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# Market & Trade Bulletin, Yemen

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## KEY HIGHLIGHTS

- **The YER in GoY areas plunged to a record low in March, reaching 1,660 against the US\$, the fourth straight loss since November 2023:** The YER is significantly depreciated against the USD in GoY areas having lost 25 percent and 33 percent of its value year-on-year (y-o-y) and against the 3-year average (3-YA), respectively, while strengthened in SBA areas by 3 percent and 10 percent, correspondingly (**Figure 1**). Depleted reserves and lack of foreign exchange earnings from crude oil and gas exports, are principally responsible for accelerated depreciation of the YER in GoY areas.
- **A currency crisis is slowly developing in SBA areas** after the Central Bank in Sana'a issued a preemptive circular to all banks and money exchange outlets prohibiting the receipt of remittances in any other currency other than Saudi and Yemeni riyals, regardless of the source of original currency, typically USD. The ban on dollar transactions is likely to limit traders' capacity to import basic food items including wheat into Yemen. This could isolate Yemen from the global financial system, making it harder for individuals and businesses to engage in international trade and payments and reduce remittance receipts to Yemeni families from their members abroad, which is estimated to be in excess of 4 billion US\$. It could also fuel growth in informal/ black market and unregulated currency exchange networks as individuals seek ways to bypass the restrictions, posing risks such as money laundering and fraud.
- **Food and fuel imports slowed down in March in line with typical trends but have since rebounded in April 2024:** basic food and fuel imports through the three major seaports of Al Saleef, Al Hodeidah and Aden decreased typically in line with reduced port activities during the Ramadan period but has since gone up, the highest in the more than one year (**Figure 2**).
- **Fuel prices remained stable over the last one month in most markets but were significantly higher than the same period last year in GoY areas:** diesel and petrol prices in SBA and GoY controlled areas remained unchanged during March 2024 from their levels a month before (**Figure 4**). However, petrol and diesel prices in GoY areas increased by 18-25 percent compared to the same period in 2023, while dropped by 19 percent and 5 percent, respectively, for diesel and petrol in SBA areas. The increased fuel price in GoY areas is partly driven by depreciated value of the local currency and is largely causing high food prices.
- **Ample food availability in the markets stabilized the cost of the Minimum Food Basket (MFB) despite increased demand during Ramadan:** prices of staple basic food items (Basmati rice, kidney beans, cooking oil, and wheat flour) remained largely unchanged m-o-m in most markets during the reporting month notwithstanding higher demand during Ramadan festivities. However, food prices are higher compared to the same month last year in GoY areas (3 to 20

**Table 1:**

Area	Commodity	Mar 2024 Price (YER)	Price changes		
			m-o-m	y-o-y	3YA
GoY	Agricultural Labor - Per day	12,007	1%	17%	35%
	Basmati Rice - 1 kg	2,438	0%	20%	49%
	Diesel (Official) - 1 L	1,299	-1%	18%	78%
	Imported Kidney Beans (Grain) - 1 kg	2,839	0%	12%	45%
	Imported Sunflower Oil - 1 L	3,161	0%	5%	29%
	Imported Wheat Flour - 1 kg	986	1%	3%	26%
	Minimum Food Basket	131,823	1%	6%	31%
	Petroleum (Official) - 1 L	1,201	0%	25%	54%
	Unofficial Exchange Rate - Buying - YER/USD	1,647	-1%	-25%	-33%
	Unskilled / Casual Labor - Per day	11,472	1%	14%	31%
SBA	Agricultural Labor - Per day	4,988	-1%	-7%	5%
	Basmati Rice - 1 kg	982	0%	0%	-1%
	Diesel (Official) - 1 L	478	0%	-19%	-3%
	Imported Kidney Beans (Grain) - 1 kg	1,086	-2%	-5%	7%
	Imported Sunflower Oil - 1 L	1,153	-1%	-13%	-11%
	Imported Wheat Flour - 1 kg	362	0%	-14%	-11%
	Minimum Food Basket	48,707	-1%	-12%	-7%
	Petroleum (Official) - 1 L	473	0%	-5%	3%
	Unofficial Exchange Rate - Buying - YER/USD	528	0%	3%	10%
	Unskilled / Casual Labor - Per day	5,155	0%	-2%	9%

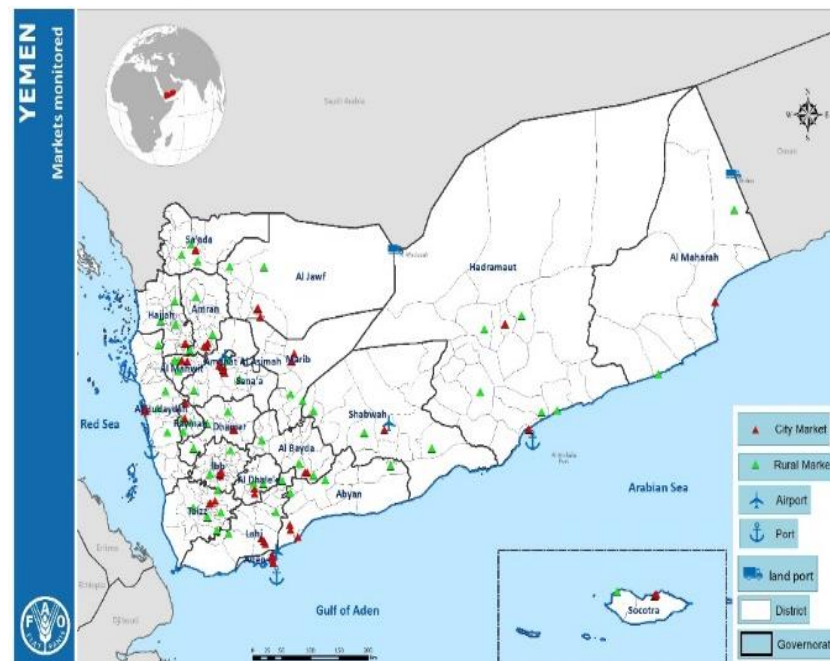
### **Note on the dual exchange rate regime in Yemen:**

There are currently two exchange rates split by monetary governance between the Sana'a based authorities (SBA) and the Government of Yemen (GoY) based in Aden. This was after the Central Bank in Aden printed new notes starting from Nov 2019 and the SBA banned the use of these new notes in their areas. As a result, the Yemeni Rial in GoY areas depreciated significantly against the US\$ while the YER in SBA areas remained largely stable and controlled. Food prices followed the same trend by rising significantly in GoY areas in local currency terms but remained stable in SBA areas starting from November 2019. It's important to note, however, that while prices in GoY areas may seem 'double their levels in SBA areas', the US\$ equivalent of the prices in both areas are nearly the same, in fact sometimes slightly higher in US\$ equivalent in SBA areas.

percent) while lower by 5 to 14 percent in SBA areas over the same period. Prices of basic food items are significantly elevated (26 - 49 percent) in GoY areas but somewhat lower or stable in SBA areas against the 3-year average (Figure 5).

- **Livestock prices increased slightly during Ramadhan due to peak demand but remained lower than same period last year and the 3-year average in SBA areas:** the March 2024 market prices of goat and sheep increased slightly (2-4 percent) in both GoY and SBA controlled areas m-o-m. However, the livestock prices are significantly higher (47-50 percent) in GoY areas but slightly reduced (2-9 percent) in SBA areas when compared to the same month last year and the three-year average (**Figure 6**).
- **Casual labor wage rates remained stable over the reporting month because of slow start of agricultural season and reduced off-farm economic activities during Ramadan:** casual labour rates remained generally unchanged in both GoY and SBA areas over the month of March compared to the preceding month. Compared to the same period in 2023, casual labor wage rates went up by 17 percent in GoY areas but was reduced by 7 percent in SBA areas (**Figure 6**). Although casual labour wage rates are higher than three-year average in both GoY (35 percent) and SBA (5 percent) areas, the capacity of casual laborers to afford basic food items is low because of a similar increase in the cost of the in MFB (31 percent) and the erosion of the value of the YER in GoY areas but also reduced labour opportunities and intermittent payment of salaries.
- **Purchasing power for casual laborers decreased while those of livestock keepers increased over the reporting month:** The terms of trade (ToT) between casual/agricultural labour and cereal (wheat flour) decreased m-o-m in both GoY and SBA areas in line with increased wheat flour prices and stable labor wages. On the other hand, the rate of exchange between livestock (sheep/goat) and cereals (wheat flour) appreciated slightly over March 2024 in both areas. Even though the livestock and labour ToT against cereals trended above their levels a year ago and the 3-YA, the capacity of households to afford food is still compromised because of reduced livestock asset holdings and diminished labour opportunities (**Figure 7**).
- **Basic food prices are projected to continue increasing in GoY areas but remain generally stable or increase slightly in SBA areas in the next three months** even though depreciation induced accelerated food inflation risks linger in the latter. The conflict in the Red Sea also carries the risk of increased food prices through June.

Map 1: Markets monitored.



# ANNEXES

Figure 1: Exchange Rates: YER vs. 1US\$

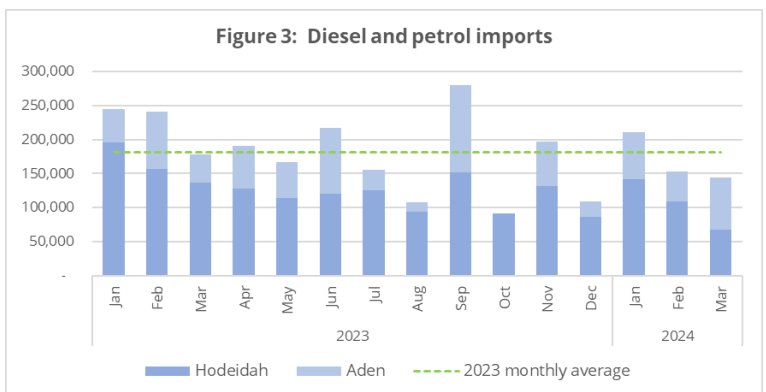
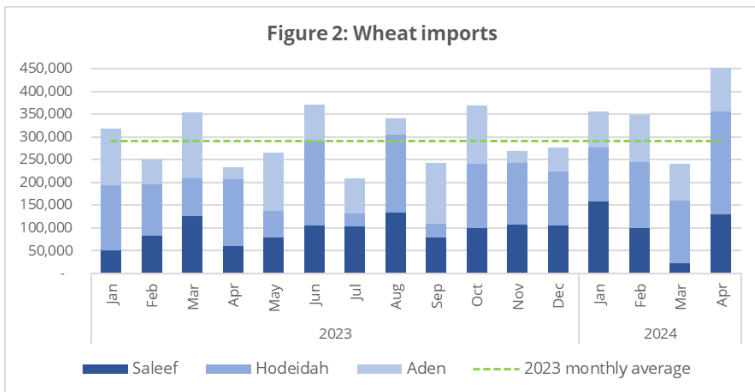
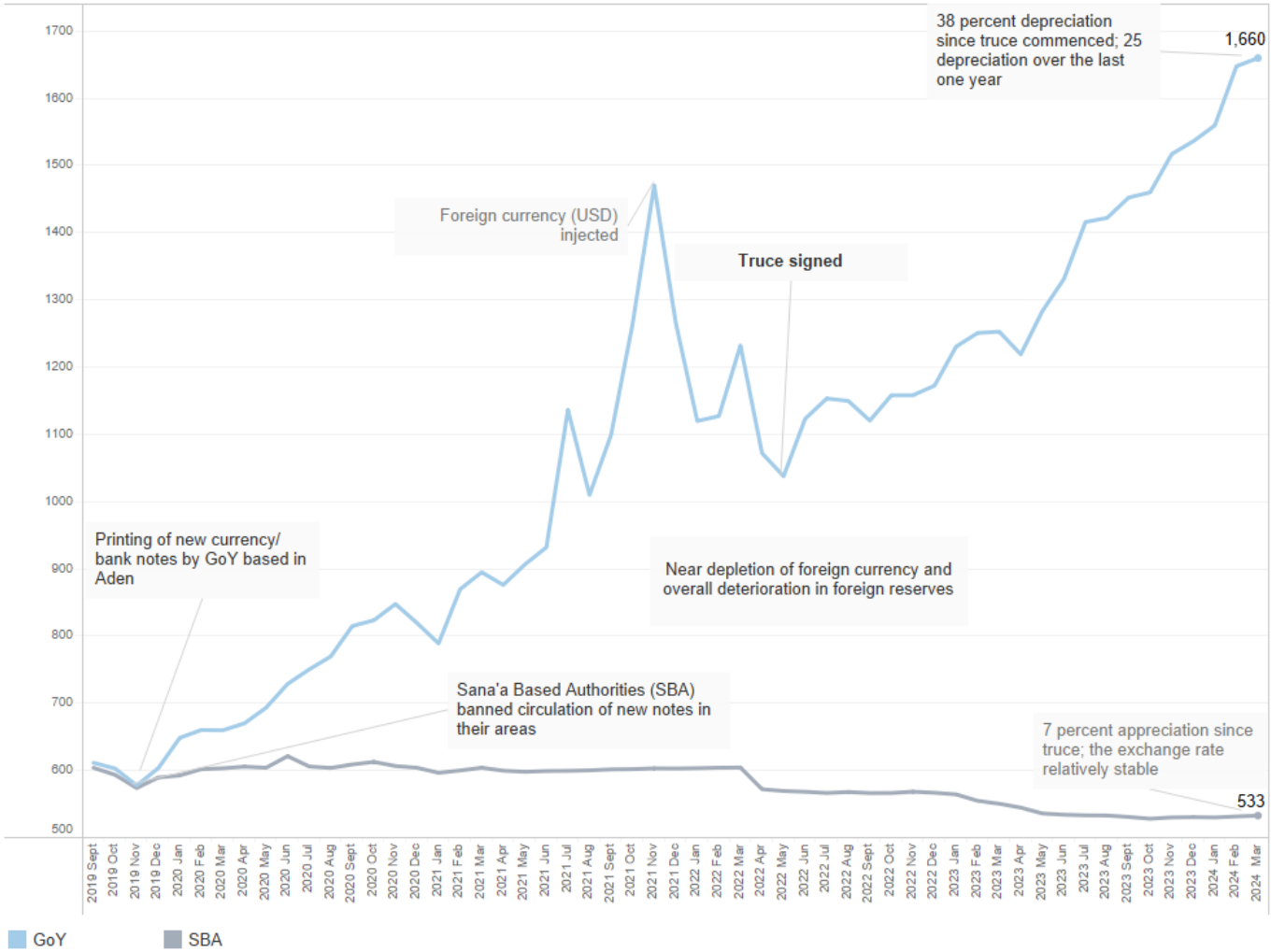


Figure 4: Diesel and Petrol Price Trends (YER)

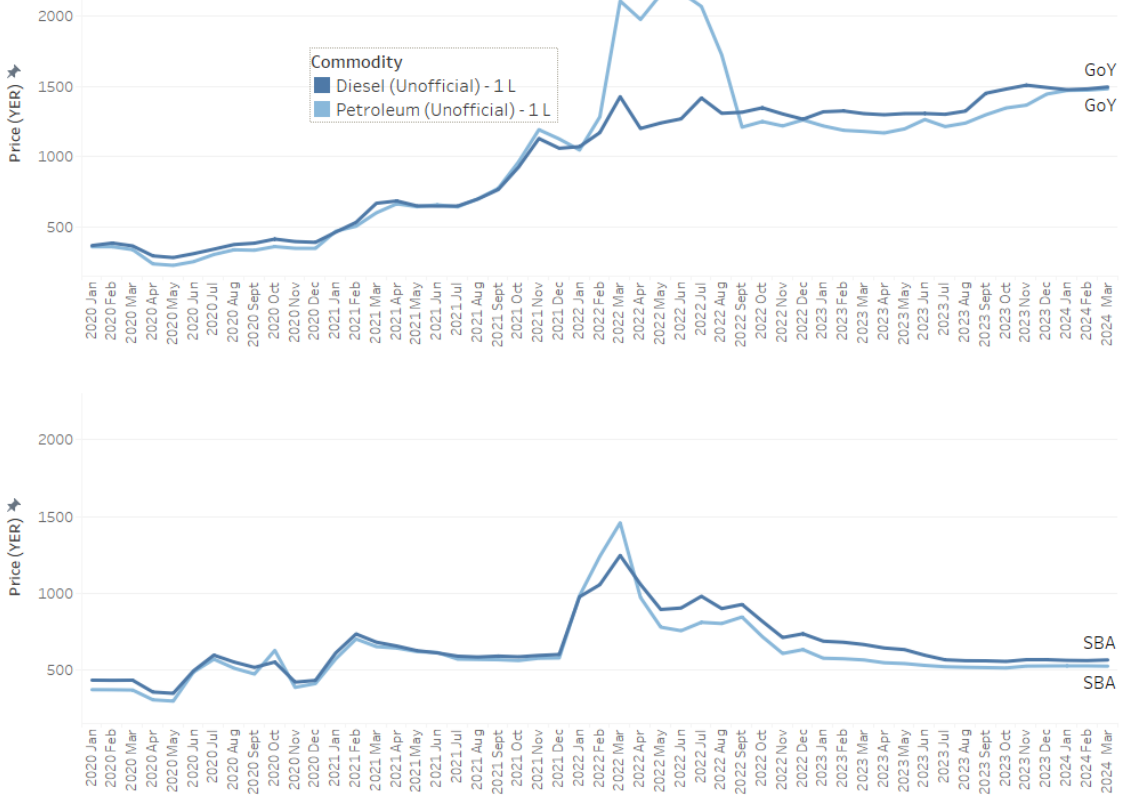
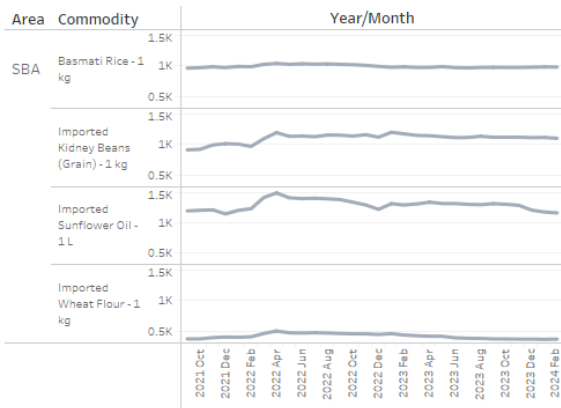
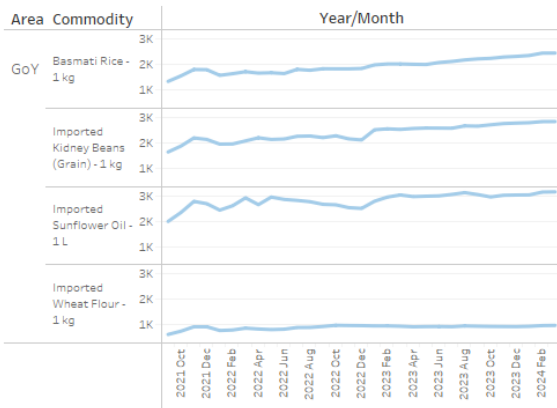
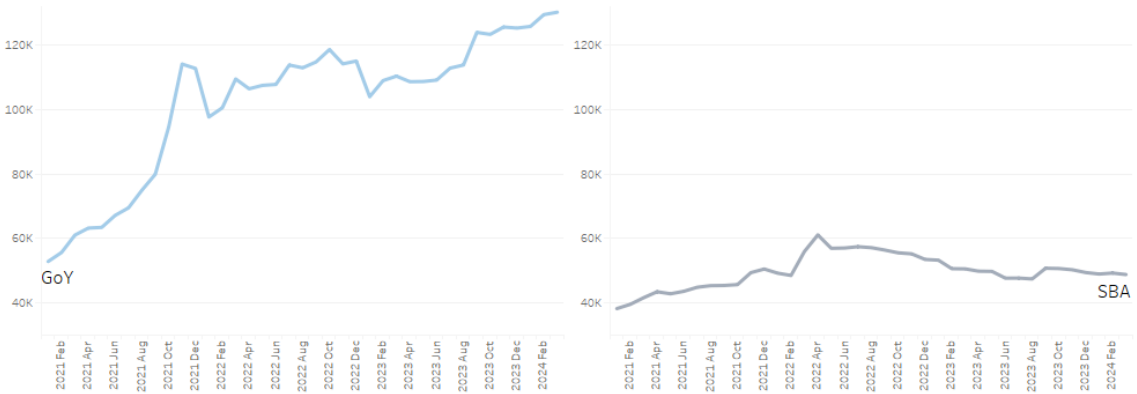


Figure 5: Minimum Food Basket/ food prices (GoY)



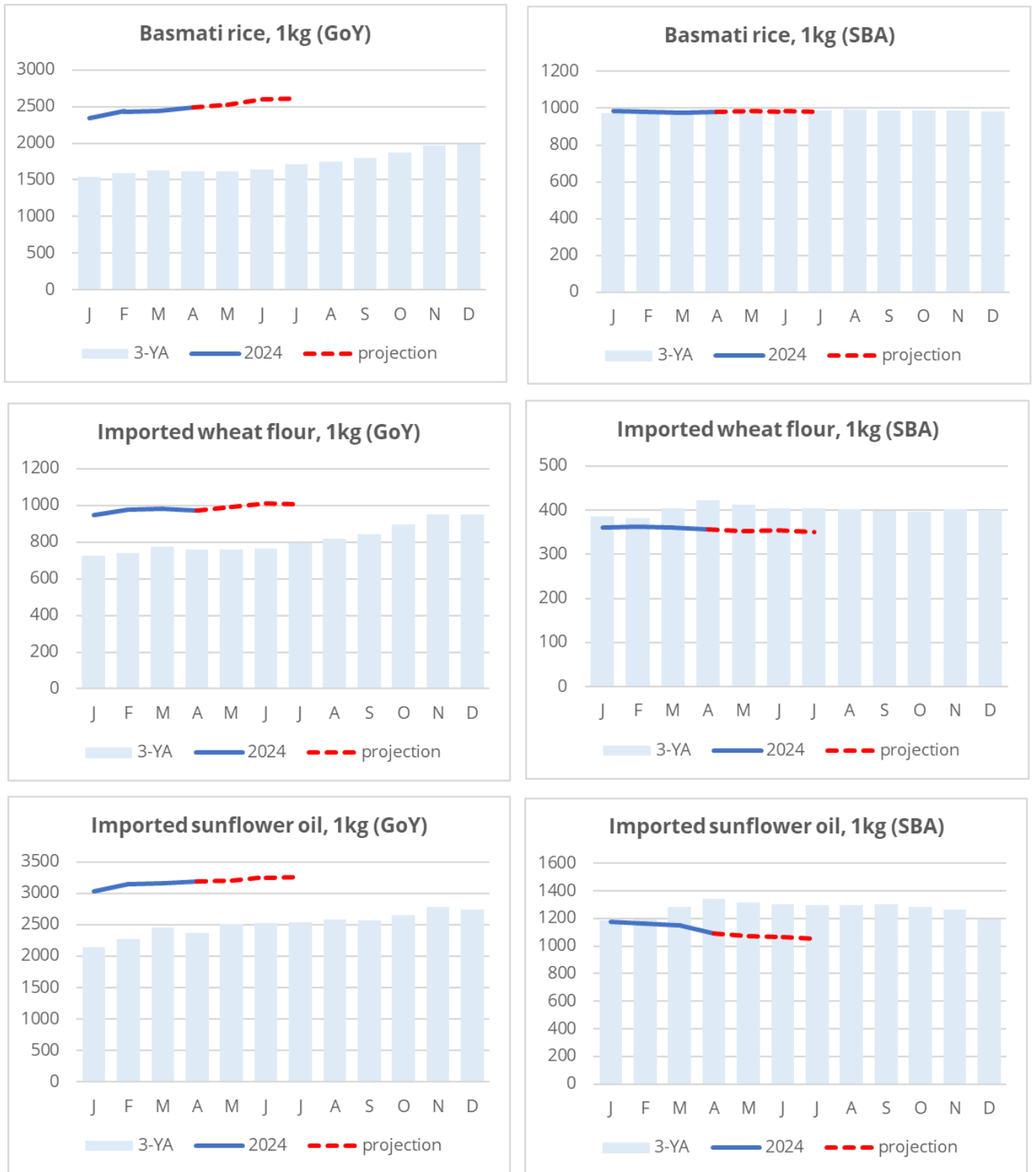
**Figure 6: Trends in Daily Casual Labour Wage Rates and livestock prices**



**Figure 7: Terms of Trade (purchasing power)**



FIGURE 8: Staple food commodity price (YER) forecasts/ projections (April – July 2024)





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