73246

YEMEN

ECONOMIC MONITORING NOTE – FALL 2012

I. OVERVIEW

1. ***Transition is making progress in Yemen, even though the process is fraught and fragile.*** After almost a year of political, economic, and security upheaval, Yemen has now embarked on a new political path based on an agreement brokered by the Gulf Cooperation Council (GCC) and overseen by the UN and the international community. The agreement was signed on November 23, 2011, after former President Saleh, the ruling party (GPC), and the opposition parties agreed to a political transition, dialogue, and political reforms. A transitional government of national unity was formed and confirmed by the Parliament in early December 2011. The transition President Hadi was elected on February, 21 2012, for the period spanning to the planned next general elections in the first half of 2014. In an environment of political tensions, the President made progress in reforming the security institutional set-up, in reducing the influence of Al-Qaeda forces, and in preparing for a national dialogue.

2. ***Economic activity continues to be depressed***. The economy has been contracting since 2011 (by 10.5 percent in 2011, and an estimated 1.9 percent in 2012)[1], and the number of people living below the poverty line has increased by an estimated 12 percentage points, to 54 percent of the Yemeni population. Many stocks, including food, have declined, and replenishment is hampered not only by a lack of financial resources but also by the continued insecurity and road blocks in the country. According to the latest WFP survey, the number of Yemenis living in absolute food insecurity has increased to 10 million, about a third more than in 2009.

3. ***The transition is confronted with long standing economic, political, and structural challenges.*** As things stand, 70 percent of the gainfully employed work in informal operations with low productivity. Most of those formally employed work for the Government, or government depended entities. 60 percent of the Yemeni are younger than 35. A third of the government's expenditures are spent on petroleum product subsidies, which creates serious economic distortions (water use) and feeds state capture. Economic and fiscal opportunities are foregone because a large part of Yemen's industrial assets or economic activities are in partial or full state ownership and/or subject under tribal control as part of a patronage system. Unless the transition can usher a change of direction, these underlying causes of instability and social strife are likely to resurface.

4. ***Yemen has developed a Transition Plan for Stabilization and Development and received substantial aid pledges at a donors meeting on September 4 in Riyadh (US$6.4 billion) and its follow-up in New York City on September 27(US$1.5 billion)***. While the short-term needs are large – the Transitional Plan identifies a financing gap of $4.3 billion for the short term the Transition Government has been able to keep afloat (despite a fiscal deficit before grants projected at 12.7 percent in 2012) thanks largely to oil grants from Saudi Arabia, totaling $2.1 billion,. On April 4 the IMF Board also approved a short term arrangement under the Rapid Credit Facility (RCF) amounting to $100 million. A follow-up arrangement has been contemplated but it is

[1] Other estimates might deviate from the forecasted growth depending on the assessment of the transition dynamic in Yemen. All overall, growth forecasts remain subjected to larger errors than usually during the transition period.

unclear whether the transition government would be able to address issue of energy subsidies, as would be required. The Bank is preparing an Emergency Response operation.

II. POLITICAL AND SOCIAL BACKGROUND

5. ***From February 2011 until the signing of the GCC agreement in November 2011, Yemen had been battered by intense conflict.*** The conflict grew out of the "Arab spring" movement and gave space to voices asking for better governance, equity, employment, and a more open society. In addition to this country-wide conflict, the Yemeni central Government was facing two older regional conflicts: one in the north, in the Sa'ada Governorate with Al-Houthi rebels; and one in the south where a diverse separatist movement claiming more participation and self-determination.. Furthermore, Al-Qaeda cells began to appear more prominently in the Arabian Peninsula (AQAP) in 2006, which heightened security concerns in and about Yemen.

6. ***Following the GCC agreement of November 23, 2011, a transitional government was formed.*** The new Government of National Reconciliation was formed in early December 2011. 50 percent of its members come from the General Congress Party ("GPC", the former ruling party), and the other half from the Joint Opposition Block, which also holds the post of the Prime Minister. In line with the GCC agreement, a new President, Abdo Rabah Hadi, was sworn in on February, 21, 2012, following a general election.

7. ***The Government of Yemen is making progress in implementing the GCC agreement and mechanism***. The GCC agreement stipulated that the new government would be in place for two years and would fully implement the mandates of the agreement: holding a national dialogue, reforming the security institutional set-up, reviewing forming the constitution and reforming the electoral process, among other. The reforms initiated by the new President Hadi have included new appointments for several key positions in the government, security and military forces aiming to improve performance, loyalty, and accountability, combating corruption, and to restructure and strengthen the army and security forces. The reforms have made progress in the security realm, and contributed to rolling back terrorism in the Abyan governorate. However, many more challenges remain until security is fully restored. The upcoming national dialogue and its outcomes will be key for establishing a new balance also in this area.

8. ***In June 2012, the Government of Yemen launched the Transitional Program for Stabilization and Development (TPSD) for 2012–2014 to underpin the humanitarian, social, and economic aspects of the transition***.[2] The TPSD proposes a parallel implementation of an emergency response (Pillar 1: short term priorities), and the initiation of a medium-term economic recovery program (Pillar 2: medium term priorities). Total investment needed for the program over the next two year are estimated at about $11.9 billion, with $4.3 billion for the short term pillar/priorities and around $7.6 billion for the medium term growth and development pillar/priorities. With donor meetings held in Riyadh and New York in September, the plan received a support inform of pledged commitments by Yemen's development partners amounting to US$ 7.9 billion.

[2] The elaboration of the TPSD was supported by a ***Joint Social and Economic Assessment*** (JSEA), jointly done by the World Bank, the United Nations, the European Union, and the Islamic Development Bank, and led by the World Bank. The JSEA's main purpose was to assess the social and economic impact of the crisis in Yemen, and to identify challenges and key priorities for early interventions, primarily for the transition period.

9. ***Yemen was facing serious economic and development challenges even before the recent period of conflict.*** Petroleum resources (about 65 percent government resources) are declining. It is estimated that they will be exhausted in 10 to 15 years in the absence of finding new sources. The level of ground water has been decreasing for years, and Sana'a is expected to run out of water within about 10 years. The previous government reacted to such challenges, but its commitment to the required reforms was weak. It is not clear to what extent the transitional government will be able to muster political strength needed to address required reforms in the economic realm, given its focus on political transition, security, and stability.

10. ***In the meantime, population growth has been one of the highest in the world (above 3 percent) over the last 20 years***, resulting in a large youth bulge, stagnant or decreasing income development, and stress on public institutions, including the education system.

11. ***Social indicators continue to rank among the lowest.*** Yemen ranks 154th out of 187 countries in the UNDP Human Development Index of 2011, and yet the indicators have improved. The report shows that average life expectancy is up from 41.6 years in 1970 to 62.7 in 2010, with women's life expectancy mirroring the overall trend. Enrollment rates in basic education have increased significantly (up from 68 percent in 1998/1999 to 76 percent in 2010/11), and enrollment in technical education and vocational training (TEVT) has increased 15 times between 2000 and 2009. The female literacy rates stood at only 44 percent in 2006, but that was almost double the level of 10 years earlier. On the other hand, food insecurity and malnutrition levels in the country have reached alarming levels. Yemen is among ten countries in the world with the highest rates of food insecurity, and the country ranked third highest for child malnutrition in the world: 58 percent of children under 5 are stunted, and more than 1 in 10 children is acutely malnourished. A March 2012 survey of the World Food Programme (WFP) concluded that over ten million Yemenis (roughly 22 percent of the population) are food insecure and unable to produce or buy the food they need. This represents a 33percent increase from the last survey conducted in 2009.

III. REAL SECTOR

12. ***Economic activity continues to be depressed.*** The economy contracted by 10.5 percent in 2011 and is projected to contract also in 2012 (-1.9 percent). The number of people living below the poverty line increased by an estimated 12 percentage points to 54 percent of the Yemeni population. Serious supply shortages and interruptions since early 2011 have undermined normal economic activities. Diesel has been scarce up to early this year. Electricity supplies have been severely curtailed, again and again, in many parts of the country. The scarcity of foreign reserves has curtailed trade financing, a primary banking service, and has hampered other financial transactions. Although the banking service sector is small in Yemen (assets total about 40 percent of GDP), the near standstill afflicting the sector has hampered normal economic operations. An overview of main indicators is shown in Table 1.

Table 1: Yemen Main Economic Indicators

Economic Indicators	2008	2009	2010	2011[1]	2012[2]	2013[2]
Real GDP growth (in %):	3.6	3.9	7.7	-10.5	-1.9	2.9
Growth of hydrocarbon sector	-8.1	1.6	46.9	-14.5	-4.8	7.0
Growth of non-hydrocarbon sector	4.8	4.1	4.4	-10.0	-1.6	3.0
Inflation (annual average in %)	19.0	3.7	11.2	19.5	15.2	13.1
Fiscal balance (in % of GDP) - incl. grants	-4.5	-10.2	-4.0	-4.3	-5.8	-6.5
Fiscal balance (in % of GDP) - excl. grants	-4.8	-10.6	-5.2	-5.5	-12.7	-7.9
Current account balance (in % of GDP)	-4.6	-10.2	-4.4	-3.0	-3.3	-5.9

[1] Preliminary.
[2] Projected.
Source: Government of Yemen and Staff calculations.

13. ***Inflation is gradually declining but rising food prices could reverse the decline***. Annual price inflation for 2011 was estimated at around 20 percent and is projected to reach 15 percent in 2012. The economic challenges caused through the events of 2011 are projected to keep the inflation rate elevated in 2012, in spite of prudent fiscal management. In addition, international food price inflation is likely to impact food prices in Yemen, given the country's dependence on food imports (25 percent of total imports).

14. ***Food prices have increased significantly since 2011 and are likely to remain high***. Yemen is one of the world's most food insecure countries. Current domestic food prices are on average about 25 percent higher than prior to the events of 2011. While prices increased, food supplies decreased due to transportation insecurity and a drop in diesel availability in the country, which continues to hinder normal distribution. Furthermore, the oligopolistic structure of cereal importers has resulted in wheat prices in Yemen above averages for marks ups observed otherwise.[3] Introducing a more competitive import regime would help counteract rising food import prices.

15. ***Until early August this year, Yemen's oil production was affected by the disruption of the pipeline Marib-Hodeidah.*** Yemen lost about 30 percent of its annual production because of the on-off status of the Marib–Hodeidah pipeline in since March 2011. This pipeline is essential for domestic supplies (as it feeds the Aden refinery) and affects about 40 percent of Yemen's oil production. Lack of such supplies has put the Government under pressure to maintain the supply of energy in liquid or other forms. In addition, the lack of domestically produced supplies is forcing the Government to import supplies. Since mid-2011, Saudi Arabia has granted Yemen three so-called 'oil grants,' amounting to about US$2.4 billion to mitigate the situation. The lack of regular oil supplies in 2011, combined with a shifting security situation, led to pervasive power cuts and to a sharp volatility and overall increase of prices for water and fuel products, significantly undermining normal economic operations.

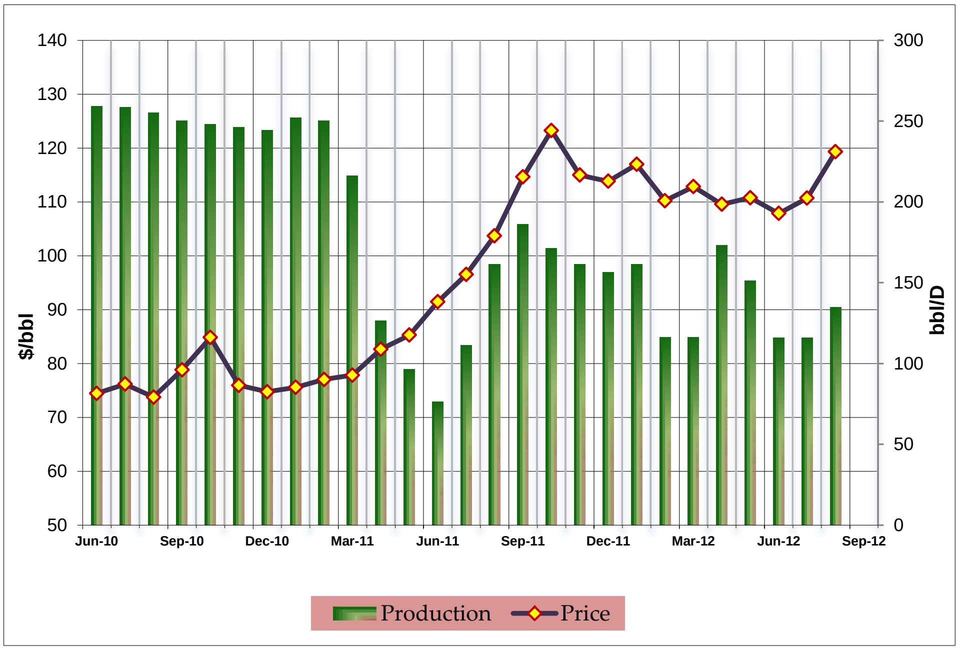
16. ***Even without these disruptions, Yemen's crude oil output has experienced a gradual decline since 2004, at a rate of about 3 to 8 percent per year***. Total output was below expectations because the Marib-Hodeidah pipeline was only repaired and operational by early August 2012.[4] Although known reserves are declining, the application of new technologies

[3] Report of the International Food Policy Research Institute on Food Security in Yemen 2011.
[4] There is no sign that repair of the pipeline is imminent.

(requiring significant investment) and a more investment-friendly environment for prospection and exploitation would put the focus on medium and longer term benefits rather than a focus on short term benefits, as right now. They could extend the life span of the known reserves and lead to discovery of new ones. Apart from oil, Yemen is believed to harbor other natural resources.

Figure 1: Crude Oil: Monthly Price (Brent) and Production in Yemen,

December 2009 to December 2011



Source: World Bank and Government of Yemen.

Table 2: Oil Production, Trade, and Consumption
(million bbls, unless otherwise indicated)

	2007	2008	2009	2010	2011[2]	2012[3]	2013[3]
Total Crude oil output (net)	113.3	104.1	100.0	96.2	71.8	65.5	83.2
State's share incl. royalties (million bbls/annum)	72.4	69.6	59.2	58.4	43.5	45.1	58.2
Companies' share incl. cost oil (million bbls/annum)	40.8	34.5	40.9	37.8	28.3	20.3	25.0
Exports of crude oil[1]	85.3	76.1	72.0	52.6	58.1	50.0	53.6
of which: Government share (million bbls/annum)	44.4	41.4	31.1	30.4	28.2	35.2	32.9
Government share (million US$/annum)	3,075	3,951	1,877	2,348	2,900	3,166	3,045
Domestic Demand for Refined Products (million bbl)	33.5	37.8	47.1	48.3	48.3	49.2	49.5
Input delivered to Refineries (million bbl), *of which:*	28.0	28.0	28.0	28.0	15.2	10.0	25.3
Oil Grants from Saudia Arabia and U.A.E.	…	….	…	….	3.1	….	….
LNG production (equivalent of million barrels/annum)	…	….	5.8	59.3	61.1	61.1	61.1
LNG Exports (US$ mill)	…	….	86.3	975.7	1,471.2	1,459.1	1,462.9
Government share in exports of LNG (US$ mill)	…	….	21.6	243.9	367.8	364.8	365.7
Government net share in exports of LNG (US$ mill)[4]	…	….	12.5	117.3	213.3	211.6	212.1

[1]: Sum of companies' shares and government share in exports.
[2]: Estimate.
[3]: Projection.
Source: Government of Yemen statistics.

17. ***Yemen is working towards re-engagement in the Extractive Industry Transparency Initiative (EITI).*** The EITI Council approved Yemen's full membership in EITI in March 2011, when it concluded its first full EITI cycle. However, as a result of the crisis and unrest that intensified early 2011, Yemen's membership was suspended on the ground that an orderly EITI implementation process could not be guaranteed. In March 2012, the new Minister of Oil (MOM) requested the lifting of the suspension. Yemen is currently preparing the EITI reports for 2008, 2009, and 2010, which would eventually support the EITI re-engagement.

18. ***Economic reforms initiated in 2010 came to halt in 2011 and are unlikely to make big leaps forward during the transition period.*** Reforms initiated in 2010 covered (i) improvements in the investment climate, (ii) furtherance of economic integration of Yemen under the WTO arrangements (investment law, income tax law, and the custom law), and (iii) an institutional strengthening of the social protection system. These reforms could not advance and did not have the expected impact because of the political and security crisis in 2011. Addressing Yemen's social and economic problems will, however, require the creation of income opportunities for underemployed Yemenis (including more than 60 percent of the young adult population). Future reforms will have to focus on measures that will increase productive investment and private sector development. Even absorbing the aid pledges made in Riyadh and New York will put a premium on establishing new ways of doing business, especially with regard to infrastructure projects (public private partnerships).

IV. PUBLIC FINANCE

19. ***Fiscal policies in 2011 and early 2012 were geared to containing the fiscal deficit while revenues declined because of the decline in oil production due to the largely dysfunctional oil pipeline Marib-Hodeidah, the depressed economic activity, and the resistance of many to pay taxes at times of political shifts.*** Raising revenues was politically impossible; credit was not available, other than from suppliers (arrears) and from the Central Bank. As a result, investment was cut to negligible levels in 2011 while current expenditures, especially salary payments, were maintained. Large oil grant from Saudi Arabia have been critical for keeping the government financially afloat in 2012, especially during the first half of the year.

20. ***Although public investment remains low (4 percent of GDP), the 2012 fiscal deficit is projected to reach about 13 percent of GDP (excluding grants).*** In total, 2012 expenditures are expected to increase by nearly 6 percent of GDP compared to the 2011 level, with a noticeable increase in the wage bill, including because of new hiring. Capital expenditures are also now picking up in 2012 but are still far too low to generate recovery**.** The government is hoping to keep the expenditures for petroleum subsidies constant in 2012. Expenditures for petroleum/energy subsidies are programmed to amount to 7.2 percent of GDP in 2012 (roughly 20 percent of total expenditures), similar to the 2011 level. If the international price should stay at around $110 a barrel on average, this is feasible. Given the sheer costs of the oil subsidy, the fact that it favors rather those who consume a lot of energy, typically those of a higher income group, and the decline of the oil resources in Yemen, future governments are likely to have to deal with an oil subsidy reform.

Table 3: Summary of Fiscal Accounts, 2008–13
(in percent of GDP)

	2008	2009	2010	2011[1]	2012[2]	2013[2]
Total Revenues and Grants, *Of which:*	36.7	25.0	26.0	24.6	29.4	24.0
Hydrocarbonic revenues:	27.8	14.6	16.4	16.0	12.5	13.6
- Crude Oil Exports	15.9	7.4	8.5	10.4	9.1	7.8
- LNG Exports	0.0	0.0	0.3	0.5	0.6	*0.5*
Tax revenues	6.8	8.0	6.6	5.2	6.7	*6.8*
Grants	0.3	0.4	1.2	1.2	6.9	*1.4*
Total Expenditure & net lending	41.2	35.2	30.1	28.9	35.2	30.5
Current Expenditure, *of which:*	34.5	28.7	25.4	27.0	30.8	28.9
- Wages & Salaries	10.0	11.0	8.7	9.7	11.5	10.9
- Subsidies	14.0	8.2	8.7	8.5	7.8	6.7
Capital Expenditure	5.9	6.5	4.6	1.9	4.3	4.8
Overall balance (excl. grants)	**-3.5**	**-10.6**	**-5.3**	**-5.5**	**-12.7**	**-7.9**
Overall balance (incl. grants)	**-3.2**	**-10.2**	**-4.0**	**-4.3**	**-5.8**	**-6.5**

[1] Preliminary.
[2] Projections.
Source: Government of Yemen and staff calculations.

V. MONEY AND BANKING

Monetary policy has been geared to the need to finance the fiscal deficit and to maintain a floor of foreign reserves. Government financing by the Central Bank of Yemen (CBY) has reached a critical level. Nonetheless, the CBY's prudent and steadfast approach helped to defend relative monetary stability, also underpinned by the relative stability of the exchange rate. Although this came at a social cost as private sector credit declined in 2011 and has not recovered to date. Lending to the government has replaced other service business. Interest rates remain unchanged and yield now a substantial real interest rate of around 6 percent. The small banking sector makes a living of buying treasury bonds at relatively high real interest rates.

21. ***Continued political tensions make future monetary and exchange rate developments highly uncertain.*** The CBY has so far balanced the tension, albeit at the expense of slowly declining reserves, while access to those was de facto rationed. The exchange rate has demonstrated a relative stability over the last 12 months, with a price of approximately Yemeni Riyal 219 to 230 for the dollar, during most of the time since early 2011.

VI. EXTERNAL POSITION

22. ***The 2012 current account deficit is projected to widen because of recovery financing and higher food import costs while oil and gas exports are suffering a gradual volume loss.*** The 2012 current account deficit is projected to continue to widen to 6 percent of GDP compared to the more modest one in 2011. The price for food imports, about 25 percent of imports, has been volatile since 2011, and is likely to be on an upward trend for the remainder of 2012. The services deficit is expected to increase due to a continuous underperformance of the tourism sector and the production halt of part of the hydrocarbon industry. Remittances, too, declined.

Table 4: Current Account Balance
(in billion US$)

	2007	2008	2009	2010	2011[1]	2012[2]	2013[2]
Exports of goods	7.1	8.9	5.9	7.6	8.7	7.7	8.2
of which: petroleum	6.3	7.7	4.4	6.3	7.9	6.6	6.9
Imports of goods	-7.5	-9.3	-7.9	-8.7	-8.2	-10.3	-8.7
Services balance	-1.1	-1.1	-0.9	-0.7	-1.0	-1.0	-1.1
Current account balance	-1.5	-1.3	-2.6	-1.4	-1.0	-1.2	-1.5
Current account (in % of GDP)	-7.0	-4.6	-10.2	-4.4	-3.0	-3.3	-5.9

[1] Preliminary.
[2] Projections.
Source: Government of Yemen and staff calculations.

23. ***The exchange rate has remained surprisingly stable throughout the period of political tensions, implying conversely a sizable real appreciation.*** Pressures on the exchange rate have subsided after the Yemeni Riyal (YR) depreciated by about 15 percent in the interbank market in the first half of 2011. After conclusion of the GCC agreement in late 2011, the YR began to appreciate, reflecting the return to confidence. The CBY had tightened prudential regulations soon after the crisis in 2011 took momentum, mainly affecting the range of action of foreign exchange bureaus, and minimized its financing to only essential imports. These measures, together with expenditure compression and weak economic activity, restricted the demand for foreign exchange and helped to limit pressures on the Riyal. As a result, gross foreign reserves have declined less since 2011 than anticipated (to US$4.1 billion at end of 2011), equivalent to about 3-4 months of imports of goods under normal economic conditions.

VII. OUTLOOK

24. ***In the current situation of political transition, it is not possible to provide a detailed outlook.*** However, Yemen's development challenges can only be addressed, if some key priorities are pursued by the current government:

(i) stabilizing security and restoring Government authority;
(ii) increasing non-hydrocarbon revenues;
(iii) generating non-hydrocarbon growth and employment; and
(iv) improving governance and accountability mechanisms.

New sources of growth and fiscal revenues, which could generate employment and substitute for the loss of oil production, are currently not in sight. Although the country has enormous potential, it will take time to unlock it. Improving the private investment climate and public financial management system would be a first step toward tackling Yemen's structural problems.

25. ***The macroeconomic outlook for the remainder of 2012 and for 2013 is subject to a number of risks***. The macroeconomic outlook for 2013 depends on: (i) whether security can be strengthened or maintained to the effect that good may freely flow, including oil and gas, (ii) whether the government as well as donor resources can be employed (absorbed) to restore economic growth in 2013, and (iii) whether the confidence of the private sector can be restored to bolster investment. Progress in peace and national dialogue will create confidence for economic actors. Recovery and restoring growth requires significant resources which were granted to Yemen. Using and employing the massive resources recently pledged at the donor conferences in Riyadh and New York within a short time will test the government absorption capacity and can only be achieved, if the private sector is given an import role to play.

26. ***Structural reforms will be needed*** to break with past privilege, create a competitive private sector, and address the social and political demands for jobs, inclusions, and dignity. Such fundamental reforms require in turn a successful conclusion of Yemen's transition.

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ANNEX I: SELECTED MACROECONOMIC INDICATORS

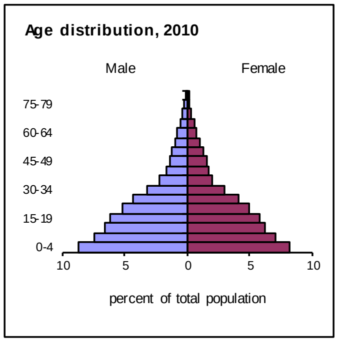
	2008	2009	2010	prel. 2011	proj. 2012	proj. 2013
National income and prices						
Nominal GDP, market prices (billions of US$)	26.9	25.1	31.0	33.8	34.9	37.8
Real GDP growth (in %)	3.6	3.9	7.7	-10.5	-1.9	2.9
Hydrocarbon	-8.1	1.6	46.9	-14.5	-4.8	7.0
Non-Hydrocarbon sectors	4.8	4.1	4.4	-10.0	-1.6	3.0
CPI (period average)	19.0	3.7	11.2	19.5	15.2	13.1
Hydrocarbon production (In thousand barrels per day):	284	290	426	364	346	359
Crude Oil	284	274	264	197	179	191
LNG (oil equivlent)		16	162	167	167	167
Average oil export price (US$ per barrel)	96	60	77	103	90	93
Central government finances			(In percent of GDP)			
Revenue	36.7	25.0	26.0	24.6	29.4	24.0
Of which oil:	27.8	14.6	16.4	16.0	12.5	13.6
Of which grants	0.3	0.4	1.2	1.3	6.9	1.4
Expenditure	41.2	35.2	30.1	28.9	35.2	30.5
Current, of which:	34.5	28.7	25.4	27.0	30.8	25.9
wages and salaries	10.0	11.0	8.7	9.7	11.5	10.9
subsidies	14.0	8.2	8.7	7.9	6.5	4.6
Capital	5.9	6.5	4.6	1.9	4.4	4.8
Overall fiscal balance (incl. grants)	-3.2	-10.2	-4.0	-4.3	-5.8	-6.5
Overall fiscal balance (excl. grants)	-3.5	-10.6	-5.2	-5.6	-12.7	-7.9
Primary non-oil fiscal balance (cash)	-28.6	-22.3	-18.1	-16.2	-13.9	-17.9
External sector	(In millions of U.S. dollars, unless otherwise indicated)					
Exports, f.o.b.	8,977	5,855	7,650	8,662	7,668	8,207
Of which: hydrocarbon (oil and gas)	7,728	4,432	6,281	7,850	6,612	6,853
Of which: nonhydrocarbon	1,249	1,423	1,369	812	1,056	1,354
Imports, f.o.b.	-9,334	-7,868	-8,701	-8,248	-10,262	-8,739
Current account (in percent of GDP)	-4.6	-10.2	-4.4	-3.0	-3.3	-5.9
Reserves						
Central Bank own gross reserves (billions U.S.-end period)	7.3	6.2	5.1	4.0	5.1	4.6
Central Bank own gross reserves (in months of imports)	9.5	7.1	6.0	3.9	5.0	4.4
External Debt						
External debt (in billion of U.S. dollars)	5.9	6.0	6.1	6.1	6.5	6.8
External debt (in percent of GDP)	21.9	24.6	19.3	18.0	17.8	17.4
Exchange rates						
Exchange rate (per US$, period average)	199.8	202.8	219.6	213.8	217.4	231.9
Memo Items						
GDP in billion Rial	5,376	5,098	6,817	7,217	7,582	8,941
GDP in billion US$	26.9	25.1	31.0	33.8	34.9	37.8
Population (in millions)	23.1	23.7	24.4	25.1	25.9	26.7
Crude birth rate (per 1,000)	…	…	…	…	…	…
Immunization, DPT (% of children under 12 months)	…	…	…	…	…	…
Incidence of tuberculosis (per 100,000 people)	…	…	…	…	…	…
Surface area (sq. km)	527,970	527,970	527,970	527,970	527,970	527,970
Population density (people per sq. km of land area)	43.7	45.0	46.2	47.5	49.1	50.6

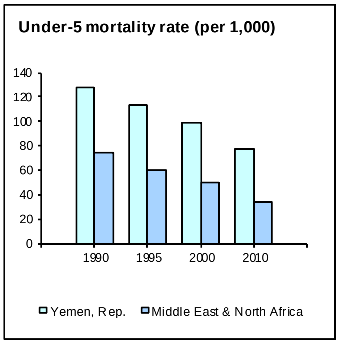
Source: GOY, IMF staff, and staff calculations.
Note: c.i.f. = cost, insurance and freight; f.o.b. = Free on Board ; DPT = diphtheria, pertussis, and tetanus;.

Yemen, Rep. at a glance

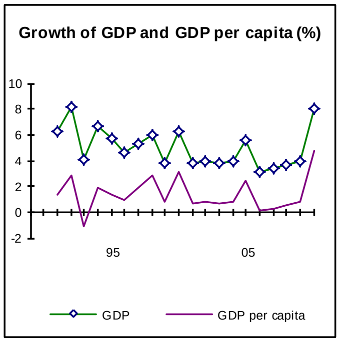
4/5/12

Key Development Indicators	Yemen	M. East & North Africa	Lower middle income
(2010)			
Population, mid-year (millions)	24.1	331	2,519
Surface area (thousand sq. km)	528	8,775	23,579
Population growth (%)	3.1	17	15
Urban population (% of total population)	32	58	39
GNI (Atlas method, US$ billions)	28.1	1,283	4,078
GNI per capita (Atlas method, US$)	1,170	3,874	1,619
GNI per capita (PPP, international $)	2,500	*8,068*	3,632
GDP growth (%)	8.0	4.3	6.9
GDP per capita growth (%)	4.8	2.5	5.3
(most recent estimate, 2004–2010)			
Poverty headcount ratio at $1.25 a day (PPP, %)	18	3	..
Poverty headcount ratio at $2.00 a day (PPP, %)	47	14	..
Life expectancy at birth (years)	65	72	65
Infant mortality (per 1,000 live births)	57	27	50
Child malnutrition (% of children under 5)	..	8	25
Adult literacy, male (% of ages 15 and older)	80	82	80
Adult literacy, female (% of ages 15 and older)	45	66	62
Gross primary enrollment, male (% of age group)	96	106	110
Gross primary enrollment, female (% of age group)	78	98	104
Access to an improved water source (% of population)	55	89	87
Access to improved sanitation facilities (% of population)	53	88	47





Net Aid Flows	1980	1990	2000	2010
(US$ millions)				
Net ODA and official aid	574	450	311	666
Top 3 donors (in 2010):				
Germany	20	38	32	82
United Kingdom	9	10	5	64
United States	15	41	57	45
Aid (% of GNI)	..	8.0	3.5	2.3
Aid per capita (US$)	72	38	18	28



Long-Term Economic Trends	1980	1990	2000	2010	1980–90	1990–2000	2000–10
					(average annual growth %)		
Consumer prices (annual % change)	..	*44.9*	8.1	-44.5			
GDP implicit deflator (annual % change)	..	*12.0*	23.3	24.7			
Exchange rate (annual average, local per US$)	4.6	26.2	161.7	219.6			
Terms of trade index (2000 = 100)	..	80	100	160			
Population, mid-year (millions)	7.9	11.9	17.7	24.1	4.1	3.9	3.1
GDP (US$ millions)	..	5,647	9,636	31,270	..	5.6	4.1
		(% of GDP)					
Agriculture	..	24.4	13.8	7.6	..	5.1	2.7
Industry	..	34.3	46.4	29.2	..	5.2	2.0
Manufacturing	..	19.0	5.7	6.0	..	18	5.1
Services	..	41.3	39.8	63.1	..	6.1	6.0
Household final consumption expenditure	..	77.0	60.1	80.7	..	2.8	7.1
General gov't final consumption expenditure	..	15.5	13.6	11.7	..	3.8	3.6
Gross capital formation	..	12.4	18.9	11.6	..	10.0	-0.6
Exports of goods and services	..	12.2	41.4	30.3	..	22.9	18
Imports of goods and services	..	17.2	34.0	34.3	..	11.9	5.4
Gross savings	..	38.6	32.8	9.1			

Note: Figures in italics are for years other than those specified. .. indicates data are not available.

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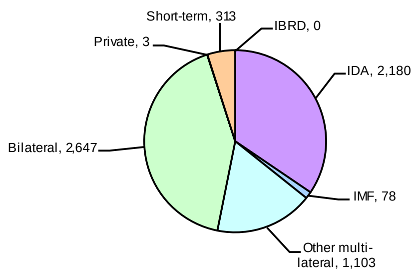
Balance of Payments and Trade	**2000**	**2010**
(US$ millions)		
Total merchandise exports (fob)	3,797	7,718
Total merchandise imports (cif)	2,484	8,701
Net trade in goods and services	714	-1,688
Current account balance	1,337	-1,209
as a % of GDP	13.9	-3.9
Workers' remittances and compensation of employees (receipts)	1,288	1,240
Reserves, including gold	2,822	*6,198*

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	37.8	25.8
Tax revenue	7.1	6.5
Current expenditure	24.5	25.2
Overall surplus/deficit	-13	-11.6
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	*35*

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	5,125	6,324
Total debt service	243	259
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	53.2	20.2
Total debt service (% of exports)	4.5	2.4
Foreign direct investment (net inflows)	6	-329
Portfolio equity (net inflows)	0	0

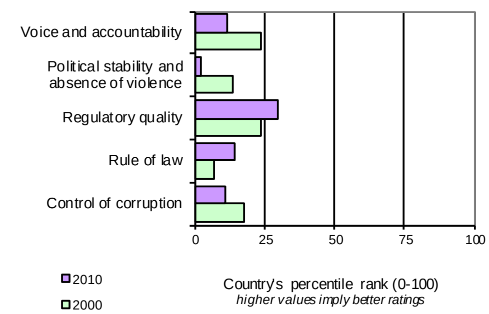
Composition of total external debt, 2010



US$ millions

Private Sector Development	**2000**	**2011**
Time required to start a business (days)	–	12
Cost to start a business (% of GNI per capita)	–	83.8
Time required to register property (days)	–	19
Ranked as a major constraint to business	**2000**	**2010**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2010



Source: Worldwide Governance Indicators (www.govindicators.org)

Technology and Infrastructure	**2000**	**2010**
Paved roads (% of total)	..	*8.7*
Fixed line and mobile phone subscribers (per 100 people)	2	50
High technology exports (% of manufactured exports)	*0.0*	*0.4*

Environment		
Agricultural land (% of land area)	45	*44*
Forest area (% of land area)	10	10
Terrestrial protected areas (% of land area)	0.5	0.5
Freshwater resources per capita (cu. meters)	*112*	*90*
Freshwater withdrawal (% of internal resources)	161.4	*168.6*
CO2 emissions per capita (mt)	0.83	*1.0*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	7.9	*7.0*
Energy use per capita (kg of oil equivalent)	267	*324*

World Bank Group portfolio	**2000**	**2010**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	0	0
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	1,216	2,180
Disbursements	65	73
Total debt service	23	61
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	12	149
of which IFC own account	12	97
Disbursements for IFC own account	8	22
Portfolio sales, prepayments and repayments for IFC own account	0	4
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 4/5/12
.. indicates data are not available. – indicates observation is not applicable.

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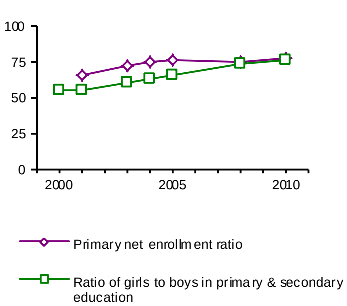
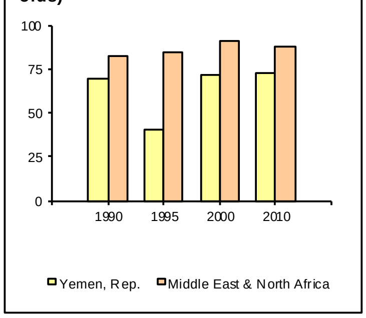
With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Yemen, Rep.			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2010**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	*12.9*	*17.5*
Poverty headcount ratio at national poverty line (% of population)	..	..	*40.1*	*34.8*
Share of income or consumption to the poorest qunitile (%)	..	..	*7.4*	*7.2*
Prevalence of malnutrition (% of children under 5)	*29.6*	*34.2*	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	*66*	78
Primary completion rate (% of relevant age group)	..	..	56	63
Secondary school enrollment (gross, %)	..	..	43	44
Youth literacy rate (% of people ages 15-24)	..	*60*	..	*84*
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	55	75
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	*6*	7	*6*
Proportion of seats held by women in national parliament (%)	4	*1*	1	0
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	128	113	100	77
Infant mortality rate (per 1,000 live births)	90	80	72	57
Measles immunization (proportion of one-year olds immunized, %)	69	40	71	73
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	540	460	340	*210*
Births attended by skilled health staff (% of total)	*16*	*22*	..	*36*
Contraceptive prevalence (% of women ages 15-49)	*10*	*21*	..	*28*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	137	137	116	49
Tuberculosis case detection rate (%, all forms)	28	69	67	76
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	67	63	60	55
Access to improved sanitation facilities (% of population)	24	32	39	53
Forest area (% of total land area)	10	..	10	10
Terrestrial protected areas (% of land area)	..	0.0	0.5	0.5
CO2 emissions (metric tons per capita)	0.8	0.7	0.8	*1.0*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	8.6	8.5	7.9	*7.0*
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	1.0	1.2	2.0	4.3
Mobile phone subscribers (per 100 people)	0.0	0.1	0.2	46.1
Internet users (per 100 people)	0.0	*0.0*	0.1	12.3
Computer users (per 100 people)	..	..	..	..

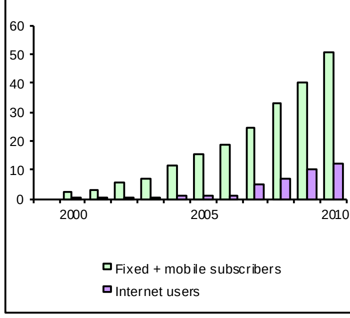
Education indicators (%)



Measles immunization (% of 1-year olds)



ICT indicators (per 100 people)



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