Flash Update 3: YER Exchange Rate Volatility
28-June-2020

The exchange rate in Yemen continues to fluctuate, having reached approximately 750 YER per 1 USD. Noting that all the exchange shops have reopened and Field visits to several exchange companies in Aden indicated the following:

- Exchange rates varied from one company to another, within the range of 720 to 760 YER per 1 USD, with the majority averaging above 750 YER per 1 USD
- Most exchange companies refrained from selling foreign currencies and were only making purchases at an average of 740 YER per USD
- 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 (15.38%) to 750 YER per 1 USD in Aden, compared to 651 YER per 1 USD rate in January. In reference to the mentioned depreciation we have noticed that (89%) took place between mid-May and the third 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 (21% difference)
- Traders collecting all USD from market to be used for importing goods, as Central Bank is not supporting with USD

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.
The association of bakery professionals in Aden Governorate approved in a statement the increase of the price of bread, starting on 28 June, from 25 to 30 YER. According to the association the reasons for the increase are attributed to the increase of the price of wheat and other basic ingredients. We have seen a similar increase in Taizz from 25 YER to 30 YER and from 30 YER to 40 YER in Hadramout.

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.