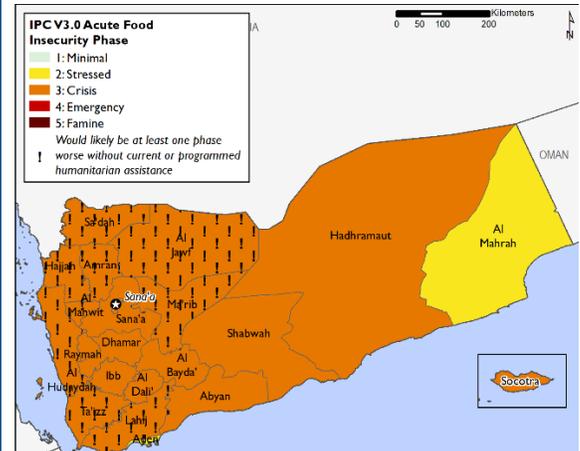


Food price increases and delayed salary payments spark public protests in southern areas

KEY MESSAGES

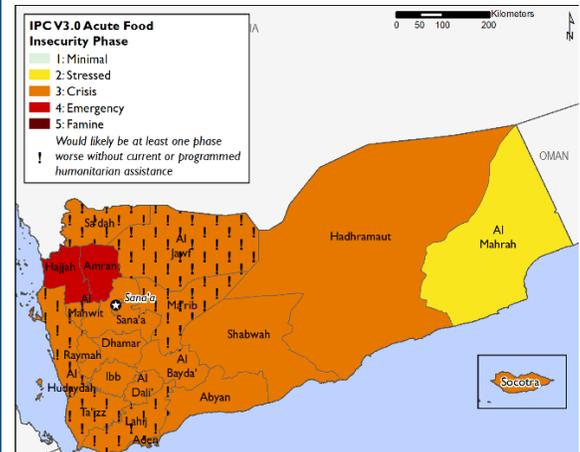
- Ongoing conflict and political instability are driving an increasingly concerning macroeconomic situation in Yemen. Throughout 2020, continued depreciation of the currency has resulted in further food price increases in many areas. Crisis (IPC Phase 3) outcomes are widespread, even in the presence of significant humanitarian assistance in many areas. In widespread areas where Crisis! (IPC Phase 3!) outcomes are present, anticipated significant levels of assistance are likely to prevent more severe outcomes. In northern Hajjah and Amran, deterioration to Emergency (IPC Phase 4) is likely in the February to May 2021 period as the lean season progresses. While not the most likely scenario, Famine (IPC Phase 5) would be possible in the event that food imports are significantly disrupted for a prolonged period of time.
- From October to November 2020, the exchange rate in southern governorates depreciated by a further 2.8 percent from October to November 2020, to reach 801 YER/USD according to FAO. This was largely driven by rapid depreciation in Aden and other southern governorates in the last week of November. Though the exchange rate in Aden appreciated slightly following the announcement of a renewed Riyadh Agreement on December 10, it has since continued to depreciate, reaching 860 YER/USD as of December 17 according to key informants. Driven by the deteriorating macroeconomic situation, recent protests in Aden, Lahij, and Ta'izz illustrate an escalating situation as people struggle to access income and food prices rise. In northern governorates, the exchange rate remained stable in November on average.
- While not the most likely scenario, [according to multiple media sources](#) it remains possible that the United States issues a “Foreign Terrorist Organization” designation pertaining to northern authorities in Yemen. This would impact commercial activity—including potentially imports and banking—and would accelerate the pace of macroeconomic deterioration. Additionally, if no official allowance is made for humanitarian operations, this could significantly impact the humanitarian response in Yemen, as humanitarian organizations with western ties may cease operations out of fear of legal repercussions. For an analysis of the impacts of such a designation on food security outcomes, see the “Events that Might Change the Outlook” table at the end of this report.

Projected food security outcomes, December 2020 to January 2021



Source: FEWS NET

Projected food security outcomes, February to May 2021



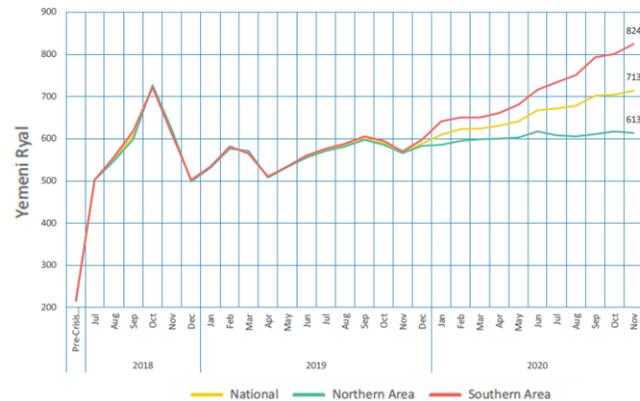
Source: FEWS NET

FEWS NET classification is IPC-compatible. IPC-compatible analysis follows key IPC protocols but does not necessarily reflect the consensus of national food security partners.

CURRENT SITUATION

Throughout November and early December 2020, conflict has continued to disproportionately impact Ma’rib and southern Al Jawf, southern Al Hudaydah, and parts of Ta’izz, Al Dali’, and Abyan, according to data from Intelyse. Conflict continues to displace hundreds of households per week according to IOM reports, although rates of new displacement in the 13 (out of 22) governorates monitored by IOM remain lower in November and December 2020 relative to the earlier months of the year when conflict and floods were displacing more households. Overall in 2020, most new conflict-related displacements in monitored areas have occurred due to fighting in Ma’rib, followed by conflict in Al Hudaydah, and Ta’izz. This trend has continued in recent weeks. Meanwhile, conflict in populated areas of Al Hudaydah since November have caused an increased number of civilian deaths and injuries according to reports from Intelyse and Médecins Sans Frontières (MSF).

Figure 1. Average parallel exchange rate in northern and southern areas of Yemen (YER/USD)



Source: FAO

Though the situation remains volatile, some progress was made in the first half of December toward implementation of the Riyadh agreement in the south. After a new iteration of the deal was announced on December 10, conflict in Abyan has slowed and troops continue to be successfully redeployed out of Abyan as of mid-December. The announcement of a power-sharing cabinet occurred in late December. However, concern is mounting over tensions in Shabwah, and uncertainty exists surrounding the next stages of implementation of the agreement. Furthermore, an explosion near the Aden airport on December 30 occurred after the arrival of the newly formed cabinet, though the source of the attack is still unclear.

The macroeconomic situation in Yemen remains of high concern, with the exchange rate in southern governorates depreciating further in November 2020 according to FAO (Figure 1). From October to November 2020, the average exchange rate across southern governorates depreciated by 2.8 percent, to reach 824 YER/USD on average. This was largely driven by rapid depreciation in Aden and other southern governorates including Al Dali and Hadhramaut in the last week of November. In response to this accelerated depreciation, the Central Bank of Aden closed exchange companies and banned the trading of currencies. According to key informants, the exchange rate in Aden reached 915 YER/USD in early December before recovering to 845 YER/USD—similar to levels recorded in mid-November—following the announcement of the new Riyadh Agreement deal. Exchange companies have reportedly resumed partial operations. However, as of December 17, key informants report that the exchange rate in Aden has started to depreciate again, reaching 860 YER/USD. In northern governorates, the exchange rate remained stable in November on average according to FAO.

According to FAO, national average prices of diesel and petrol decreased by 14 and 26 percent from October to November following increased supply in late October and November. However, rationing of fuel in northern areas in late November suggests that the increase in supply—and declining prices—may have represented only temporary relief. In Aden, key informants report that fuel shortages and power cuts continue as of mid-December despite an emergency shipment of fuel reportedly received in the first half of the month, attributed to the impacts of depreciation of the currency. This is of concern for livelihoods, sanitation, and health services.

According to FAO reporting on total food imports through all of Yemen’s major sea and land ports, food import levels in November 2020 were significantly lower than in preceding months, with just over 100,000 MT of total food imported in the month of November 2020. This is less than one quarter of the monthly average of 450,000 MT per month from January to October 2020. FAO reports that food import levels from January to October 2020 were still 12 percent lower than during the corresponding period of 2019.

Staple wheat flour prices remained stable (increased by less than 1 percent) at the national level from October to November 2020 according to FAO. Wheat flour prices have been gradually increasing throughout 2020, and in November 2020 were 14 percent higher than six months ago and 27 percent higher than at the same time last year. In November, the greatest increases in wheat flour prices occurred in Ma’rib (8.3 percent) and Al Mahrah (7.3 percent).

Though food price data for December are not yet available, the first half of December has seen an escalation in protests around the depreciation of the currency and increasing prices of food and non-food commodities. In early December, protests occurred in the capital of Lahij governorate over food price increases in recent months. In Ta'izz City, similar protests over food price increases occurred in early/mid-December. Meanwhile, in Aden, protests by soldiers continued over delayed salary payments in an environment of continued price inflation.

The number of new COVID-19 cases reported daily in Yemen has continued increasing since mid-November 2020. As of early December, the [7-day rolling average](#) of COVID-19 cases reported daily reached the highest levels recorded since the peak in June 2020. However, due to limited testing capacity, the official figures likely continue to underestimate the true extent of the outbreak. As of November, international travel to Yemen is still being impacted by COVID-19 restrictions and internal processes according to the Cash Consortium of Yemen (CCY).

In November, wages for agricultural and unskilled (casual) laborers remained relatively stable (increased by 1 percent) at the national level relative to the previous month. At the governorate level, wages for agricultural laborers decreased only in Lahij (by 12 percent), Al Jawf (by 5 percent) and Ma'rib (by 3 percent). Wages for casual laborers remained stable or increased in most governorates, but decreased in Al Jawf (by 6 percent), Raymah (by 6 percent), Ma'rib (by 5 percent), Al Bayda (by 4 percent), and Al Hudaydah (by 3 percent). Meanwhile, according to the Cash Consortium of Yemen (CCY), remittance inflows through formal channels have been increasing in many exchange shops in recent months. While remittance inflows have still not recovered to pre-COVID-19 levels in most areas covered by CCY, remittance levels relative to pre-COVID vary substantially across exchange shops interviewed.

Given stable wages and stable wheat flour prices at the national level, purchasing power (as measured by the amount of wheat flour that can be purchased from one day's worth of labor wages) also remained relatively stable at the national level from October to November. However, trends at the governorate level were mixed. From October to November, purchasing power for agricultural laborers continued to decrease most notably in Lahij (by 14 percent) and in Ma'rib (by 11 percent), driven by both decreasing wages and increasing wheat flour prices. In Ma'rib, purchasing power for casual laborers also decreased by 13 percent during that time. Overall, the worst purchasing power in November (considering both agricultural and casual labor) was recorded in Amran, Abyan, Hajjah and Sana'a.

Due to the impacts of protracted conflict and deteriorating macroeconomic conditions, compounded by recent impacts of COVID-19 on the global and Yemeni economy, access to food and income from typical livelihood activities is expected to be significantly below pre-conflict levels and below five-year average levels across much of Yemen. At the same time, access to remittances remain below-average, at least partially due to impacts of COVID-19 on economies abroad, particularly in Saudi Arabia. In some areas, food from the recent cereal harvests is expected to be improving access to food and income for some households, though this is expected to be contributing a small amount to overall food and income needs. Overall, many poor households are expected to be unable to meet all food needs, with Crisis (IPC Phase 3) outcomes widespread. In many areas, humanitarian assistance is expected to be preventing worse outcomes.

UPDATED ASSUMPTIONS

The assumptions used to develop FEWS NET's most likely scenario for the period of October 2020 to May 2021 remain unchanged, except the following:

- Given recent trends according to data from the US Energy Information Administration, oil production and export levels in 2020 are likely to be below average and only slightly higher than 2019 levels. Given past production trends despite ambitious targets, oil production and export levels through May 2021 are most likely to be similar to levels in 2020. Although global oil prices are expected to continue to recover throughout the projection period, slow recovery in recent months suggests that oil prices will likely not recover fully during the scenario period. As a result, foreign exchange earnings from oil exports through at least May 2021 are expected to be below average and lower than in 2020.

Given significant uncertainty, this scenario assumes that the US Government does not proceed with designating northern authorities (Ansar Allah) a Foreign Terrorist Organization (FTO). However, this remains a possibility and would change the food security outcomes anticipated (see "Events that Might Change the Outlook" table below).

PROJECTED OUTLOOK THROUGH MAY 2021

Throughout the projection period, access to income is expected to remain close to current below-average levels. Households dependent on remittances are expected to experience some increased income from that source, though remittances will likely remain below average overall. Meanwhile, households dependent on fuel for their livelihoods and those who receive civil servant salary payments in southern areas are likely to experience continued constrained income-earning throughout the scenario period. Though wages are expected to increase somewhat to keep up with inflation, rising food prices are expected to outpace wage increases in many areas. As a result, overall declining purchasing power will likely result in increasingly constrained food access for many poor households. Given the impacts of protracted conflict on livelihoods and income-earning opportunities, households will likely be generally unable to expand income-earning to compensate.

Most areas of western Yemen are expected to be in Crisis (IPC Phase 3) or Crisis! (IPC Phase 3!) throughout the projection period. However, given available data and information suggesting that a relatively higher proportion of poor households may already be facing worse outcomes alongside expectations for seasonal deterioration during local lean seasons, area-level Emergency (IPC Phase 4) outcomes are expected to emerge in Amran and Hajjah around April 2020. Some increase in the scale and severity of acute food insecurity is expected in other areas as well, with additional households likely to deteriorate to Crisis (IPC Phase 3) and worst-affected households likely to deteriorate to Emergency (IPC Phase 4) or worse outcomes, particularly in areas that experience the greatest food price increases and/or where assistance has been cut. In Aden, deterioration to Crisis (IPC Phase 3) is expected as an increasing number of poor households exhaust their savings, assets, and ability to purchase food on credit. Approximately 17–19 million people are expected to need humanitarian assistance to prevent consumption gaps and protect livelihoods. In a worst-case scenario, significant declines in commercial imports or conflict that cuts off food supply for a prolonged period of time (4-6 months) could likely lead to food security outcomes in line with Famine (IPC Phase 5). Given that this significant and prolonged disruption is not expected during the projection period, Famine (IPC Phase 5) is not the most likely scenario.

Events that Might Change the Outlook

Possible events that could change the most-likely scenario through May 2021:

Area	Event	Impact on food security outcomes
National	Major parties to conflict achieve a lasting ceasefire	In time, food access for many households would begin to improve as prices of staple food commodities decline, household access to food and income begins to return to normal, and IDPs begin to return to their areas of origin. However, widespread improvement in food security outcomes would not occur before the economy fully stabilizes and major government functions and livelihood activities are able to resume.
National	CBY in Aden suspends the letters of credit import financing mechanism	<p>This would likely result in further depreciation of the currency and higher prices for food, fuel, and medicine. The cost of importing these goods would increase in the near term (1-3 months) as traders/importers lose access to a preferential exchange rate, with increased costs transmitted to retail prices. Traders will likely increase use of informal financial networks as an immediate response, which would result in import financing gaps and reduced import levels in the near term if alternate sources of foreign currency are insufficient.</p> <p>Overall, this would increase the likelihood of a sudden reduction in food import levels (see below), though uncertainty exists. Even in the absence of this, food availability in the country would be impacted over time, though the timing and magnitude of impacts is uncertain and dependent on other factors including any alternate measures enacted by CBY authorities and humanitarian actors.</p> <p>Given limited ability for households to compensate for rising prices through expansion of income-earning, this would further constrain access to food for many poor households. An increase in the number of households facing Crisis (IPC Phase 3) or worse outcomes would be likely, with area-level deterioration to Emergency (IPC Phase 4) possible in the medium term (4-6 months) in areas where food availability remains significantly reduced.</p>

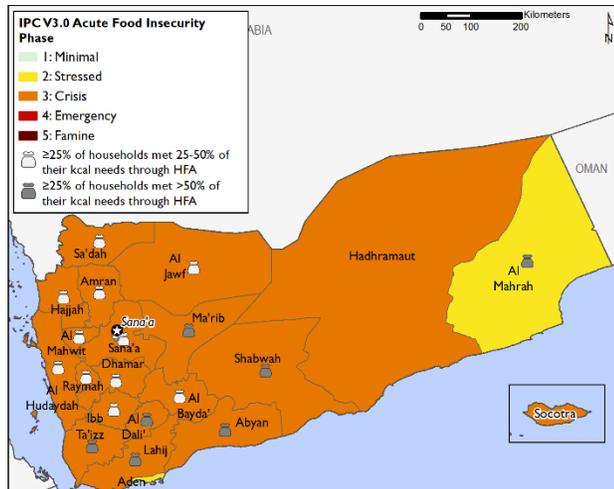
<p>National</p>	<p>US government designates northern authorities a Foreign Terrorist Organization (FTO)</p>	<p>This would have the potential to significantly impact both humanitarian operations and private sector activities in Yemen, as actors with western ties are disincentivized from continuing their operations due to fear of legal repercussions.</p> <p>Such a designation risks impacts on the private sector and the broader economy in Yemen, including potentially a reduction in commercial imports, a further reduction in foreign banks’ willingness to do business with Yemenis, and an acceleration of the rate of depreciation (and consequently in the rate of food price increases). Overall, the severity of such impacts is dependent on several factors—including any allowances issued alongside the designation and, relatedly, private actors’ overall perceptions of the risk of maintaining current business operations relative to their current business needs. Based on past trends when similar designations have been made, western entities and international entities with strong western ties (to the US and US allies) are likely to be disincentivized from continuing to operate in northern Yemen (and, in some cases, anywhere in Yemen, given economic linkages between northern and southern areas) or to maintain business transactions with entities there, as their business activities could be perceived as benefiting the northern authorities, which would risk legal repercussions. Actors without such ties are unlikely to be disincentivized.</p> <p>Yemen is highly import dependent for its national food supply, importing 90-95 percent of staple wheat according to FAO. Immediately after such a designation is issued, the US and US allies are likely to decrease trade with Yemen, based on patterns observed in similar situations elsewhere in the past. However, due to the fact that Yemen has a fairly diversified base of trading partners from which it imports staple foods, a sharp reduction in imports would not be expected, though remains possible (see below).</p> <p>Meanwhile, potential impacts on the banking sector are of concern for economic activity in Yemen. Such a designation would likely result in international banks and financial institutions imposing more restrictive de-risking measures on the banking sector in Yemen, which would increase the cost of doing business. Some correspondent banks would likely stop doing business in Yemen and especially in northern Yemen, due to the heightened risk and higher compliance costs. As a result, transaction costs for local banks would increase significantly, imposing a significant burden on operations. This would further restrict Yemenis’ access to foreign currency.</p> <p>It should be noted that, in Yemen, commercial importers play a significant role in the supply of food and essential non-food commodities such as fuel and medicine. Given worsening government revenue shortages, the importance of access to foreign currency through the private banking sector is growing and would increase significantly if the CBY in Aden suspends the letters of credit import financing mechanism.</p> <p>As a result of impacts on private sector activity, such a designation could also have immediate impacts on the exchange rate as market actors respond. However, given that the exchange rate in the north is actively managed, a sharp depreciation of the currency in northern areas is not expected. Over the medium and long term (more than 4 months), the impacts on private sector activity would likely accelerate the rate of depreciation and general economic decline already expected in Yemen. This would result in increasing food prices and reduced opportunities for income-increasing for many households.</p> <p>Aside from any immediate impacts outlined above, such a designation would still be expected to generally reduce economic activity in both northern and southern areas of Yemen over the medium and long term, as some private sector actors with international ties choose to stop doing business in Yemen. This would likely exacerbate expectations for depreciation and rising food prices throughout the projection period. Over the medium and long term, this would likely result in an increase in the number of households facing</p>
-----------------	---	--

National	US government designates northern authorities a Foreign Terrorist Organization (FTO)	<p>Crisis (IPC Phase 3) or worse outcomes—as well as an increase in the severity of acute food insecurity among these households—as households’ purchasing power reduces.</p> <p>Meanwhile, impacts on humanitarian activities are highly dependent on whether an allowance is issued for humanitarian operations, as eventually occurred after a similar designation was made regarding Al Shabaab in Somalia. However, if an allowance is not issued alongside such a designation, total cessation of emergency food assistance (and other forms of assistance, such as livelihoods assistance and non-food assistance for newly displaced households) for millions of beneficiaries in northern areas (or even more broadly, given ties between northern and southern areas) is possible, given the significant role played by the WFP and western donors in humanitarian assistance provision in Yemen. This would lead to a significant reduction in food access for millions of people, with area-level deterioration to Emergency (IPC Phase 4) expected in many areas in the medium term (4-6 months) and an increase in the number of households facing Catastrophe (IPC Phase 5) expected across Yemen in areas where assistance is stopped. In this scenario, it is likely that large-scale migration would begin to occur, as households seek to move to areas where food assistance is being delivered. Large-scale migration from northern to southern areas of Yemen would likely increase competition for already scarce resources—such as opportunities for labor—and would be expected to lead to increasingly constrained access to food and income for households in those areas. In the long term (more than six months), Famine (IPC Phase 5) would be possible in areas of Yemen facing the complete absence of food assistance. The risk would be highest in areas where the food supply from commercial imports is also low, where purchasing power deteriorates significantly, and where movement constraints due to conflict, weather, or decisions by the local authorities might prevent people from leaving. It is likely that households currently living in IDP sites would be re-displaced earliest in such a scenario, given limited livelihood opportunities and assets. Given current patterns of conflict in Ma’rib, the potential for access constraints impacting households’ movement south would be of high concern, should displaced households in sites in Ma’rib be re-displaced.</p>
National	Food import levels fall dramatically	<p>Food prices would likely rise as market actors respond. In the medium term (4-6 months), if prolonged, a significant reduction in commercial food imports would be expected to manifest in reduced food availability in many areas of the country as stocks in Yemen (expected to be equivalent to around three months of needs) are depleted. This would result in further food price increases and would be expected to result in an increase in the number of households facing Crisis (IPC Phase 3) or worse outcomes—as well as an increase in the severity of acute food insecurity among these households—as households’ purchasing power reduces.</p> <p>Area-level deterioration to Emergency (IPC Phase 4) would be possible in areas where food availability is significantly reduced for a prolonged period (4-6 months). In a worst-case scenario where food supply is cut off from particular areas for a prolonged period of time, Famine (IPC Phase 5) remains possible.</p>
National	Yemen receives another large injection of hard currency	<p>The exchange rate would be expected to stabilize while the deposit lasts, with food imports likely to return to previously observed levels. While food prices would not be expected to return to previous levels, further price increases would be moderated. As a result, purchasing power would remain reduced for most poor households in areas where price increases have occurred.</p>
National, but especially northern areas	Further reductions in humanitarian food assistance or delays in deliveries	<p>If further reductions in humanitarian assistance benefits or delays in deliveries occur, access to food would be further reduced in affected areas. In northern areas currently receiving assistance distributions every other month, deterioration would be more rapid. In southern areas, households affected by cuts would also be expected to face increasingly constrained food access, and an increase in the number of households facing Crisis (IPC Phase 3) or worse outcomes—especially in areas worst affected by rising food prices—would be likely.</p>

MOST LIKELY FOOD SECURITY OUTCOMES AND AREAS RECEIVING SIGNIFICANT LEVELS OF HUMANITARIAN ASSISTANCE*

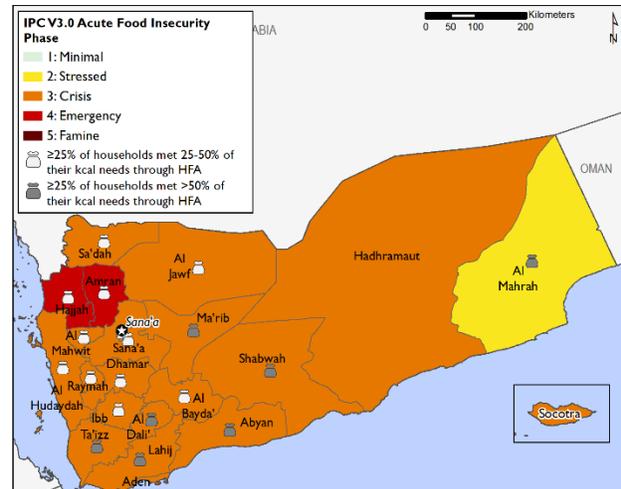
Each of these maps adheres to IPC v3.0 humanitarian assistance mapping protocols and flags where significant levels of humanitarian assistance are being/are expected to be provided. 🏠 indicates that at least 25 percent of households receive on average 25–50 percent of caloric needs from humanitarian food assistance (HFA). 🏠 indicates that at least 25 percent of households receive on average over 50 percent of caloric needs through HFA. This mapping protocol differs from the (!) protocol used in the maps at the top of the report. The use of (!) indicates areas that would likely be at least one phase worse in the absence of current or programmed humanitarian assistance.

Projected food security outcomes, December 2020 to January 2021



Source: FEWS NET

Projected food security outcomes, February to May 2021



Source: FEWS NET

FEWS NET classification is IPC-compatible. IPC-compatible analysis follows key IPC protocols but does not necessarily reflect the consensus of national food security partners.

ABOUT THIS UPDATE

This report covers current conditions as well as changes to the projected outlook for food insecurity in this country. It updates the FEWS NET’s Food Security Outlook, which is published three times per year. Learn more about our work [here](#).