The exchange rate in Yemen continues to fluctuate, having reached approximately 740 YER per 1 USD. Nonetheless, the exchange association requested all exchange companies to reopen on the 16th of June 2020 and operate normally, noting that the requirement for the central bank to intervene to stabilize the market has not materialized. Field visits to several exchange companies in Aden indicated the following:

- Exchange rates varied from one company to another, within the range of 700 to 750 YER per 1 USD, with the majority averaging above 740 YER per 1 USD
- Most exchange companies refrained from selling foreign currencies and were only making purchases
- Black market exchange rates (brokers) have reached 780 YER per 1 USD, even though the exchange companies have reopened for business

Compared to the January exchange rate, the YER has increased 13.67% to 740 YER per 1 USD in Aden, compared to 651 YER per 1 USD rate in January. The main depreciation of this increase (63%) took place between mid-May and the second of week of June, 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
- IRG vs DFA exchange rate difference (19% difference)
- Traders collecting all USD from market to be used for importing goods, as Central Bank is not supporting with USD

![Graph 1: YER to USD Exchange Rate comparing rates in IRG areas and DFA areas](image-url)
Price monitoring conducted by WFP has indicated that prices for all basic commodities has increased in the month of May 2020 when compared to January 2020 in all IRG controlled areas. One of the possible causes for the price increases is the high volatility of the YER witnessed in mid-May.

Field findings in June indicate that while the price of bread remained unchanged at 25 YER in Aden and Taizz, an increase was witnessed on the Red Sea Coast from 20 to 30 YER. Local authorities have requested bakeries to commit to reduce the cost of bread from 30 to 25 YER, noting that in the same time period the price of flour per kilogram increased in the area from 250 to 360 YER.

The fluctuation in the exchange rate and the increase in prices of basic commodities can have increasingly negative effects on an already vulnerable population. Close monitoring is required from all partners on the ground to highlight major changes in the market that can significantly affect the SMEB value.