

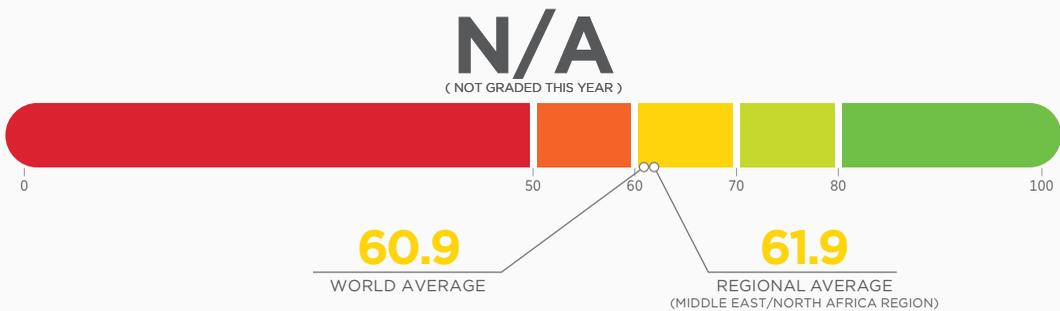
YEMEN

Numerical grading of Yemen's overall economic freedom remains suspended in the 2017 *Index* because of a significant deterioration in the quality of publicly available economic statistics for the country. An intensifying civil conflict has devastated the economy, destroying critical infrastructure.

Yemen will require significant international assistance to stabilize its economy if and when the civil war ends. The fighting has created a mounting humanitarian crisis, food shortages, and tens of thousands of refugees. Yemen's limited oil and gas production has been severely disrupted, and the prolonged conflict continues to take a heavy toll on the already fragile economy.

WORLD RANK: **N/A** | REGIONAL RANK: **N/A**
 ECONOMIC FREEDOM STATUS: **NOT GRADED**

ECONOMIC FREEDOM SCORE



NOTABLE SUCCESSES:
 n/a

CONCERNS:
 n/a

OVERALL SCORE CHANGE SINCE 2013:
 N/A

FREEDOM TREND



QUICK FACTS

POPULATION:
 28.3 million

GDP (PPP):
 \$75.5 billion
 -28.1% growth in 2015
 5-year compound annual growth -6.8%
 \$2,671 per capita

UNEMPLOYMENT:
 15.9%

INFLATION (CPI):
 30.0%

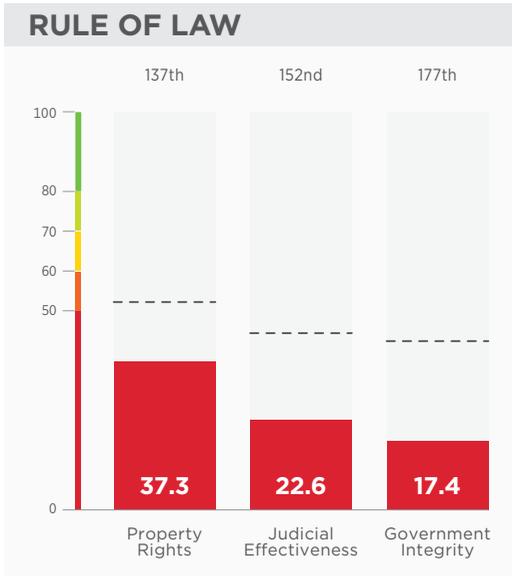
FDI INFLOW:
 -\$1.2 billion

PUBLIC DEBT:
 68.6% of GDP

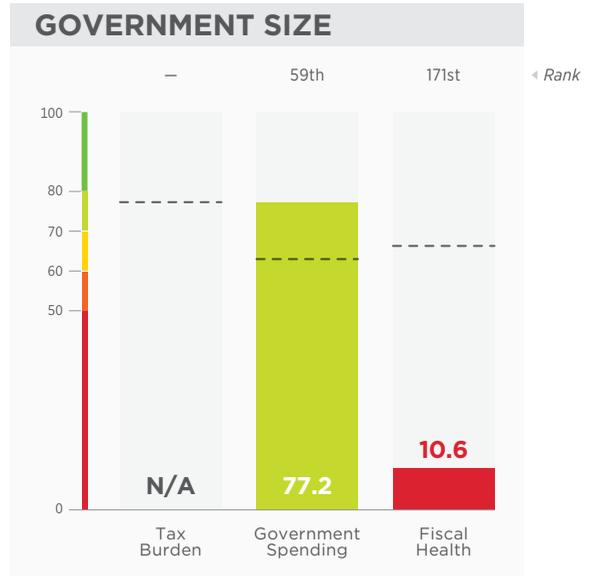
2015 data unless otherwise noted. Data compiled as of September 2016

BACKGROUND: The civil war in Yemen, one of the Arab world's least developed countries, has brought tentative efforts at modernization and integration into the global economy to a halt. The conflict's most immediate cause is a breakdown in relations between President Abd Rabbuh Mansour Hadi and the Houthis, a Zaydi Shia rebel movement. In March 2015, Saudi Arabia launched an intensive bombing campaign and ground intervention in an attempt to restore Hadi to power, but the Houthis have retained significant gains on the ground. Al-Qaeda in the Arabian Peninsula (AQAP) has exploited the conflict to seize parts of eastern Yemen and develop a working relationship with anti-Houthi tribal militias.

12 ECONOMIC FREEDOMS | YEMEN



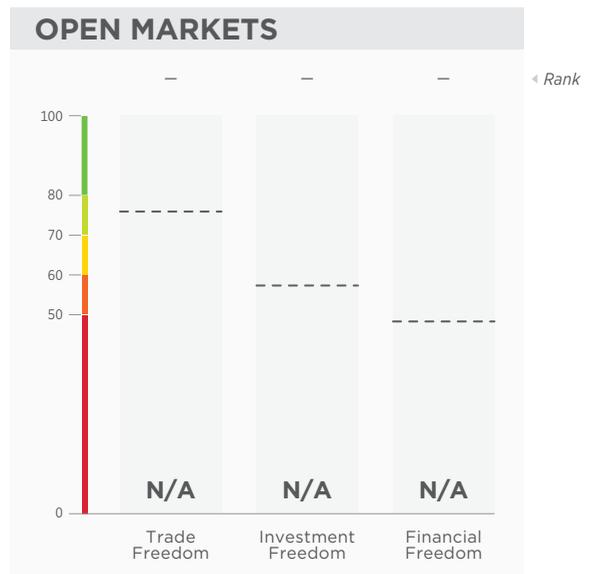
Property rights and business activity are impaired by insecurity and corruption. The nominally independent judiciary is weak and susceptible to interference from the executive branch. Authorities have a poor record of enforcing judicial rulings. Years of mismanagement and corruption, compounding the depletion of natural resources, had resulted in chronic poverty and underdevelopment even before the current conflict.



Political turmoil and civil conflict have caused the economy to collapse. Oil and gas exports have been suspended, and the overall fiscal situation remains perilous with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. Limited fiscal resources have been directed toward spending on the military and public-sector wages. Millions of Yemenis are at risk of famine.



The absence of a dynamic private sector results in chronic underemployment and a large informal sector. In 2014, in the midst of civil war, fiscal pressure caused by lower oil revenue forced the cash-strapped government in Sana'a to cut fuel subsidies. The ensuing popular backlash was exploited by the Houthis, a Zaydi Shia group from northern Yemen, but the Houthis could not afford to restore fuel subsidies after seizing the capital.



Trade is important to Yemen's economy; the value of exports and imports taken together equals 60 percent of GDP. The average applied tariff rate is 4.1 percent. Yemen's civil war impedes international trade and investment. The economy is largely cash based, and the small financial system remains dominated by the state. The ongoing conflict has increased the banking system's instability and fragility.