

YEMEN

Numerical grading of Yemen's overall economic freedom could not be resumed in the 2020 *Index* because of the continuing lack of reliable economic statistics for the country. Although greater global focus on Yemen will increase calls for an end to its civil war, prospects for peace are still slight.

The civil war has devastated the economy and destroyed critical infrastructure. Even before the current conflict, years of mismanagement and corruption and the depletion of oil and water resources had led to 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, the lack of incentive for the rebel Houthis to negotiate and the unacceptability for Saudi Arabia of having a perceived Iranian proxy on its borders in the form of the Houthis mean that there is little common ground.

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

ECONOMIC FREEDOM SCORE

N/A

NOT GRADED THIS YEAR



WORLD AVERAGE **61.6**

61.8 REGIONAL AVERAGE
(MIDDLE EAST/
NORTH AFRICA REGION)

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): N/A

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
30.8 million

GDP (PPP):
\$73.3 billion
-2.7% growth
in 2018
5-year compound
annual growth -7.8%
\$2,377 per capita

UNEMPLOYMENT:
12.9%

INFLATION (CPI):
41.8%

FDI INFLOW:
-\$282.1 million

PUBLIC DEBT:
63.2% of GDP

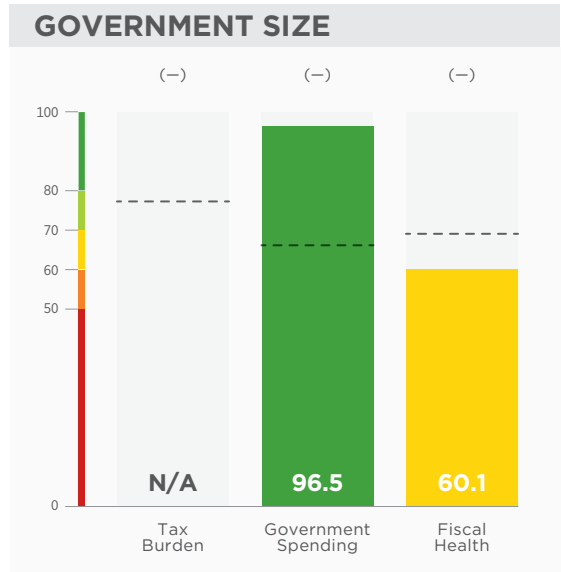
2018 data unless otherwise noted. Data compiled as of September 2019

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 created 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 territorial gains. Al-Qaeda in the Arabian Peninsula (AQAP) and the smaller Islamic State terrorist group have flourished in the chaos generated by the civil war.

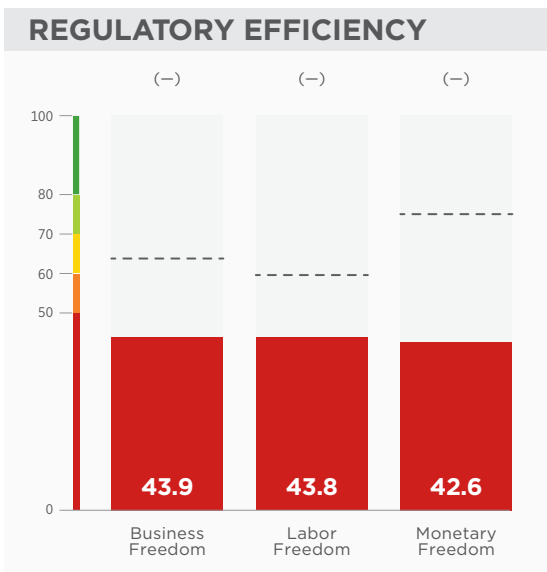
12 ECONOMIC FREEDOMS | YEMEN



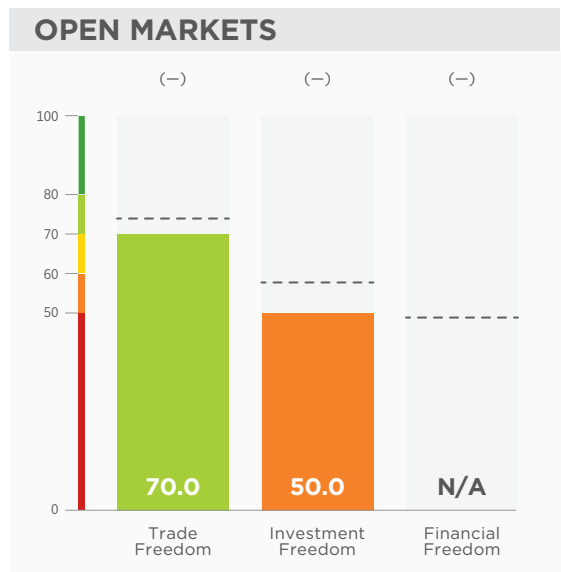
Property rights are impaired by insecurity, nepotism, the retreat of state authorities from large areas of the country, and patronage networks. The nominally independent judiciary is weak and susceptible to executive interference. Judicial rulings are rarely enforced. The political elite is able to circumvent the burdensome criminal justice system. The consequence of years of mismanagement, corruption, and depletion of natural resources has been chronic poverty.



Political turmoil and civil conflict have severely damaged the fiscal situation, with the impact of the escalating cost of the war compounded by a collapse in oil and tax revenue. The overall tax burden equals 7.4 percent of total domestic income. Government spending has amounted to 10.8 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.9 percent of GDP. Public debt is equivalent to 63.2 percent of GDP.



Security issues on the ground prevent most private businesses from prevailing. Access to food and other critical commodities is limited. Chronic unemployment and a large informal sector continue. Rapid currency depreciation for most of 2018, which significantly increased the price of imports, and ongoing insecurity drove inflation above 30 percent in 2019.



The total value of exports and imports of goods and services equals 47.1 percent of GDP. The average applied tariff rate is 5.0 percent. Ongoing civil unrest is a deterrent to international trade and investment. Foreign investors find the investment environment hard to navigate. The financial sector remains underdeveloped and dominated by the state, and the limited availability of financing precludes new economic activity.