

# Monetary and Financial Developments

## June 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.19. The Report 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. This issue of the Monthly Report reviews key developments during June 2023. It analyses key components of CBY's balance sheet, the 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 increased by YER 213.5 billion, a rate of 1.9%, to reach YER 11,202.6 billion at the end of June 2023, compared to YER 10,989.1 billion at the end of May 2023.

This increase is mainly due to an increase in quasi-money by YER 195.9 billion, a rate of 3.2%, which accounted for 57% of the money supply. Meanwhile, narrow money increased by YER 17.7 billion, a rate of 0.4%, accounting for 43% of the money supply.

The currency in circulation outside banks increased by YER 28.6 billion, a rate of 0.8%, to reach YER 3,609.0 billion at the end of June 2023, compared to YER 3,580.4 billion at the end of May 2023.

**CBY Balance Sheet:**

At the end of June 2023, the total balance sheet of the central bank amounted to YER 11,225.0 billion, an increase of YER 136.1 billion or 1.2% compared to YER 11,088.9 billion at the end of May 2023.

The foreign assets of the central bank recorded a balance of YER 2,633.7 billion at the end of June 2023, compared to YER 2,619.4 billion at the end of May 2023, an increase of YER 14.3 billion or 0.5%.

The government's net position with the central bank increased from a debit balance of YER 6,770.2 billion in May 2023 to a debit balance of YER 6,924.3 billion in June 2023, an increase of YER 154.1 billion or 2.3%. The banknotes issued amounted to YER 3,850.9 billion at the end of June 2023, compared to YER 3,807.5 billion at the end of May 2023, an increase of YER 43.4 billion or 1.1%.

The monetary base (currency in circulation + banks' reserves with the CBY) recorded an increase of YER 79.8 billion or 1.7% at the end of June 2023, compared to a decrease of YER 62.9 billion or 1.3% at the end of May 2023.

**The Consolidated Balance Sheet of Commercial and Islami Banks:**

The total consolidated balance sheet of commercial and Islamic banks increased by YER 242.1 billion or 2.5% at

the end of June 2023 compared to May 2023, reaching YER 9,759.0 billion. The foreign assets of commercial and Islamic banks amounted to YER 3,007.9 billion at the end of June 2023 compared to YER 2,845.1 billion at the end of May 2023, an increase of YER 162.8 billion or 5.7%.

The total credit provided by banks to the private sector was YER 1,484.0 billion at the end of June 2023 compared to YER 1,433.9 billion at the end of May 2023, an increase of YER 50.1 billion or 3.5%.

Total deposits at banks amounted to YER 7,593.6 billion at the end of June 2023, compared to YER 7,408.7 billion at the end of May 2023, an increase of YER 184.9 billion or 2.5%. The increase in total bank deposits at the end of June 2023 is mainly attributed to an increase in the value of foreign currency deposits by YER 193.6 billion or 3.9%, savings deposits by YER 3.6 billion or 0.8%, and time deposits by YER 0.6 billion or 0.1%. On the other hand, demand deposits decreased by YER 11 billion or 0.9%, and earmarked deposits by YER 2.1 billion or 3.1%.

### Cearing Room:

The total number of cheques traded in Yemeni Rials through the clearing room at the CBY's head office and its branches (Al-Mukalla, Taiz) was 1,098 cheques worth YER 12.4 billion during June 2023, compared to 1,528 cheques worth YER 12.9 billion in May 2023, a decrease of 28.1% in number and 4.1% in value.

### Exchange Rates and Interest Rate:

The average exchange rate of the Yemeni rial against the US dollar in the parallel market was YER 1,379.30/USD in June 2023, compared to YER 1,316.30/USD in May 2023.

In response to the accelerating depreciation of the Yemeni 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.

The total offers provided by the CBY from the start of the auctions until the end of June 2023 amounted to USD 2,205 million, while the total value of bids reached USD 1,382.7 million, representing 65.4% of the total value of offers. The allocated amounts reached USD 1,445.3 million by the end of June 2023, representing 65.5% of the total value of bids. The CBY was able to absorb a total amount of YER 1,559.2 billion by the end of June 2023, representing 33% of the monetary base. This is an important step towards effective

liquidity management using market-based monetary policy tools.

Regarding the interest rate, the minimum benchmark interest rate on deposits in the local currency remained at 15%, which was the rate that the central bank reduced in February 2013. Meanwhile, the lending interest rate remained unregulated and determined by the banks according to their business requirements.

### **Budget Deficit Financing:**

Preliminary data related to the public budget execution in June 2023 indicated an overall deficit of YER 593.1 billion, with public revenues amounting to YER 400 billion and public expenditures reaching YER 993.1 billion, compared to a deficit of YER 431.8 billion in May 2023.

Domestic public debt increased by YER 176.3 billion or 3.6% in June 2023, reaching YER 5,024.4 billion, compared to YER 4,848.1 billion at the end of May 2023. Direct borrowing from the central bank was the main source of financing for domestic public debt, reaching YER 4,886.8 billion in June 2023, representing 97.3% of the total domestic public



debt.

Meanwhile, domestic public debt instruments (Deposit Certificates) constituted the second source of domestic public debt, with a value of YER 137.6 billion at the end of June 2023, representing 2.7% of the total domestic public debt.

### 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 relevant government entities and the international community's assistance, to face the persistent adverse macroeconomic conditions.

To achieve price stability and control inflation, the Central Bank of Yemen places great importance on the growth of monetary aggregates. For this purpose, a solid framework has been built to target the growth of monetary aggregates from both narrow and broad money concepts, in

addition to adopting a comprehensive set of indirect and market-based instruments to manage liquidity within the Yemeni economy. In this context, the monetary plan for 2023 projects growth in broad money and narrow money at 13% and 8%, respectively. It is also expected that currency issuances will grow by 10.1%, and these rates are consistent with the objective of achieving an annual inflation rate ranging from 15% to 20%.

According to the monthly report issued by the Central Statistical Organization, the Yemeni Republic's consumer price index (CPI) recorded a value of 107.61 in June 2023, compared to 100.86 in May 2023, indicating a monthly inflation rate of 6.7%.

It should be noted that the Central Bank of Yemen CBY has intensified its efforts during the past period to enhance the performance of its monetary policy through the following measures:

1. Achieving relative stability in the value of the national currency.

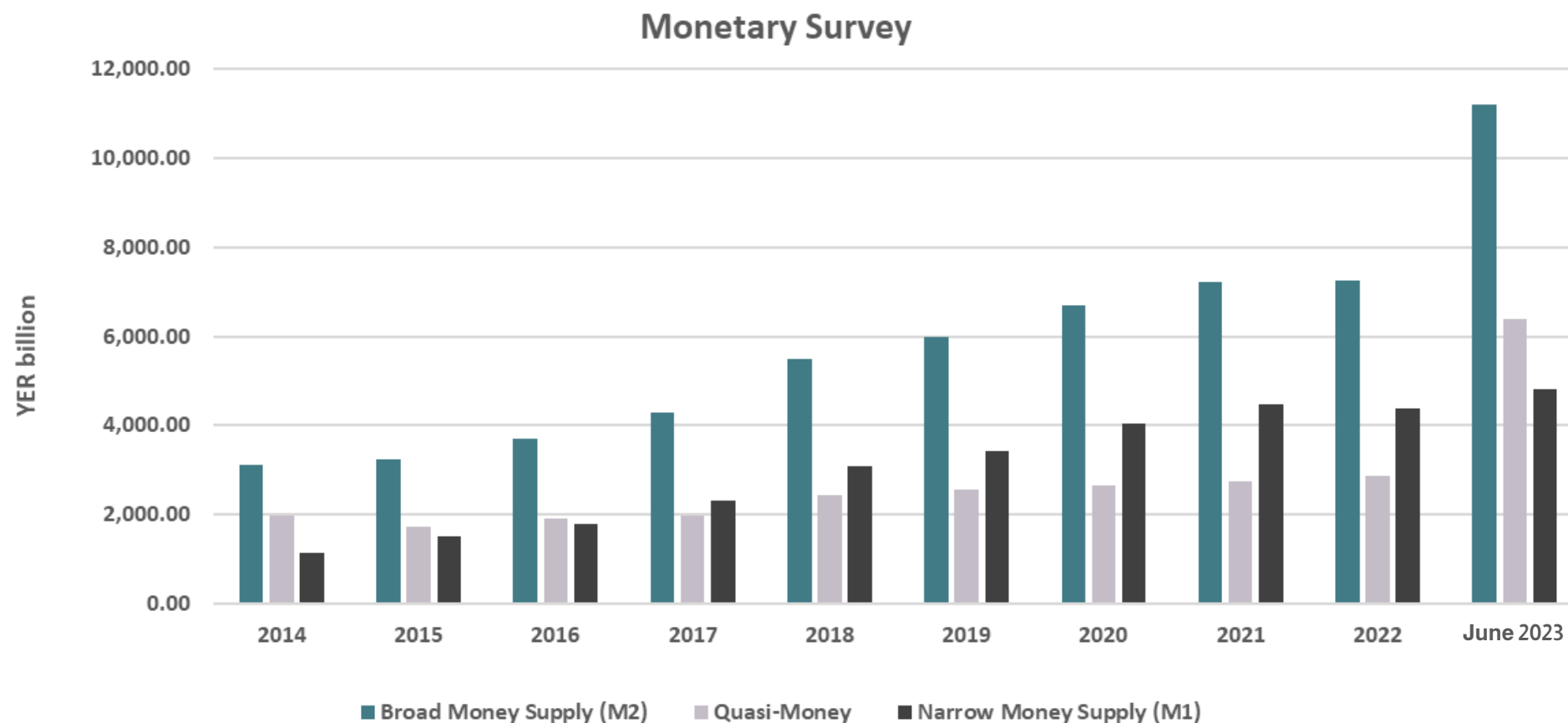
2. Reducing the size of excess liquidity in the market through auctions and making a decision not to finance the general budget deficit from inflationary sources.
3. Working on issuing Sukuk (Islamic-compliant bonds) and completing arrangements to issue treasury bills and government debt bonds through the Refinitiv electronic platform.
4. Unifying the interest rates on domestic debt.
5. Activating the mandatory reserve on banks with main centers in the temporary capital of Aden.
6. Unifying the exchange rates to reflect actual market rates according to the adopted standards, with regard to the general budget, the sale rates of currencies through auctions, and the financial centers' evaluation rate for banks.

Table 1: Monetary Survey of Yemen

(YER, Billions, unless otherwise noted)

Items	2014	2015	2016	2017	2018	2019	2020	2021	2022	May -2023	June -2023
<b>Broad Money Supply (M2)</b>	3,106.2	3,238.9	3,697.5	4,282.3	5,504.2	5,973.7	6,701.0	7,229.1	7,253.5	10,989.1	11,202.6
Broad Money Annual Change (%)	0.2	4.3	14.2	15.8	28.5	8.5	12.2	7.9	0.3	...	...
<b>Quasi-Money</b>	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	6,184.4	6,380.3
Quasi-Money Annual Change (%)	-0.4	-12.2	9.9	3.0	23.1	5.9	4.0	3.2	4.6	...	...
Quasi-Money/Broad Money (%)	63.6	53.6	51.6	45.9	44.0	42.9	39.8	38.0	39.6	56.3	57.0
Foreign Currency Deposits	842.7	770.5	850.8	890.2	1,358.0	1,436.1	1,496.9	1,552.7	1,555.3	4,991.1	5,184.7
Foreign Currency Deposits Annual Change (%)	-3.0	-8.6	10.4	4.6	52.5	5.8	4.2	3.7	0.2	...	...
Foreign Currency Deposits/Total Deposits (%)	36.7	35.5	36.2	36.3	45.2	44.6	42.6	42.4	40.8	67.4	68.3
<b>Narrow Money Supply (M1)</b>	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	4,804.7	4,822.3
Narrow Money Annual Change (%)	1.2	33.0	19.1	29.4	33.1	10.6	18.3	11.0	-2.3	...	...
Narrow Money/Broad Money (%)	36.4	46.4	48.4	54.1	56.0	57.1	60.2	62.0	60.4	43.7	43.0
Demand Deposits	318.7	433.5	441.1	486.4	584.2	653.9	850.9	910.5	935.9	1,224.3	1,213.3
Demand Deposits Annual Change (%)	-4.0	36.0	1.7	10.3	20.1	11.9	30.1	7.0	2.8	...	...
Demand Deposits/Broad Money (%)	10.3	13.4	11.9	11.4	10.6	10.9	12.7	12.6	12.9	11.1	10.8
Currency in Circulation	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	3,580.4	3,609.0
Currency in Circulation/Broad Money (%)	26.1	33.0	36.5	42.7	45.4	46.2	47.5	49.4	47.5	32.6	32.2

Source: Central Bank of Yemen (CBY).



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

Source: Central Bank of Yemen.

**Chart 1: Monetary Survey**

Table 2: Survey of the Central Bank of Yemen

(YER, Billions, unless otherwise noted)

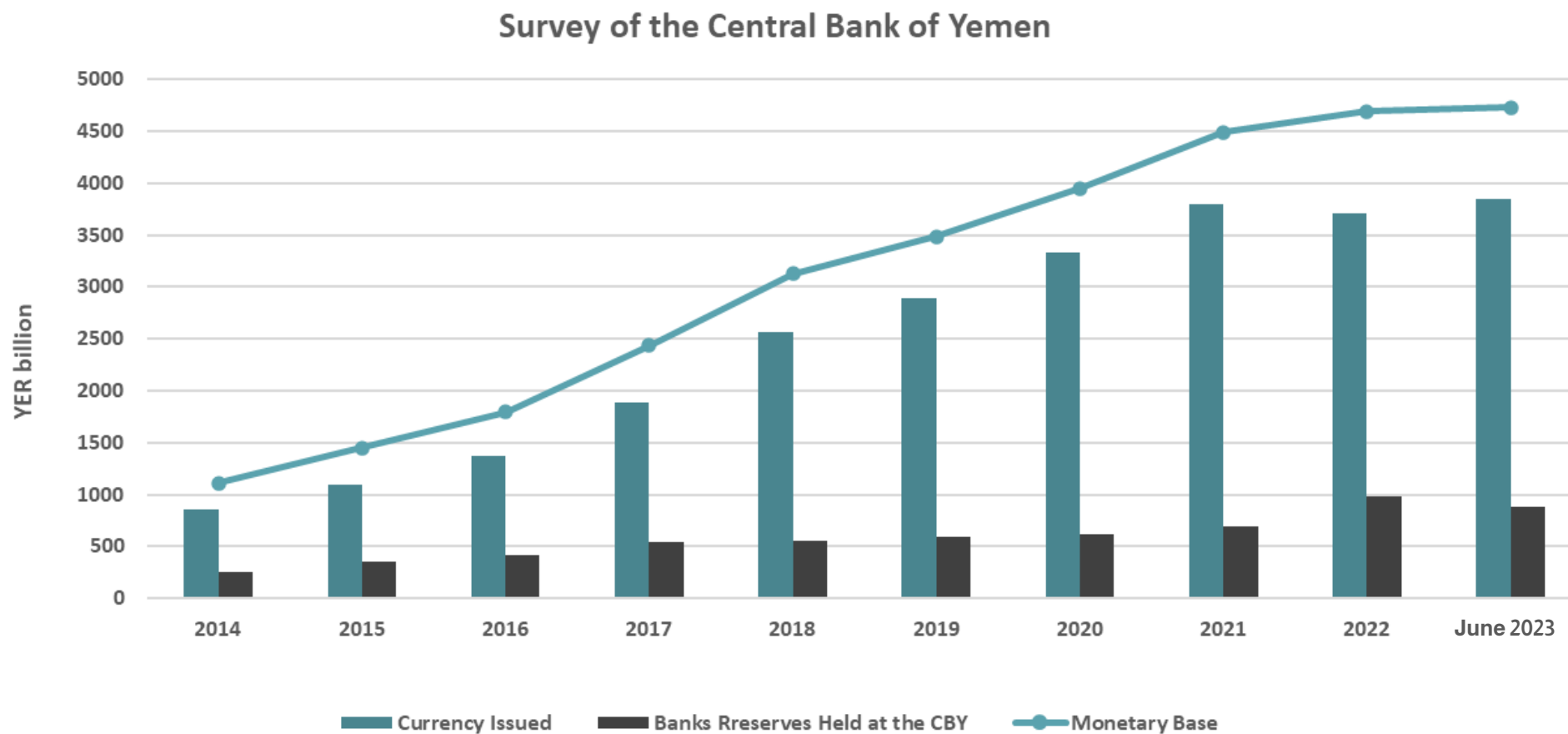
Items	2014	2015	2016	2017	2018	2019	2020	2021	2022	May-2023	June-2023
<b>Monetary Base</b>	1,112.8	1,452.7	1,795.9	2,435.8	3,125.9	3,484.7	3,948.1	4,490.7	4,688.6	4,647.3	4,727.1
Monetary Base Annual Change (%)	1.4	30.5	23.6	35.6	28.3	11.5	13.3	13.7	4.4	...	...
<b>Currency Issued</b>	854.9	1,099.5	1,375.8	1,893.5	2,571.6	2,890.5	3,327.5	3,802.7	3,707.2	3,807.5	3,850.9
Currency Issued Annual Change (%)	4.1	28.6	25.1	37.6	35.8	12.4	15.1	14.3	-2.5	...	...
<b>Bank Reserves Held at the CBY</b>	257.9	353.2	420.2	549.3	554.3	594.2	620.6	688.0	981.3	839.8	876.2
Banks Reserve Annual Change (%)	-6.6	37.0	19.0	30.7	0.9	7.2	4.4	10.8	42.6	...	...
<b>Money Multiplier <sup>a</sup></b>	2.8	2.2	2.1	1.8	1.8	1.7	1.7	1.6	1.5	2.4	2.4

Source: CBY.

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.



YER = Yemeni Rials (National Currency).

Source: Central Bank of Yemen.

**Chart 2: Survey of the Central Bank of Yemen.**

Table 3: Balance Sheet of the Central Bank of Yemen

(YER Billions)

Items	2014	2015	2016	2017	2018	2019	2020	2021	2022	May-2023	June-2023
<b>Total Assets</b>	2,036.6	2,252.8	2,829.7	3,983.9	5,750.3	6,558.8	7,286.3	8,090.3	9,617.8	11,088.9	11,225.0
<b>Foreign Assets</b>	1,002.6	450.5	250.3	361.8	1,133.6	628.4	387.8	684.0	1,574.4	2,619.4	2,633.7
<b>Loans and Advances</b>	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	7,368.5	7,522.5
Government	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	7,059.0	7,213.0
Public Enterprises	259.2	263.5	308.2	309.5	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
<b>Fixed and other Assets</b>	13.5	14.1	42.6	451.8	550.9	1,088.5	1,190.1	1,280.5	1,108.3	1,100.9	1,068.8
Exchange Valuations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Liabilities</b>	2,036.6	2,252.8	2,829.7	3,983.9	5,750.3	6,558.8	7,286.3	8,090.3	9,617.8	11,088.9	11,225.0
<b>Banknotes Issued</b>	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	3,807.5	3,850.9
<b>Sight Liabilities</b>	414.3	453.8	592.3	756.8	961.9	1,032.0	1,169.4	1,151.2	1,497.3	1,517.3	1,570.6
Government	76.1	50.6	75.4	100.6	243.6	330.6	429.7	342.7	352.4	288.8	288.7
Social Security Fund	13.6	18.7	58.7	58.7	58.7	58.7	58.7	58.7	58.7	58.7	58.7
Public Enterprises	66.8	31.3	38.1	48.1	105.4	48.5	60.3	61.9	104.9	329.9	347.1
Demand Deposits	49.3	26.6	32.8	38.2	93.7	34.2	45.3	45.7	59.0	285.3	299.2
Time Deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Currencies	17.5	4.7	5.3	9.9	11.7	14.3	15.0	16.2	45.9	44.7	47.9
<b>Banks</b>	257.9	353.2	420.2	549.3	554.3	594.2	620.6	688.0	981.3	839.8	876.2
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)	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign Liabilities	268.0	268.4	311.4	486.8	1,231.9	1,231.9	1,295.3	1,699.1	3,266.9	4,866.9	5,074.9
<b>Other Liabilities</b>	497.6	431.1	550.1	846.9	984.9	1,404.4	1,494.1	1,437.3	1,146.3	897.2	797.1

YER = Yemeni Rials (National Currency).

June 2023

Source: Central Bank of Yemen.

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

(YER Billions)											
Items	2014	2015	2016	2017	2018	2019	2020	2021	2022	April - 2023	June - 2023
<b>Total Assets</b>	2,810.0	2,768.5	2,961.6	3,183.1	4,034.2	4,408.9	4,429.7	4,594.8	5,243.5	9,240.3	9759.0
<b>Foreign Assets</b>	504.3	506.3	581.6	532.0	822.6	909.8	916.2	971.0	904.5	2,726.9	3,007.9
Foreign Currency	49.0	90.9	83.5	44.6	66.8	97.4	116.4	135.0	132.9	373.8	453.9
Bank Deposits Abroad	243.0	210.5	256.6	254.0	414.3	470.9	468.1	486.8	359.5	715.1	1,103.4
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	212.3	204.9	241.5	233.4	341.5	341.5	331.7	349.2	412.0	1,637.9	1,450.5
<b>Reserves</b>	302.2	383.9	440.4	571.8	713.6	774.6	821.1	938.3	1,399.3	2,153.4	2,271.3
Local Currency	44.0	30.6	27.2	63.4	71.8	133.3	142.5	233.9	264.7	216.9	241.9
Deposits at the CBY	258.2	353.3	413.2	508.4	641.8	641.3	678.6	704.4	1,134.6	1,936.5	2,029.4
<b>Loans and advances</b>	1,844.8	1,692.6	1,725.7	1,817.3	2,158.8	2,319.4	2,305.4	2,303.7	2,264.8	3,318.6	3,393.7
Government	1,287.3	1,264.2	1,301.9	1,387.3	1,554.8	1,720.8	1,963.7	1,798.1	1,926.8	1,942.6	1,909.7
Public Enterprises	34.2	18.0	19.5	13.7	19.8	20.4	57.5	61.0	0.0	0.0	0.0
Private Sector	523.2	410.5	404.3	416.3	583.2	578.2	284.2	444.6	338.0	1,376.0	1,484.0
Certificates of Deposit	0.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Treasury Bills	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other Assets</b>	156.9	185.8	213.9	262.0	339.2	404.2	387.0	381.8	674.9	1,041.4	1,086.2

Source: Central Bank of Yemen (CBY).

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

Since the beginning of January 2023, the assessment of the position of foreign currencies in the financial centers of banks operating in the Republic of Yemen has been approved based on market exchange rates, according to the Central Bank of Aden's exchange rates bulletin. (A circular issued by the CBY on January 31, 2023).



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

(YER Billions)

Items	2014	2015	2016	2017	2018	2019	2020	2021	2022	May - 2023	June - 2023
<b>Total Liabilities</b>	2,810.0	2,768.5	2,961.6	3,183.1	4,034.2	4,408.9	4,429.7	4,594.8	5,243.5	9,516.9	9,759.0
<b>Deposits</b>	2,225.7	2,150.0	2,271.4	2,374.3	3,027.4	3,249.3	3,516.0	3,660.2	3,811.0	7,408.7	7,593.6
Government	10.7	30.1	19.3	28.9	23.0	32.8	0.0	0.0	0.0	0.0	0.0
Demand	269.4	406.9	408.3	448.2	584.2	653.9	850.9	910.5	935.9	1,224.3	1,213.3
Time	862.0	704.1	732.5	751.1	774.0	815.7	838.8	859.2	908.4	701.8	702.4
Saving	205.4	191.3	215.9	221.1	242.0	260.9	276.3	286.9	329.2	425.4	429.0
Foreign Currencies	825.2	765.9	845.5	880.3	1,358.0	1,436.1	1496.9	1,552.7	1,555.3	4,991.1	5,184.7
Earmarked	53.1	51.8	49.9	44.8	46.2	49.9	53.1	50.9	82.2	66.2	64.1
<b>Foreign Liabilities</b>	39.3	29.2	29.3	27.0	62.7	36.6	35.0	32.5	22.4	75.1	85.1
Banks Abroad	37.0	27.5	27.4	25.3	59.8	33.6	35.0	32.5	22.4	75.1	85.1
Nonresidents	2.3	1.6	1.9	1.7	2.9	3.0	0.0	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
<b>Other Liabilities</b>	545.0	589.3	660.9	781.7	944.1	1,123.0	878.8	902.1	1,410.2	2,033.2	2,080.4
Loans from the CBY	1.6	2.9	3.9	4.3	5.6	13.5	6.8	6.8	6.8	7.6	7.7
Capital and Reserves	227.8	237.6	239.9	267.8	291.1	333.7	358.0	494.9	520.9	698.0	698.3
Other Liabilities	315.7	348.9	417.1	509.6	647.3	775.8	513.9	400.4	882.5	1,327.5	1,374.4

Source: Central Bank of Yemen (CBY).

Since the beginning of January 2023, the assessment of the position of foreign currencies in the financial centers of banks operating in the Republic of Yemen has been approved based on market exchange rates, according to the Central Bank of Aden's exchange rates bulletin. (A circular issued by the CBY on January 31, 2023).

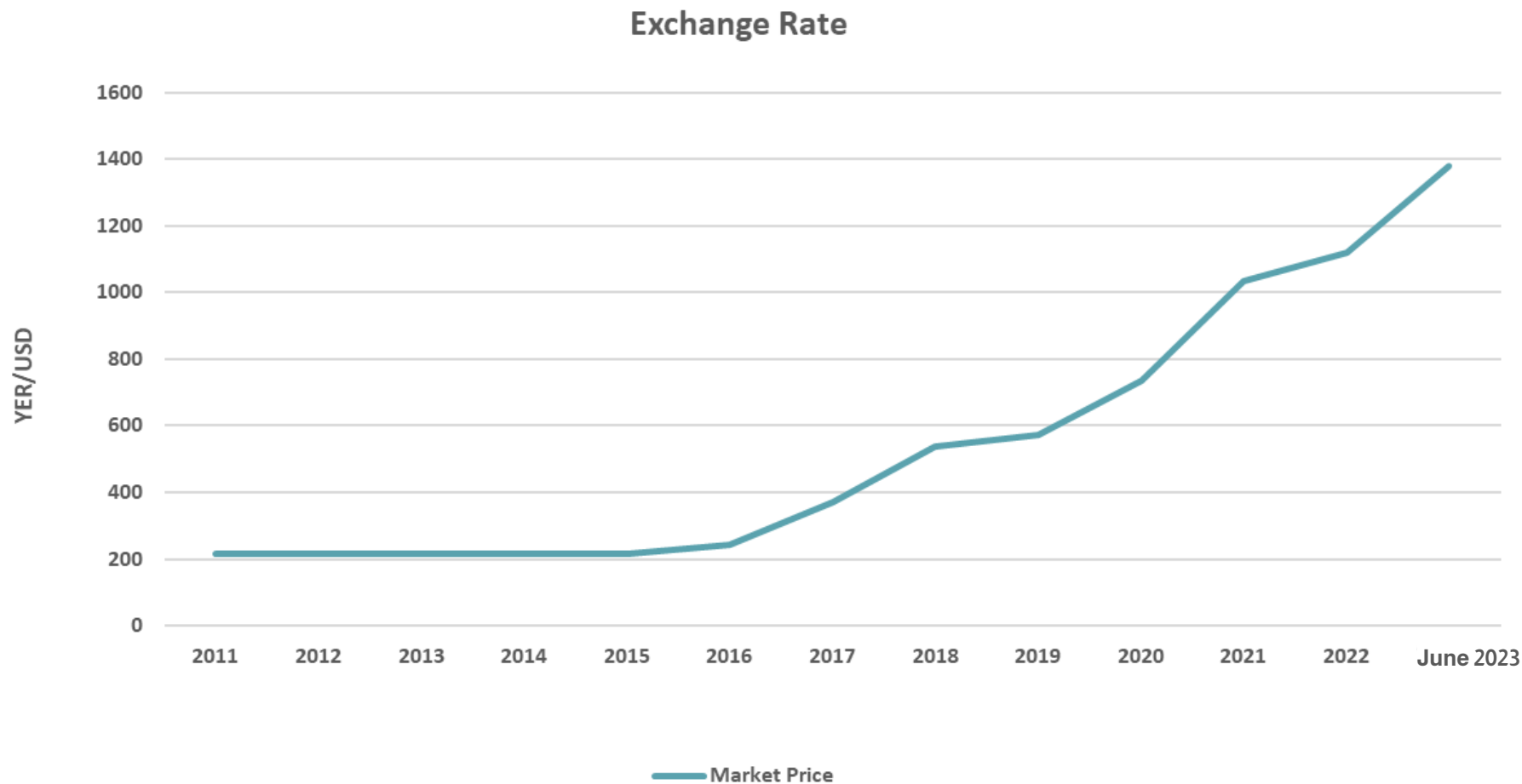
Table 6: Average Market Exchange Rates

(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	214.89	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	214.89	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	214.89	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	1,225.50
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	1,316.30
June	213.80	213.80	214.89	214.89	214.89	250.25	356.1	522.5	560.2	735.4	933.9	1,094.85	1,379.30
July	214.94	214.94	214.89	214.89	214.89	250.25	368.5	567.0	578.1	753.1	981.9	1,137.07	
August	214.94	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	214.94	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	214.94	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	214.94	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	214.94	214.89	214.89	214.89	214.89	250.25	444.7	499.5	601.0	792.7	1,255.3	1,172.48	
<b>Annual Average</b>	<b>214.35</b>	<b>214.89</b>	<b>214.89</b>	<b>214.89</b>	<b>214.89</b>	<b>241.41</b>	<b>369.5</b>	<b>538.4</b>	<b>572.2</b>	<b>735.2</b>	<b>1,032.5</b>	<b>1,119.14</b>	

Source: Central Bank of Yemen.

USD = United States Dollars, YER = Yemeni Rials (National Currency),

YER/ USD = Yemeni Rials per United States dollar.



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

Source: Central Bank of Yemen.

**Chart 3: Average Market Exchange Rates**

# 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.

### Disclaimer

Beginning in August 2008, monetary and banking data were amended and updated by the 2000 Monetary and Financial Statistics Manual, issued by the International Monetary Fund (IMF).

By Article 45 of Law No. 14 of 2000 on the Central Bank of Yemen (CBY), all institutional and individual data and/or information provided to the CBY is strictly confidential, to be used only for statistical purposes; and no information may be published that reveals the financial condition of any bank or other financial institution.

The data in this report that came from government ministries and agencies are preliminary and thus subject to change.

The authors used projections by the IMF when the relevant information and/or data were not available from national sources.

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Website: <https://english.cby-ye.com/>

E-mail: [rsd@cby-ye.com](mailto:rsd@cby-ye.com)



