

Understanding Yemen's economy: The need for a political economy perspective

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Key messages

The prevailing picture of Yemen's economy is incomplete and misleading. Economic estimates ignore between half and two-thirds of the country. Analyses overlook Yemen's relative strengths in infrastructure, agriculture and remittances, and overestimate the importance of oil and gas. This inaccurate picture of Yemen's economy by outsiders, which ignores its political context, has significant consequences. It contributes to an international misapprehension, whereby the country's economy is seen primarily in terms of precarity and humanitarian emergency, with capabilities and resilience under-recognised.

This Working Paper makes four recommendations to the international community:

1. Take a political economy perspective, combining an analysis of Yemen's economy with an understanding of the actual political and governance situation in the country.
2. Move away from unexamined assumptions and clichés about Yemen, and instead find and use new sources of data, and employ methods that bridge data gaps with well-reasoned estimates.
3. Draw on more accurate understandings of Yemen's economy to contribute to peace efforts.
4. Use these fuller understandings to rebalance assistance to Yemen around the humanitarian, development and peace nexus, with a shift from humanitarian towards development and peace-supporting aid.

1. Yemen's economic and humanitarian situation

For much of the past decade, Yemen has been reported to be facing one of the world's worst humanitarian crises. In some years, including 2017–2021, this was reported to be the worst such crisis (see Aljazeera, 2017; Almosawa et al., 2017; UN, 2021). Humanitarian aid appeals such as the UN annual Humanitarian Response Plans for Yemen and reports by international media and other organisations have carried headlines about the estimated number of millions of the population facing food insecurity (17.1 million in 2017 and in 2025) and the number in need of humanitarian aid (18.8 million in 2017, 19.5 million in 2025) (UN, 2021; OCHA, 2025). Reports have often cited Yemen as one of the poorest countries in the Arab world or the poorest in the Arabian peninsula.

This picture of Yemen's economy – I will call it the standard picture, from outside – has some basis in official data and general facts. Data in reports, especially the reports of international organisations, indicate that economic and humanitarian conditions are very poor. And those who emphasise these data have a well-meaning intention to draw more international attention and aid to Yemen. But the reality of Yemen's economy is significantly different from this standard picture.

In recent years, some efforts have been made to challenge the standard humanitarian aid picture of Yemen. Several reports have pointed to the weaknesses in prevailing data and the needs for significant changes, and international aid actors have accepted some recommendations (Vuylsteke, 2021a, 2021b, 2023; Sida et al., 2022). However, this has yet to translate into much change in the methods and outcomes of humanitarian aid in the country (Vuylsteke, 2023).

In a similar way, changes and improvements are overdue in understandings of the wider economy in Yemen. Better understandings of an economy should always be sought, including the links between the economy and politics, especially by international organisations and donors who use such understandings to shape policies on international aid, engagement and peace efforts. This is true with Yemen too, and only more so as the country's condition of conflict and political fragmentation stretches into an 11th year and beyond.

2. What the standard picture misses

Among the reasons why the standard picture of Yemen's economy is incomplete, and often misleading, three factors stand out.

- Firstly, many macroeconomic estimates and forecasts for Yemen ignore politics. They are presented or taken as though they represent the whole of the country's economy, when in fact they are based on figures that are significantly incomplete (the figures in some cases pertain to perhaps around just one-third of the total economy, and certainly less than half).
- Secondly, the economy has some strengths which are usually missed in standard narratives about economic precarity and deterioration.
- And, lastly, the importance of the oil and gas sector in Yemen is often over-stated.

(i) Part is not the same as whole

A major shortcoming in the standard international picture of Yemen's economy is that it largely does not include estimates or data reflecting the economic realities of the approximately 70% of the total national population that is under the control of the Sana'a-based government.ⁱ Instead, macroeconomic estimates and forecasts are typically based on data from the internationally recognised government (IRG), based in Aden and Riyadh, and on sources in the part of the country that is not under Sana'a's control, and that is home to roughly 30% of the country's population. In short, a picture of what the economy is in *part* of the country is often presented (with limited caveats) as though it were the economy of the *whole* country. This failure is due to the absence of a political economy perspective, which would ensure that economic data and analysis take Yemen's political reality into account.

Accurate data do not exist for the respective shares of the whole country's economy. But numerous economic indicators (e.g. currency stability, levels of agriculture and general economic activity in Sana'a and the north), and observation of activity and news inside the country, suggest

Yemen 2014–2025

An internationalised civil war:

September 2014: Houthi and allied forces capture Sana'a and take power. President under house arrest and later flees to Aden.

March 2015: Saudi Arabia launches a military intervention in Yemen aimed at restoring the ousted government to power in Sana'a.

April 2022: A formal truce ends major hostilities and cross-border action; since October 2022 an informal truce has been in place, facilitated by Omani and UN mediation and contact between Riyadh and Sana'a.

Rival governments:

2015-present: The ousted government retains international recognition and operates from Aden and Riyadh, formally controlling those parts of the country (mainly south and east) not under Sana'a control.

2014-present: The Houthi-led Ansar Allah political movement leads a government in Sana'a, controlling most of northwestern Yemen, though generally not recognised internationally.

the share of the economy under Sana'a's actual or nominal control is not less than the share of the population.

Reports published by the International Monetary Fund (IMF), the World Bank and other external organizations do sometimes contain caveats acknowledging the existence of 'two distinct economic zones' or indicating that the figures they present are based on estimates and data from only the part of Yemen under IRG control (World Bank, 2024, p. 2 and fn. 15, p. 5). These caveats, however, are generally not prominent, and tend to be lost or absent when overall figures and conclusions are presented. For example, in a press release in May 2024, the IMF wrote of 'Yemen's economy' that '[g]rowth is estimated to have contracted by 2 percent in 2023 while inflation remained high, despite declining global food prices', without indicating that these estimates for gross domestic product (GDP) and inflation were based on estimates from the smaller part of the country's economy and did not reliably represent trends in the whole economy.ⁱⁱ Similarly, in a spring 2024 report, the World Bank said that the 'economic rebound [in Yemen] in 2022 was short-lived, with 2023 witnessing a sharp 24 percent decline in nominal US\$ GDP per capita (WB estimate)', without indicating that these estimates were made in the absence of official figures or evidenced estimates for a large part of the country (World Bank, 2024, p. ix).

The weaknesses of macroeconomic data in international reports about Yemen have similarities with the weaknesses of humanitarian data for the country, which have been documented but not resolved. As Vuylsteke observed in 2021, humanitarian data for Yemen have been problematic and unreliable in significant ways, as a result of a lack of field presence; a lack of independently sourced data; problems in methodology, transparency and definitions; and a lack of innovation (Vuylsteke, 2021b). Some of these causes of inadequacy in humanitarian data are similarly factors in the inadequacy of macroeconomic data and estimates. In short, the lack of data gathered for economic activity in Sana'a-controlled territory, and the lack of observation and estimates about this part of the economy, significantly limits the meaningfulness of much of the data that are presented as representing the whole economy.

(ii) The economy has under-recognised strengths

The second fault in the standard international picture of Yemen's economy is that it hinders recognition of the moderate strengths the country has in some sectors of the economy, such as agriculture and remittances, and in its infrastructure.

Yemen has better infrastructure than countries with similar levels of poverty. Put simply, although international reports commonly emphasise levels of poverty (e.g. saying that 'a vast majority of Yemenis [live] in extreme poverty' (World Bank, 2024, p. ix)),ⁱⁱⁱ and although the country ranks near the bottom of the Human Development Index (186th out of 193 countries in the 2023–2024 index), Yemen does not have the

poverty and underdevelopment of countries such as Democratic Republic of Congo, Niger, Somalia, South Sudan and Sudan. Its infrastructure is better in aspects such as extent of paved roads, water and sanitation systems, and public buildings, even allowing for the fact that some infrastructure has been damaged or destroyed during war. For example, Yemen has around 17,300 km of paved roads connecting cities and towns and villages (excluding paved roads within settlements and unpaved roads).^{iv} In comparison, DRC and Sudan (larger and more populous countries) have less than half as many kilometres of connecting paved roads as Yemen.^v

One relative strength of Yemen's economy that is under-recognised in the standard international picture of the country is agriculture. Studies using satellite data have presented some evidence of environmental and conflict pressures on agriculture, but reliable and up-to-date agricultural data for the whole country essentially do not exist (Conflict and Environment Observatory, 2020).^{vi} According to old data, the value of total agricultural production in 2011 was an estimated \$5 billion (with sorghum, mangoes and potatoes the top three agricultural commodities, according to that dataset), and agriculture was estimated to employ just over a third of the labour force (FAO, 2014). Total agricultural production is likely to be higher today, given population and demand growth. Indeed, observations from cities and towns in Yemen point to some strengths and good levels of performance in agriculture.

For example, levels of local agricultural production of a wide range of fruits and vegetables are significant, and distribution and marketing systems are good enough to mean that markets in major cities and towns are well supplied with domestic produce. Many farmers associations are active across the country, their activities sometimes featuring in Yemeni media (one example being lobbying the governing authorities in Sana'a and elsewhere to take steps to protect against cheap agricultural imports such as vegetables from China and dried fruits from Asia). To take one minor example of agricultural produce, coffee farming does not appear to be in decline (Yemen Press Agency, 2023; Al-Hakimi, 2024). In Sana'a, the local authorities, the main coffee industry organisation and a cooperative union of coffee producers pursue various initiatives to support coffee production and marketing (e.g. SABA News, 2024a, 2024b). Meanwhile, although *qat* farming is often problematised agriculturally and environmentally on account of its impact on water and arable land use, its large and profitable scale are indicators of economic capability and productivity, and the sector provides much employment (Kasinof, 2023). Given indicators for typical individual expenditure on *qat* and how many consume it, it is likely that the total annual market value of *qat* traded in Yemen exceeds \$5 billion.^{vii} As Helen Lackner has remarked, *qat's* economic, and social, importance should not be ignored (2023, p. 96).

The level of remittances is another relative economic strength that is generally under-recognised in international accounts of Yemen's economy. Naturally, remittances fluctuate, as they do for all receiving countries. But the average is clearly very

substantial and likely higher, per capita of population, than for many countries in sub-Saharan Africa. This is thanks to Yemen's proximity to and connections with the much wealthier and labour-importing economies of Saudi Arabia and the Gulf, advantages it has over poorer countries in sub-Saharan Africa. The World Bank estimated in 2024 that remittances to Yemen in 2022 and 2023 were around \$6 billion per year.^{viii} The actual figure may be considerably higher, given the very large number of Yemenis working in Saudi Arabia and the United Arab Emirates alone.^{ix}

To talk of moderate strengths in Yemen's economy is not to deny that it has suffered from the war and the political turbulence of the past decade and longer. Nor does it mean denying that levels of poverty, hardship and humanitarian need are high. However, it is also not helpful to exaggerate those aspects (e.g. speaking always of deterioration) and to ignore the ways in which the economy does function productively.

(iii) Oil and gas are marginal in the overall economy

The third shortcoming in the standard international picture of Yemen's economy is that it tends to overstate both the actual and the potential importance of the oil and gas sector.

The actual or current importance of oil is exaggerated. This is evident in some of the external analyses of and statements on the disruption to oil exports that the Sana'a-based government caused with its drone strikes in late 2022 on oil export infrastructure in IRG-controlled areas. At the time, for example, it was claimed that the disruption to oil exports would have 'dire effects on economic conditions' (Sana'a Center for Strategic Studies, 2022) and that the attacks placed 'extraordinary pressure on Yemen's economy' (US Mission to Yemen, 2023). More recently, the World Bank wrote that the 'Houthi-imposed blockade on the [IRG's] oil exports significantly hampered national growth in 2023' (World Bank, 2024, p. ix). In reality, the disruption had a significant impact on the IRG's fiscal position and had strong implications for public spending and inflation in IRG-controlled areas (subject to moderation through financial assistance from Saudi Arabia). But the impact on the national economy and the public as a whole was small.

The main reason the impact of oil export disruption has been limited is that the volumes of oil in question are essentially small. In the five years 2017–2021, Yemen's total oil production averaged around 54,800 barrels/day (b/d); after the disruption to exports, oil production appears to have averaged around 7,000–17,000 b/d.^x Therefore, using the pre-2022 production average, per head of population, Yemen is internationally a relatively small producer of oil (at a similar level to Sudan and about one-eighth of the level in South Sudan in the same period).

Similarly, there has been a tendency to overstate the potential or future importance of oil and gas to Yemen's economy. What Yemen's oil and gas production and revenues will be in the coming years depends heavily on the political and security situation, and on commercial and technical factors. In a scenario of general peace and freedom from disruption from 2025 through to 2029, it is perhaps plausible that oil production and liquefied natural gas (LNG) exports could rise to somewhere between the averages seen during the 2010s, before and after the start of war (see table). Forecasting the combined net revenues in that scenario rests on further assumptions, but it is very unlikely that combined revenues would exceed more than between one-third and two-thirds of the annual average of \$4.9 billion during 2011–2014 (the last period in which both oil and LNG were exported).^{xi}

	Average oil production (b/d)	Average LNG exports (million tonnes per annum)	Average combined net annual oil and gas revenues (\$)
2000–2010	382,000	0	n/a
2011–2014	176,500	6.6	\$4.9 billion
2015–2019	52,400	(1.3 in 2015, 0 after)	n/a (\$570 million in 2018, \$442 million in 2019) [†]
2020–2024e	42,700*	0	n/a (\$330 million in 2020, \$807 million in 2021) [†]
Plausible ranges for averages in a context of general peace and freedom from disruption to oil and gas operations during 2025–2029:			
2025–2029f	100,000–140,000?	2.2–4.4?	\$1.6 billion–\$3.3 billion? [‡]

Note: n/a signifies data not available (not found);

* assuming 10,000 b/d in 2023–2024;

[†] 2018–2021 net oil revenue figures associated with reported production of 46,000–70,000 b/d in these years.

[‡] projecting one-third to two-thirds of 2011–2014 average revenues (given lower production averages).

Sources: Central Bank of Yemen (Aden), CEIC Data, EIU, International Gas Union, S&P Global Platts Analytics, World Bank, Yemen Parliament, Yemen 2014 national budget and author's analysis.

This projection would mean average combined oil and gas export revenues of around \$1.6 billion to \$3.3 billion per year over 2025–2029 (in the optimistic scenario of general peace and freedom from disruption to the sector). This would be substantial foreign exchange earnings for government and for public spending in Yemen, though it would still not make Yemen a hydrocarbons-rich country. But given the levels of production and exports during the past 15 years, and the prolonged lack of rapid progress towards a stable and favourable political and economic environment, it is unlikely that Yemen will achieve and maintain through 2025–2029 the kinds of production and export averages posited above.

3. Consequences

The incompleteness of the prevailing picture of Yemen's economy has two significant consequences.

Most obviously, it contributes to the generation and circulation of analyses and forecasts that are unnecessarily inaccurate, be they about GDP, the fiscal situation, the impact of the decline in oil production or other measures and aspects of the economy. Claims about the impact of the suspension of oil exports have been one example of unnecessarily inaccurate analysis.

A further and less obvious consequence is that it contributes to a wider international misapprehension of Yemen, seeing the country's economy primarily in terms of precarity and humanitarian emergency, and under-recognising capabilities and resilience. This hinders efforts to shift from the current preponderance of humanitarian aid to more developmental aid. And it makes it more difficult to bring about the types of development and peace-supporting aid that the concept of the humanitarian-development-peace nexus seeks to encourage.

4. Recommendations

What, then, should be done to improve the international picture and understanding of Yemen's economy?

1. A political economy approach needs to be used, combining an analysis of Yemen's economy with an understanding of the actual political and governance situation in the country. For too long, the prevailing external approach to understanding Yemen's economy has ignored political realities. Acknowledging and analysing political realities in Yemen, as part of efforts to understand the economy better, does not mean rejecting principles and claims about Yemeni political legitimacy, and it does not mean legitimising any one governing party. But it does mean trying to understand and represent as accurately as possible the whole of Yemen's economy. Putting aside political critiques and preferences: the IRG exists, but so too does a Houthi-led cabinet government in Sana'a, which is currently called the Change and Construction Government, and which has economic policies and practices that it seeks to apply to the substantial majority of the national economy that is formally under its control.^{xii}
2. As part of taking a political economy approach, efforts to understand Yemen's economy should move away from unexamined assumptions and clichés and instead find and use new sources of data, and methods that bridge data gaps with well-reasoned estimates. Official data published by governing authorities

may be incomplete, intermittent and, in the case of Sana'a, scarce. But data can be sought, and other means and sources (such as evidence in Yemeni media reports, regional trade data and observational indicators) can be used to estimate the performance of economic sectors and the economy as a whole. Organisations that seek to represent the situation and performance of Yemen's economy need to improve the data they use, much as humanitarian aid has been challenged to improve on the data it uses to report on food security (Vuylsteke, 2021b).

3. **On the political side, better and more accurate understandings of the economy can contribute valuably in peace efforts.** Used appropriately, they can help foster shared understandings about the economy, and thus facilitate progress in peace talks and dialogue about contentious economic issues between Riyadh, the IRG and the Sana'a-based government, and more widely among Yemeni parties. Example issues include natural resources and revenue-sharing, both of which are often talked about but with little accuracy about the past and about what is realistic for the future. Other examples are public sector salary arrears and the existence of two divergent Yemeni currencies. Accurate, shared understandings can increase the possibility of reaching effective agreements on such issues.
4. **For aid, better understandings of Yemen's economy can bring about a rebalancing of assistance along the humanitarian-to-development continuum and around the nexus with peace.** At a strategic level, constructive changes are needed, such as increasing the share of aid that is multiyear and developmental and making it easier for aid to support initiatives generating tangible peace dividends when opportunities arise, such as a new or expanded ceasefire or new areas of cooperation across conflict frontlines. At a programmatic level, too, better understandings of the economy can help bring about more appropriate programme and project designs, with positive implications for impact and results.

Endnotes:

ⁱ Yemen population estimates by governorate: <https://data.humdata.org/dataset/yemen-population-estimates>; see also Lackner (2023).

ⁱⁱ In 2023, inflation and currency depreciation were high in parts of Yemen under IRG control but not in Sana'a-controlled parts of the country, where inflation has generally been minimal (IMF, 2024).

ⁱⁱⁱ According to data from the World Bank Poverty and Inequality Platform, the share of Yemen's population living in extreme poverty rose from 8.1% in 1998 to 19.8% in 2014 ([Our World in Data](#)). These figures, and other indicators, cast doubt on the claim that in 2023 the 'vast majority' lived in extreme poverty.

^{iv} The total extent of roads damaged during the war and deteriorating through insufficient maintenance will not make a major difference to these figures and comparison with poorer countries (World Bank, 2016; Al-Tairi, 2022).

^v DRC reportedly has around 7,400 km of connecting paved roads and Sudan around 7,000 km (WFP Logistics Cluster '[2.3 Democratic Republic of Congo Road Network](#)' and '[2.3 Sudan Road Network](#)').

^{vi} See also Yemen Central Statistical Organization [page](#) on agriculture.

^{vii} A 2013 survey found that 35.5% of the population aged 15+ used *qat* daily (54.5% of 33,257 men aged 15+ surveyed, and 17.1% of 34,236 women aged 15+ surveyed), with use slightly higher among poorer households. See Ministry of Public Health and Population and CSO Yemen (2015, pp. 193–194). If around 60% of the population are age 15+, and the current national population is around 40 million, this would imply around 8 million daily users of *qat*. If the actual number of daily users were just 3 million, and their average daily spend just \$5 (which is low relative to actual evidence), this would equate to over \$5 billion in annual spending on *qat*.

^{viii} Previous data suggested remittances of \$3,351 million in 2017 (World Bank, 2017). (The same methodology generated an estimate of only \$209 million for remittances in Sudan, which also has many migrant workers in Saudi Arabia and the Gulf. On the limitations of these World Bank data, see IOM Global Migration Data Portal, '[Remittances](#)', subsection on 'Data strengths and limitations'.)

^{ix} UN '[Migrant stock](#)' data produce an estimate that in 2020 the Yemeni migrant population in Saudi Arabia alone was 769,945, and that in the UAE 205,618; other reasoned estimates indicated that a total of 1.9 million Yemenis, or more, were based in Saudi Arabia in 2020, with one survey of 46 Yemeni migrant workers in Saudi Arabia finding that 83% sent money back to Yemen monthly, and 50% sent their remittances to Sana'a governorate (ACAPS, 2021).

^x Figures for 2017–2021 are from EIU, CEIC Data and S&P Global Platts Analytics; figures for 2023 are from [S&P Global](#) and World Bank (2024).

^{xi} Factors that would constrain growth in oil and gas production and exports in a scenario of general peace and freedom from disruption during 2025–2029 include costs and time needed for material work to enable oilfields and export infrastructure to support increases in production levels; costs and time needed for repairs to the Balhaf LNG facility (noting [statements](#) by TotalEnergies, the largest shareholder, and a [legal case](#)); time and commercial terms required for new or renewed LNG purchase contracts; time needed for relevant domestic political clearances.

^{xii} [Programme of the Government of Change and Construction \(1446AH – 2024AD\)](#) [in Arabic], Sana'a, August 2024.

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