105	103	102	101	100
B6. Combination of B1-B5	80	111	143	145	146	146	145	144	143	141	138
C. Tailored Tests											
C1. Combined contingent liabilities	80	85	89	90	90	90	89	88	88	87	86
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	80	87	92	93	92	91	89	87	85	83	81
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	30	30	30	30	30	30	30	30	30	30	30
PV of debt-to-exports ratio											
Baseline	645	595	548	502	457	415	407	399	391	383	374
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	645	679	711	753	789	823	925	1033	1143	1254	1365
B. Bound Tests											
B1. Real GDP growth	645	595	548	502	457	415	407	399	391	383	374
B2. Primary balance	645	598	555	512	469	429	423	416	410	402	395
B3. Exports	645	1957	6044	5560	5082	4647	4581	4515	4432	4325	4217
B4. Other flows 3/	645	657	672	620	568	520	514	508	499	486	474
B5. Depreciation	645	595	509	465	422	383	374	365	356	350	343
B6. Combination of B1-B5	645	1107	651	1624	1486	1361	1343	1326	1298	1265	1233
C. Tailored Tests											
C1. Combined contingent liabilities	645	598	552	508	464	423	416	408	401	393	385
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	645	711	637	566	501	443	424	411	398	384	370
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	140	140	140	140	140	140	140	140	140	140	140
Debt service-to-exports ratio											
Baseline	5	11	10	9	8	7	6	6	6	6	6
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	5	11	11	11	12	12	12	14	21	28	36
B. Bound Tests											
B1. Real GDP growth	5	11	10	9	8	7	6	6	6	6	6
B2. Primary balance	5	11	10	9	8	7	6	6	6	6	7
B3. Exports	5	33	97	94	83	73	66	65	81	102	101
B4. Other flows 3/	5	11	10	10	9	8	7	7	10	14	13
B5. Depreciation	5	11	10	8	7	6	6	5	5	3	3
B6. Combination of B1-B5	5	17	29	27	24	21	19	19	29	33	32
C. Tailored Tests											
C1. Combined contingent liabilities	5	11	10	9	8	7	6	6	6	6	6
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	12	11	10	8	7	6	6	6	7	6
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	10	10	10	10	10	10	10	10	10	10	10
Debt service-to-revenue ratio											
Baseline	5	12	12	12	12	11	10	11	11	12	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	5	12	14	16	17	19	21	25	40	56	76
B. Bound Tests											
B1. Real GDP growth	5	16	21	20	19	18	17	18	19	19	20
B2. Primary balance	5	12	12	12	12	11	11	11	12	13	14
B3. Exports	5	13	14	15	14	13	13	13	17	23	24
B4. Other flows 3/	5	12	13	14	14	13	13	13	19	27	28
B5. Depreciation	5	16	16	15	14	13	13	13	14	9	9
B6. Combination of B1-B5	5	14	19	19	18	17	17	17	28	33	35
C. Tailored Tests											
C1. Combined contingent liabilities	5	12	12	12	12	11	11	11	12	12	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	14	14	14	13	12	11	11	12	13	13
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	14	14	14	14	14	14	14	14	14	14	14

Sources: Country authorities, and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Yemen: Sensitivity Analysis for Key Indicators of Public Debt, 2025-2035
(In percent)

	Projections 1/										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
PV of Debt-to-GDP Ratio											
Baseline	110	128	128	127	127	127	129	131	134	136	140
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	110	127	126	120	115	109	104	100	96	92	89
B. Bound Tests											
B1. Real GDP growth	110	166	220	225	231	237	244	252	259	266	274
B2. Primary balance	110	138	147	145	143	142	142	143	145	147	149
B3. Exports	110	133	141	140	141	141	144	146	149	151	153
B4. Other flows 3/	110	137	148	148	149	150	152	155	157	159	162
B5. Depreciation	110	114	113	112	111	111	112	114	115	117	120
B6. Combination of B1-B5	110	143	157	150	151	153	157	160	164	167	171
C. Tailored Tests											
C1. Combined contingent liabilities	110	139	137	136	135	134	136	137	139	142	144
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	110	133	142	150	157	164	172	178	184	191	196
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	35	35	35	35	35	35	35	35	35	35	35
PV of Debt-to-Revenue Ratio											
Baseline	807	790	767	756	751	748	891	940	993	1,052	1,115
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	807	789	764	735	708	678	748	751	755	761	768
B. Bound Tests											
B1. Real GDP growth	807	959	1,147	1,166	1,191	1,217	1,551	1,653	1,759	1,870	1,987
B2. Primary balance	807	851	884	862	845	833	981	1,026	1,076	1,132	1,194
B3. Exports	807	820	843	834	832	831	990	1,046	1,103	1,162	1,226
B4. Other flows 3/	807	844	888	881	880	880	1,049	1,109	1,169	1,228	1,292
B5. Depreciation	807	716	689	678	671	664	778	822	863	915	968
B6. Combination of B1-B5	807	868	908	858	863	869	1,056	1,119	1,186	1,257	1,334
C. Tailored Tests											
C1. Combined contingent liabilities	807	855	824	807	797	789	935	982	1,034	1,091	1,154
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	807	881	912	954	979	999	1,207	1,276	1,370	1,468	1,570
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	47	71	73	77	84	101	140	181	226	275	329
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2025-2035 2/	47	69	70	70	73	82	103	125	146	167	187
B. Bound Tests											
B1. Real GDP growth	47	84	122	158	196	243	356	441	528	619	714
B2. Primary balance	47	71	127	176	168	172	210	243	281	325	374
B3. Exports	47	71	74	78	85	103	141	182	230	283	338
B4. Other flows 3/	47	71	74	78	86	103	142	183	233	288	343
B5. Depreciation	47	65	68	65	78	94	129	161	209	248	305
B6. Combination of B1-B5	47	74	82	86	104	131	188	243	300	362	428
C. Tailored Tests											
C1. Combined contingent liabilities	47	71	128	122	123	134	173	210	252	298	351
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	47	77	95	145	194	244	338	406	478	552	629
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 1. Yemen: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2025–2035^{1,2}



Customization of Default Settings		
Tailored Stress	Size	Interactions
Combined CL	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	31	31
Avg. grace period	6	6

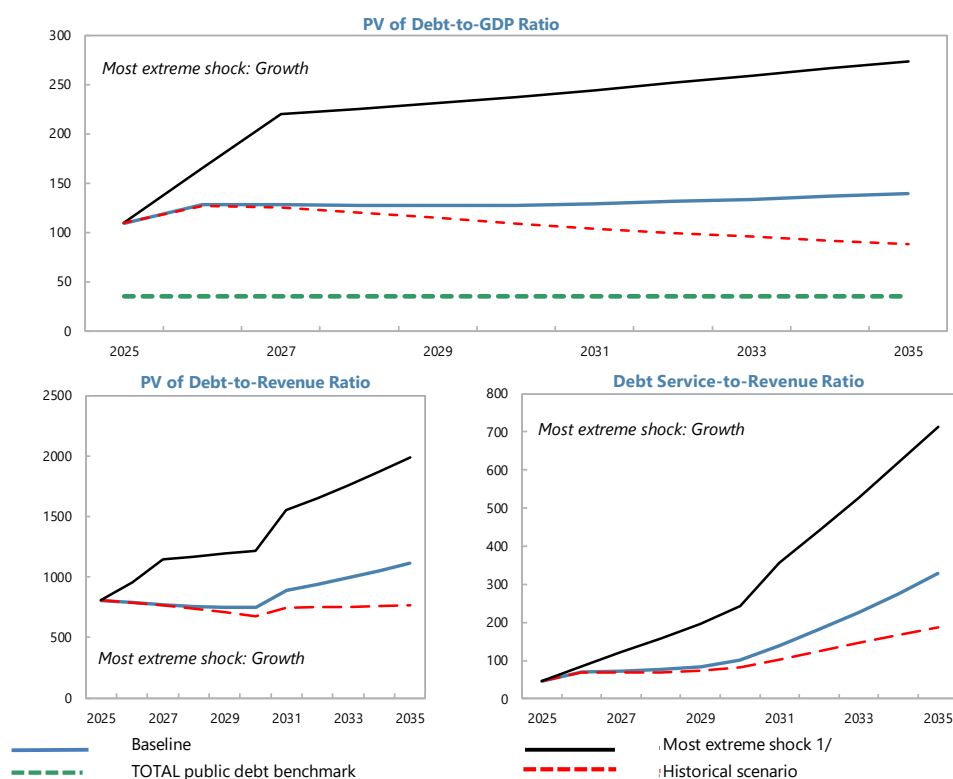
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Yemen: Indicators of Public Debt under Alternative Scenarios, 2025–2035^{1,2}



Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*	Default	User Defined
Shares of marginal debt		
External PPG medium and long-term	7%	7%
Domestic medium and long-term	2%	2%
Domestic short-term	91%	91%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	0.8%	0.8%
Avg. maturity (incl. grace period)	31	31
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	11.1%	11.1%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	1	1
Domestic short-term debt		
Avg. real interest rate	-7.9%	-7.9%

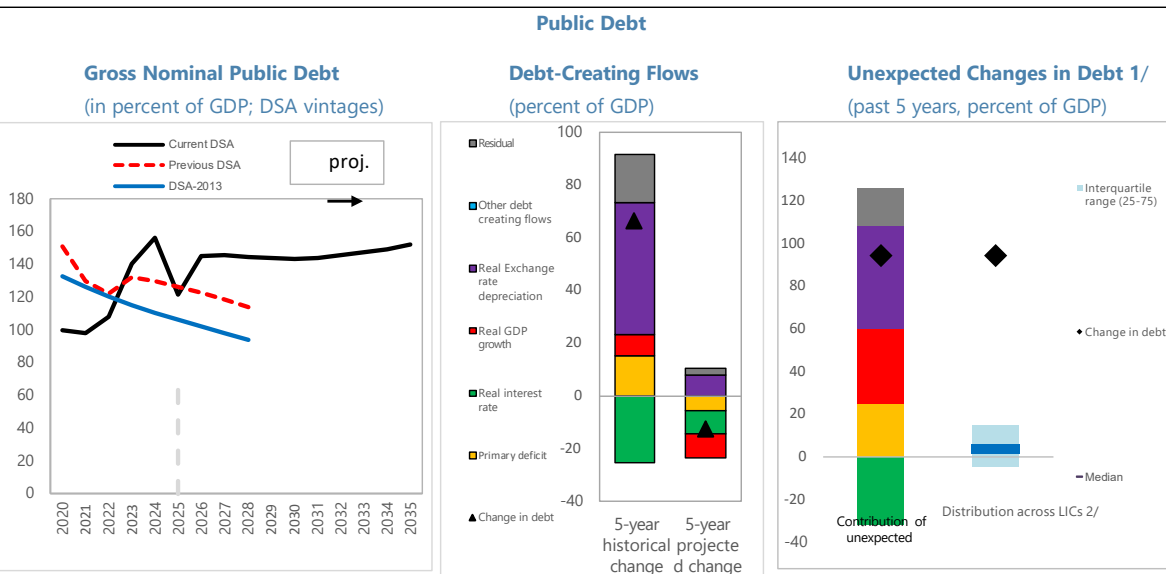
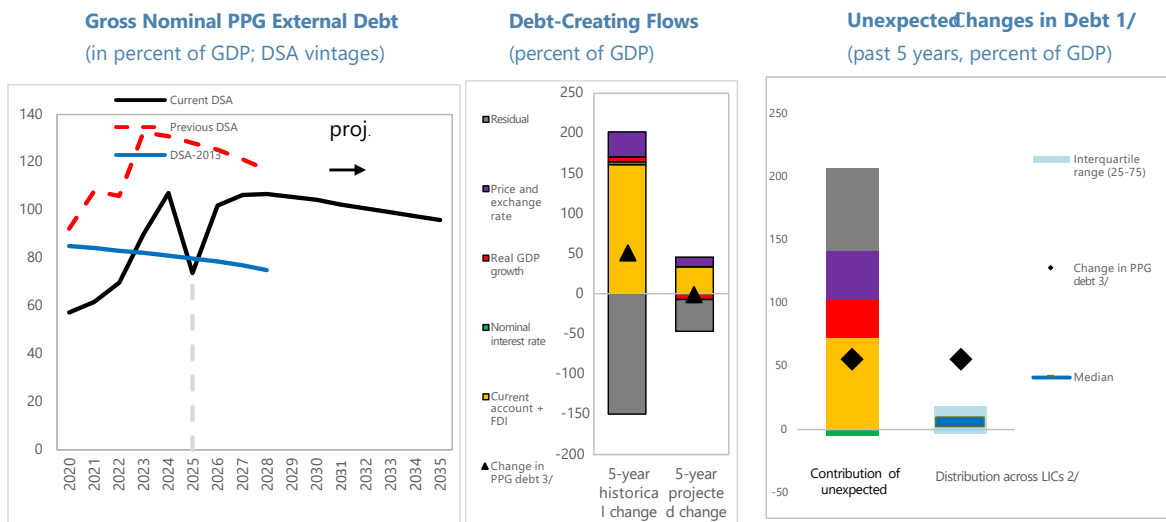
Sources: Country authorities; and staff estimates and projections.

Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2035. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2 The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research.

Figure 3. Yemen: Drivers of Debt Dynamics Baseline Scenario, 2020-2035^{1,2,3}



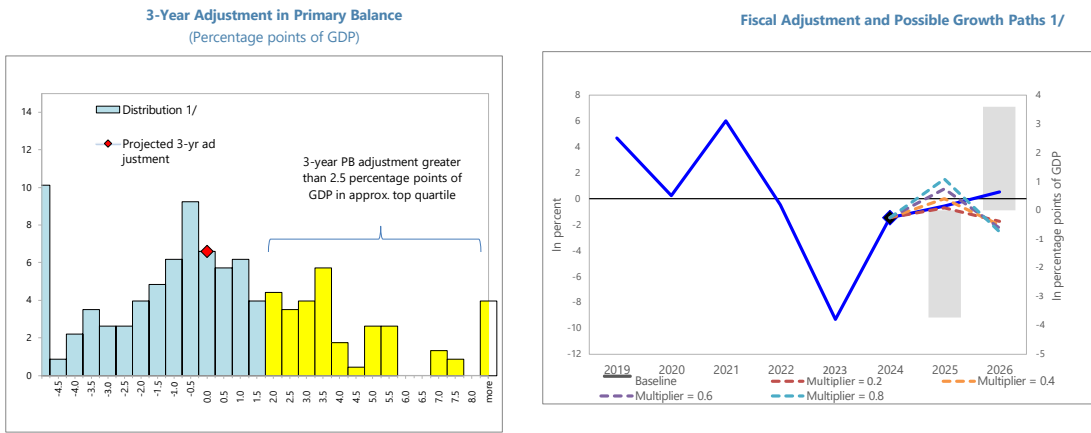
Source: Country authorities; IMF staff estimates and projections.

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Yemen: Realism and Forecast Error Tools



Source: Country authorities; IMF staff estimates and projections.

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).



REPUBLIC OF YEMEN

March 18, 2026

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION— SUPPLEMENTARY INFORMATION

Approved By
Taline Koranchelian
Jarkko Turunen

Prepared by the Middle East and Central Asia Department in consultation with the Strategy, Policy, and Review Department

This supplement provides an update on developments since the circulation of the staff report to the Executive Board on November 21, 2025, namely Yemen's political situation and the recent conflict in the Middle East. The information presented is based on staff's assessment of the economic impact of the recent political developments and the conflict in the Middle East, and virtual discussions held with the authorities. This supplement does not alter the thrust of the staff appraisal and staff's policy recommendations remain as set out in the staff report.

CONTEXT

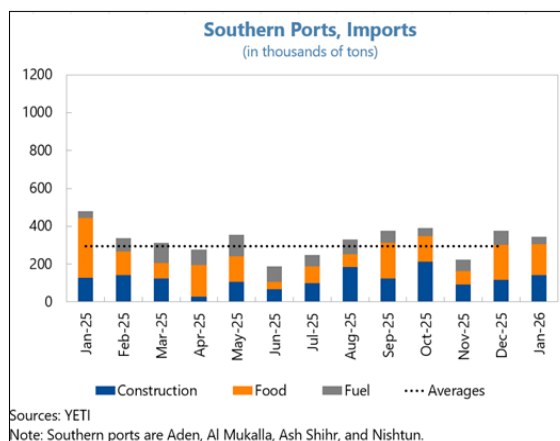
- 1. Southern Yemen experienced a sharp though short-lived political breakdown in late 2025.** In early December, the Internationally Recognized Government (IRG) of Yemen lost control of several southern governments and key infrastructure to the Southern Transitional Council (STC)—a member of the Presidential Leadership Council (PLC). This led to the postponement of the completion of the 2025 Article IV consultation—the first in more than a decade. In January 2026, following an intense military counteroffensive, the PLC reasserted central authority in southern Yemen. The STC was dissolved and its leader left the country. Throughout this period, the IMF has maintained close engagement with Yemen through ongoing policy dialogue and capacity development.
- 2. A new government was formed in February 2026, and the military command was further unified across IRG-controlled regions.** In early February 2026, the PLC announced the formation of a new 35-member government headed by Prime Minister Shaya Mohsen Al-Zindani, an experienced diplomat. The new cabinet, which was sworn in on February 9 in Riyadh, Saudi Arabia, appointed security-focused defense and interior ministers. The appointment of Marwan Faraj Saeed bin Ghanem as the Finance Minister, together with the Ministers in oil, planning, and electricity, signals a focus on technical and sectoral expertise. The central bank governor remains in office. Additionally, a new Supreme Military Committee was established to better unify the various Southern military groups under a single command

structure. Subsequently, the conflict in the Middle East erupted on February 28 and, so far, has not directly affected Yemen.

ECONOMIC IMPACT OF THE POLITICAL CRISIS

3. The economic impact of the recent political developments on activity and productive capacity appears limited.

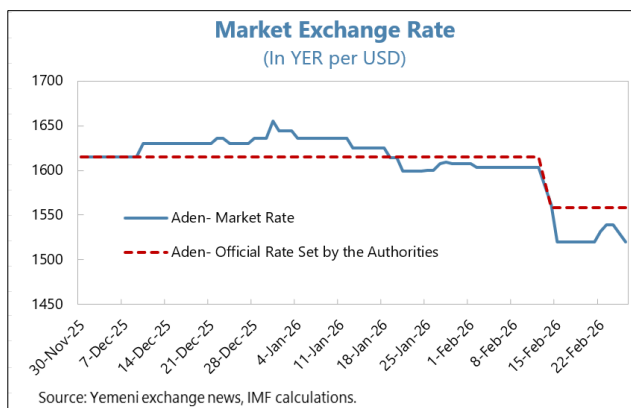
- Temporary disruption to economic activity.* Armed clashes during the five-week political upheaval lasted about two weeks, leading to short-lived disruptions to transport, logistics, and certain administrative operations. Oil production experienced brief disruption which marginally reduced electricity availability from 4 hours to about 3.5 hours a day. There was a 72-hour closure on all land, sea, and air entry points. During December 2025 and January 2026, traffic and imports at southern ports remained steady. Trade flows were broadly operational, supported by external financing flows. Activity normalized after government forces reasserted control in early January, suggesting the output loss was largely transitory and limited.



- Limited damage to physical assets.* This reflects the short duration of the military campaign, and the parties' interests in preserving existing infrastructure and other assets. While hostilities were concentrated around strategic infrastructure—oil facilities, ports, airports, and military sites—there is no evidence of extensive damage: oil installations, including *PetroMasila* facilities, experienced equipment degradation and forced shutdowns, implying rehabilitation needs rather than reconstruction. Port facilities in Aden and Mukalla suffered localized damage to auxiliary infrastructure and handling equipment but remained broadly operational. Airports faced temporary closures without reported runway or terminal destruction. Roads, bridges, power networks, housing stock, and fertile farmland were largely spared, with disruptions stemming mainly from insecurity, fuel shortages, and administrative disruptions rather than physical destruction.

4. The exchange rate has remained broadly stable throughout the political crisis.

The Yemeni rial fluctuated within a ± 1 percent range from November to early March. During this period, ongoing FX inflows, including Saudi budget support of USD 209 million to finance public sector salaries and the release of US\$45 million of CBY deposits, helped sustain the



exchange rate. This was further supported by continued central bank and banking operations which maintained payments and confidence in the local currency for domestic transactions.

5. Inflation continued to decline despite heightened political and security tensions. Year-on-year inflation fell markedly from 5.7 percent in November to -1.7 percent in January 2026, reflecting the phased pass-through of exchange appreciation since August 2025 on domestic prices. As a result, 2025 yearly inflation reached 21.4 percent, broadly in line with staff projection of 24.3 percent presented in the staff report.

6. Fiscal prudence continued to prevail in December 2025 despite the conflict. Preliminary fiscal outturns for 2025 outperformed earlier staff estimates, with the government deficit estimated at about 3.5 percent of GDP, compared to 4.9 percent of GDP in the staff report. Budget grants increased to US\$180 million, against US\$120 million outlined in the staff report. Tax collections reached 6.8 percent of GDP surpassing staff's projection of 5.9 percent of GDP, due to improved customs and tax collections. Expenditure amounted to 18.2 percent of GDP, slightly above the projected 18.1 percent of GDP. Monetary financing remained consistent with forecasts, accurately reflecting both the overall cash balance and the financing of delayed revenue transfers under settlement.

7. The recently approved 2026 expenditure plan prioritizes spending necessary for government operations and basic services. The plan aims to restore timely payment of public sector salaries, finance essential services, and support social protection, while still remaining below 2018–25 average levels. On the revenue side, external grants have exceeded the projections outlined in the staff report, with US\$346 million of committed budgetary support from Saudi Arabia to facilitate timely payment of public sector salaries—of which US\$119 million already disbursed. Higher revenues are also anticipated from increased tax and customs collections resulting from liberalizing the customs exchange rate, which will structurally expand Yemen's tax base. Overall, the authorities expect a government deficit of 2–2.5 percent of GDP and seek to avoid unsterilized deficit monetization to protect inflation and exchange rate stability.

8. Staff financing projections remain realistic, with a moderate upside expected for 2026. Committed 2026 budget support from Saudi Arabia of US\$346 million exceeds the staff projection of US\$300 million presented in the staff report. Over 2026–30, staff projects overall external financing, at around US\$870 million annually, supported by steady financing from the Saudi Development and Reconstruction Program, the World Bank, and European partners.

Table 1. Yemen: Budget Support 2025 and 2026
(In USD million)

	2025 1/	2026 2/
Staff Report	120	300
Current	182	346

Source: Yemeni Authorities

1/ Of which paid out in October 2025: USD 92 million, and USD 90 million in November–December 2025.

2/ USD 346 million budget support for public salaries, of which paid out by March 2026: USD 119 million.

POTENTIAL ECONOMIC IMPACT OF THE CONFLICT IN THE MIDDLE EAST

9. Vessel traffic at Yemen's southern ports had decreased moderately two weeks into the conflict. The measured yearly decline of 17 percent may partly reflect the humanitarian nature of cargo flows, as well as the fact that Yemeni southern ports are located farther from the Strait of Hormuz. Nonetheless, elevated risk premia, disruptions, and cautious vessel operations—priced in current energy and food prices—are causing a negative terms-of-trade shock for net oil importers like Yemen (¶10).

10. Yemen's import-dependent economy is exposed to the negative terms of trade shocks caused by the conflict in the Middle East. Staff has revised the macroeconomic baseline to incorporate updated assumptions for oil and food prices following the Middle East conflict. In 2026, oil prices are expected to increase markedly (about 27 percent)—while the food price index rises more moderately (around 3 percent). Over the medium term, oil and food prices ease but remain above levels observed prior to the conflict. The negative terms-of-trade shock has the following adverse effects on the external and fiscal positions, inflation, and real economic activity:

- *External position.* Nominal imports are expected to increase steadily following the shock, reflecting higher international prices for food and fuel, while import volumes are assumed to adjust only slightly given the low price elasticity of essential goods. Compared to the staff report baseline, the current account is expected to worsen by about one percentage point of GDP between 2026–28 due to higher imports and limited export growth. This decline would put pressure on the exchange rate, reduce reserves from 0.4 to 0.1 months of imports, and require additional grants of about \$120 million, to fund essential imports.
- *Inflation.* Rising global prices for food and oil, along with a weaker exchange rate, are expected to increase inflation, eroding real incomes. In the revised baseline, headline inflation rises by 5.1 percentage points in 2026 compared to the original baseline, and gradually declines but stays 2.7 percentage points above pre-shock levels by 2030 over the medium term as global price pressures remain above pre-shock levels.
- *Growth.* The commodity price shock is expected to be contractionary in the short run. Higher inflation and income losses would reduce real private consumption, while modest import compression and energy shortages would cause minor disruptions in production. Overall, growth would contract in 2026 by -0.7 percent (compared to 0.5 percent growth before the shock), before gradually recovering as price pressures abate.
- *Fiscal position.* The government's prioritization of essential spending is expected to increase the fiscal deficit (cash basis) from 0.6 percent of GDP in 2026 to 1.2 percent, and from a balanced budget position in 2027 to a deficit of 1 percent of GDP, compared to the staff report baseline. Although the return to a balanced budget is now anticipated in 2028, rather than 2027 as

previously forecasted, projected deficits are expected to remain contained, reflecting restrained external budget support and the expectation that monetary financing during this and next year will be limited to amounts that can be sterilized.

- *Humanitarian implications.* Yemen remains extremely fragile, where widespread displacement, poverty, and food insecurity, risk intensifying in the context of the Middle East conflict.

Staff Outlook: Main Macroeconomic Indicators, 2025–2030

AIV baseline						
	2025	2026	2027	2028	2029	2030
Real GDP growth (%)	-0.5	0.5	1.5	2.5	2.5	2.5
Inflation (%)	24.3	21.4	18.7	12.7	11.4	10
Current account balance (% of GDP)	-6.7	-6.9	-7	-7.2	-7.4	-7.8
Import of goods and services (millions of USD)	4,255	4,540	4,853	5,212	5,613	6,063
Total grants (millions of USD)	750	750	750	750	750	750
Reserves (in months of import)	0.4	0.3	0.3	0.4	0.6	1
Overall government balance (% of GDP)	-4.9	-0.6	0	0	0	0
Total government revenue (% of GDP)	13.3	16.2	16.7	16.8	16.9	17
Total government expenditure (% of GDP)	18.1	16.8	16.7	16.8	17	17
Revised baseline due to the Conflict in the Middle East						
	2025	2026	2027	2028	2029	2030
Real GDP growth (%)	-0.5	-0.7	0.5	1.6	2.0	2.5
Inflation (%)	21.4	26.5	22.4	16.1	14.0	12.7
Current account balance (% of GDP)	-6.7	-8.1	-8.0	-8.0	-7.9	-7.9
Imports of goods and services (millions of USD)	4,255	4,733	5,020	5,362	5,740	6,165
Total grants (millions of USD)	750	870	870	870	870	870
Reserves (in months of import)	0.4	0.1	0.1	0.1	0.4	0.9
Overall government balance (% of GDP)	-3.5	-1.2	-1.0	0.0	0.0	0.0
Total government revenue (% of GDP)	14.7	17.2	17.1	17.7	18.5	18.8
Total government expenditure (% of GDP)	18.2	18.4	18.1	17.6	18.5	18.8

Source: Yemeni Authorities; IMF staff calculations.

11. Looking ahead, risks remain tilted to the downside. Escalation of the Middle East conflict could substantially disrupt shipping routes. This may place even greater pressure on Yemen’s external sector and inflation, thereby deepening the humanitarian crisis. Further, political fragmentation may weaken confidence and delay the recovery.

12. A negative terms-of-trade shock requires policies to limit GDP loss, control inflation, safeguard vulnerable households, alongside increased external financing.

- *Policy space.* Yemen had limited policy space before the Middle East conflict caused a negative terms-of-trade shock. The country lacked sufficient reserve buffers (less than one months of imports) and had relied heavily on government spending for fiscal consolidation over 2023–25 (Staff Report, ¶43). In this context, the revised baseline incorporates an additional US\$46 million in committed budget support for 2026 and conservatively adds US\$120 million per year in external financing, providing more policy space.

- *Policy recommendations.* In line with the Staff Report, staff recommends that the authorities prioritize policies that protect social welfare and ensure macroeconomic stability. Monetary policy should remain focused on containing inflation, supported by tight control of monetary aggregates to limit pass-through and help protect real incomes and demand, while allowing greater exchange rate flexibility. With a stronger-than-anticipated fiscal position in 2025, additional fiscal space in 2026 from higher projected revenues—particularly from implementing high-yield measures such as customs valuation at the market exchange rate—and increased external financing relative to the Article IV baseline, there is scope to moderately increase near-term spending and the deficit to cushion the adverse terms-of-trade shock, especially following the sizeable expenditure reduction over 2022–25. The authorities should continue to prioritize spending necessary for government operations, support demand, and ease the acute humanitarian crisis. This includes timely payment of public sector salaries and protecting vulnerable households through direct social transfers as electricity subsidy rationalization proceeds. Further expenditures should be contingent on the availability of additional external funding or revenue upsides. The authorities should return to a balanced budget position as soon as global oil and food prices stabilize.

13. The recent developments do not alter the thrust of the staff appraisal. The late-2025 political and security situation in southern Yemen resulted in short-lived disruptions but had a limited and transitory macroeconomic impact. Trade flows through southern ports remained broadly operational, physical damage to infrastructure was contained, the exchange rate remained stable, and inflation continued to ease, supported by restrained monetary financing and sustained foreign exchange inflows. Fiscal performance in 2025 exceeded expectations, reflecting stronger-than-anticipated grants and improved revenue collection, underscoring continued fiscal discipline despite heightened uncertainty. Similarly, spillovers from the recent Middle East conflict have so far been contained. Yemen, as a net commodity importer, will likely face the impact mainly through rising global food and fuel prices. To maintain macroeconomic and social stability, these developments require additional external financing, the containment of inflation through stringent control of monetary aggregates, and a higher fiscal deficit in the near-term to preserve government operations and direct social transfers to vulnerable households. The authorities should quickly return to a balanced budget as soon as global oil and food prices decline.

AUTHORITIES' VIEWS

14. The new authorities noted that the economic impact of the ongoing conflict in the Middle East has so far been minimal, although they remain vigilant. They highlighted that its impact will depend on several factors, including the trajectory of developments in the region—such as the possible re-emergence of trade restrictions in the Red Sea—as well as the scale, scope, and duration of any further escalation in the conflict. In the event of sustained increases in oil or food prices, fiscal policy will remain focused on protecting the most vulnerable segments of the population through the reprioritization of public spending and the provision of targeted support to households. However, the government's ability to respond will necessarily be constrained by

currently limited fiscal buffers. In this context, the authorities noted that further international support is essential to maintain macroeconomic stability and avoid a worsening humanitarian crisis. Monetary policy will remain focused on maintaining price stability, including by containing exchange rate volatility and anchoring inflation expectations. The recently established Committee for Regulating and Financing Imports will prioritize the provision of financing for essential imports, including food, energy, and critical medical supplies.

15. The new authorities have endorsed the staff report and recommendations. Staff has engaged with the authorities in virtual discussions and received updated data and information. The Minister of Finance has confirmed the staff report's characterization of the authorities' views, government policy intentions and initiatives—even in light of the Middle East conflict impact thus far. The Minister of Finance also welcomed the staff's recommended policies in the staff report, which are re-iterated in this supplement, to support the authorities' policy efforts.

Table 2. Yemen: Selected Economic Indicators, 2018–2030

	2018	2019	2020	2021	2022	2023	2024	2025	Proj. 2026	Proj. 2027	Proj. 2028	Proj. 2029	Proj. 2030
Real Economy	(percentage change, unless otherwise indicated)												
GDP at constant 2015 prices	8.5	4.7	0.3	6.0	-0.5	-9.3	-1.5	-0.5	-0.7	0.5	1.6	2.0	2.5
Oil Production (thousands of barrel per day)	67.0	67.0	60.0	55.0	46.0	22.0	19.0	19.0	19.5	20.0	21.0	22.0	23.0
Consumer prices (period average)	33.6	22.6	30.5	59.8	36.4	17.6	26.6	21.4	26.5	22.4	16.1	14.0	12.7
General Government Accounts	(percent of GDP)												
Total revenue	12.9	16.0	11.6	13.9	22.4	15.0	20.4	14.7	17.2	17.1	17.7	18.5	18.8
Revenue	12.5	15.3	11.5	12.8	20.1	11.8	11.8	12.4	12.5	13.3	13.9	14.8	15.1
Grants	0.4	0.6	0.1	1.1	2.3	3.2	8.6	2.3	4.7	3.8	3.8	3.7	3.7
Total expenditure	27.5	25.9	21.0	16.3	27.7	26.4	22.3	18.2	18.4	18.1	17.6	18.5	18.8
Fiscal balance (cash basis)	-14.6	-9.9	-9.5	-2.5	-5.4	-11.4	-1.9	-3.5	-1.2	-1.0	0.0	0.0	0.0
Fiscal balance (before grants)	-15.0	-10.6	-9.6	-3.6	-7.7	-14.6	-10.5	-5.8	-5.9	-4.8	-3.7	-3.8	-3.7
External sector	(in millions USD, unless otherwise indicated)												
Exports of goods and services	1,454	1,533	1,256	1,949	2,045	906	921	1,000	1,104	1,218	1,345	1,485	1,639
Of which: hydrocarbons	1,017	1,071	764	1,167	1,137	37	0	0	0	0	0	0	0
Exports of goods and services (percent change)	7.1	5.5	-18.1	55.2	5.0	-55.7	1.6	8.6	10.4	10.4	10.4	10.4	10.4
Imports of goods and services	7,834	8,326	8,374	11,635	9,605	6,077	5,705	4,255	4,733	5,020	5,362	5,740	6,165
Imports of goods and services (percent change)	24.9	6.3	0.6	38.9	-17.5	-36.7	-6.1	-25.4	11.2	6.1	6.8	7.1	7.4
Balance of goods and services	-6,380	-6,792	-7,118	-9,687	-7,559	-5,171	-4,784	-3,255	-3,629	-3,802	-4,017	-4,255	-4,525
Primary income, net	-42.4	-56.5	-34.1	-40.2	-56.4	-4.1	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0
Current transfers, net	2,618	2,700	2,808	4,002	3,104	3,465	3,928	2,727	3,029	3,234	3,461	3,710	3,980
Remittances	1,329	1,408	1,491	1,578	1,668	1,763	1,862	1,977	2,159	2,364	2,591	2,840	3,110
Total Grants (including deposits)	1,289	1,292	1,317	2,424	1,436	1,702	2,066	750	870	870	870	870	870
Current account	-3,804	-4,149	-4,344	-5,725	-4,512	-1,710	-860	-532	-604	-572	-560	-549	-550
(in percent of GDP)	-33.1	-32.3	-40.3	-56.1	-40.6	-18.3	-10.7	-6.7	-8.1	-8.0	-8.0	-7.9	-7.9
Memorandum items													
Gross foreign reserves (millions of US\$)	313	144	127	891	704	256	230	142	113	114	156	291	488
Reserves in months of imports	0.5	0.2	0.2	0.9	0.9	0.5	0.5	0.4	0.1	0.1	0.1	0.4	0.9
Exchange rate (YER per US\$, average)	536	576	743	1028	1115	1355	1818	2109					
Exchange rate (YER per US\$, eop)	535	612	669	952	1205	1518	2086	1615					
Nominal GDP at current prices													
In trillions of Yemeni rials	6.2	7.4	8.0	10.5	12.4	12.7	14.7	16.7	19.5	22.5	25.3	28.2	31.4
In billions of US\$	11.5	12.8	10.8	10.2	11.1	9.4	8.1	7.9	7.4	7.1	7.0	7.0	7.0
Per capita (in US\$)	749	813	663	610	647	528	441	420	384	357	341	329	320
Population (IRG, in millions)	15	16	16	17	17	18	18	19	19	20	21	21	22

Source: Yemeni Authorities; IMF staff calculations

**Statement by Mr. Maait and Ms. Merhi on Republic of Yemen
Executive Board Meeting
March 31, 2026**

On behalf of the Yemeni authorities, we extend our sincere appreciation to Staff, Management and the Executive Board for the resumption of the Article IV consultation with Yemen. We would like to particularly thank the mission team, led by Ms. Perez Ruiz, for their dedication and tireless efforts to bring this Consultation to the Board. This is an important milestone for Yemen, as the last Article IV consultation was completed more than eleven years ago, on September 2, 2014. We also wish to highlight the authorities' deep appreciation for the current and previous mission chiefs, resident representatives, and the dedicated Fund staff who, over the past decade, have supported Yemen through staff missions, technical assistance, capacity development, and valuable policy advice. The authorities broadly concur with staff's assessment and policy advice and are committed to using the consultation's recommendations to guide the implementation of their Economic Recovery Plan (ERP) and the comprehensive fiscal reforms recently adopted.

Security developments in late 2025 caused disruptions that were largely short-lived, with trade flows through southern ports remaining broadly operational and the macroeconomic impact assessed as limited. In February 2026, Yemen's Presidential Leadership Council (PLC) announced the formation of a new internationally recognized government by Prime Minister Al-Zindani. The new cabinet, which includes three women for the first time since 2015, adopted a work program aligned with the Economic Recovery Plan and endorsed the 2026 budget framework that prioritizes salary payments and essential services, supported by significant budgetary assistance from the Kingdom of Saudi Arabia which continues to play a crucial role for Yemen. The Prime Minister and members of the cabinet are now operating from Aden to advance the work program and oversee the delivery of priority services.

Background

Yemen remains one of the world's most fragile states, facing a severe humanitarian crisis and significant macroeconomic vulnerabilities. More than a decade of conflict has greatly impacted the country: displacing millions of people, exacerbating the toll of human suffering, undermining growth potential, deepening fiscal vulnerabilities, destroying institutions, and hindering the delivery of essential services. The situation on the ground remains dire and the country continues to face significant development needs, chronic water shortages, and pressing social demands. With one of the highest malnutrition rates in the world, Yemen's poverty reduction needs are enormous. According to the United Nations estimates, around 19.5 million people will require humanitarian assistance and protection in 2025 – an increase of over one million from the previous year, and more than 50 percent of the population lives below the poverty line.

Over the past decade, real GDP has contracted by about 27 percent, per capita income has fallen sharply, and inflation has worsened due to a depreciating currency. Given that Yemen is an import-dependent economy, it is exposed to the negative terms of trade shocks caused by the conflict in the Middle East. As a result, growth is expected to contract in 2026 before gradually recovering as price pressures abate.

Economic Recovery and Stabilization Policies

Notwithstanding a fragile political and security environment, the authorities have strived to maintain core state functions, providing the institutional foundation for the resumption of surveillance and for renewed momentum in fiscal, monetary, and governance reforms. They are determined to build resilience, maintain macroeconomic stability, provide basic services to the population and lay the foundations for inclusive growth.

The government's priorities focus on maintaining political and security stability; sustaining economic, fiscal, and monetary stabilization; and implementing the ERP for 2025–26. The government is to be commended for quickly setting its priorities and approving the government program and the budget for 2026. On the economic side, priorities focus safeguarding scarce reserves for essential imports, ensuring regular payment of public salaries, rationalizing spending while strengthening revenue mobilization, and sustaining basic service delivery—particularly in the electricity sector. The government has also committed to strengthening governance and the rule of law, supporting food security and livelihoods, enhancing social cohesion and rebuilding partnerships with the international community, including continued engagement with the IMF.

Fiscal Policy and Reforms

Despite the recent political and security developments, the authorities adhered to fiscal prudence. Preliminary 2025 fiscal outturns point to stronger-than-expected performance, with the overall deficit now estimated at about 3.5 percent of GDP (compared to 4.9 percent in the staff report), reflecting higher grants and improved revenue collection.

The authorities remain committed to improving public finances by mobilizing domestic revenues and rationalizing expenditures, which are crucial to ease the acute humanitarian crisis, and create space for social spending given the scarcity of resources. To that end, they have adopted and are implementing tax and customs administration measures to combat tax evasion, timely revenue collection from the governorates, customs valuation at the market exchange rate, anti-smuggling measures, and upgrading customs and tax IT systems. A high-level joint committee comprising representatives from the General Taxation Department and the Yemen Customs Authority, chaired by the Deputy Finance Minister, has been formed to enhance the

cooperation and monitor the implementation of the overall revenue mobilization program. Programs to improve tax arrears management, enhance tax compliance, and unify the tax procedure code are being developed with the Fund's support. The Yemeni banking sector will also be used for tax collection to improve efficiency and reduce leakages. The authorities will also be undertaking a review of current expenditure control practices as well as budget execution and commitment controls. The authorities plan to reduce electricity subsidies through gradually raising tariffs toward cost coverage, and reducing losses by enhancing infrastructure, and the timing for further subsidy reforms will carefully consider social stability considerations.

In line with their commitment, the authorities have submitted the 2026 budget which prioritizes macroeconomic stabilization under severe financing constraints.

The budget links expenditures to available revenues and grants, in order to limit monetary financing. It ensures regular payment of public salaries, protection of essential services, and strengthening of domestic revenue mobilization, while continuing strict expenditure control. The authorities acknowledge that public debt is unsustainable but would like to underscore that the high share of public debt to GDP partly stems from including all of Yemen's outstanding liabilities, while the GDP is limited to the territories under their control. Given the high debt burden, the authorities underscore the need for urgent comprehensive debt treatment, and the importance of a coordinated engagement with creditors in this regard.

In the event of spillovers from the conflict in the Middle East through sustained increases in global oil or food prices, fiscal policy will focus on protecting the most vulnerable through reprioritizing public spending and providing targeted household support. However, that response will be constrained by limited fiscal buffers.

International Donors Support

Amid ongoing challenges and heightened uncertainty, international donor support remains essential to meet Yemen's financing needs, maintain vital public services and avert a deeper humanitarian deterioration. In the event of revenue shortfalls, the authorities stand ready to adjust expenditures as needed while remaining cognizant of the associated social trade-offs. They express their sincere appreciation for the continued GCC support, notably from the Kingdom of Saudi Arabia. The cumulative financial support provided over the past few years, most notably the US\$ 1.2 billion budget support grant through the Saudi Development and Reconstruction Program for Yemen (SDRPY) and US\$ 1 billion deposit to the CBY has been instrumental in anchoring macroeconomic stability and financing essential food imports. The recent USD 346 million Saudi financing package announced in February 2026 for budget support, is earmarked to cover public-sector salaries and operating expenses, helping address acute liquidity shortages, and bridge the budget deficit.

Monetary and Financial Sector

Despite the continuously challenging external and domestic environment, the Central Bank of Yemen (CBY) remain committed to maintaining price stability, limiting monetary financing, and maintaining a market-driven exchange rate. The recently established Committee for Regulating and Financing Imports (NCRFI) will prioritize the provision of financing for essential imports, including food, energy, and critical medical supplies. These measures together with FX auctions, and a tighter oversight of money exchangers, have helped stabilize the rial, which has remained broadly stable through recent domestic tensions, supported by continued FX inflows and prudent monetary management. The authorities are also advancing amendments to the CBY law to strengthen operational independence and plan to continue sterilizing external inflows to reinforce monetary stability.

The authorities are reinforcing the banking sector and the regulatory framework. Following the designation of the Houthi militia as a foreign terrorist organization (FTO) by the United States, all major banks relocated their headquarters to Aden to protect correspondent banking relationships and maintain liquidity. The CBY is expanding its oversight to deposit-taking money exchangers and advancing reforms in capital adequacy, financial supervision, and risk management, with support from the IMF and other partners, aiming to strengthen the resilience and integrity of Yemen's financial system.

To further strengthen AML/CFT controls, enhance transparency and strengthen oversight of money exchangers, the authorities introduced new compliance measures in August 2025, including limits on foreign currency transfers for personal purposes above USD 5,000 unless necessary documentation is provided and transaction is approved by a designated committee. These temporary measures are primarily intended to safeguard the currency from destabilizing speculation as well as to ensure compliance and prevent illicit FX transactions, given the exceptional circumstances the country is going through. The CBY continues to work closely with the IMF's legal department to finalize amendments to the AML/CFT law and regulations, establish a risk-based AML/CFT supervisory framework, and develop risk management regulations tailored to Yemen's banking sector. These measures are crucial to preserve correspondent banking relationships, following the FTO designation.

Structural Reforms

The authorities remain steadfast in their commitment to establishing robust institutions and a sound governance framework in order to lay a solid foundation for macroeconomic stability and inclusive growth. The ERP envisages improving the efficiency of public services and modernizing the electricity infrastructure as well as measures to strengthen accountability and transparency in the tax and customs administration. The government will focus on electricity sector reforms and investment in renewables to improve access and service delivery. Reforms will include phasing out diesel generators, increasing renewable energy, improving transmission, and setting tariffs that reflect costs to ensure sustainability.

Amidst the numerous challenges facing Yemen, the development of productive sectors such as agriculture, fisheries, and industry will be essential for fostering sustainable growth and improving the livelihoods of millions of Yemenis. The government has been working with the World Bank as well as Arab Funds to advance agriculture and fishery expansion development plans that will significantly boost growth and enhance food security. The telecom sector is also seen as a potential growth driver. Building public-private partnerships (PPP) in infrastructure, electricity, airports, and seaports will be vital to growth. In this regard, the government has recently approved the Public-private partnership policy, establishing the first formal framework to enable and mobilize strategic capital from the private sector in Yemen's infrastructure and essential services with technical assistance from the World Bank and the IFC.

The new government is committed to rebuilding state institutions and enhancing their efficiency, establishing principles of good governance, alongside activating the role of oversight bodies to combat corruption. The Presidential Leadership Council has taken decisions to strengthen the Supreme National Authority for Combating Corruption and the High Authority for Tender Control. These steps provide a strong basis for continued focus on accountability and governance as part of the broader stabilization and recovery agenda.

Technical Assistance Needs

The authorities reiterate their utmost appreciation for the Fund's continued technical assistance from headquarters and METAC, which are crucial to the authorities' stabilization and reform efforts. Recent and ongoing technical assistance is supporting the authorities' efforts in strengthening Public Financial Management and tax administration, and enhancing monetary policy framework, financial supervision, and AML/CFT practices. The authorities are determined to

further strengthen national accounts, external sector statistics, and monetary and financial statistics, recognizing that improved data quality is essential for effective policymaking. They also intend to improve coordination among the government entities to enhance data consistency and coverage. Going forward, more capacity development will be needed so it aligns with all the reform commitments to be undertaken in the coming years.

Conclusion

Yemen is at a pivotal juncture in its modern history, striving to rebuild a state and advancing with a comprehensive economic recovery plan focusing on stability and social cohesion. The country's recovery hinges on continued policy discipline, sustained security and political stability, and most importantly support from the international community and multilateral institutions. The authorities are hopeful that the resumption of the Article IV Consultation, combined with a deepened reform agenda, will catalyze additional capacity development support as well as external grants and will pave the way towards a deeper engagement with the Fund, including through a fund program that can help strengthen macroeconomic management and catalyze broader external support.