



Central Bank of Yemen



Monetary and Financial Developments

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Central Bank of Yemen



Monthly report Monetary and Financial Developments

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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 September 2022. The report published every month 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 the 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) increased slightly from YER 7,229.1 billion in December 2021 to YER 7230.9 billion in June 2022 (YER 1.8 billion). The actual flat growth rate of broad money was well below the annual target of 18 percent, as noted in the annual monetary plan. This indicates that monetary expansion in 2022 remained within the economy's absorptive capacity.

During the first half of CY 2022, the narrow money supply (M1) decreased by 0.1 percent to YER 4369.2 billion while quasi-money decreased by 0.3 percent to YER 2861.7 billion. The drop in narrow money reflected an increase in the currency in circulation and 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 about 48 percent of the total money supply in June 2022, compared with 49.4 percent in 2021, is evidence that Yemen continued to rely heavily on cash as its primary means of financial intermediation.

The balance sheet of the Central Bank of Yemen (CBY):

The total balance sheet of the CBY reached YER 8,664.9 billion at the end of September 2022, showing a decrease of YER 80.8 billion, or 0.9 percent relative to the previous month.

The total foreign assets of the CBY rose from YER 1429.1 billion as of September 2022 to YER 1501.8 billion in August 2022, a decrease of YER 72.7 billion (4.8 percent), mainly due to the FX inflows decrease and the revaluation effect of the exchange rate.

Net credit to the government decreased from YER 5525 billion at the end of August 2022 to YER 5,528.2 billion at end of September 2022, an increase of YER 3.2 billion (0.1 percent).

The stock of currency issued by the CBY amounted to YER 3,683 billion at the end of September 2022, compared with YER 3,740.2 billion at the end of the previous month, a decrease of YER 57.1 billion (1.5 percent).

Bank reserves held at the CBY increased by YER 4.5 billion (0.6 percent) at the end of September 2022.

Thus, base money (the sum of currency issued and bank reserves) decreased by 1.4 percent (YER 61.6 billion) in September 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.

The consolidated balance sheet of commercial and Islamic banks:

The consolidated balance sheet of commercial and Islamic banks in Yemen totaled YER 4683.9 billion in June 2022, an increase of 2.5 billion Rials, or

about 0.1 percent relative to March 2022.

Total foreign assets of commercial and Islamic banks amounted to YER 965.5 billion at the end of June 2022, compared to YER 968.3 billion at the end of March 2022, a decrease of YER 2.8 billion, or 0.3 percent.

Total bank reserves with the CBY increased by YER 10.8 billion, or 1.1 percent at the end of June 2022, to reach YER 974.3 billion.

As for the total credit provided by banks to the private sector, it increased from YER 279.1 billion at the end of March 2022 to YER 284.0 billion in June 2022, an increase of YER 4.9 billion, or 1.7 percent.

Total deposits amounted to YER 3750.7 billion at the end of June 2022, compared to YER 3751.9 billion at the end of March of the same year, a decrease of YER 1.2 billion riyals, or 0.1 percent. This slight decrease is due to a 12.3 percent drop in the value of foreign currency deposits, compared to an increase in demand deposits by 7.3 percent, time deposits by 3.3 percent, and savings deposits by 1 percent.

Clearing room:

The total number of checks transacted in rials in clearing rooms reached 1069 in September 2022, representing a total value of YER 11.47 billion, compared with 1394 checks totaling YER 11.61 billion during August 2022, a decrease of 23.3 percent in quantity and 1.2 percent in value.

Exchange rates:

The average exchange rate between the Yemeni rial and the United States (U.S.) dollar reached YER 1,134.89 per dollar at the end of September 2022, compared to YER 1154.47 per dollar at the end of August 2022. Recall that the peak was recorded in September 2021, at an average of YER 1500.6 per dollar.

In response to the accelerating depreciation of the rial, especially during the last quarter of CY 2021, the CBY made a series of regulatory and institutional 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 subsequent live weekly FX auctions, beginning in November 2021, using the 'Refinitiv' 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 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 10th, 2021. 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 September 2022, the CBY offered a total amount of USD 1015 million. Total bids amounted to USD 855.55 million, representing a coverage ratio of 84.3 percent. The total amount allocated was USD 777.96 million. These auctions enabled the CBY to absorb a total amount of YER 867.88 billion, equivalent to 19.6 percent of the base money stock as of September 2022. This constituted an important step by the CBY towards effective liquidity management using market-based monetary policy tools.

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

Public deficit financing:

The preliminary data on budget execution showed an overall cash deficit of YER 189.1 billion compared to a cash deficit of 203.8 billion in August 2022. As of September 2022, public revenues amounted to YER 1669.4 billion while public expenditures amounted to YER 1858.5 billion.

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 3925.8 billion at the end of September 2022 compared to YER 3945.2 billion.

The primary source of domestic public financing is a direct borrowing from the CBY. This equaled YER 3551.8 billion at the end of September 2022 or about 90.5 percent of the total public internal debt. Wakala deposits and certificates of deposit constituted the remaining portion of the domestic debt (about 9.5 percent).

Prices and inflation:

Achieving price stability is the primary objective of monetary policy. The primacy of this objective is clearly stated in the Central Bank of Yemen (CBY) Law No. 14 of 2000 that's why tremendous efforts are being deployed by the central bank in concert with the relevant government entities and the assistance of the international community to face the persistent adverse macroeconomic conditions. In this regard, the CBY is proactively steering monetary policy in a manner designed to maintain macro-financial stability, while providing adequate financing 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, the global surge in food and oil prices, the 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 is estimated at around 25 percent in 2020, up from an estimated average rate of 10 percent in 2019. The 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 83,591 in December 2021, compared with YER 47,057 in December 2020. Thus, the YoY food inflation rate amounted to 77.6 percent in 2021 for the whole country compared to 110 percent in the liberated areas.

The average cost of the minimum food basket increased, in the entire Republic, by 34.7% in September 2022 compared to September 2021. This percentage reached 42.4% in the liberated areas. Compared to August 2022, the average food price index decreased by 0.3% in the entire Republic, while it increased by 0.9% in the liberated areas. To attain low and stable inflation, the CBY attaches great importance to control the money supply. This can be achieved by constructing a framework for monetary targeting and adopting a comprehensive toolkit of indirect and market-based instruments for duty 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 per-

cent. These values are consistent with an inflation rate target of 25-30 percent

Monetary Survey of Yemen

(In billions Rials, unless otherwise indicated)

Items	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Jun 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>6701.0</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	...
<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>2665.1</u>	<u>2749.7</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	...
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	1496.9	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	...
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>4035.9</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	...
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	...
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	3185.0	3,568.8	3,480.2
Currency in circulation/broad money (%)	3.3	-2.3	3.3	31.8	36.5	42.7	45.4	46.2	47.5	49.4	48.1

YER = Yemeni rials (national currency).

Source: Central Bank of Yemen.

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



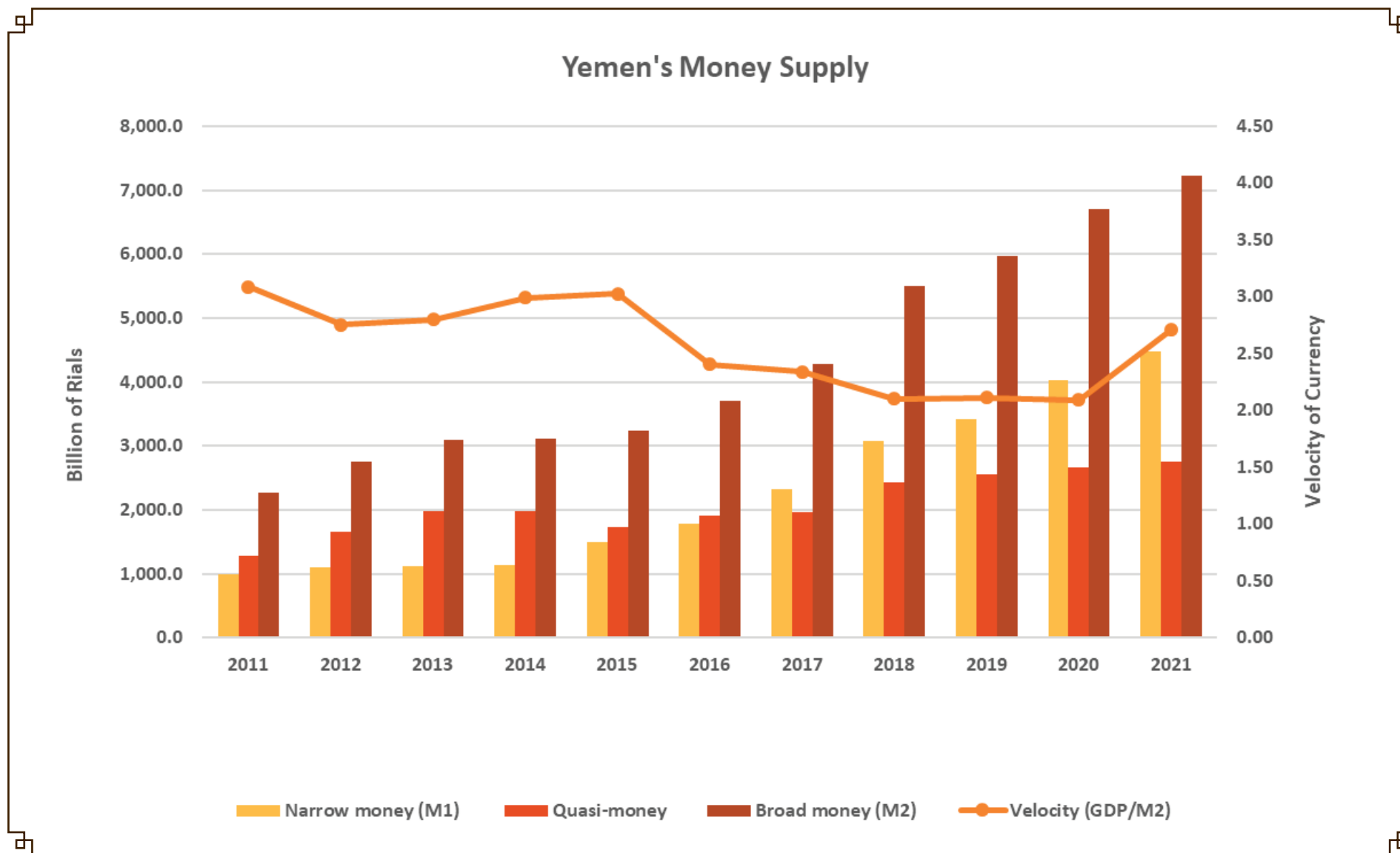


Figure 1: Yemen's Money Survey

Survey of the Central Bank of Yemen

(In billions Rials)

Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	Sept 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>4428.5</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>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>3683.0</u>
Currency issued, annual change	-1.3	4.1	28.6	25.1	37.6	35.8	12.4	15.1	14.3	...
<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>745.5</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	...
<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



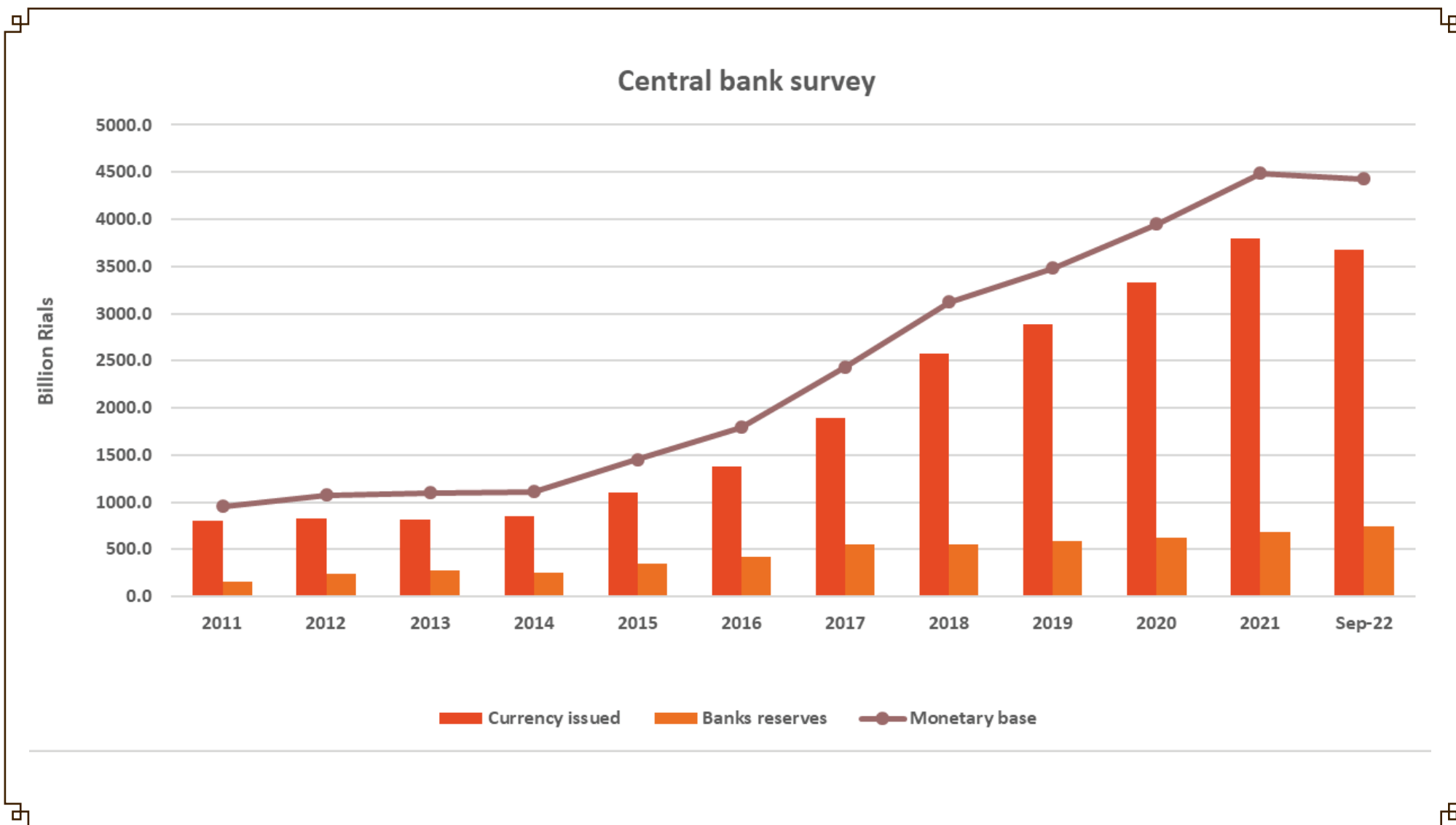


Figure 2: central bank survey

Balance Sheet of the Central Bank of Yemen

(In billion Rials)

Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	Sept 2022
<u>Assets</u>	<u>2,185.0</u>	<u>2,036.6</u>	<u>2,252.8</u>	<u>2,829.7</u>	<u>3,983.9</u>	<u>5,750.3</u>	<u>7,286.3</u>	<u>8,090.3</u>	<u>8819.8</u>	<u>8,664.9</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>387.8</u>	<u>684.0</u>	<u>1693.9</u>	<u>1,429.1</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>5,708.4</u>	<u>6,125.9</u>	<u>6112.9</u>	<u>6,174.9</u>
Government	756.6	761.3	1,524.7	2,228.6	2,860.8	3,756.3	5,398.9	5,816.4	5803.4	5,865.4
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>1,190.1</u>	<u>1,280.5</u>	<u>1013.0</u>	<u>1,060.9</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>2,829.7</u>	<u>3,983.9</u>	<u>5,750.3</u>	<u>7,286.3</u>	<u>8,090.3</u>	<u>8819.8</u>	<u>8,664.9</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>3,327.5</u>	<u>3,802.7</u>	<u>3711.2</u>	<u>3,683.0</u>
<u>Sight Liabilities</u>	<u>496.7</u>	<u>414.3</u>	<u>453.8</u>	<u>592.4</u>	<u>756.8</u>	<u>961.9</u>	<u>1,169.4</u>	<u>1,151.2</u>	<u>1323.9</u>	<u>1,239.8</u>
Government	121.3	76.1	50.6	75.4	100.6	243.6	429.7	342.7	369.7	337.2
Social Security Fund	18.0	13.6	18.7	58.7	58.7	58.7	58.7	58.7	58.7	58.7
Public Enterprises	81.4	66.8	31.3	38.1	48.1	105.4	60.3	61.9	85.5	98.4
Demand Deposits	70.2	49.3	26.6	32.8	38.2	93.7	45.3	45.7	47.2	59.1
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	15.0	16.2	38.3	39.3
<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>620.6</u>	<u>688.0</u>	<u>810.1</u>	<u>745.5</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	<u>267.9</u>	<u>268.0</u>	<u>268.4</u>	<u>311.4</u>	<u>486.8</u>	<u>1,231.9</u>	<u>1,306.0</u>	<u>1,699.1</u>	<u>2832.8</u>	<u>2,751.9</u>
<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>984.9</u>	<u>1,483.4</u>	<u>1,437.3</u>	<u>951.9</u>	<u>990.2</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	2016	2017	2018	2019	2020	2021	Jun 2022
<u>Assets</u>	<u>2276.1</u>	<u>2776.1</u>	<u>2810.0</u>	<u>2768.5</u>	<u>2961.6</u>	<u>3183.1</u>	<u>4034.2</u>	<u>4408.9</u>	<u>4,429.7</u>	<u>4,594.9</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>581.6</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	83.5	44.6	66.8	97.4	116.4	135.0	133.6
Banks Abroad	260.0	230.7	243.0	210.5	256.6	254	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	0.0
Foreign Investment	231.7	267.5	212.3	204.9	241.5	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>440.4</u>	<u>571.8</u>	<u>713.6</u>	<u>774.5</u>	<u>821.2</u>	<u>938.3</u>	<u>974.3</u>
Local Currency	29.4	36.8	44.0	30.6	27.2	63.4	71.8	133.2	142.5	233.9	211.3
Deposits with CBY	247.4	285.1	258.2	353.3	413.2	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>1725.7</u>	<u>1817.3</u>	<u>2157.8</u>	<u>2319.4</u>	<u>2,305.4</u>	<u>2,303.7</u>	<u>2150.8</u>
Government	788.5	1182.5	1287.3	1264.2	1301.9	1387.3	1554.8	1720.8	1,963.7	1,798.1	1806.4
Public Enterprises	17.3	30.0	34.2	18.0	19.5	13.7	19.8	20.4	57.5	61.0	60.4
Private Sector	373.8	510.0	523.2	410.5	404.3	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	0.0	1	1	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	0.0
<u>Other Assets</u>	<u>121.3</u>	<u>131.3</u>	<u>156.9</u>	<u>185.8</u>	<u>213.9</u>	<u>262</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

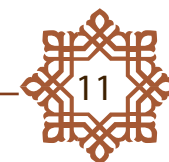
(In Billions Rials)

Items	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Jun 2022
Liabilities	2276.1	2776.1	2810.0	2768.5	2961.6	3183.1	4034.2	4408.9	4,429.7	4,594.9	4683.9
Deposits	1799.5	2225.3	2225.7	2150.0	2271.4	2374.4	3027.4	3249.3	3,516.0	3,660.2	3750.7
Government	4.0	7.9	10.7	30.1	19.3	28.9	23	32.8	0.0	0.0	0.0
Demand	231.5	261.6	269.4	406.9	408.3	448.2	584.2	653.9	850.9	910.5	889.0
Time	643.5	837.3	862.0	704.1	732.5	751.1	774	815.7	838.8	859.2	874.3
Saving	168.0	194.9	205.4	191.3	215.9	221.1	242	260.9	276.3	286.9	292.6
Foreign Currency	706.2	857.3	825.2	765.9	845.5	880.3	1358	1436.1	1,496.9	1,552.7	1632.1
Earmarked	46.1	66.4	53.1	51.8	49.9	44.8	46.2	49.9	53.1	50.9	62.8
Foreign Liabilities	28.5	38.2	39.3	29.2	29.3	27.0	62.7	36.6	35.0	32.5	25.5
Banks Abroad	25.9	35.7	37.0	27.5	27.4	25.3	59.8	33.6	35.0	32.5	25.5
Non-residents	2.6	2.5	2.3	1.6	1.9	1.7	2.9	3	0.0	0.0	0.0
Borrowing from bks	0.0	0.0	0.0	0.0	0	0	0	0	0.0	0.0	0.0
Other Liabilities	448.2	512.6	545.0	589.3	660.9	781.7	944.1	1123.0	878.8	902.1	907.7
Loans from CBY	0.8	0.9	1.6	2.9	3.9	4.3	5.6	13.5	6.8	6.8	6.8
Capital & Reserves	194.1	216.7	227.8	237.6	239.9	267.8	291.1	333.7	358.0	494.9	396.2
Other Liabilities	253.2	295.0	315.7	348.9	417.1	509.6	647.4	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	1137.07
August	213.80	214.91	214.89	214.89	214.89	214.9	372.1	644.5	597.0	778.3	1,022.6	1154.47
September	213.80	214.89	214.89	214.89	214.89	214.9	375.3	625.0	610.5	815.9	1,105.9	1134.89
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	<u>213.80</u>	<u>214.89</u>	<u>214.89</u>	<u>214.89</u>	<u>214.89</u>	<u>214.4</u>	<u>369.5</u>	<u>538.4</u>	<u>572.2</u>	<u>735.2</u>	<u>1,032.5</u>	<u>1102.7</u>

Table 6: Average Market Exchange Rates

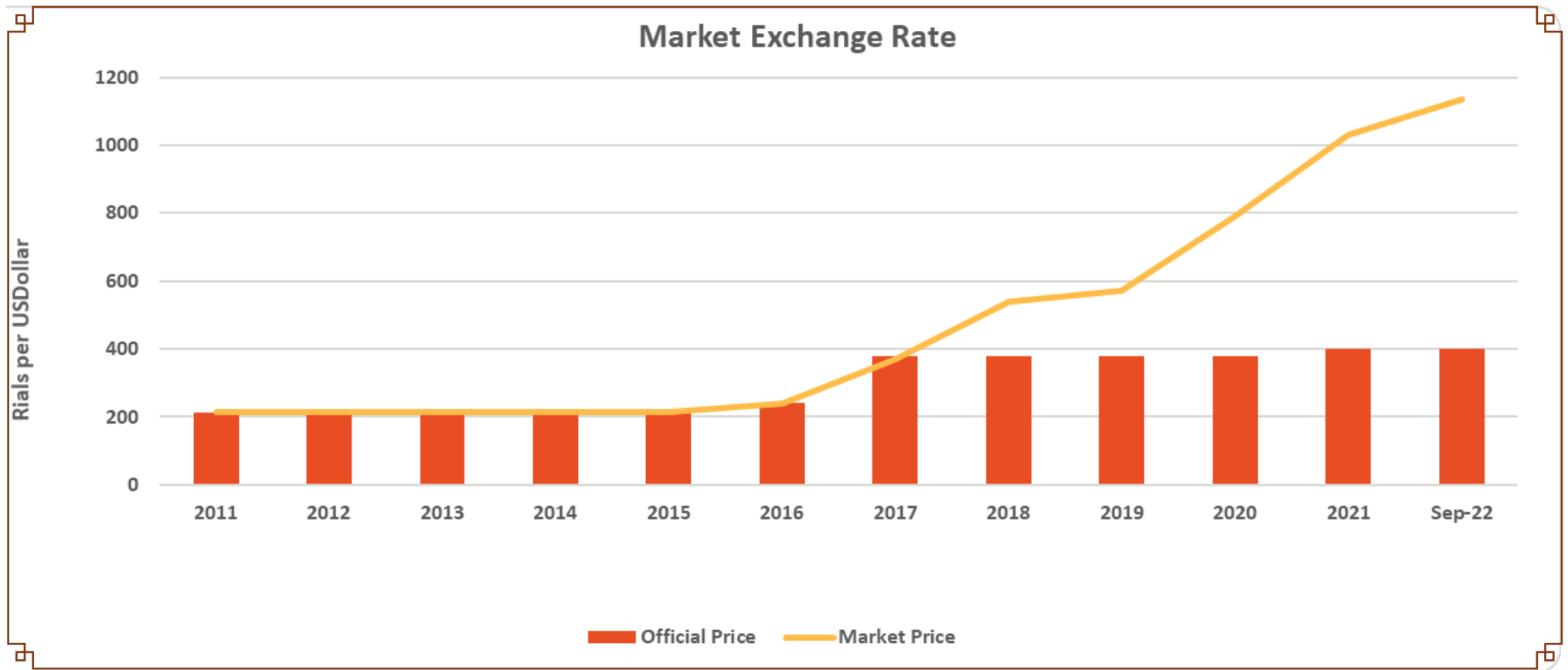


Figure 3: Average Exchange Rates



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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