

Monetary and Financial Developments

March 2023

Monthly Report Monetary and Financial Developments

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Foreword

The Central Bank of Yemen (CBY) is pleased to present the Monetary and Financial Developments Report – Issue No.16. The Report provides readers and researchers interested in monetary and financial developments in the Republic of Yemen with insights into major developments across country's monetary and banking sectors.

This issue of the Monthly Report reviews key developments during March 2023. It analyses key components of CBY's balance sheet, consolidated balance sheet of the commercial and Islamic banks, as well as monetary surveys. In addition, it covers budget deficit financing and domestic debt issuances. Moreover, the report places a special focus on the exchange rate and price developments.

We trust this report will provide detailed insights to our readers.

God bless,

Ahmed Ahmed Ghalib
Governor, Central Bank of Yemen

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Note: In this Report, “YER” stands for Yemeni Rials, and “USD” stands for United States Dollars.	

Monetary and Financial Developments

Money Supply:

The broad money supply (M2) grew by 1.5 percent (152.8 billion Rials) in March 2023 compared to the previous month. It reached 10,642.3 billion Rials at the end of March 2023, compared to 10,489.5 billion Rials at the end of February 2023. The actual growth rate of broad money is well below the annual target of 13 percent, considered in the annual monetary plan.

Narrow money supply (M1) increased in March 2023 by 3 percent to 4,548.6 billion Rials, while quasi-money rose by 0.4 percent to YER 6,093.8 billion. This increase in narrow money represented an increase in currency in circulation combined with an increase in demand deposits. The upward trend in quasi-money was mainly due to the increases in foreign deposits.

Overall, monetary growth remained within the parameters established in the annual monetary plan for CY 2023. The predominance of currency in circulation, which accounted for 32.4 percent of the total money supply at the

end of March 2023, compared with 32.6 percent at the end of February 2023, is evidence that Yemen continues to rely heavily on cash as its primary means of financial intermediation.

CBY Balance Sheet:

The CBY total balance sheet reached 10,904 billion Rials at the end of March 2023, an increase of 1,260.1 billion Rials (13.1 percent) from February 2023.

The CBY's total foreign assets recorded 2,705.7 billion Rials in March 2023, an increase of 1,184.7 billion Rials (77.9 percent) relative to February 2023. This increase is due, in particular, to the positive impact of recording the new Saudi deposit in the CBY balance sheet, at an amount of one billion US dollars.

Net claims on the government increased from 6,328.1 billion Rials in February 2023 to 6,481.4 billion Rials in March 2023, an increase of 153.3 billion Rials (2.4 percent).

CBY-issued currency increased to 3,738.1 billion Rials at the end of March 2023, compared to 3,705.2 billion Rials at

the end of the previous month -- an increase of 32.9 billion Rials (0.9 percent).

CBY Bank reserves decreased by 0.8 billion Rials (0.1 percent) in March 2023 compared to the previous month.

Base money, the sum of currency issued and bank reserves, increased by 0.7 percent (32.1 billion Rials) in March 2023 compared to the previous month. This increase is well below the target set in the annual monetary plan (8 percent) and is reflected in CBY's success in containing monetary emissions.

The Consolidated Balance Sheet of Commercial and Islamic Banks:

The consolidated balance sheet of the commercial and Islamic banks in Yemen totaled 9,198.5 billion Rials in March 2023, an increase of 90.4 billion Rials, or about 1 percent relative to February 2023.

The total foreign assets of commercial and Islamic banks amounted to 2,739.7 billion Rials at the end of March 2023, compared to 2,706.3 billion Rials at the end of February 2023, an increase of 33.4 billion Rials, or 1.2 percent. It is

worth noting that CBY imposed on banks the use of the market exchange rate in recording transactions and presenting their balance sheets since January 2023.

The total bank reserves at CBY increased by 98.7 billion Rials (5.7 percent) at the end of March 2023, reaching 1,843.3 billion Rials.

The total credit provided by banks to the private sector increased from 1,347.9 billion Rials in February 2023 to 1,360.2 billion Rials at the end of March 2023, an increase of 12.3 billion Rials, or 0.9 percent.

Total deposits amounted to 7,193.4 billion Rials at the end of March 2023, compared to 7,068.6 billion Rials at the end of the previous month, an increase of 124.8 billion Rials, or 1.8 percent. This increase reflected a combined increase in foreign deposits by 2 percent (94.9 billion Rials), an increase in sight deposits by 10.3 percent (102.3 billion Rials), an increase in savings deposits by 12.4 percent (45.7 billion Rials), an increase of earmarked deposits by 2 percent (1.2 billion Rials), and a decrease of time deposits by

13.4 percent (119.3 billion Rials).

Clearing Room:

The total number of cheques transacted in Rials in clearing rooms reached 1,406 with a value of 16.6 billion Rials in March 2023, compared with 974 checks totaling 9 billion Rials in the previous month. This represented an increase of 84.2 and 44.4 percent in value and in quantity, respectively.

Exchange Rates:

The average US dollar exchange rate reached 1,248.05 Rials per dollar in March 2023 compared to 1,243.95 Rials per dollar in February 2023. 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, 30, and 50 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, 1,411 Rials per dollar for the first auction, on November 10th, 2021. So far, three to eight banks have participated in weekly auctions, with an average of three bids per bank.

From the launch of the FX auction through March 2023, CBY offered a total amount of USD 1,905 million. Total bids amounted to USD 1,284 million, representing a coverage ratio of 67.4 percent. The total amount allocated was USD

1,180 million. These auctions enabled CBY to absorb a total amount of 1,345.8 billion Rials, equivalent to about 29.4 percent of the base money stock as of March 2023. This constituted an important step by CBY towards effective liquidity management using market-based monetary policy tools.

CBY maintained the status quo for interest rate structure during the first quarter of the current year. 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:

Preliminary data related to the budget execution indicated an overall cash deficit of 155.2 billion Rials through March 2023. As of March 2023, public revenues amounted to 217.3 billion Rials, while public expenditure amounted to 372.5 billion Rials. Recall that the overall budget deficit totaled 746.6 billion Rials for the entire year 2022.

In the wake of the ongoing decline of public resources as

well as foreign loans, internal public debt has increased from approximately 1.5 trillion Rials in 2018 to 3.7 trillion Rials as of December 2021. Compared to the end of December 2021 (3689.1 billion Rials), the public debt increased by 20.4 percent (YER 752.9 billion) over the CY 2022 to reach 4,442 billion Rials in December 2022. Then, it continued increasing to reach 4,589.3 billion Rials at the end of March 2023.

The primary source of domestic public financing is direct borrowing from the CBY. This equaled 4,457 billion Rials at March-end 2023 or 97.1 percent of the total public internal debt. Certificates of deposit constituted the remaining portion of the domestic debt (2.9 percent or YER 132.3 billion).

Prices and Inflation:

Achieving price stability is the primary objective of monetary policy. The primacy of this objective is clearly stated in CBY Law No. (14) of 2000. This has resulted in tremendous efforts being deployed by the CBY, in concert with the rel-

evant government entities and the assistance of the international community, to face the persistent adverse macro-economic 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.

Globally, and therefore unavoidably in Yemen, 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, contributed to inflationary pressures. The average inflation rate was estimated at around 20 percent in 2020, up from an estimated average rate of about 15 percent in 2019. The inflation rate slightly exceeded 25 percent in 2021 and reached about 30 percent in 2022, in light of the spikes in oil and food prices in international markets.

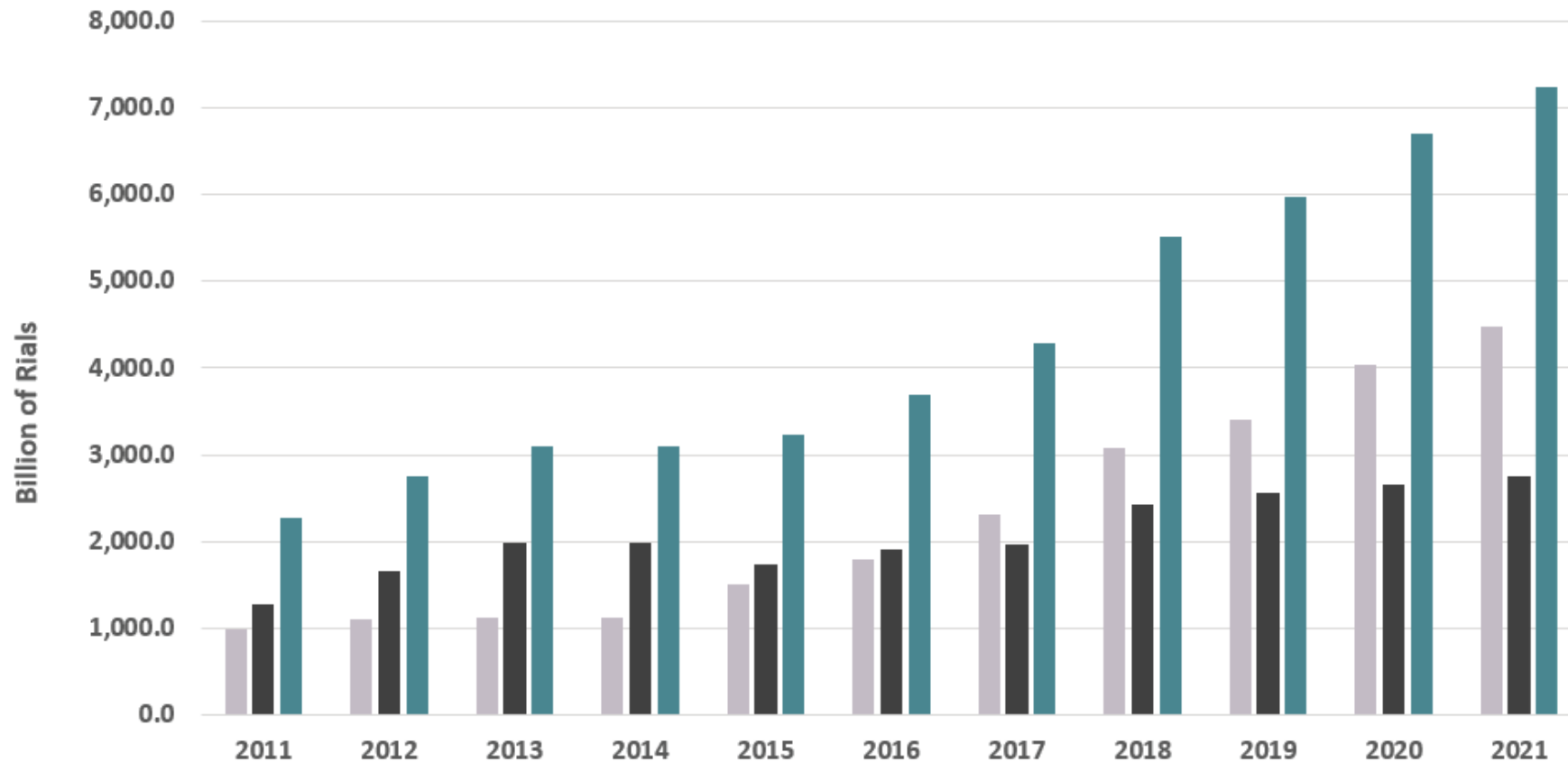
To attain low and stable inflation, the CBY attaches great importance to controlling the money supply. This is achieved by constructing a solid framework for targeting both, base money growth and broad money growth, as well as adopting a comprehensive toolkit of indirect and market-based instruments to manage liquidity within the Yemeni economy. Within this context, the monetary plan for 2023 projects broad and base money growth at 13 percent and 8 percent, respectively. Money emission is expected to grow by 10.1 percent. These values are consistent with an inflation rate target of 15-20 percent.

Table 1: Monetary Survey of Yemen

(YER, Billions, unless otherwise noted)

Items	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mar-2023
Broad Money Supply (M2)	2,756.8	3,101.6	3,106.2	3,238.9	3,697.5	4,282.3	5,504.2	5,973.7	6,701.0	7,229.0	7,253.5	10,642.3
Broad Money Annual Change (%)	21.5	12.5	0.2	4.3	14.2	15.8	28.5	8.5	12.2	7.9	0.3	...
Quasi-Money	1,651.9	1,985.0	1,976.7	1,736.5	1,907.8	1,965.9	2,420.2	2,562.6	2,665.1	2,749.7	2,875.0	6,093.8
Quasi-Money Annual Change (%)	29.5	20.2	-0.4	-12.2	9.9	3.0	23.1	5.9	4.0	3.2	4.6	...
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	57.3
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	1,555.3	4,842.4
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	0.2	...
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	40.8	67.3
Narrow Money Supply (M1)	1,104.8	1,116.6	1,129.5	1,502.4	1,789.6	2,316.5	3,084.0	3,411.1	4,035.9	4,479.3	4,378.4	4,548.6
Narrow Money Annual Change (%)	11.3	1.1	1.2	33.0	19.1	29.4	33.1	10.6	18.3	11.0	-2.3	...
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	42.7
Demand Deposits	301.5	331.8	318.7	433.5	441.1	486.4	584.2	653.9	850.9	910.5	935.9	1,099.6
Demand Deposits Annual Change (%)	39.8	10.1	-4.0	36.0	1.7	10.3	20.1	11.9	30.1	7.0	2.8	...
Demand Deposits/Broad Money (%)	10.9	10.7	10.3	13.4	11.9	11.4	10.6	10.9	12.7	12.6	12.9	10.3
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	3,442.5	3,449.0
Currency in Circulation/Broad Money (%)	29.1	25.3	26.1	33.0	36.5	42.7	45.4	46.2	47.5	49.4	47.5	32.4

Figure 1: Yemen's Money Supply



GDP = gross domestic product, YER = Yemeni rials (National currency).

Source: Central Bank of Yemen.

Table 2: Survey of the Central Bank of Yemen

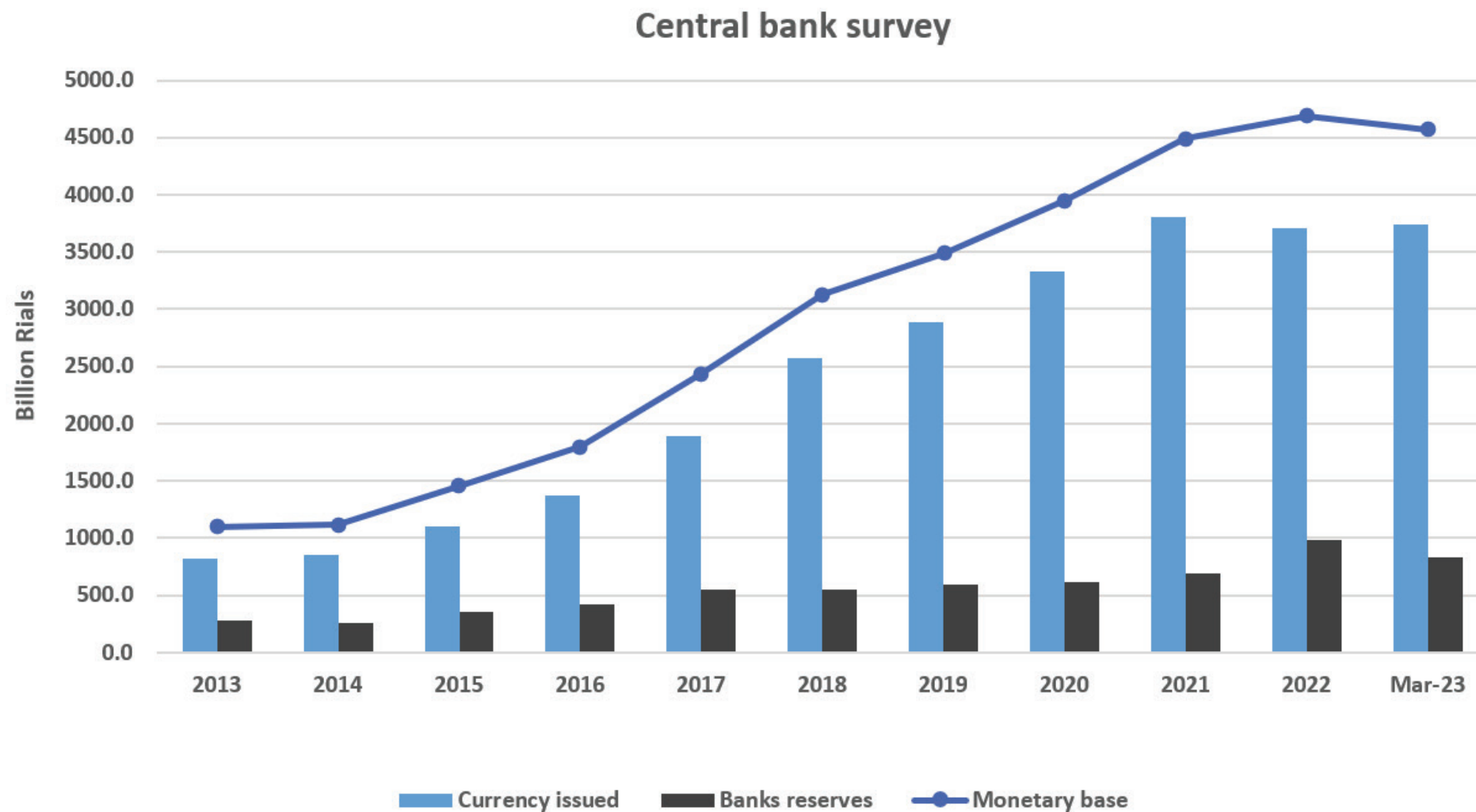
(YER, Billions, unless otherwise noted)

Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mar-2023
Monetary Base	1097.6	1112.8	1452.7	1,795.9	2,435.8	3,125.9	3,484.7	3,948.1	4,490.7	4,688.6	4,572.3
Monetary Base Annual Change (%)	1.9	1.4	30.5	23.6	35.6	28.3	11.5	13.3	13.7	4.4	0.0
Currency Issued	821.6	854.9	1099.5	1,375.8	1,893.5	2,571.6	2,890.5	3,327.5	3,802.7	3,707.2	3,738.1
Currency Issued Annual Change (%)	-1.3	4.1	28.6	25.1	37.6	35.8	12.4	15.1	14.3	-2.5	0.0
Bank Reserves Held at the CBY	276.1	257.9	353.2	420.2	549.3	554.3	594.2	620.6	688.0	981.3	834.2
Banks Reserve Annual Change (%)	12.8	-6.6	37.0	19.0	30.7	0.9	7.2	4.4	10.8	42.6	0.0
Money Multiplier ^a	2.8	2.8	2.2	2.1	1.8	1.8	1.7	1.7	1.6	1.5	0.0

CBY = Central Bank of Yemen, YER = Yemeni Rials (National Currency).

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

Source: CBY.



YER = Yemeni Rials (National Currency).

Source: Central Bank of Yemen.

Table 3: Balance Sheet of the Central Bank of Yemen

(YER Billions)

Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mar-2023
Total Assets	2,185.0	2,036.6	2,252.8	2,829.6	3,983.9	5,750.3	6,558.8	7,286.3	8,090.3	9,617.8	10,904.0
Foreign Assets	1,149.4	1,002.6	450.5	250.3	361.8	1,133.6	628.4	387.8	684.0	1,574.4	2,705.7
Loans and Advances	1,022.3	1,020.5	1,788.2	2,536.8	3,170.3	4,065.8	4,841.8	5,708.4	6,125.9	6,935.0	7,093.3
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	6,625.5	6,783.8
Public Enterprises	265.7	259.2	263.5	308.2	309.5	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	0.0
Fixed and other Assets	13.3	13.5	14.1	42.6	451.8	550.9	1,088.5	1,190.1	1,280.5	1,108.3	1,105.0
Exchange Valuations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	2,185.0	2,036.6	2,252.8	2,829.6	3,983.9	5,750.3	6,558.8	7,286.3	8,090.3	9,617.8	10,904.0
Banknotes Issued	821.6	854.9	1,099.5	1,375.8	1,893.5	2,571.6	2,890.5	3,327.5	3,802.7	3,707.2	3,738.1
Sight Liabilities	496.7	414.3	453.8	592.3	756.8	961.9	1,032.0	1,169.4	1,151.2	1,497.3	1,514.8
Government	121.3	76.1	50.6	75.4	100.6	243.6	330.6	429.7	342.7	352.4	302.3
Social Security Fund	18.0	13.6	18.7	58.7	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	48.5	60.3	61.9	104.9	319.6
Demand Deposits	70.2	49.3	26.6	32.8	38.2	93.7	34.2	45.3	45.7	59.0	277.0
Time Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
Foreign Currencies	11.2	17.5	4.7	5.3	9.9	11.7	14.3	15.0	16.2	45.9	42.5
Banks	276.1	257.9	353.2	420.2	549.3	554.3	594.2	620.6	688.0	981.3	834.2
Certificates of Deposit	0.0	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	0.0
Foreign Liabilities	267.9	268.0	268.4	311.4	486.8	1,231.9	1,231.9	1,306.0	1,699.1	3,266.9	4,641.6
Other Liabilities	548.2	497.6	431.1	550.1	846.9	984.9	1,404.4	1,483.4	1,437.3	1,146.3	1,009.5

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

(YER Billions)											
Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mar- 2023
Total Assets	2776.1	2810.0	2768.5	2,961.6	3,183.2	4,034.2	4,409.0	4,429.7	4,594.8	5,243.5	9,198.5
Foreign Assets	549.8	504.3	506.3	581.6	532.0	822.6	909.8	916.2	971.0	904.5	2,739.7
Foreign Currency	51.6	49.0	90.9	83.5	44.6	66.8	97.4	116.4	135.0	132.9	415.3
Bank Deposits Abroad	230.7	243.0	210.5	256.6	254.0	414.3	470.9	468.1	486.8	359.5	741.7
Nonresidents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Investment	267.5	212.3	204.9	241.5	233.4	341.5	341.5	331.7	349.2	412.0	1,582.8
Reserves	321.9	302.2	383.9	440.4	571.8	713.6	774.6	821.1	938.3	1,399.3	2,132.5
Local Currency	36.8	44.0	30.6	27.2	63.4	71.8	133.3	142.5	233.9	264.7	289.2
Deposits at the CBY	285.1	258.2	353.3	413.2	508.4	641.8	641.3	678.6	704.4	1,134.6	1,843.3
Loans and advances	1722.5	1844.8	1692.6	1,725.7	1,817.4	2,158.8	2,320.4	2,305.4	2,303.7	2,264.8	3,280.6
Government	1182.5	1287.3	1264.2	1,301.9	1,387.4	1,554.8	1,720.8	1,963.7	1,798.1	1,926.8	1,920.4
Public Enterprises	30.0	34.2	18.0	19.5	13.7	19.8	20.4	57.5	61.0	0.0	0.0
Private Sector	510.0	523.2	410.5	404.3	416.3	583.2	578.2	284.2	444.6	338.0	1,360.2
Certificates of Deposit	0.0	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0
Treasury Bills	50.6	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	131.3	156.9	185.8	213.9	262.0	339.2	404.2	387.0	381.8	674.9	1,045.7

CBY = Central Bank of Yemen, YER = Yemeni Rial (National Currency).

Source: CBY.

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

(YER Billions)											
Items	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Mar- 2023
Total Liabilities	2776.1	2810.0	2768.5	2,961.6	3,183.0	4,034.1	4,408.9	4,429.7	4,594.8	5,243.5	9,198.5
Deposits	2225.3	2225.7	2150.0	2,271.4	2,374.3	3,027.4	3,249.3	3,516.0	3,660.2	3,811.0	7,193.3
Government	7.9	10.7	30.1	19.3	28.9	23.0	32.8	0.0	0.0	0.0	0.0
Demand	261.6	269.4	406.9	408.3	448.2	584.2	653.9	850.9	910.5	935.9	1,099.6
Time	837.3	862.0	704.1	732.5	751.0	774.0	815.7	838.8	859.2	908.4	770.1
Saving	194.9	205.4	191.3	215.9	221.1	242.0	260.9	276.3	286.9	329.2	414.7
Foreign Currencies	857.3	825.2	765.9	845.5	880.3	1,358.0	1,436.1	1496.9	1,552.7	1,555.3	4,842.4
Earmarked	66.4	53.1	51.8	49.9	44.8	46.2	49.9	53.1	50.9	82.2	66.5
Foreign Liabilities	38.2	39.3	29.2	29.3	27.0	62.7	36.6	35.0	32.5	22.4	55.2
Banks Abroad	35.7	37.0	27.5	27.4	25.3	59.8	33.6	35.0	32.5	22.4	55.2
Nonresidents	2.5	2.3	1.6	1.9	1.7	2.9	3.0	0.0	0.0	0.0	0.0
Loans from Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	512.6	545.0	589.3	660.9	781.7	944.0	1,123.0	878.8	902.1	1,410.2	1,950.0
Loans from the CBY	0.9	1.6	2.9	3.9	4.3	5.6	13.5	6.8	6.8	6.8	7.6
Capital and Reserves	216.7	227.8	237.6	239.9	267.8	291.1	333.7	358.0	494.9	520.9	625.2
Other Liabilities	295.0	315.7	348.9	417.1	509.6	647.3	775.8	513.9	400.4	882.5	1,317.2

CBY = Central Bank of Yemen, YER = Yemeni Rials (National Currency).

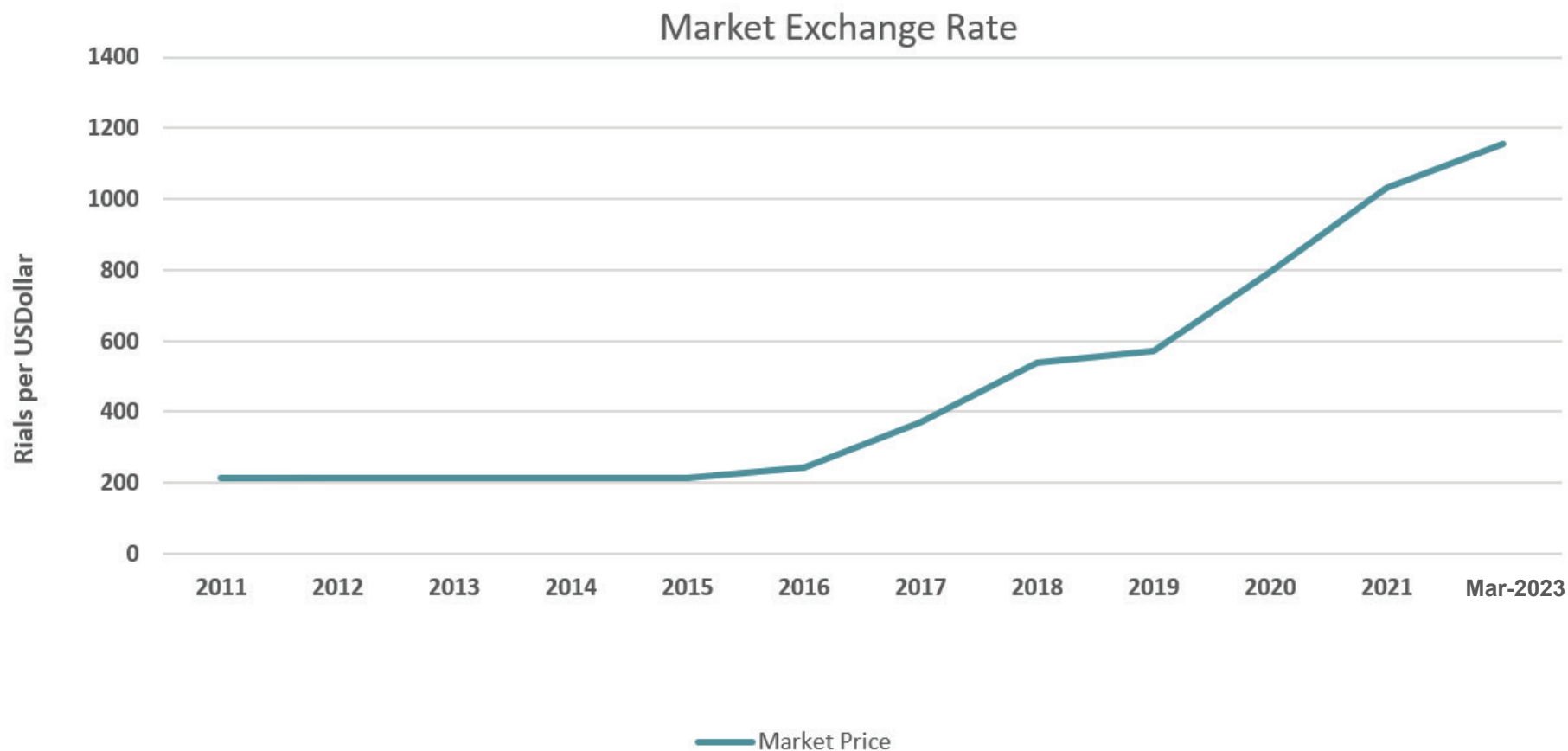
Source: CBY.

Table 6: Average Market Exchange Rates

(YER/ USD)													
MONTH	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
January	213.80	213.80	214.89	214.89	214.89	213.8	315.6	477.5	536.0	645.3	787.4	1,102.69	1,239.03
February	213.80	213.80	214.89	214.89	214.89	213.8	330.7	481.5	581.5	655.7	865.4	1,125.11	1,243.95
March	213.80	213.80	214.89	214.89	214.89	213.8	348.0	488.0	579.8	656.3	891.5	1,246.52	1,248.05
April	213.80	213.80	214.89	214.89	214.89	250.25	362.9	488.0	513.4	669.4	867.8	963.65	
May	213.80	213.80	214.89	214.89	214.89	250.25	362.0	494.5	538.8	698.9	908.7	999.99	
June	213.80	213.80	214.89	214.89	214.89	250.25	356.1	522.5	560.2	735.4	933.9	1,094.87	
July	213.80	214.94	214.89	214.89	214.89	250.25	368.5	567.0	578.1	753.1	981.9	1,137.07	
August	213.80	214.91	214.89	214.89	214.89	250.25	372.1	644.5	597.0	778.3	1,022.6	1,154.47	
September	213.80	214.89	214.89	214.89	214.89	250.25	375.3	625.0	610.5	815.9	1,105.9	1,134.89	
October	213.80	214.89	214.89	214.89	214.89	250.25	381.3	622.0	596.0	799.9	1,269.3	1,146.87	
November	213.80	214.89	214.89	214.89	214.89	250.25	416.3	550.5	574.0	821.7	1,500.6	1,151.03	
December	213.80	214.89	214.89	214.89	214.89	250.25	444.7	499.5	601.0	792.7	1,255.3	1,172.48	
Annual Average	213.80	214.89	214.89	214.89	214.89	241.41	369.5	538.4	572.2	735.2	1,032.5	1,119.14	

USD = United States Dollars, YER = Yemeni Rials (National Currency), YER/ USD = Yemeni Rials per United States dollar.

Source: Central Bank of Yemen.



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 Source: Central Bank of Yemen.

Appendix I: Statistical Concepts and Methodology

This monthly report, issued by CBY, focuses on the developments in and projections for global economic conditions, as well as on local economic and financial/ monetary developments. This issue of the Report highlighted the following topics:

Money Aggregates and Monetary Policy Developments:

Within the CBY, the General Department of Research and Statistics collects data and periodically prepares them for publication by the 2000 Monetary Financial Statistics Manual, issued by the International Monetary Fund (IMF).

The following is an introduction to the most important terms included in the monetary tables:

- **Banks:** All commercial and Islamic financial institutions operating in the Republic of Yemen that accept deposits.
- **Banking System:** The CBY 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 social security and military retirement institutions.

- **Public Institutions:** Public non-financial institutions and companies in which the government has an interest and/or voting power.
- **Nongovernmental Sectors:** All local sectors except government and social security institutions.
- **Resident:** A person who legally resides in Yemen for at least one year, regardless of nationality, except for employees of international bodies and institutions and international students who reside in Yemen for more than one year.
- **Nonresident:** A person who usually resides outside Yemen and/or who has not completed a one-year residency in Yemen, regardless of nationality, except for a family or individual that has an economic base 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. These are calculated for the CBY, and the other banks based on the external assets and liabilities listed on their balance sheets.
- **Net Government Borrowing:** The sum of the claims of the banking sys-

tem on the central government and local councils, minus the total government deposits in the banking system.

- **Claims on the Nongovernmental 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 the other liabilities of the banking system, representing items that are not included in the definition of net foreign assets, net government borrowing, or claims on the nongovernmental sector on the CBY balance sheet and on the consolidated balance sheet of the country's commercial and Islamic banks.

- **Currency Issued:** The cash issued by the CBY, consists of cash circulating outside the banks plus cash in banks' vaults.

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

- **Quasi-money:** Both savings and time deposits in Rials and deposits in foreign currencies in the banking system belonging to all sectors mentioned in the definition of money, in addition to the deposits from social 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 nongovernmental sector, and other net items.

- **Banks' Deposits at the CBY, comprising the following:**

- 1) Reserve requirement: The minimum value that banks must keep at the CBY to meet the mandatory reserve ratio imposed on bank deposits.

- 2) Current accounts: Accounts opened by banks at the CBY in local and foreign currencies (certificates of deposit in Rials are not considered part of 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 are granted by banks to the private sector, as well as the banks' investments in these companies.

- **Loans and Advances Granted to the Government by Banks:** Agency deposits (alternatives to Islamic bonds), certificates of deposit, and government bonds.

- **Exchange Rate and Monetary Policy:** The CBY strives to stabilize the

national currency exchange rate – a monetary anchor point - against major foreign currencies through effective monetary policies aimed at achieving a macroeconomic balance between supply and demand and at curbing price inflation. The CBY's General Department of Foreign Exchange and Exchange Affairs is the source of the relevant data and procedures.

- **Public Finance:** The Ministry of Finance is the source of the state's general budget data. In addition to these data, we rely on data from the ministry's General Budget Department, which includes budget data on the following:

- **Public Revenues:** Oil and gas revenues; direct and indirect tax revenues, including customs duties; and nontax revenues.
- **Grants:** All sums obtained as donations free of charge from allies and friendly countries.
- **Public Expenditures:** Current expenditures of the economic classification of the budget and development and capital expenditures.
- **Total Balance:** This represents the state's general budget and indicates the relationship between public revenues and overall public spending.

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