

Flash Update 7: YER Exchange Rate Volatility

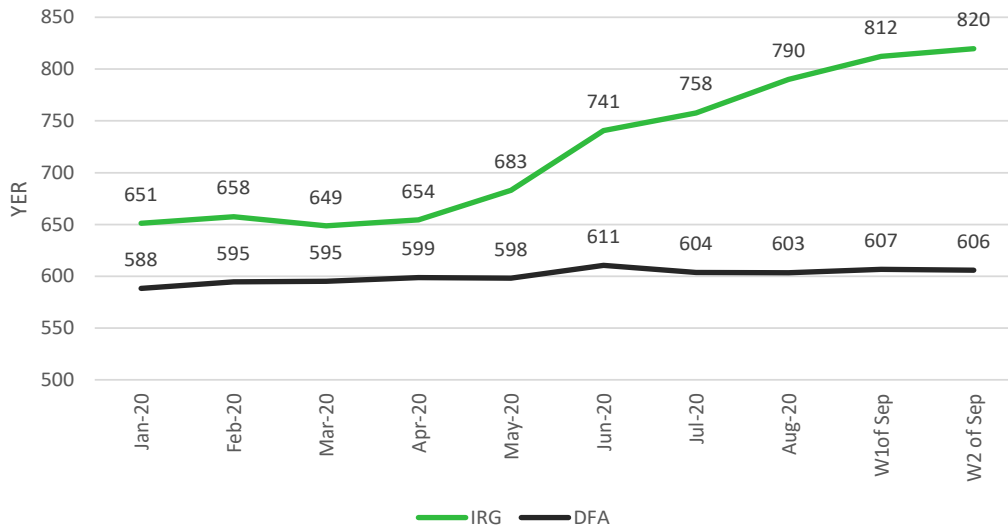
20 September 2020 (Week 1 and 2)

Introduction:

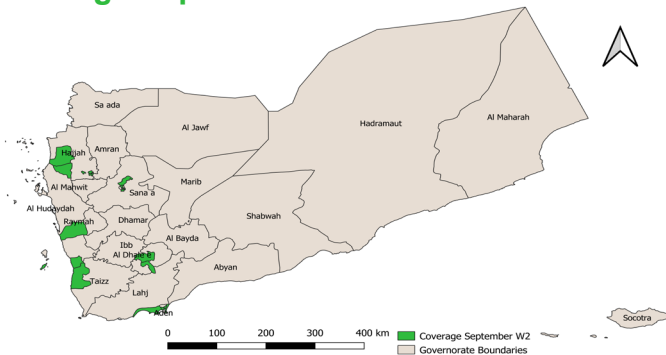
The Flash Update for Exchange Rate Volatility consolidates daily exchange rate data collection throughout Yemen by CCY partners. The data is split between the two main economic spheres: Defacto Authority (DFA) and the Internationally Recognized Government (IRG). This flash update is meant to give insight into the exchange rate and allow the actors within the Yemen response to make more informed decisions.

Methodology: The analysis is predicated on assessing the averages of exchange rates between the spheres of influence for both actors. Enumerators were told to assess three exchange shops per district, however, due to travel constraints and the size of towns where enumerators are present, assessing three shops daily, may not be possible.

Exchange rate over time:



Coverage of partners:



Key findings:

- Sana'a airport has been closed
- The economy is still strained under the worldwide impact of COVID 19, mainly in trade and travel
- Remittance flows from Yemenis abroad into Yemen have continued to stagnate
- Clashes between STC and IRG continue to take place sporadically
- IRG vs DFA exchange rate difference (30% difference)
- Due to a lower supply of USD, exchange shops have irregular hours of operation
- Though some exchange shops have closed down, street brokers are continuing to buy USD though informal purchases (sometimes made on behalf of traders)
- During the writing of this output the Yemen Central Bank issued new instructions to exchange institutions

Summary statistics for exchange rate September:

Output	DFA W1	IRG W1	DFA W2	IRG W2
Min weekly average	605	805	605	810
Min governorate	Hajjah	Aden	Hajjah	Al Hudaydah
Max weekly average	610	819	607	827
Max governorate	Hajjah	Al Dhale'e	Hajjah	Al Dhale'e
Overall average	607	812	606	820
Overall median	606	813	606	820

FAO - Field prices (July 2020):

Updates from FAO-FSTS Market Price Monitoring Bulletin for July. When comparing with the June Bulletin:

- National average cost of Minimum Survival Food Basket (MFB) in July was 42,500 YER against 41,950 YER in June (+1%)

JMMI - Field prices (August 2020):

Updates from the REACH JMMI on the prices of goods and the exchange rate across different regions of Yemen:

- The Full SMEB (Food SMEB and WASH SMEB) increased from July 2020 (50150 YER) to August 2020 (50935 YER) by 1.6%
- Vendors across different sectors found "Price Inflation" as the main economic constraint
 - Food (78.9%); WASH (71.5%); Fuel (66.4%); Water Trucking (63.2%)
- COVID has created constraints on vendors causing them to cite a "Shortage of Supply" (100%) and "Not enough available goods" (100%)

Average governorate exchange rate (DFA / IRG)*:

Governorate	Aug	Sep W1	Sep W2
Aden	- / 788	- / 813	- / 822
Al Dhale'e	- / 790	- / 813	- / 822
Al Hudaydah	604 / 785	608 / 810	606 / 814
Hajjah	604 / -	607 / -	606 / -
Sana'a City	603 / -	605 / -	606 / -
Taizz	- / 790	- / 813	- / 823

*The DFA exchange rate is first followed by the IRG after the /, if there was no exchange rate a - is present

General comments:

The exchange rate has continued to trend upward and stay above the 800 YER mark. The currency exchange has never averaged above 800 YER per USD prior to this month. The peak reached was during September 2018 as the 800 marker was the max average reached. If this trend continues, there will be little previous experience to rely on to inform the response moving forward.

As such, the CCY will undertake additional market monitoring to ensure that the commodity prices are monitored closely. The fluctuation in the exchange rate and the increase in the prices of basic commodities is having an increasingly negative effect on an already vulnerable population. Close monitoring is required from all partners on the ground to highlight changes in the market that can significantly affect the Survival Minimum Expenditure basket (SMEB) value and the purchasing power of the Yemeni population.