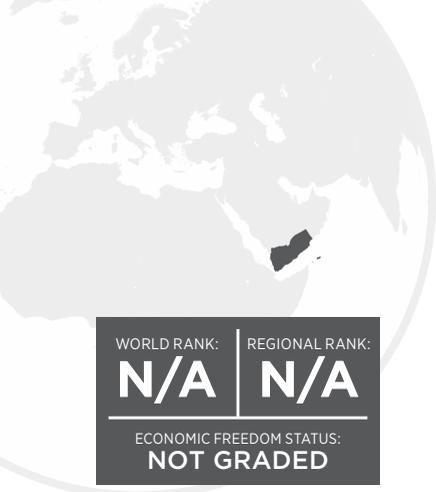


# YEMEN



Numerical grading of Yemen's overall economic freedom ended in 2015, and the continuing lack of reliable economic statistics for the country has prevented the resumption of grading in the 2021 *Index*. Prospects for an end to Yemen's civil war and a peaceful rebuilding of its economy remain bleak.

The civil war has devastated the economy and destroyed critical infrastructure. Even before the current conflict, however, 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.

**IMPACT OF COVID-19:** As of December 1, 2020, 619 deaths had been attributed to the pandemic in Yemen, and the economy was forecast to contract by 5.0 percent for the year.

## ECONOMIC FREEDOM SCORE

**N/A**

NOT GRADED THIS YEAR



WORLD AVERAGE

**61.6**

**62.6**

REGIONAL AVERAGE  
(MIDDLE EAST/  
NORTH AFRICA REGION)

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

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
29.2 million

**GDP (PPP):**  
\$72.1 billion  
2.1% growth in 2019  
5-year compound  
annual growth -7.9%  
\$1,910 per capita

**UNEMPLOYMENT:**  
n/a

**INFLATION (CPI):**  
10.0%

**FDI INFLOW:**  
-\$371.0 million

**PUBLIC DEBT:**  
56.8% of GDP

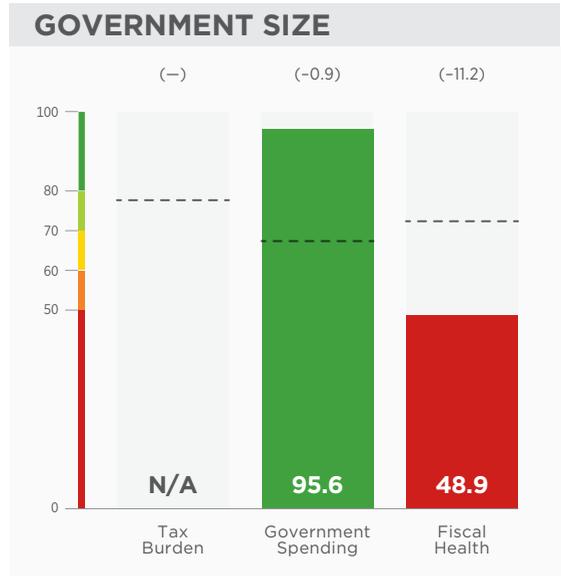
*2019 data unless otherwise noted. Data compiled as of September 2020*

**BACKGROUND:** Yemen, one of the poorest Arab countries, is highly dependent on declining revenues from its relatively small oil and gas reserves. Since 2014, a complex and intense civil war has created a humanitarian crisis and exacerbated economic problems, unemployment, and shortages of food, water, and medical resources. The Houthis, an Iran-backed Zaydi Shia rebel movement, ousted President Abed Rabbo Mansour Hadi's government in January 2015. A military coalition led by Saudi Arabia attempted to restore Hadi to power in March 2015, but the Houthis retained significant territorial gains. There are now two opposing governments: Hadi's, based in Aden, and the Houthis in Sanaa. Al-Qaeda in the Arabian Peninsula (AQAP) and the smaller Islamic State terrorist group have flourished in the resulting chaos.

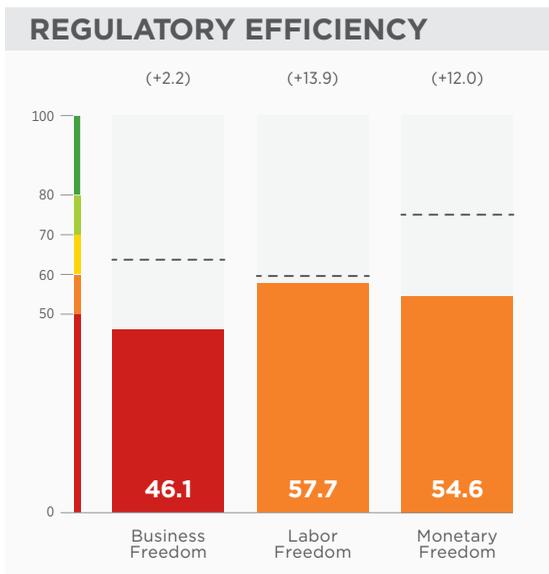
# 12 ECONOMIC FREEDOMS | YEMEN



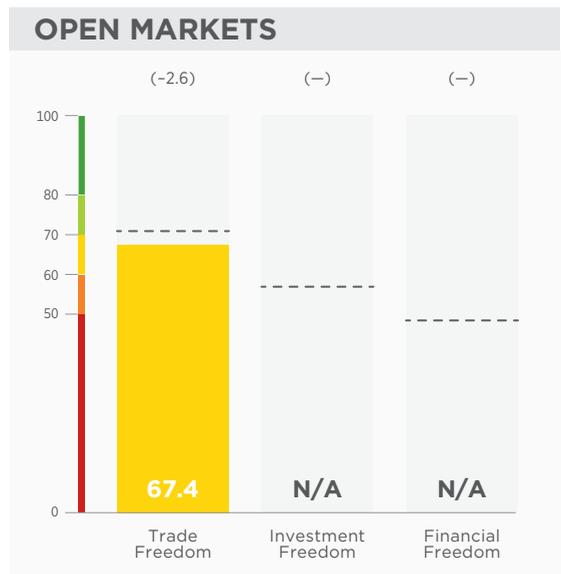
Property rights and business activity are impaired by the ongoing war, corruption, nepotism, and patronage networks. The nominally independent judiciary is weak and susceptible to executive interference, and enforcement of judicial rulings is poor. A burdensome criminal judicial process creates a separate legal system for the political elite. Years of mismanagement, corruption, and depletion of natural resources have led to chronic poverty.



The top individual income tax rate is 15 percent, and the top corporate tax rate is 20 percent. Political turmoil and civil conflict have severely damaged the overall fiscal situation, with the impact of the escalating cost of the ongoing conflict compounded by a collapse in oil and tax revenue. Economic policymaking has concentrated largely on marshalling limited fiscal resources to meet public salary payments and finance the conflict.



Starting a business has become less costly, and bankruptcy processes to allow greater recovery of assets have been approved. The economy remains devastated, and the IMF predicted that inflation would rise substantially in 2020, mainly because of the lack of security.



The civil war has severely degraded Yemen's capacity and infrastructure related to international trade and investment. The economy is largely cash-based. The limited financial system is dominated by the state, and the banking system is very fragile. Even before the current conflict, years of economic mismanagement and poor governance had led to chronic poverty and underdevelopment.