

Country Insight Snapshot

Yemen

December 2017






OVERVIEW

OVERALL COUNTRY RISK RATING: DB7

Highest risk : Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

R

Rating Outlook: Deteriorating 

CORE OUTLOOK

- + Yemen has oil reserves that could be used to help rebuild the economy in the event that hostilities cease.
- Yemen continues to be subject to a proxy war between Saudi Arabia - which now has US backing - and Iran.
- A lasting peace will be the key to reducing corruption and to an improvement in the wider commercial environment.
- Water resources are scarce; Sana'a could become the first capital in the world to run out of viable water supplies.

KEY DEVELOPMENT

Ex-President Saleh was killed by Houthi rebels in December as he tried to flee Sana'a, but his death is unlikely to bring peace any closer.

CREDIT ENVIRONMENT OUTLOOK

R

Trend: Deteriorating 

Key Development has had a neutral impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK


R

Trend: Deteriorating 

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK


R

Trend: Deteriorating 

Key Development has had a neutral impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

R

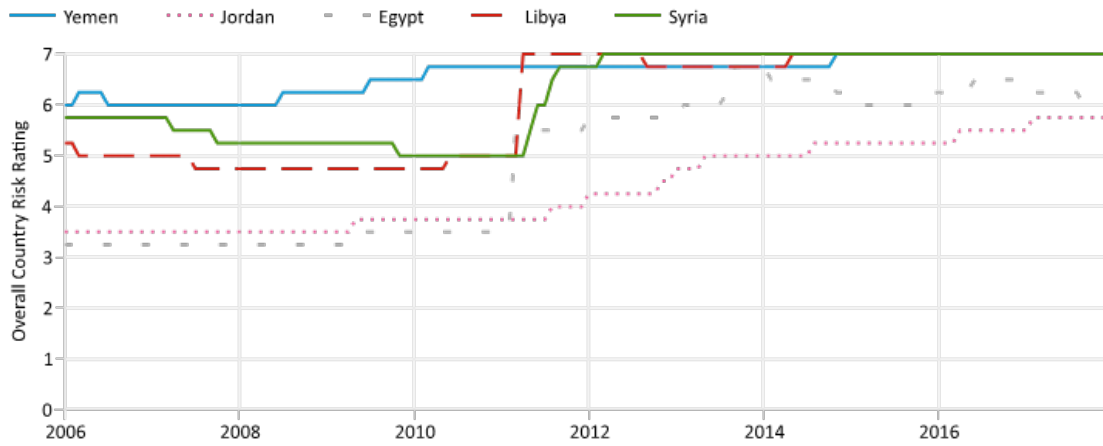
Trend: Deteriorating 

Key Development has had a negative impact on the outlook.



KEY INDICATORS

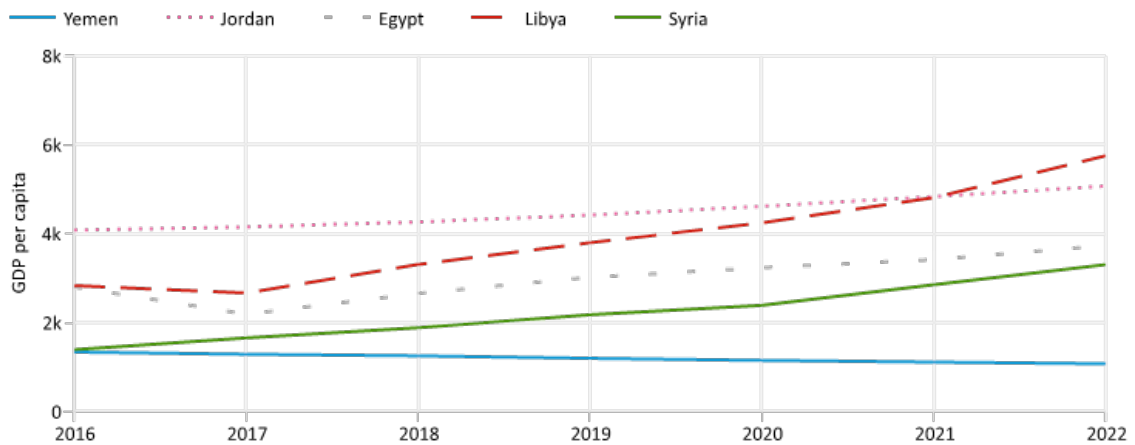
Rating History and Comparison



Source : Dun & Bradstreet

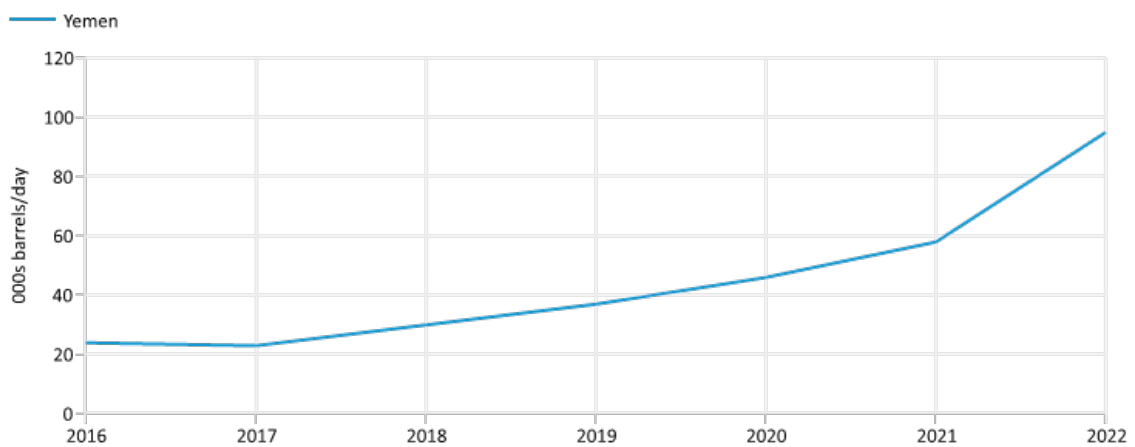
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Crude Oil Production



Source : Dun & Bradstreet



Economic Indicators

Indicator	2015	2016	2017f	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-10.2	-9.3	-7.2	-6.0	-4.9	-4.4	-4.2	-3.9
Govt balance, % GDP	-9.0	-7.0	-4.5	-4.0	-3.8	-3.5	-3.2	-2.8
Inflation, annual avge %	23.9	35.0	20.0	14.0	9.0	8.0	7.0	6.0
Oil Price, USD/b	52.4	44.0	54.2	58.1	56.0	63.0	75.0	87.0
Real GDP Growth, %	-28.1	-9.8	6.0	3.7	3.5	3.3	3.0	2.8

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The commercial risk outlook remains subject to a number of serious and fundamental downside risks, including a weak business environment, soft hydrocarbons revenues, and threats stemming from the highly uncertain security situation. Unsurprisingly, these threats have led to a tightening of trade financing, although underwriters have long factored in a very high level of credit risk in the case of Yemen. According to reports, Yemen had just USD700m in FX reserves as of August 2016 (latest data available). However, reserves appear to have been boosted by the announcement in March 2017 by Saudi Arabia that it would deposit USD2bn in Yemen's central bank. In September 2016, the Hadi government suggested that Houthi rebels have squandered USD4bn of FX reserves in order to help pay for their military campaign. Finally, import cover is currently running at around 3.6 months, above the 3.0-month minimum recommended by the IMF.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: CLC

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: CiA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 90-120 days

Normal period of credit associated with transactions with companies in the stated country.

Local Delays: 1-4 months

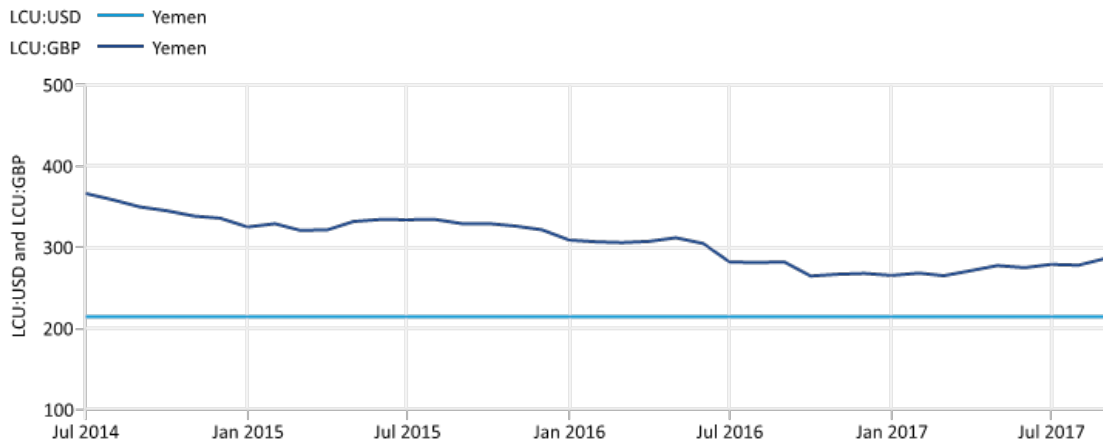
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 1-4 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.



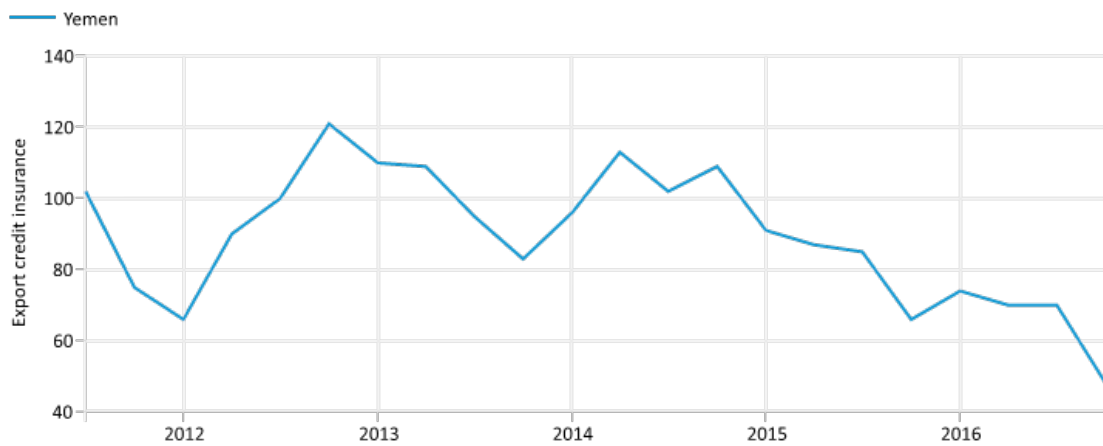
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Yemeni rial

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm



RISKS AND OPPORTUNITIES

Political/Insecurity Risk

Saleh killed by Houthi

Former Yemen President Ali Abdullah Saleh was killed by Houthi rebels in early December 2017 as he attempted to flee the capital, Sana'a. Saleh's death took place just a couple of days after he indicated that he might be willing to enter into peace talks with the Saudi-led coalition. His forces had been fighting alongside the Houthi but there appears to have been a falling out between the two sides, leading to Saleh's offer and, in turn, the Houthi operation to kill him. The demise of Saleh is unlikely to bring peace any closer, with the Houthi now operating under a united front. Indeed, the rebels have already consolidated their position by taking control of much of Sana'a in early December. At the same time, an intensification of fighting is possible, after President Hadi ordered his troops to the capital to fight the Houthi. Either way, Saleh's supporters are now likely to be sidelined.

Business Continuity

Saudis lift blockade

Meanwhile, following a missile attack by Houthi rebels on Riyadh, the Saudi-led coalition imposed a blockade on rebel-held areas on 6 November. However, this was lifted in late November following a review that will try to ensure that any new deliveries will not include weapons to be used for rebel fighters. Positively, the removal of the blockade has meant that nearly 2m doses of vaccines have been delivered as well as other desperately needed aid. However, this is unlikely to have much impact on the wider food situation in Yemen. Around 17m people or two-thirds of the population now faces the threat of famine, with an estimated 50,000 children expected to have died in 2017 due to starvation.

Whatever the effect of the lifting of the blockade, the warring factions in Yemen also stand accused of contributing and exacerbating the ongoing cholera emergency in the country. According to a mid-November update issued by the World Health Organization, the number of people with cholera had reached over 940,000, thereby outstripping the record number of cases that occurred in Haiti following the 2010 earthquake. So far, the outbreak in Yemen has claimed more than 2,200 lives. Although the rate of infection appears to be declining in some areas, in the harder to access regions of the country there had been reports that up to 5,000 people were being newly infected every day. All but one of Yemen's 23 provinces have recorded cases of cholera, the only unaffected area being the four-island archipelago of Socotra in the Arabian Sea. The worst affected province has been Al-Hudeidah in the west, where nearly 140,000 cases have been reported; the highest number of deaths has taken place in Hajjah province, where over 400 people have succumbed. On top of all this, the war between the government and the Houthi means that the healthcare system has rapidly deteriorated. For instance, less than half of Yemen's medical centres are currently able to provide adequate treatment for the infected.



COUNTRY PROFILE AND STATISTICS

Overview

Situated at the southern end of the Arabian Peninsula, Yemen borders Oman and Saudi Arabia, and came into being in 1990 when North and South Yemen amalgamated. The northern political and military elite emerged in a stronger position and achieved hegemony over all of Yemen, reinforced by subsequent election victories for the northern-dominated General People's Congress.

Yemen is one of the countries most affected by the Arab Spring, which broke out in late 2010 and saw the forced removal of President Saleh. In January 2015, Saleh's replacement was also forced from office by Houthi rebels. Any new government also faces challenges, including from southern secessionists and radical Islamists in the form of al-Qaeda in the Arabian Peninsula and/or with links to Islamic State in Syria and Iraq.

Economic growth is largely reliant on the government's willingness to recycle oil revenues, and is vulnerable to the uncertain security situation. Yemen is in a de facto state of civil war, and funds needed to fight high poverty rates and unemployment are absorbed by the armed forces.

Key Facts

Key Fact	Detail
Head of state	Contested
Capital	Sana'a
Timezone	GMT +03-00
Official language	Arabic
Population (millions)	27.6
GDP (USD billions)	37.2
GDP per capita (USD)	1,348
Life expectancy (years)	64.4
Literacy (% of adult pop.)	70.0
Surface area (sq km)	527,970

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017f
Real GDP growth (%)	4.8	-0.2	-28.1	-9.8	6.0
Nominal GDP in USDbn	35	34	30	37	37
Nominal GDP in local currency (bn)	7,460	7,309	6,380	7,989	10,066
GDP per Capita in USD	1,357	1,296	1,103	1,348	1,297
Population (year-end, m)	25.6	26.3	26.9	27.6	28.2
Exchange rate (yr avge, USD-LCU)	214.9	214.9	214.9	214.9	275.0
Current Account in USDbn	-1.5	-1.5	-3.0	-3.4	-2.6
Current Account (% of GDP)	-4.4	-4.4	-10.2	-9.3	-7.2
FX reserves (year-end, USDbn)	5.3	5.2	2.3	0.7	2.3
Import Cover (months)	4.8	4.2	3.0	1.2	3.6
Inflation (annual avge, %)	11.0	8.1	23.9	35.0	20.0
Govt Balance (% GDP)	-6.2	-5.5	-9.0	-7.0	-4.5

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	3.7	3.5	3.3	3.0	2.8
Nominal GDP in USDbn	36	36	35	34	34
Nominal GDP in local currency (bn)	11,847	13,328	14,834	16,318	17,753
GDP per Capita in USD	1,263	1,205	1,160	1,120	1,082
Population (year-end, m)	28.9	29.5	30.1	30.7	31.2
Exchange rate (yr avge, USD-LCU)	325.0	375.0	425.0	475.0	525.0
Current Account in USDbn	-2.2	-1.7	-1.5	-1.4	-1.3
Current Account (% of GDP)	-6.0	-4.9	-4.4	-4.2	-3.9
FX reserves (year-end, USDbn)	2.5	2.7	2.9	3.1	3.3
Import Cover (months)	3.6	3.6	3.7	3.8	3.9
Inflation (annual avge, %)	14.0	9.0	8.0	7.0	6.0
Govt Balance (% GDP)	-4.0	-3.8	-3.5	-3.2	-2.8

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Yemen	Jordan	Egypt	Libya	Syria
Income per Capita (USD)	1,297	4,159	2,199	2,673	1,665
Country Population (m)	28.2	9.7	97.6	6.4	18.3
Internet users (% of population)	24.6	62.3	39.2	20.3	31.9
Real GDP Growth (% p.a., 2018 - 2027)	0.0 - 5.0	3.0 - 5.0	3.5 - 6.0	0.0 - 5.0	0.0 - 5.0

Source : Various sources/Dun & Bradstreet



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Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

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