

Yemen expected to face difficulty financing imports in early 2020

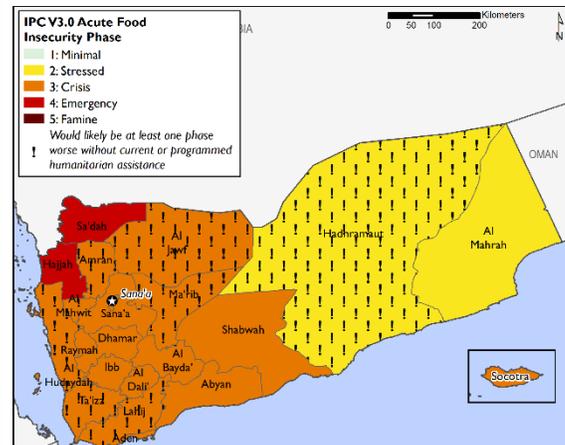
KEY MESSAGES

- High levels of conflict continue to disrupt livelihoods and restrict access to income, with prices of food and non-food commodities substantially higher than pre-conflict levels. Crisis (IPC Phase 3) outcomes are widespread, with approximately 17 million people in urgent need of humanitarian food assistance. As of late November, humanitarian actors report continued and even increased difficulties operating in Houthi-controlled areas.
- Food and fuel import levels were above average in November. However, the 2 million USD Saudi deposit used to back food imports is *expected to be depleted in January 2020*. As a result, the Saudis have reportedly stopped approving letter of credit applications for food imports. In the absence of additional foreign assistance, it is likely that the Yemeni Rial will begin to depreciate in early 2020, with elevated food prices expected in subsequent months.
- High levels of conflict continue in Al Hudaydah, Sa’dah, Al Dali’, and Ta’izz. In Hajjah, a marked decline in violence has been maintained throughout November and early December. Meanwhile, conflict has escalated in Aden alongside challenges in the implementation of the Riyadh Agreement. In November, most recorded new displacements occurred due to violence in Al Dali’, Ta’izz, Al Hudaydah, and Ma’rib.
- A risk of Famine (IPC Phase 5) persists in Yemen. Famine is possible in the event that conflict significantly disrupts port operations – thereby limiting the country’s capacity to import food – or otherwise restricts food supply to particular areas for a prolonged period of time.

CURRENT SITUATION

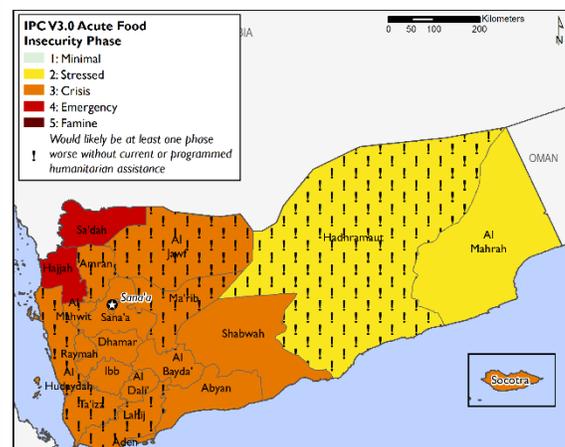
Conflict in Yemen continues to displace households, disrupt livelihoods, and restrict access to income for many people. While some agricultural areas are currently harvesting cereals and fruits, agricultural production is below average overall due to declining incentives for agricultural production as well as some localized damage from locusts. Nationally, the importance of agricultural production to the food supply continues to decrease. Meanwhile, prices of food and essential non-food commodities remain significantly elevated compared to pre-conflict levels. In this environment of reduced access to income and diminished purchasing power, the majority of Yemenis are unable to meet their food and essential non-food needs. It is expected that many households in worst-affected areas face large consumption gaps, and malnutrition remain a serious concern in many areas. Hajjah and Sa’dah continue to face Emergency (IPC Phase 4) outcomes. In the rest of the country, Crisis (IPC Phase 3) outcomes are widespread, with worse outcomes likely in areas where conflict frequently restricts humanitarian access, such as parts of southern Al Hudaydah.

Projected food security outcomes, December 2019 to January 2020



Source: FEWS NET

Projected food security outcomes, February to May 2020



Source: FEWS NET

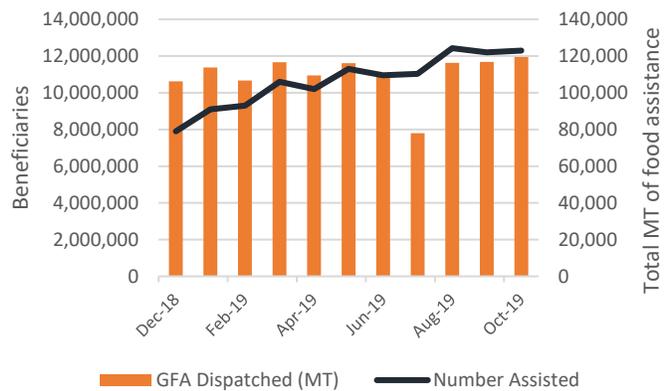
FEWS NET classification is IPC-compatible. IPC-compatible analysis follows key IPC protocols but does not necessarily reflect the consensus of national food security partners.

According to data from ACLED and Intelyse, the number of battles at the national level increased slightly in the month of November compared to October, while the number of incidents of explosions/remote violence decreased slightly. This decrease was driven by localized decreases in air/drone strikes, with the frequency of shelling/artillery/missile attacks increasing slightly nationwide. Though the number of recorded monthly fatalities has continued to decrease since June, the number of civilian injuries and fatalities increased in November relative to October according to CIMP. In November, governorates worst affected by conflict were Al Hudaydah, Sa’dah, Al Dali’, and Ta’izz. Conflict in Hajjah, meanwhile, decreased to the lowest levels observed since early 2016. This has been attributed to de-escalation efforts between warring parties, although similar reductions in violence – such as the reduction in airstrikes observed in early November in Al Hudaydah City – have not been maintained. Meanwhile, implementation of the Riyadh Agreement in the south has faced difficulties. In Aden City, conflict increased in late November to the highest levels observed since the fighting in August. Increased conflict was also reported in parts of Abyan and Shabwah in late November and early December.

Persistent conflict, including shelling and airstrikes, continues to displace populations in western parts of Yemen and hinder the movement of goods and humanitarian actors. According to the International Organization for Migration (IOM), over 390,000 people (65,000 households) have been displaced between January 1 and November 30, 2019. In this time, governorates with the highest numbers of displaced households recorded have been Hajjah (17,000), Al Dali’ (11,000), Al Hudaydah (10,000), and Ta’izz (7,000). Since November 10, the highest numbers of newly displaced households have been recorded in Al Dali’ (590), Ta’izz (509), Ma’rib (335), and Al Hudaydah (128), primarily due to increased conflict in Al Dali’, Ta’izz, parts of Al Hudaydah, and parts of Ma’rib. According to the Logistics Cluster’s Access Constraints map published on August 26 and corroborated by key informants, areas of road in Hajjah, Sa’ada, Al Hudaydah, Al Dali’, and Ta’izz continue to be closed or difficult to access. Areas of road in Shabwah and Abyan were also restricted between August and October, though the situation may have improved in October and early November given overall calming of tensions.

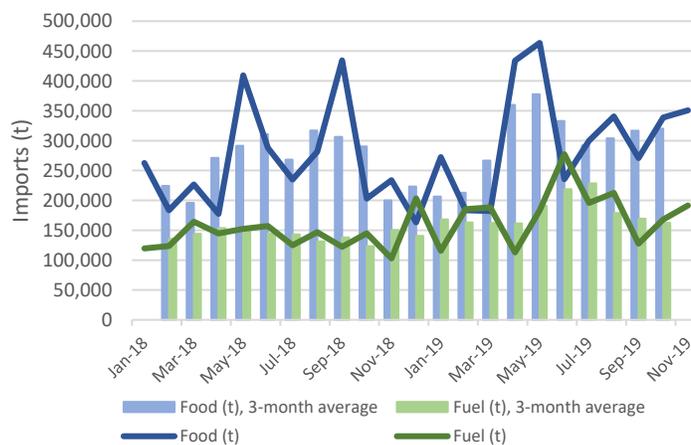
The scaled-up provision of humanitarian food assistance has continued in Yemen, with over 12 million beneficiaries reached monthly since August 2019 (Figure 1). WFP continues to increase the provision of cash-based humanitarian assistance, reaching a record 470,000 people in three southern governorates (Aden and parts of Lahij and Shabwah according to FSAC) in October. However, pipeline breaks remain possible in the near term if additional funding is not procured. Meanwhile, delays in the delivery of humanitarian assistance continue. As of late November, humanitarian actors report continued and even increased difficulties operating in Houthi-controlled areas.

Figure 1. Number of beneficiaries reached with humanitarian food assistance and total MT of general food assistance (GFA) dispatched by WFP



Source: WFP monthly reports

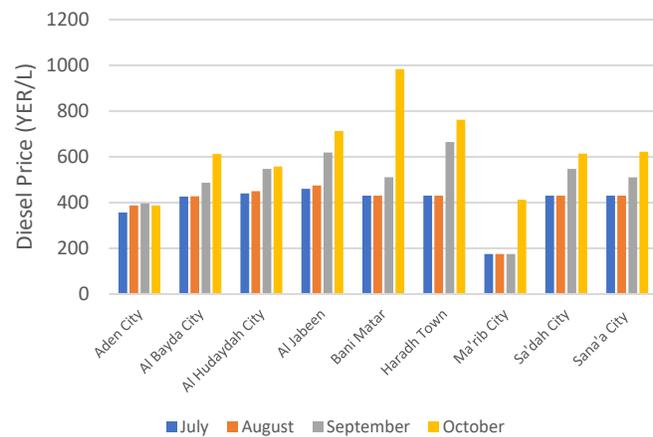
Figure 2. Food and fuel imports (monthly import tonnage, and three-year moving average) through Yemen’s Red Sea ports



Source: UNVIM

Poor macroeconomic conditions continue to restrict access to income and reduce household purchasing power for most Yemenis. The Yemeni government continues to face severe liquidity constraints, and payments of government salaries and pensions remain sporadic. Recent efforts to increase government revenue have been impeded by the conflict; the imposition of new fuel tariffs in September led to severe fuel shortages, while steps toward increasing oil production and exports have been met with armed attacks. In mid-November, the Yemeni government reported generating 29 billion Yemeni Rials – over 100,000 USD – from the Decree 49 fuel import tariffs between August 13 and November 14. Though celebrated by the government as a step toward economic stability, this amount is a small fraction of the current 2 billion USD deficit. Meanwhile, the Yemeni Rial appreciated by 2.4

Figure 3. Average diesel prices in select markets, July-October 2019



Source: WFP

percent between September and October to reach 589 YER/USD, according to WFP data. This slight strengthening of the currency in October coincided with cautious optimism surrounding the Riyadh Agreement in the south. Prior to September, the Rial had been depreciating steadily from 508 YER/USD in April.

Food imports through the Red Sea ports of Hudaydah and Salif increased in both October and November according to UNVIM reports (Figure 2). In November, a total 350,858 tons of food were imported, representing a 16 percent increase over the 2019 average (January-October) and a 4 percent increase over October. On average, food imports have increased in 2019 relative to 2018, though it should be noted that a significant proportion of imported food is intended for food aid rather than markets. According to a recent assessment by Pragma, 53 percent of all food imported in October entered through these ports (33 percent through Hudaydah and 20 percent through Salif), while a total 40 percent entered through Aden. While import levels are variable, these estimates corroborate those reported by the FAO in August (54 percent of food imports through the Red Sea ports and 41 percent through Aden), suggesting that Hudaydah's share of the country's food imports has decreased relative to the time when it accounted for an estimated 70-80 percent. This latter figure originated in 2017 or possibly earlier, though is still commonly cited.

According to both the Sana'a Center and UNVIM, the 2 billion USD deposited by Saudi Arabia in early 2018 – used to finance food imports – is expected to be depleted in early 2020. If this occurs in the absence of additional foreign assistance, it is expected that the currency will depreciate, further increasing food prices. Furthermore, food imports will decrease in the absence of financing, restricting supply and putting additional upward pressure on prices. On December 6, UNVIM reported that approvals of new applications for letters of credit for food imports have stopped due to the anticipated depletion of the deposit, with an atypically low quantity of food in the pipeline. Additionally, key informants corroborate that some traders are reducing purchases intended for sale in early January in order to avoid costs and other disadvantages, buying and maintaining only enough inventory to meet immediate demands in anticipation of impending currency depreciation. Wheat flour prices remained stable at the national level in October according to WFP price monitoring, though at significantly above-average levels across most markets in Yemen. Prices remained highest in Ibb City (Ibb) and Al Hazum (Al Jawf), at 400 and 350 YER/kg, respectively. Other areas where prices were at least 300 YER/kg were Addaleh Town (Al Dali'), Mahweet, Dhamar City, Mukalla City (Hadramaut), Al Hawta Town (Lahij), Ma'rib City, Sa'dah City, and Ta'izz City. Price increases between September and October were greatest in Aden City (from 250 to 275 YER/kg) and Mahweet (from 282.5 to 300 YER/kg). Prices were lowest in Al Mahrah (220 YER/kg) and Socotra (225 YER/kg), with the greatest price decrease observed in Socotra (from 300 to 225 YER/kg).

Fuel imports through the Red Sea ports also increased in both October and November. After low import levels and severe shortages extended throughout most of October, the easing of restrictions toward the end of the month allowed several tankers to unload, bringing the total amount imported to 168,087 tons. This was a 32 percent increase over September totals, when fuel imports were at the lowest levels observed since April. In November, a total 191,612 tons were imported, representing a 14 percent increase over October levels. So far, the easing of the import restrictions imposed in August has continued with the government reportedly allowing fuel importers to defer payment of the new tariff until a later date. Meanwhile, mild concerns exist over lengthening wait times for fuel importers.

Driven by the shortage, fuel prices continued to increase throughout most of October according to WFP (Figure 3), with the national average price of diesel reaching 478.6 YER/L, an 8.7 percent increase over September. Prices were highest in Sana'a (983.8 YER/L in Bani Matar and 622.5 YER/L in Sana'a City), Haradh Town (Hajjah; 762.5 YER/L), Al Jabeen (Raymah; 712.5 YER/L), Sa'dah City (613.8 YER/L), and Al Bayda City (612.5 YER/L). The national average price of petrol, meanwhile, rose 3.2 percent to reach 411 YER/L in October, with highest local prices observed in Haradh Town (Hajjah; 675 YER/L), Al Jabeen (Raymah; 643.8 YER/L), and Al Hudaydah (607.5 YER/L). The national average price of cooking gas increased 13.1 percent between September and October, reaching 5,441 YER/18 kg. More recently, prices have reportedly returned to pre-shortage levels, though data are not yet available. Fuel prices remain more than double pre-conflict levels, which continues to strain typical livelihood activities and put upward pressure on food prices through higher transportation costs.

According to the FAO's December [desert locust bulletin](#), multiple swarms of locusts have formed on the western coast of Yemen, expected to breed and move northward. Although 90 percent of the nation's food is currently imported, populations dependent on agriculture throughout western Yemen have been impacted by locust swarms since August. Locusts have damaged crops, livestock pastures, and beehives, thereby reducing food available for own-consumption and sale. As a result of poor harvests, some populations in the Tihama coastal plain region and elsewhere are [reportedly](#) typically selling livestock.

Cholera incidence has generally continued to decrease in recent months, though high numbers of cases continue to be reported. In the week ending December 7 (epidemiological week 49), a total 6,424 cholera cases were reported according to the [WHO EOC](#). This was the lowest incidence rate reported since February 2019. Between April 2017 and September 2019, a reported 2.1 million people contracted cholera and 3,740 died as a result. Meanwhile, concerns are growing over an increase in incidence of dengue fever that has primarily affected Al Hudaydah (particularly Al Garrahi District), Hajjah (particularly Khayran Al Muharraq District), and Ta'izz (particularly Al Qahira District) late October/early November. According to the WASH cluster, a combined total of 6,559 cases and 27 deaths were reported across all governorates in epidemiological weeks 43-45. Diseases such as these impact affected individuals' ability to earn income while increasing health costs.

UPDATED ASSUMPTIONS

The assumptions used to develop FEWS NET's most likely scenario for the period of October 2019 to May 2020 remain unchanged, except for the following updates:

- The depletion of the 2 billion USD Saudi deposit is likely to lead to depreciation of the Yemeni Rial beginning in January 2020, with the exchange rate projected to reach 600-700 YER/USD by May 2020. This is expected to disrupt food imports, with elevated food prices expected in subsequent months.
- In the absence of import financing, food prices are anticipated to begin rising beginning in February/March 2020, with wheat flour prices expected to increase by an average of 5-10 YER/kg per month at the national level throughout the outlook period, though month-to-month volatility is expected in accordance with historical trends.
- Although restrictions associated with new tariffs on fuel imports have been eased, uncertainty about future implementation of these restrictions, coupled with the expected depletion of foreign currency reserves in early 2020, is likely to result in significant fuel price increases – beyond the shortage-levels experienced in October – throughout most of the outlook period.
- Agricultural production is likely to remain below long-term average levels throughout the outlook period. Crop and vegetation destruction caused by locusts along the western coast and potentially in northern areas is expected to reduce crop output and also deplete the availability of pasture and browse for livestock, leading to reduced milk production in worst affected areas.
- Dengue fever incidence is expected to increase throughout the outlook period, with areas in Al Hudaydah, Hajjah, and Ta'izz governorates particularly affected. Water and sanitation infrastructure is inadequate, while the capabilities of medical facilities have deteriorated through extended years of conflict.
- Cholera incidence is expected to remain high throughout the outlook period. Poor sanitation conditions and lack of access to clean water are expected to persist, with the seasonal peak of water scarcity expected in the first quarter of 2020. Al Bayda, Al Hudaydah, Al Mahwit, Amran, Dahamar, Hajjah, Ibb, Sana'a, and Ta'izz governorates are typically most vulnerable to the disease.

PROJECTED OUTLOOK THROUGH MAY 2020

Over 17 million people are expected to remain in Crisis (IPC Phase 3) or worse throughout the outlook period, with many areas of western Yemen likely to be in Crisis! (IPC Phase 3!) due the provision of significant humanitarian food assistance. Hajjah and Sa'ada are expected to remain in Emergency (IPC Phase 4) throughout the outlook period. Although households are expected to access some food from agricultural production during the outlook period, production of crops and milk are anticipated to be below average levels in western agricultural areas due to the impacts of locusts.

The anticipated depletion of the \$2 million Saudi deposit used to back food imports is expected to result in depreciation of the currency beginning in early 2020. This is likely to disrupt food imports due to lack of government import financing and uncertainty faced by traders. As a result, food prices are expected to increase at the national level in the subsequent months of 2020, though more gradually than the rate of depreciation, and market supplies are expected to decrease in some areas as traders respond. With wheat flour prices already approximately double pre-conflict levels, these price increases will further reduce household purchasing power and limit household food access for most people. As a result of reduced purchasing power, consumption gaps will widen and expenditure on essential non-food items will be further reduced. This is in turn likely to lead to greater severity of acute food insecurity as many households were already struggling to meet their basic food and non-food needs. Worst-affected populations will be the poor, IDPs, marginalized communities, and those in areas with the greatest localized price increases. Meanwhile, some concerns exist over growing delays for fuel importers in Al Hudaydah port. Given lingering uncertainty surrounding the implementation and enforcement of Decree 49, further fuel price increases remain possible.

High levels of conflict are expected to continue causing displacements and increasing humanitarian assistance needs in many areas throughout the outlook period. Despite some volatility, overall high levels of conflict are expected to continue. Subsequently, disruptions to imports including from damage to the key port infrastructure of Aden, Al Hudaydah, and Salif remain possible. If imports are significantly disrupted for a prolonged period of time such that severe shortages of food, fuel, and other non-food items occur, supply well below national needs will result in further significant price increases for households already facing significant food deficits and eroded income sources. In such a scenario, Famine (IPC Phase 5) is possible if port disruptions are prolonged and in-country stocks are depleted.

Events that Might Change the Outlook

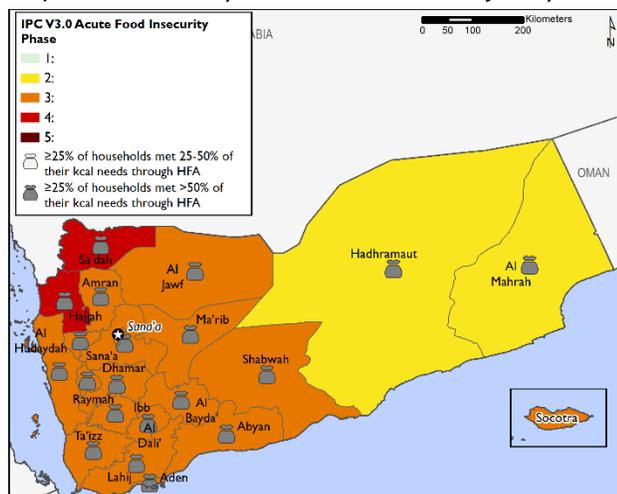
Additional events that could change the most likely scenario through May 2020.

Area	Event	Impact on food security outcomes
National	Saudi Arabia provides another large injection of hard currency	The exchange rate is expected to stabilize, with food imports likely to return to previously observed levels. Food prices are expected to stabilize, but remain elevated at the national level. As a result, purchasing power will likely remain slightly reduced for most poor households in areas where price increases have occurred.
National	Patterns of conflict shift significantly from the current status quo of volatile levels of conflict in predictable areas	Internal trade will likely be significantly disrupted as traders adapt. Food prices are likely to rise significantly in areas where supply is reduced due to access constraints. Though prices may stabilize or decline in some areas once traders establish new patterns of access, low levels of market supply and significantly elevated prices are likely to be maintained in other areas where patterns of conflict remain unpredictable. This is likely to significantly reduce households' ability to access and afford food in worst affected areas.

MOST LIKELY FOOD SECURITY OUTCOMES AND AREAS RECEIVING SIGNIFICANT LEVELS OF HUMANITARIAN ASSISTANCE*

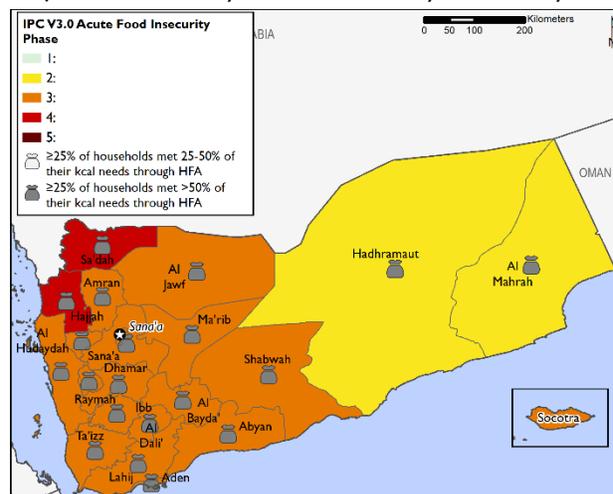
Each of these maps adheres to IPC v3.0 humanitarian assistance mapping protocols and flags where significant levels of humanitarian assistance are being/are expected to be provided. ☐ indicates that at least 25 percent of households receive on average 25–50 percent of caloric needs from humanitarian food assistance (HFA). ☑ indicates that at least 25 percent of households receive on average over 50 percent of caloric needs through HFA. This mapping protocol differs from the (!) protocol used in the maps at the top of the report. The use of (!) indicates areas that would likely be at least one phase worse in the absence of current or programmed humanitarian assistance.

Projected food security outcomes, December to January 2019



Source: FEWS NET

Projected food security outcomes, February 2019 to May 2020



Source: FEWS NET

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ABOUT THIS UPDATE

This report covers current conditions as well as changes to the projected outlook for food insecurity in this country. It updates the FEWS NET’s Food Security Outlook, which is published three times per year. Learn more about our work [here](#).