**Yemen**

Numerical grading of Yemen’s overall economic freedom could not be resumed in the 2019 Index because of the continuing lack of reliable economic statistics for the country. Although greater global attention has increased pressure to end the ongoing conflict, prospects for lasting peace remain dim.

The civil war has devastated Yemen’s economy and destroyed critical infrastructure. Even before the current conflict, years of mismanagement and corruption and the depletion of oil and water resources had resulted in chronic poverty, underdevelopment, and minimal access to such basic services as electricity, water, and health care in much of the country. The conflict has aggravated that situation, and significant international assistance will likely be needed when the civil war ends. For the time being, economic policymaking by the Houthi rebel alliance in the North and the Hadi government in the South will focus on marshalling limited fiscal resources for the war effort.

### Economic Freedom Score

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<th>2015</th>
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<td>53.7</td>
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**World Rank:** N/A

**Regional Rank:** N/A

**Economic Freedom Status:** Not Graded

**Relative Strengths:** None

**Historical Index Score Change (Since 1995):** n/a

**Concerns:** Fiscal Health and Property Rights

### Quick Facts

- **Population:** 30.0 million
- **GDP (PPP):** $38.6 billion
- **5-year compound annual growth:** -16.1%
- **Inflation (CPI):** 4.9%
- **FDI Inflow:** -$269.9 million
- **Public Debt:** 141.0% of GDP

**Background:** Yemen, one of the poorest Arab countries, is highly dependent on declining revenues from its relatively small oil and gas reserves. A complex and intense civil war since 2014 has generated a humanitarian crisis and exacerbated economic problems, unemployment, and shortages of food, water, and medical resources. President Abed Rabbo Mansour Hadi’s government was ousted in January 2015 by the Houthis, a Zaydi Shia rebel movement backed by Iran. In March 2015, a military coalition led by Saudi Arabia attempted to restore Hadi to power, but the Houthis retain 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.
Property rights and business activity are impaired by insecurity, nepotism, and patronage networks. The nominally independent judiciary is weak and susceptible to executive interference. Authorities have a poor record of enforcing judicial rulings. A burdensome criminal judicial process creates what amounts to a separate legal system for the political elite.

Political turmoil and civil conflict have severely damaged the overall fiscal situation, with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. The government has relied on grants to meet many of its spending requirements. Economic policymaking has concentrated primarily on marshalling limited fiscal resources to meet public salary payments and continue the conflict.

Before the current conflict, years of regulatory mismanagement had held back development. The absence of a dynamic private sector resulted in chronic unemployment and a large informal sector. The conflict has aggravated the situation. Heavily dependent on international aid, the Hadi government announced that its first budget since 2014 would reinstate subsidies for various basic foods.

The combined value of exports and imports is equal to 33.5 percent of GDP. The average applied tariff rate is 4.3 percent. The ongoing civil war has severely degraded the country’s capacity and infrastructure related to international trade and investment. Yemen’s economy is largely cash based. The limited financial system is dominated by the state, and the banking system is very fragile.