

Flash Update 8: YER Exchange Rate Volatility

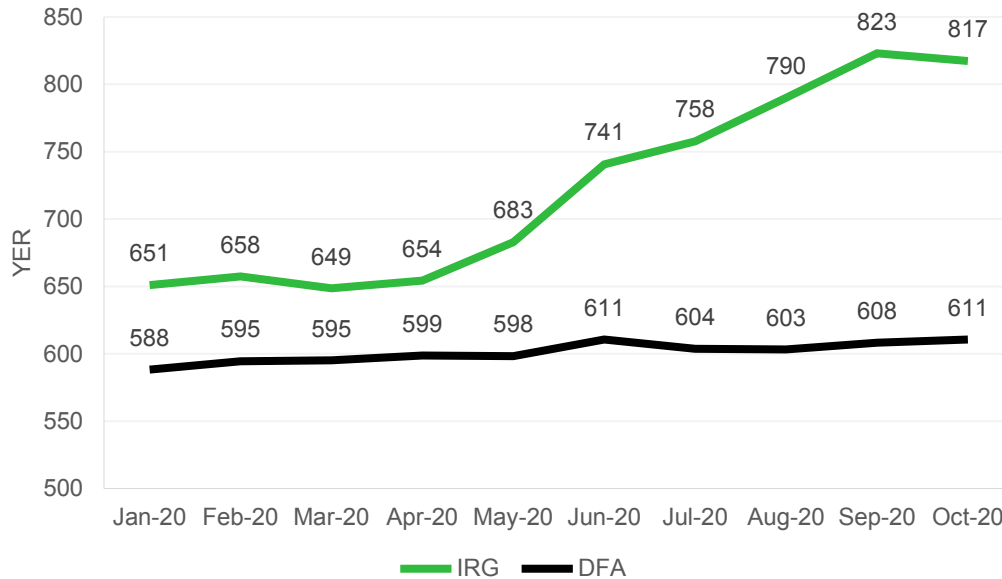
11 October 2020 (Week1)

Introduction:

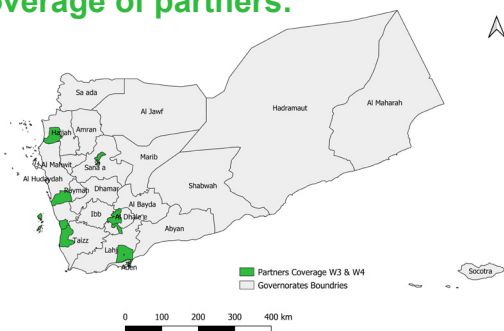
The Flash Update for Exchange Rate Volatility consolidates daily exchange rate data collection throughout Yemen by CCY partners. The data is split between the two main economic spheres: De Facto Authority (DFA) and the Internationally Recognized Government (IRG). This flash update is meant to give an insight into the exchange rate and allow the actors responding to the crisis 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:

- The Central Bank of Yemen closed all money transfer markets at the end of September, with the aim to roll out a new single transfer market in early October
- The goal of the new single transfer market, called the Yemen Financial Services, is to stem the depreciation of the YER and help bolster the falling currency
- IRG vs DFA exchange rate variation currently stands at a 25% difference
- The economy is still suffering due to the impact of COVID 19, mainly in trade and travel
- Remittance flows from Yemenis abroad into Yemen have continued to stagnate (see [CCY Remittance tool](#))
- Clashes between STC and IRG continue to take place sporadically
- Due to a lower supply of USD, exchange shops have irregular hours of operation

Summary statistics for exchange rate September and October:

Output	DFA Sep	IRG Sep	DFA W1	IRG W1
Min weekly average	608	817	610	808
Min governorate	Sana'a	Al Hudaydah	Hajjah	Al Hudaydah
Max weekly average	609	825	613	827
Max governorate	Hajjah	Al Dhale'e	Sana'a	Taizz
Overall average	608	823	611	817
Overall median	608	820	610	818

Average governorate exchange rate (DFA / IRG)*:

Governorate	Aug	Sep	Oct W1
Aden	- / 788	- / 825	- / 817
Al Dhale'e	- / 790	- / 826	- / 818
Al Hudaydah	604 / 785	608 / 817	611 / 814
Hajjah	604 / -	609 / -	610 / -
Lahj	- / -	- / 820	- / 815
Sana'a City	603 / -	608 / -	611 / -
Taizz	- / 790	- / 823	- / 823

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

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: (additional analysis with the [CCY Price Monitoring Tool](#))

- The Full SMEB (Food SMEB and WASH SMEB) increased from July 2020 (50,150 YER) to August 2020 (50,935 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%)

General comments:

The exchange rate has continued to stay above the 800 YER mark in the IRG controlled areas. The average difference in sale and purchase prices of YER in the DFA was about 3 YER while the difference between the sale and purchase prices of YER in the IRG was about 10 YER. This divergence in sale and purchase prices has the capacity to expand further in the coming months.

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.