



Central Bank of Yemen



Monetary and Financial Developments

JUNE
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Central Bank of Yemen



Monthly report Monetary and Financial Developments

June 2022

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Note: In this report “YER” stands for Yemeni rials and “USD” stands for United States dollars.

Foreword

The Central Bank of Yemen is pleased to present the Monetary and Financial Developments report covering recent developments through June 2022. The report published on a monthly basis, provides readers and researchers interested in monetary and financial developments in the Republic of Yemen with insights into major developments across the country's monetary and banking sectors. It analyses key components of the Central Bank's balance sheet, the consolidated balance sheet of the commercial and Islamic banks, as well as monetary surveys. Budget deficit financing and domestic debt issuances are also covered. Finally, there is a special focus on exchange-rate and price developments.

We hope that this report will prove to be helpful for our readers.

God bless,

Ahmed Ahmed Ghaleb
Governor, Central Bank of Yemen





Monetary and Financial developments

Money supply:

The broad money supply (M2) decreased from YER 7,241.5 billion in March 2022, compared with YER 7,230.9 billion in June 2022, decrease of YER 10.6 billion (0.1 percent). The actual growth rate of broad money was well below the annual target of 18.3 percent, as noted in the annual monetary plan. This indicates that monetary expansion in 2021 remained within the economy's absorptive capacity.

The narrow money supply (M1) decreased by YER 4,369.2 billion (0.05 percent), while quasi-money decreased by YER 2,861.7 billion (0.3 percent) in June 2022. The drop in narrow money reflected an increase in the currency in circulation and in demand deposits. The upward trend in quasi-money was due to the increases in time and foreign deposits.

The predominance of currency in circulation, which accounted for 48 percent of the total money supply in June 2022, compared with 48.3 percent in March 2022, is evidence that Yemen continued to rely heavily on cash as its primary means of financial intermediation.

Balance sheet of the Central Bank of Yemen (CBY):

The total balance sheet of the CBY reached YER 8,743.7 billion at the end of June 2022, showing an increase of YER 72.7 billion, or 0.8 percent relative to the previous month.

The total foreign assets of the CBY rose from YER 1,843.5 billion as of June 2022 to YER 1,624.9 billion in May 2022, an increase of YER 218.6 billion (13.5 percent), mainly due to the oil receipts increase and the revaluation effect of the exchange rate.

Net credit to the government decreased from YER 5,307.4 billion at the end of May 2022 to YER 5,201.3 billion at the end of June 2022, a decrease of YER 106.8 billion (2 percent).

The stock of currency issued by the CBY amounted to YER 3,691.5 billion at the end of June 2022, compared with YER 3,787.7 billion at the end of the previous month, a decrease of YER 96.2 billion (2.5 percent).

Bank reserves held at the CBY increased by YER 59.7 billion (8.8 percent) from May to June 2022.

Thus, base money (the sum of currency issued and bank reserves) decreased by 0.8 percent (YER 36.5 billion) in June 2022 compared to the previous month, well below the target set in the annual monetary plan (15.6 percent), reflecting the CBY's success in limiting the expansion of its balance sheet and avoiding excessive monetary creation.

Consolidated balance sheet of commercial and Islamic banks:

The consolidated balance sheet of commercial and Islamic banks in Yemen totaled YER 4,683.9 billion in June 2022, an increase of 2.5 billion Rials, or

about 0.1 percent.

Bank loans and advances decreased slightly by 2.8 billion Rials, or 0.3 percent, in June 2022, reaching YER 965.5 billion.

Total deposits decreased in June 2022 by YER 1.2 billion (0.03 percent) to YER 3,750.7 billion. This increase reflected the growth in several deposit categories: Time deposits rose by over 3.3 percent; demand deposits increased by 7.3 percent, saving accounts increased by 1.0 percent, deposits denominated in foreign currencies recorded an increase of percent.

Clearing room:

The total number of checks transacted in rials in clearing rooms reached 1,166 in June 2022, representing a total value of YER 14.7 billion, compared with 941 checks totaling YER 9 billion during May 2022, an increase of 23.9 percent in quantity and 63.3 percent in value.

Exchange rates:

The average exchange rate between the Yemeni rial and the United States (U.S.) dollar reached YER 1,094.85 per dollar at the end of June 2022, up from YER 999.99 per dollar at the end of May 2022. Recall that the peak was recorded in June 2021, at YER 933.90 per dollar.

In response to the accelerating depreciation of the rial, especially during the last quarter of the CY 2021, the CBY made a series of regulatory and institution-

al adjustments designed to help restore stability in the foreign exchange (FX) market and enhance FX management guidelines and capacity. This process culminated in the launch of a best practice-aligned FX auction mechanism, and in the subsequent live weekly FX auctions, beginning in November 2021, using the Definitive electronic platform.

A single price system was used to allocate a maximum envelope of USD 15 million for each auction at the beginning, then gradually raised to USD 20 and 30 million. This system enabled the CBY to conduct a competitive FX management process designed to ensure transparency and to promote a robust price-discovery mechanism. Adjudication prices were based on a marginal clearance price, for instance YER 1,411 per dollar for the first auction, on November 10. So far, three to eight banks have participated in the auctions each week, with an average of three bids per bank.

From the launch of the FX auction through June 2022, the CBY offered a total amount of USD 685 million. Total bids amounted to USD 610 million, representing a coverage ratio of 89.1 percent. The total amount allocated was USD 537.02 million. These auctions enabled the CBY to absorb a total amount of YER 589.28 billion, equivalent to 13.3 percent of base money stock as of June 2022. This constituted an important step by the CBY towards effective li-

quidity management using market-based monetary policy tools.

The CBY maintained the status quo for interest rate structures during CY 2021. In fact, the policy rate (the minimum rate on rial deposits used as a benchmark) was maintained at 15 percent since prior cut, in February 2013.

Public deficit financing:

The overall budgetary balance at the end of June 2022 indicates a cash surplus of 120.8 billion riyals, in June 2022 general revenue recorded YER 1222.5 billion, and overhead YER 1101.8 billion.

The preliminary data on budget execution during the second quarter of CY 2022 showed an overall surplus in June YER 120.8 billion compared to an overall surplus of YER 23.2 billion through May 2022.

In wake of the ongoing decline in public resources and foreign loans, the internal public debt has increased from approximately YER 1.5 trillion in 2018 to YER 3.7 trillion as of December 2021. However, it slightly decreased to YER 3449.2 trillion as of end June 2022.

The primary source of domestic public financing is direct borrowing from the CBY. This equaled YER 3248.3 trillion as of end June 2022, or about 94.2 percent of the total public internal debt. Wakala deposits and certificates of deposit constituted the remaining portion of the domestic debt (about 5.8

percent).

Prices and inflation:

Achieving price stability is the primary objective of monetary policy. The primacy of this objective is clearly stated in Law No. 14 of 2000 on the Central Bank of Yemen. That is why the CBY is making a tremendous effort, in concert with the relevant government bodies and the assistance of the international community, to face Yemen's persistent adverse macroeconomic conditions. In this regard, the CBY is proactively steering monetary policy with the aim of maintaining macro-financial stability, while providing adequate funds to ensure that critical public financing needs are met.

Inflationary conditions worsened somewhat in 2020 and 2021, after relative stability in 2019. The significant depreciation of the rial, global surge in food and oil prices, lack of a foreign reserve buffer at the CBY's disposal, growing uncertainty, and increased dollarization all contributed to rising inflationary pressures. Market surveys indicate that average food-price inflation exceeded 30 percent in 2020. The annual inflation rate was estimated at around 25 percent in 2020, up from an estimated average rate of 10 percent in 2019. Inflation rate exceeded 30 percent in 2021, in light of the spikes in oil and food prices in international markets.

The average cost of the national minimum food basket (MFB) in Yemen — an indicator of the cost of

living — reached YER 73,607 in December 2021, compared with YER 47,458 in December 2020. Thus, the YoY food inflation rate amounted to 55.1 percent in 2021. Food prices continued their upward trend during the second quarter of the current year to reach 83829 in June 2022 against 77786 in May of the same year.

To attain low and stable inflation, the CBY attaches great importance to controlling the money supply. This can be achieved by constructing a solid framework for monetary targeting and adopting a comprehensive toolkit of indirect and market-based instruments for the purposes of liquidity management. Within this context, the monetary plan for 2022 projects broad and base money growth at 18 percent and 15.6 percent, respectively. Money emission is expected to grow by 18.4 percent. These values are consistent with an inflation rate target of 20 percent.

Monetary Survey of Yemen

(In billions Rials, unless otherwise indicated)

Items	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	June 2022
<u>Broad money supply (M2)</u>	<u>2,756.8</u>	<u>3,101.6</u>	<u>3,106.2</u>	<u>3,238.9</u>	<u>3,697.5</u>	<u>4,282.3</u>	<u>5,504.2</u>	<u>5,973.7</u>	<u>6,701.0</u>	<u>7,229.1</u>	<u>7,230.9</u>
Broad money annual change (%)	21.5	12.5	0.2	4.3	14.2	15.8	28.5	8.5	12.2	7.9	0.1
<u>Quasi-money</u>	<u>1,651.9</u>	<u>1,985.0</u>	<u>1,976.7</u>	<u>1,736.5</u>	<u>1,907.8</u>	<u>1,965.9</u>	<u>2,420.2</u>	<u>2,562.6</u>	<u>2,665.1</u>	<u>2,749.8</u>	<u>2,861.7</u>
Quasi-money annual change (%)	29.5	20.2	-0.4	-12.2	9.9	3.0	23.1	5.9	4.0	3.2	-0.3
Quasi-money/broad money (%)	59.9	64.0	63.6	53.6	51.6	45.9	44.0	42.9	39.8	38.0	39.6
Foreign currency deposits	736.5	868.4	842.7	770.5	850.8	890.2	1,358.0	1,436.1	1,496.9	1,552.7	1,632.1
Foreign currency deposits annual change (%)	22.3	17.9	-3.0	-8.6	10.4	4.6	52.5	5.8	4.2	3.7	-0.7
Foreign currency deposits/total deposits (%)	37.7	37.5	36.7	35.5	36.2	36.3	45.2	44.6	42.6	42.4	43.5
<u>Narrow money supply (M1)</u>	<u>1,104.8</u>	<u>1,116.6</u>	<u>1,129.5</u>	<u>1,502.4</u>	<u>1,789.6</u>	<u>2,316.5</u>	<u>3,084.0</u>	<u>3,411.1</u>	<u>4,035.9</u>	<u>4,479.3</u>	<u>4,369.2</u>
Narrow money annual change (%)	11.3	1.1	1.2	33.0	19.1	29.4	33.1	10.6	18.3	11.0	-0.05
Narrow money/broad money (%)	40.1	36.0	36.4	46.4	48.4	54.1	56.0	57.1	60.2	62.0	60.4
Demand deposits	301.5	331.8	318.7	433.5	441.1	486.4	584.2	653.9	850.9	910.5	889
Demand deposits annual change (%)	39.8	10.1	-4.0	36.0	1.7	10.3	20.1	11.9	30.1	7.0	0.8
Demand deposits/broad money (%)	10.9	10.7	10.3	13.4	11.9	11.4	10.6	10.9	12.7	12.6	12.3
Currency in circulation	803.3	784.8	810.9	1,068.9	1,348.6	1,830.1	2,499.8	2,757.2	3,185.0	3,568.8	3,480.2
Currency in circulation/broad money (%)	3.3	-2.3	3.3	31.8	26.2	35.7	36.6	10.3	15.5	12.1	-0.3

YER = Yemeni rials (national currency).

Source: Central Bank of Yemen.

Table 1: Monetary Survey for the Commercial Banking Sector of Yemen

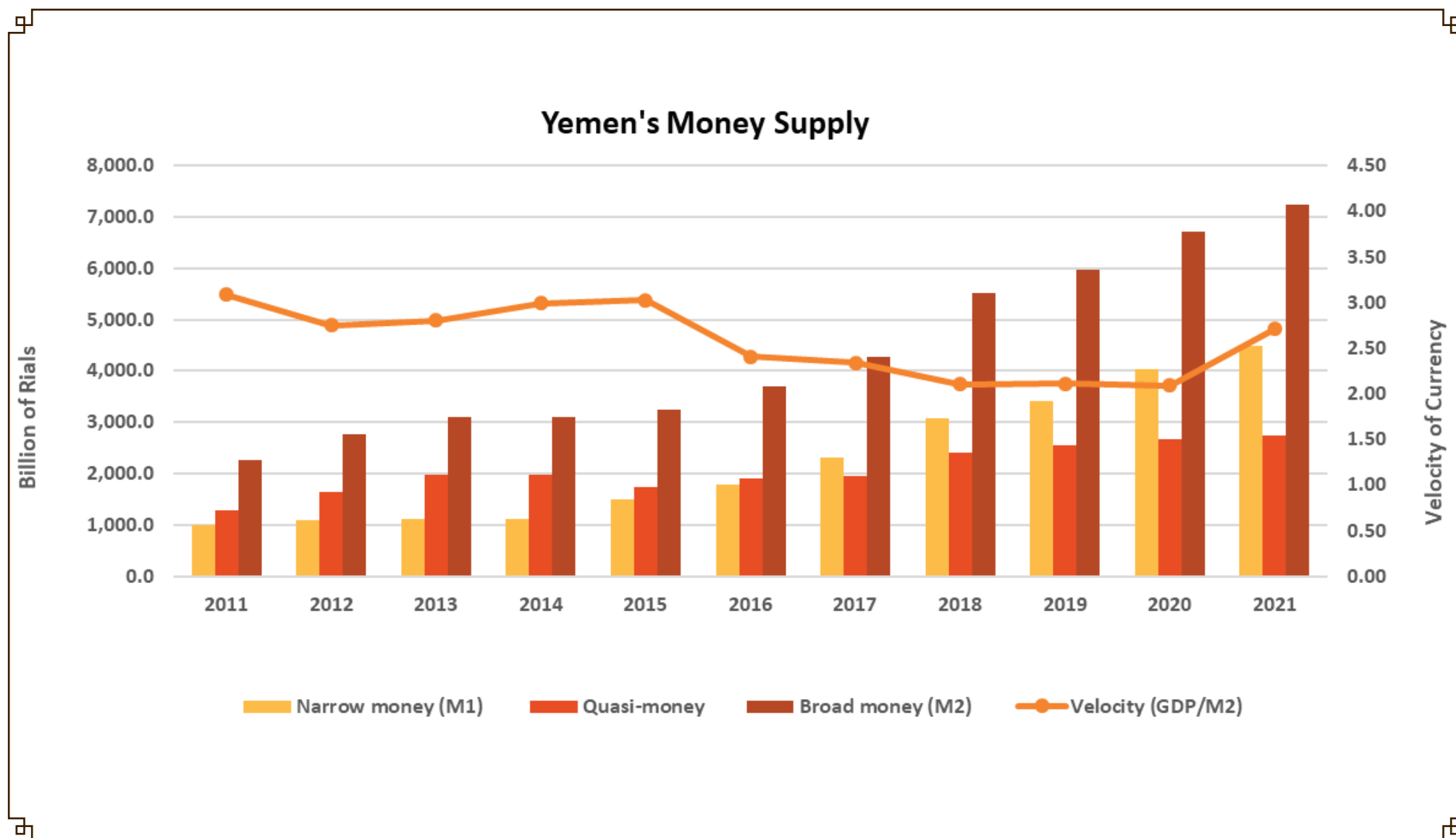


Figure 1: Yemen's Money Survey

Survey of the Central Bank of Yemen

(In billions Rials)

Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	June 2022
<u>Monetary base</u>	<u>1097.6</u>	<u>1112.8</u>	<u>1452.7</u>	<u>1,795.9</u>	<u>2,435.8</u>	<u>3,125.9</u>	<u>3,484.7</u>	<u>3,948.1</u>	<u>4,490.7</u>	<u>4432.9</u>
<u>Monetary base, annual change</u>	<u>1.9</u>	<u>1.4</u>	<u>30.5</u>	<u>23.6</u>	<u>35.6</u>	<u>28.3</u>	<u>11.5</u>	<u>13.3</u>	<u>13.7</u>	<u>-0.8</u>
<u>Currency issued</u>	<u>821.6</u>	<u>854.9</u>	<u>1099.5</u>	<u>1,375.8</u>	<u>1,893.5</u>	<u>2,571.6</u>	<u>2,890.5</u>	<u>3,327.5</u>	<u>3,802.7</u>	<u>3691.5</u>
Currency issued, annual change	-1.3	4.1	28.6	25.1	37.6	35.8	12.4	15.1	14.3	-2.5
<u>Banks reserves held at the CBY</u>	<u>276.1</u>	<u>257.9</u>	<u>353.2</u>	<u>420.2</u>	<u>549.3</u>	<u>554.3</u>	<u>594.2</u>	<u>620.6</u>	<u>688.0</u>	<u>741.4</u>
Banks reserves held at the CBY, annual change	12.8	-6.6	37.0	19.0	30.7	0.9	7.2	4.4	10.8	8.8
<u>Money multiplier (M2/Monetary base)</u>	<u>2.8</u>	<u>2.8</u>	<u>2.2</u>	<u>2.1</u>	<u>1.8</u>	<u>1.8</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>2.1</u>

CBY = Central Bank of Yemen, YER = Yemeni rials (national currency).

as the money multiplier is defined as the broad money supply (M2) divided by the monetary base.

Source: CBY.

Table 2: Survey of the Central Bank of Yemen



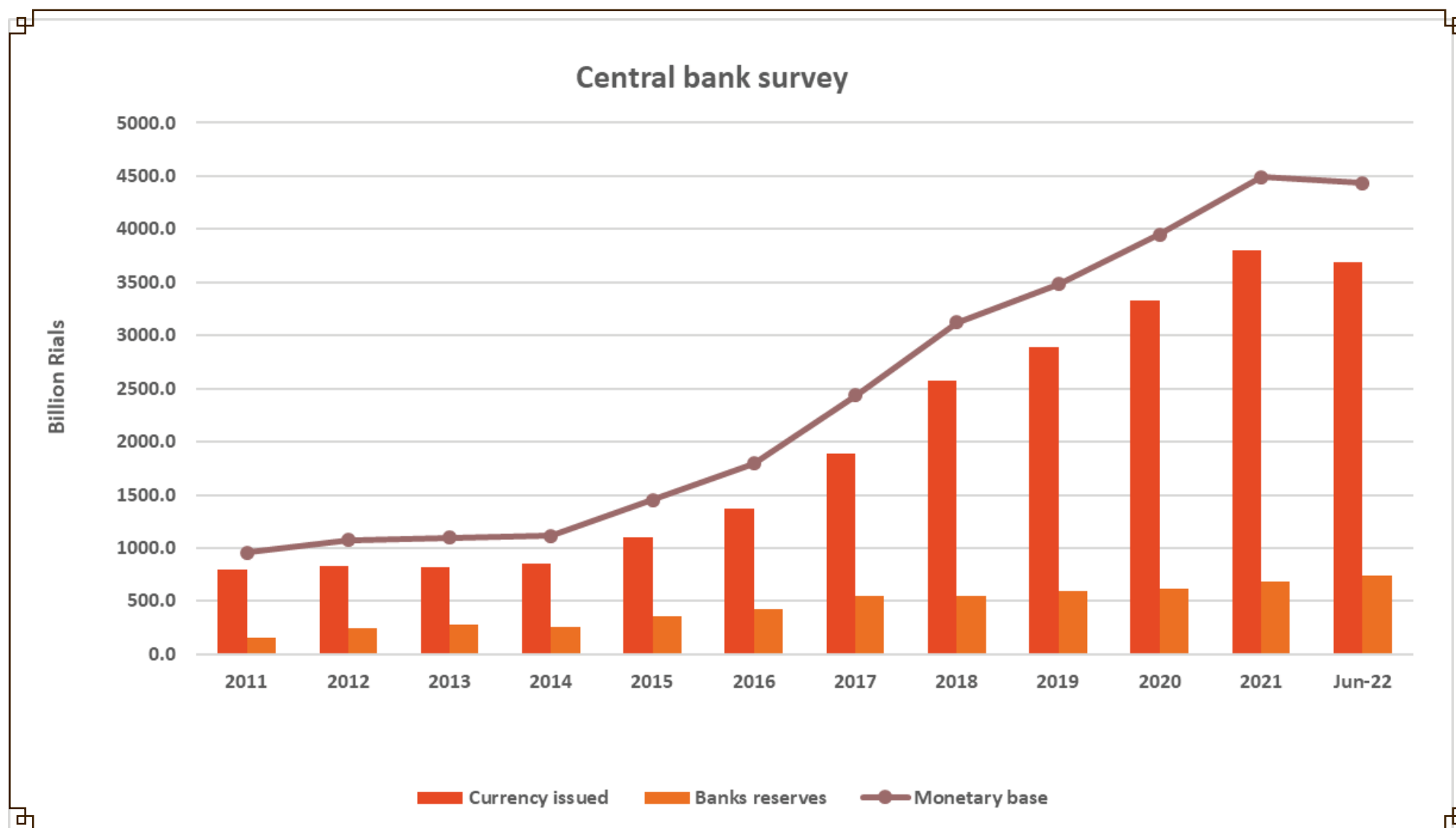


Figure 2: central bank survey

Balance Sheet of the Central Bank of Yemen

(In billion Rials)

Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	June 2022
<u>Assets</u>	<u>2,185.0</u>	<u>2,036.6</u>	<u>2,252.8</u>	<u>2,829.6</u>	<u>3,983.9</u>	<u>5,750.3</u>	<u>6,558.8</u>	<u>7,286.3</u>	<u>8,090.4</u>	<u>8743.7</u>
<u>Foreign Assets</u>	<u>1,149.4</u>	<u>1,002.6</u>	<u>450.5</u>	<u>250.3</u>	<u>361.8</u>	<u>1,133.6</u>	<u>628.4</u>	<u>387.8</u>	<u>684.0</u>	<u>1843.5</u>
<u>Loans & Advances</u>	<u>1,022.3</u>	<u>1,020.5</u>	<u>1,788.2</u>	<u>2,536.8</u>	<u>3,170.3</u>	<u>4,065.8</u>	<u>4,841.8</u>	<u>5,708.4</u>	<u>6,125.9</u>	<u>5871.3</u>
Government	756.6	761.3	1,524.7	2,228.6	2,860.8	3,756.3	4,532.3	5,398.9	5,816.4	5561.8
Public Enterprises	265.7	259.2	263.5	308.2	309.5	309.5	309.5	309.5	309.5	309.5
Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Fixed & Other Assets</u>	<u>13.3</u>	<u>13.5</u>	<u>14.1</u>	<u>42.6</u>	<u>451.8</u>	<u>550.9</u>	<u>1,088.5</u>	<u>1,190.1</u>	<u>1,280.5</u>	<u>1028.8</u>
Exchange Valuation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Liabilities</u>	<u>2,185.0</u>	<u>2,036.6</u>	<u>2,252.8</u>	<u>2,829.6</u>	<u>3,983.9</u>	<u>5,750.3</u>	<u>6,558.8</u>	<u>7,286.3</u>	<u>8,090.4</u>	<u>8743.7</u>
<u>Banknotes Issued</u>	<u>821.6</u>	<u>854.9</u>	<u>1,099.5</u>	<u>1,375.8</u>	<u>1,893.5</u>	<u>2,571.6</u>	<u>2,890.5</u>	<u>3,327.5</u>	<u>3,802.7</u>	<u>3691.5</u>
<u>Sight Liabilities</u>	<u>496.7</u>	<u>414.3</u>	<u>453.8</u>	<u>592.3</u>	<u>756.8</u>	<u>961.9</u>	<u>1,032.0</u>	<u>1,169.4</u>	<u>1,151.2</u>	<u>1243.3</u>
Government	121.3	76.1	50.6	75.4	100.6	243.6	330.6	429.7	342.7	360.6
Social Security Fund	18.0	13.6	18.7	58.7	58.7	58.7	58.7	58.7	8.7	58.7
Public Enterprises	81.4	66.8	31.3	38.1	48.1	105.4	48.5	60.3	61.9	82.6
Demand Deposits	70.2	49.3	26.6	32.8	38.2	93.7	34.2	45.3	5.7	46.7
Time Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Currency	11.2	17.5	4.7	5.3	9.9	11.7	14.3	15.0	16.2	35.9
<u>Banks</u>	<u>276.1</u>	<u>257.9</u>	<u>353.2</u>	<u>420.2</u>	<u>549.3</u>	<u>554.3</u>	<u>594.2</u>	<u>620.6</u>	<u>688.0</u>	<u>741.4</u>
Certificates of Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury Bills sold to Banks (repos)	50.6	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Liabilities	267.9	268.0	268.4	311.4	486.8	1,230.9	1,230.9	1,295.3	1,699.1	3831.4
<u>Other Liabilities</u>	<u>548.2</u>	<u>497.6</u>	<u>431.1</u>	<u>550.1</u>	<u>846.9</u>	<u>985.9</u>	<u>1,405.4</u>	<u>1,494.1</u>	<u>1,437.3</u>	<u>-22.5</u>

Table 3: Balance Sheet of the Central Bank of Yemen

Consolidated Balance Sheet of Commercial & Islamic Banks - Assets

(In Billions Rials)

Items	2012	2013	2014	2015	2017	2018	2019	2020	2021	June 2022
<u>Assets</u>	<u>2276.1</u>	<u>2776.1</u>	<u>2810.0</u>	<u>2768.5</u>	<u>3,183.2</u>	<u>4,034.2</u>	<u>4,409.0</u>	<u>4,429.7</u>	<u>4,594.8</u>	<u>4683.9</u>
<u>Foreign Assets</u>	<u>541.6</u>	<u>549.8</u>	<u>504.3</u>	<u>506.3</u>	<u>532.0</u>	<u>822.6</u>	<u>909.8</u>	<u>916.2</u>	<u>971.0</u>	<u>965.5</u>
Foreign Currency	49.9	51.6	49.0	90.9	44.6	66.8	97.4	116.4	135.0	133.6
Banks Abroad	260.0	230.7	243.0	210.5	254.0	414.3	470.9	468.1	486.8	488.3
Non-residents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Investment	231.7	267.5	212.3	204.9	233.4	341.5	341.5	331.7	349.2	343.6
<u>Reserves</u>	<u>276.8</u>	<u>321.9</u>	<u>302.2</u>	<u>383.9</u>	<u>571.8</u>	<u>713.6</u>	<u>774.6</u>	<u>821.1</u>	<u>938.3</u>	<u>974.3</u>
Local Currency	29.4	36.8	44.0	30.6	63.4	71.8	133.3	142.5	233.9	211.3
Deposits with CBY	247.4	285.1	258.2	353.3	508.4	641.8	641.3	678.6	704.4	763.0
<u>Loans & Advances</u>	<u>1179.6</u>	<u>1722.5</u>	<u>1844.8</u>	<u>1692.6</u>	<u>1,817.4</u>	<u>2,158.8</u>	<u>2,320.4</u>	<u>2,305.4</u>	<u>2,303.7</u>	<u>2150.8</u>
Government	788.5	1182.5	1287.3	1264.2	1,387.4	1,554.8	1,720.8	1,963.7	1,798.1	1806.4
Public Enterprises	17.3	30.0	34.2	18.0	13.7	19.8	20.4	57.5	61.0	60.4
Private Sector	373.8	510.0	523.2	410.5	416.3	583.2	578.2	284.2	444.6	284.0
Certificate of Deposits	91.9	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0
Treasury bills purchased from CBY	64.8	50.6	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Other Assets</u>	<u>121.3</u>	<u>131.3</u>	<u>156.9</u>	<u>185.8</u>	<u>262.0</u>	<u>339.2</u>	<u>404.2</u>	<u>387.0</u>	<u>381.8</u>	<u>593.3</u>

CBY = Central Bank of Yemen, YER = Yemeni rials (national currency).

Source: CBY.

Table 4: Consolidated Balance Sheet of Commercial and Islamic Banks - Assets

Consolidated Balance Sheet of Commercial & Islamic Banks - Liabilities

(In Billions Rials)

Items	2012	2013	2014	2015	2017	2018	2019	2020	2021	June 2022
<u>Liabilities</u>	<u>2276.1</u>	<u>2776.1</u>	<u>2810.0</u>	<u>2768.5</u>	<u>3,183.0</u>	<u>4,034.1</u>	<u>4,408.9</u>	<u>4,429.7</u>	<u>4,594.8</u>	<u>4683.9</u>
<u>Deposits</u>	<u>541.6</u>	<u>549.8</u>	<u>504.3</u>	<u>2150.0</u>	<u>2,374.3</u>	<u>3,027.4</u>	<u>3,249.3</u>	<u>3,516.0</u>	<u>3,660.2</u>	<u>3750.7</u>
Government	49.9	51.6	49.0	30.1	28.9	23.0	32.8	0.0	0.0	0.0
Demand	260.0	230.7	243.0	406.9	448.2	584.2	653.9	850.9	910.5	889.0
Time	0.0	0.0	0.0	704.1	751.0	774.0	815.7	838.8	859.2	874.3
Saving	231.7	267.5	212.3	191.3	221.1	242.0	260.9	276.3	286.9	292.6
Foreign Currency	276.8	321.9	302.2	765.9	880.3	1,358.0	1,436.1	1496.9	1,552.7	1632.1
Earmarked	29.4	36.8	44.0	51.8	44.8	46.2	49.9	53.1	50.9	62.8
<u>Foreign Liabilities</u>	<u>247.4</u>	<u>285.1</u>	<u>258.2</u>	<u>29.2</u>	<u>27.0</u>	<u>62.7</u>	<u>36.6</u>	<u>35.0</u>	<u>32.5</u>	<u>25.5</u>
Banks Abroad	1179.6	1722.5	1844.8	27.5	25.3	59.8	33.6	35.0	32.5	25.5
Non-residents	788.5	1182.5	1287.3	1.6	1.7	2.9	3.0	0.0	0.0	0.0
Borrowing from bks	17.3	30.0	34.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Other Liabilities</u>	<u>373.8</u>	<u>510.0</u>	<u>523.2</u>	<u>589.3</u>	<u>781.7</u>	<u>944.0</u>	<u>1,123.0</u>	<u>878.8</u>	<u>902.1</u>	<u>907.7</u>
Loans from CBY	91.9	0.0	0.0	2.9	4.3	5.6	13.5	6.8	6.8	6.8
Capital & Re-serves	64.8	50.6	1.7	237.6	267.8	291.1	333.7	358.0	494.9	396.2
Other Liabilities	121.3	131.3	156.9	348.9	509.6	647.3	775.8	513.9	400.4	504.7

CBY = Central Bank of Yemen, YER = Yemeni rials (national currency).

Source: CBY.

Table 5: Consolidated Balance Sheet of Commercial and Islamic Banks - Liabilities



Market exchange rates

(Yemeni Rial / US dollar)

Months	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average	Average
January	213.80	213.80	214.89	214.89	214.89	213.8	315.6	477.5	536.0	645.3	787.4	1102.7
February	213.80	213.80	214.89	214.89	214.89	213.8	330.7	481.5	581.5	655.7	865.4	1125.1
March	213.80	213.80	214.89	214.89	214.89	213.8	348.0	488.0	579.8	656.3	891.5	1246.5
April	213.80	213.80	214.89	214.89	214.89	213.8	362.9	488.0	513.4	669.4	867.8	963.65
May	213.80	213.80	214.89	214.89	214.89	213.8	362.0	494.5	538.8	698.9	908.7	999.99
June	213.80	213.80	214.89	214.89	214.89	213.8	356.1	522.5	560.2	735.4	933.9	1094.85
July	213.80	214.94	214.89	214.89	214.89	214.9	368.5	567.0	578.1	753.1	981.9	
August	213.80	214.91	214.89	214.89	214.89	214.9	372.1	644.5	597.0	778.3	1,022.6	
September	213.80	214.89	214.89	214.89	214.89	214.9	375.3	625.0	610.5	815.9	1,105.9	
November	213.80	214.89	214.89	214.89	214.89	214.9	381.3	622.0	596.0	799.9	1,269.3	
November	213.80	214.89	214.89	214.89	214.89	214.9	416.3	550.5	574.0	821.7	1,500.6	
December	213.80	214.89	214.89	214.89	214.89	214.9	444.7	499.5	601.0	792.7	1,255.3	
Annual average	213.80	214.89	214.89	214.89	214.89	214.4	369.5	538.4	572.2	735.2	1,032.5	1102.7

Table 6: Average Market Exchange Rates

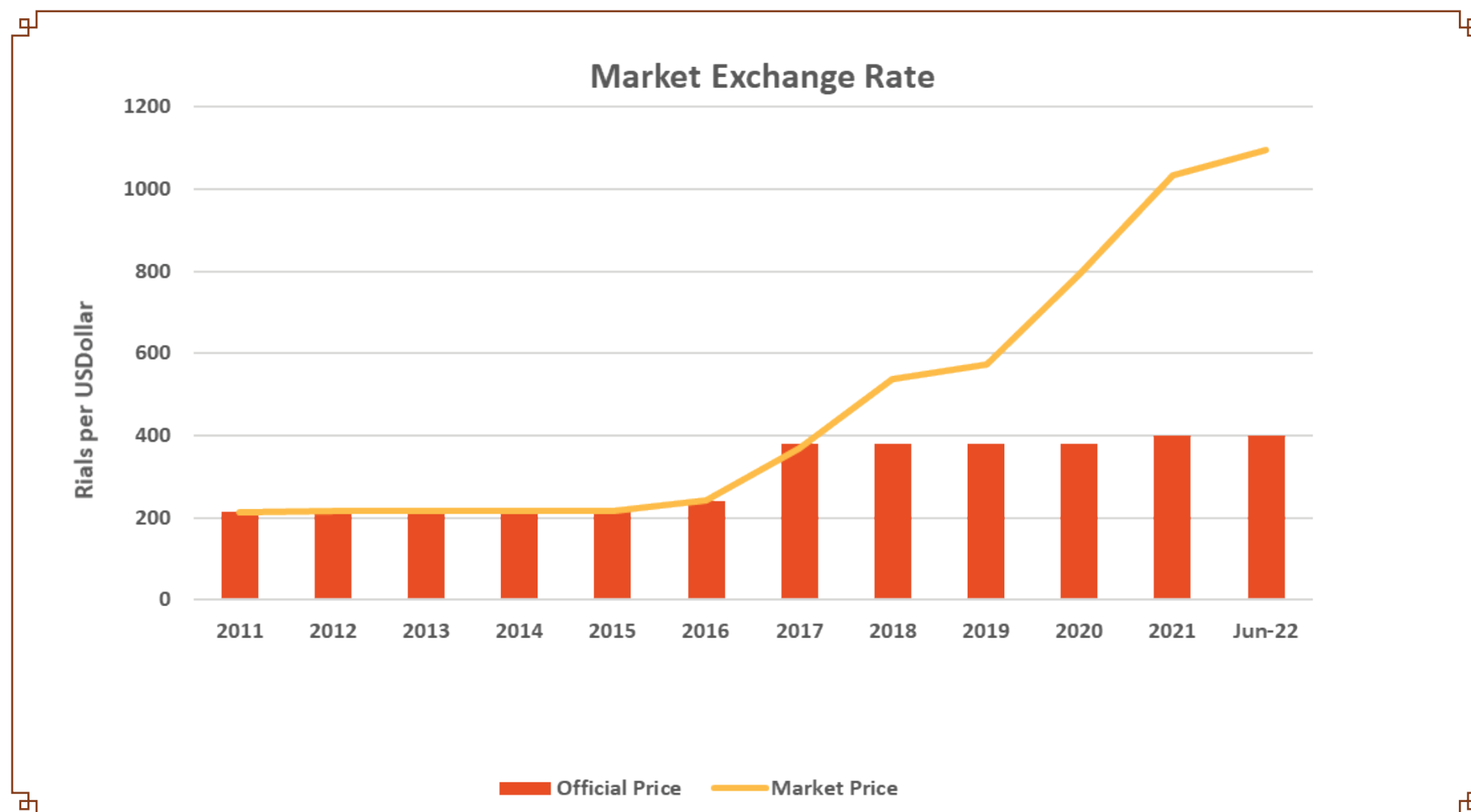


Figure 3: Average Exchange Rates



Statistical Concepts and Methodology

The monthly report on the most important financial, monetary and banking developments issued by the Central Bank of Yemen, starting from November 2021, focuses on the developments of the local financial and monetary economic conditions.

Here are the highlights of the report:

Money Aggregates and Monetary

Policy Developments:

The General Department for Research and Statistics collects these data and periodically prepares them for publication in accordance with the 2000 Monetary and Financial Statistics Manual issued by the IMF. The Central Bank treats the data it collected separately on the concerned institutions with strict confidentiality. The monetary data should be published in their final form, and these data are reviewed when any amendment is made related to the methodology used and the classification of the monetary data. The following is an introduction to the content of the most prominent terms included in the monetary tables:

- **Banks:** All commercial and Islamic banks operating in the Republic of Yemen that accept deposits.
- **Banking system:** The Central Bank of Yemen and the commercial and Islamic banks operating in Yemen.
- **Government:** The central government and the

local councils.

- **Social Security institutions:** The General Authority for Insurance and Pensions, the General Organization for Insurance and Pensions, and the security and military retirement Institutions.

- **Public institutions:** Public (non-financial) institutions and companies in which the government has an interest and/or voting power.

- **Non-governmental sector:** All local sectors except the government and social security institutions.

- **Resident:** A natural or legal person who usually resides in Yemen or has been in Yemen for one year or more, regardless of the nationality of this person, with the exception of international bodies and institutions and foreign students who reside for more than one year.

- **Non-resident:** A natural or legal person who usually resides outside Yemen and/or who has not completed one year of residency in Yemen, regardless of the nationality of this person, except for a family or individual who has an economic center or interest in Yemen and has permanent housing even if this family or individual resides in Yemen intermittently.

- **Net foreign assets:** The external assets of the banking system minus the external liabilities of the banking system, based on the concept of residen-

cy. These are calculated for the Central Bank and each other bank from the external assets and liabilities included in their balance sheets.

- **Net government borrowing:** The sum of the claims on the central government and local councils of the banking system, minus the total government deposits with the banking system.

- **Claims on the non-governmental sector:** The total claims on public institutions and the local private sector.

- **Other items net:** The sum of the other assets of the banking system minus the sum of other liabilities of the banking system, representing items that are not included in the definition of net foreign assets, net of government borrowing, and claims on the non-governmental sector from the Central Bank balance sheet and the consolidated balance sheet of commercial and Islamic banks.

- **Currency issued:** The cash issued by the Central Bank, consisting of cash circulating outside banks plus cash in banks' vaults.

- **Money:** Currency in circulation plus demand deposits in Rials with the banking system for both the (local) private sector and public institutions.

- **Quasi-money:** Both savings and time deposits in Rials and deposits in foreign currencies for all sectors mentioned in the definition of money with the banking system, in addition to deposits of so-

cial security institutions.

- **Money supply:** The sum of money plus quasi-money as well as the sum of net foreign assets, net government borrowing, claims on the non-governmental sector, and other items net.

- **Banks' deposits with the Central Bank include the following:**

- 1) **Reserve requirement:** The minimum value that banks must keep with the Central Bank to meet the mandatory reserve ratio imposed on deposits with banks.

- 2) **Current accounts:** Current accounts opened by banks with the Central Bank of Yemen in local and foreign currencies by banks. Certificates of deposit in Rials are not considered within these accounts.

- **Bank advances:** Credit granted by commercial banks in the form of loans, facilities, and discounted securities in addition to financing provided to Islamic banks for their investment operations.

- **Loans and advances granted to the private sector by banks:** Among others, direct loans and facilities granted by banks to the private sector and banks' investments in the shares of companies.

- **Loans and advances granted to the government by banks:** Agency deposits (alternatives to Islamic bonds), certificates of deposit gov-

ernment bonds.

• **Exchange rate and monetary policy:** The axis of the national currency exchange rates against the main foreign currencies is one of the axes that the Central Bank strives for its stability through effective monetary policy measures to achieve a macroeconomic balance between supply and demand and to curb price inflation. The General Administration of Foreign Exchange and Exchange Affairs is the source of these statements and procedures.

Public Finance:

The General Budget Department of the Central Bank of Yemen is the source of the state's general budget data, which is actual preliminary data. The budget data includes the following:

- **Total balance:** This represents the state's general budget and indicates the relationship between public revenues and overall public spending.
- **Internal public debt:** includes the financing provided by the banking system to the government to fill the deficit in the state's general budget.

Prices and Inflation:

The Food Security Secretariat of the Ministry of Planning and International Cooperation prepares the price index to measure the inflation rate based on (the cost of a food basket for an average family

of 7 to survive) with the help of its local and international partners. The food basket consists of 75 kg of flour, 10 kg of broad beans or red beans, 8 liters of imported vegetable oil, 2.5 kg of sugar, and 1 kg of iodized salt.

Disclaimer

- Starting in August 2008, monetary and banking data were modified and updated in accordance with the Monetary and Financial Statistics Manual issued by the International Monetary Fund for the year 2000. This note was developed to make it easier for researchers, observers and those interested to know the reasons for the change in numbers.
- According to Article (45) of the Central Bank Law No. (14) of 2000, all information and individual data provided to the Central Bank are strictly confidential and used only for statistical purposes, and no information that reveals the financial conditions of any bank or financial institution is published.
- The data contained in the report that we receive from its sources, such as ministries and government agencies, is preliminary data subject to change in the event that it is modified from its source.
- If it is not possible to obtain statistical data from ministries and government agencies, we are forced to take into account the expectations of the International Monetary Fund.
- This report is issued by the General Department for Research and Statistics in the Central Bank of Yemen - Headquarters Aden - Republic of Yemen.

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