The exchange rate in Yemen continues to fluctuate, having reached an average of approximately **794.3 YER** per 1 USD in the fourth week of August in IRG controlled areas. Compared to July average exchange rates in which we witnessed a 3-week stability in between W2 and W4 of July, the exchange rates have started to increase again with an increase of 37 YER per USD witnessed in August alone. Field visits to several exchange companies in IRG controlled locations indicated the following:

- The exchange rates varied from one company to another, within the range of **785** to **802 YER** per 1 USD, with the majority averaging above **790 YER** per 1 USD
- The highest recorded weekly average exchange rate was in Taizz at **798 YER** per 1 USD
- The lowest recorded weekly average exchange rate was in Al Hodeida at **790 YER** per 1 USD

In the DFA controlled locations we witnessed the same relative stability with an average of 604.7 YER per 1 USD during the 4th week of August 2020.

Compared to the January exchange rate, the YER has depreciated (**21.97%**) to reach **794.3 YER** per 1 USD compared to 651.2 YER per 1 USD rate in IRG controlled locations. In reference to the mentioned depreciation we have noticed that (**62.5%**) took place between June and the fourth week of August 2020, indicating that the rate of volatility remains alarming. Cash and Markets focal points in Yemen have attributed the potential causes for the instability as the following:

- Sharp decrease of remittance from Yemeni expatriates being transferred into Yemen
- Clashes between STC and IRG continue to take place sporadically
- IRG vs DFA exchange rate difference (**31.57 %** difference)
- Brokers buying USD from the market on behalf of traders
- Exchange shops sporadic closure and reopening
- COVID 19 Micro and Macro economic implications
- Limited availability of USD in the local market
- Increasing numbers of the newly printed Yemeni Riyal notes being circulated by the CBY-Aden in IRG controlled areas with restrictions on usage still enforced by the CBY-Sanaa in the DFA controlled areas.
Field updates:

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%).
- In southern governorates, MFB cost was 48,422 YER in July against 46,788 YER in June (+3%).
- MFB cost in the southern governorates remains higher by 26% compared to the northern governorates (48,422 YER vs 38,385 YER).
- Governorates of Socotra, Lahj and Aden recorded highest MFB cost of 53,500 YER, 52,090 and 51,477 respectively in July. This is in line with previous month (Aden 54,500 YER, Socotra 51,000 YER and Lahj 49,950 YER).
- Cumulative total food imports for the period January - July 2020 is lower than the corresponding period in 2019 by 22%.

It is to be noted that the currency exchange has never averaged above 800 YER per USD prior to this week. The peak reached was during September 2018 as the 800 marker was the max average reached. Taking the previous development into account we now entered a time period in which we do not have any benchmarks to compare to. 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 Yemeni population.