

Reduced capacity to import food expected in Yemen with millions in need of urgent action

Expected foreign currency shortages in Yemen are likely to lead to further depreciation of the Yemeni Rial (YER), disruptions to food imports and salary payments, and upward pressure on food and fuel prices (Figure 1). FEWS NET understands the \$2 billion deposit contributed by Saudi Arabia in early 2018 to stabilize economic conditions will likely be fully depleted within the next couple of months. Data and information on current food security outcomes and conditions in Yemen are limited by the current humanitarian environment, though available information suggests an estimated 17 million people are currently in need of humanitarian food assistance. Given Yemen’s high dependence on food imports, the scale and severity of acute food insecurity is expected to increase in the absence of action to stabilize the economy. Although [Famine \(IPC Phase 5\)](#) is not the most likely scenario, the risk of Famine is expected to increase due to the anticipated rise in food security needs and the pressure on market systems.

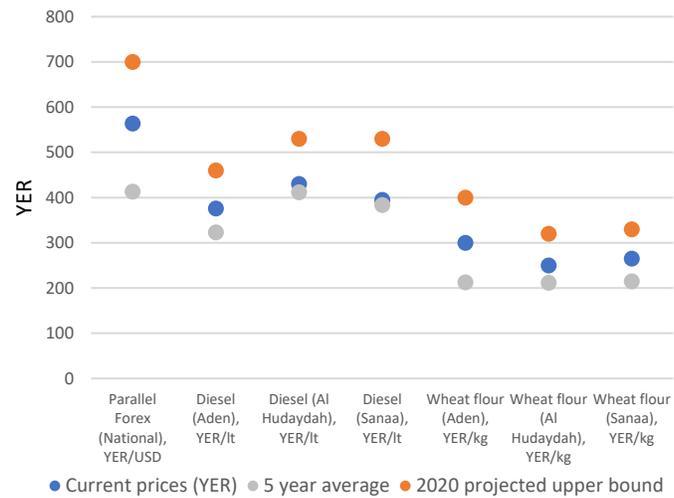
Macroeconomic conditions in Yemen have been very poor since 2015, marked by a shortage of foreign currency, depreciation of the YER, high prices of essential commodities, and limited income-earning opportunities. In 2018, the \$2 billion Saudi deposit allowed Yemen to pay some pensions and public sector salaries and enabled financing options that have bolstered food imports. In late 2019, however, concerns began to mount that the Saudi deposit would be depleted in early 2020, and available information indicates that Saudi Arabia does not intend to provide additional financial support. Government officials [called for further financial support](#), and the United Nations Verification and Inspection Mechanism for Yemen (UNVIM) reported that Saudi Arabia had stopped approving new letters of credit for food importers. As a result, anticipating a subsequent depreciation of the YER, market actors have begun reducing levels of imported stocks, according to key informants. Furthermore, in late December, Houthi authorities banned the use of new bank notes and the Hadi government announced the cessation of salary payments to northern areas.

In the absence of further fiscal intervention, FEWS NET anticipates steady depreciation of the YER in the parallel market in the coming months, with a devaluation of the currency to close the gap. This is likely to make imports more expensive, increasing prices of both food and fuel. Elevated fuel prices are expected to increase transport costs, exerting additional upward pressure on food prices. Meanwhile, public sector salary payments are expected to decline due to limited government revenue. These circumstances are likely to further reduce purchasing power among millions of already food insecure Yemenis, with most unlikely to be able to expand income earning.

Many households already facing Crisis (IPC Phase 3) or worse outcomes are likely to experience widening consumption gaps or engage in increasingly severe and unsustainable coping to cover their basic needs. Some market-dependent Stressed (IPC Phase 2) households are expected to deteriorate to Crisis (IPC Phase 3) as they face reductions in purchasing power. Furthermore, elevated fuel prices are likely to impede household access to clean water. As widespread Crisis (IPC Phase 3) or worse outcomes persist across Yemen, the risk of Famine (IPC Phase 5) would increase given the expected rise in food insecurity and the pressure on market systems. Impacts will be greatest in areas where conflict has significantly disrupted market functioning and where levels of humanitarian assistance are relatively low. Of particular concern are Hajjah and Ta’izz, where wheat flour prices are elevated and volatile.

In 2019, the World Food Program scaled up its provision of humanitarian food assistance in Yemen and is now reaching more than 12.5 million people each month. As prices rise, increased costs to support full rations through market-based modalities,

Figure 1. Projected prices through November 2020 relative to historical levels



Source: FEWS NET

including cash transfers, commodity vouchers, and in-kind food purchased from commercial importers should be anticipated. Furthermore, it should be noted that extensive use of cash transfers may lead to further price increases by increasing market demand in some areas. Given Yemen's high dependence on imports to access food, in the absence of further action to stabilize the economy, the scale and severity of acute food insecurity is expected to increase, as is the risk of Famine (IPC Phase 5).