



# YEMEN

**N**umerical grading of Yemen's overall economic freedom was suspended in 2015, and the continuing lack of reliable economic statistics for the country has prevented the resumption of grading in the 2022 *Index*. Prospects for an end to Yemen's civil war and a peaceful rebuilding of its economy remain bleak.

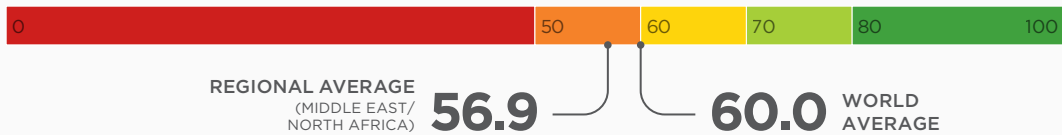
The civil war has devastated the economy and destroyed critical infrastructure. Even before the current conflict, however, years of mismanagement and corruption and the depletion of oil and water resources had led to chronic poverty, underdevelopment, and minimal access to such basic services as electricity, water, and health care in much of the country. More than 70 percent of Yemenis are dependent on humanitarian assistance. The conflict has aggravated that situation, and significant international assistance will likely also be needed when the civil war ends.

**IMPACT OF COVID-19:** As of December 1, 2021, 1,950 deaths had been attributed to the pandemic in Yemen, and the government's response to the crisis ranked 167th among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.0 percent in 2020.

WORLD RANK: <b>N/A</b>	REGIONAL RANK: <b>N/A</b>
ECONOMIC FREEDOM STATUS: <b>NOT GRADED</b>	

## ECONOMIC FREEDOM SCORE

**N/A**



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

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
29.8 million

**GDP (PPP):**  
\$62.6 billion  
-5.0% growth in 2020  
5-year compound annual growth -3.3%  
\$1,927 per capita

**UNEMPLOYMENT:**  
13.4%

**INFLATION (CPI):**  
26.2%

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

**PUBLIC DEBT:**  
83.2% of GDP

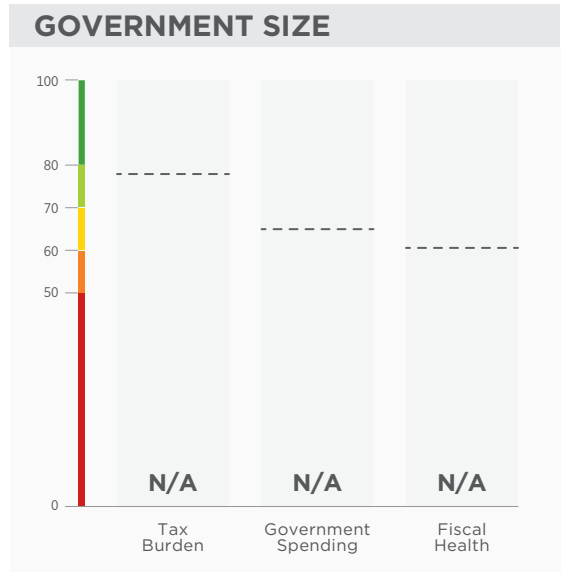
*2020 data unless otherwise noted. Data compiled as of September 2021*

**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 civil war has created a humanitarian crisis and has exacerbated economic problems, unemployment, and shortages of food, water, and medical resources. The Houthis, an Iran-backed Zaydi Shia revolutionary movement, ousted President Abed Rabbo Mansour Hadi's government in 2015. A military coalition led by Saudi Arabia attempted to restore Hadi to power, 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. U.N.-brokered peace talks remain deadlocked.

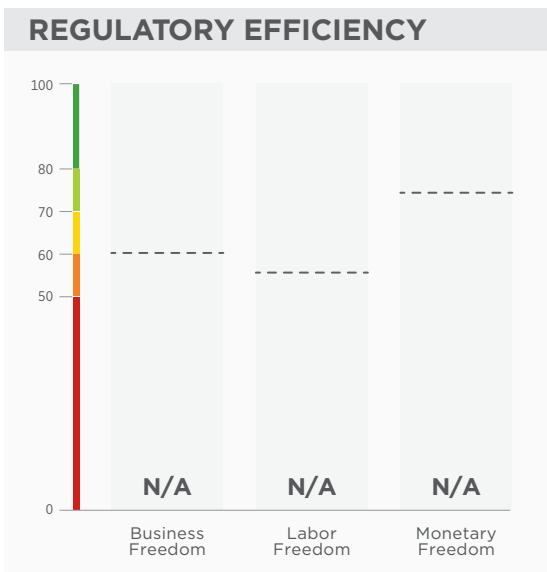
# 12 ECONOMIC FREEDOMS | YEMEN



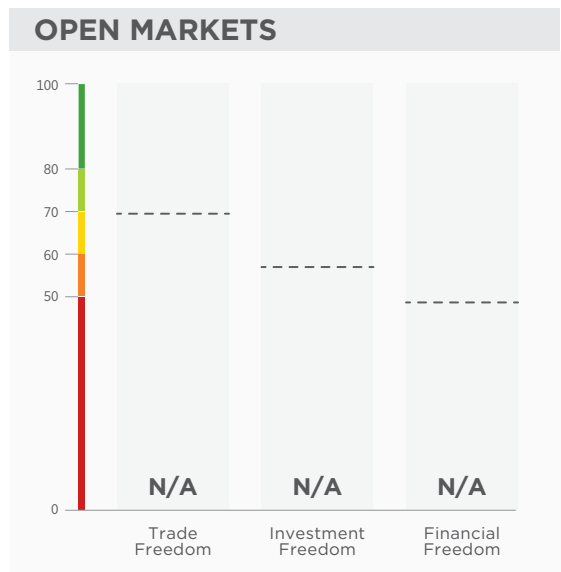
Protection of property rights has been severely disrupted by the civil war and unchecked corruption, as well as by the retreat of state authorities from large areas of Yemen and the division of the country into spheres of influence controlled by different armed groups. In areas under Houthi control, the judiciary is weak and hampered by corruption, political interference, and the lack of proper legal training.



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, and the impact of the ongoing conflict's escalating cost is compounded by the collapse of oil and tax revenue. Economic policymaking has concentrated largely on marshalling limited fiscal resources to meet public salary payments and finance the conflict.



Almost all businesses have laid off sizable portions of their workforces since the war began. A functional labor market does not exist, and more than 80 percent of the population requires humanitarian aid. Continued central bank financing of the fiscal deficit and the resultant exchange rate depreciation, together with rising international food and fuel prices, help to further rapid inflation.



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.