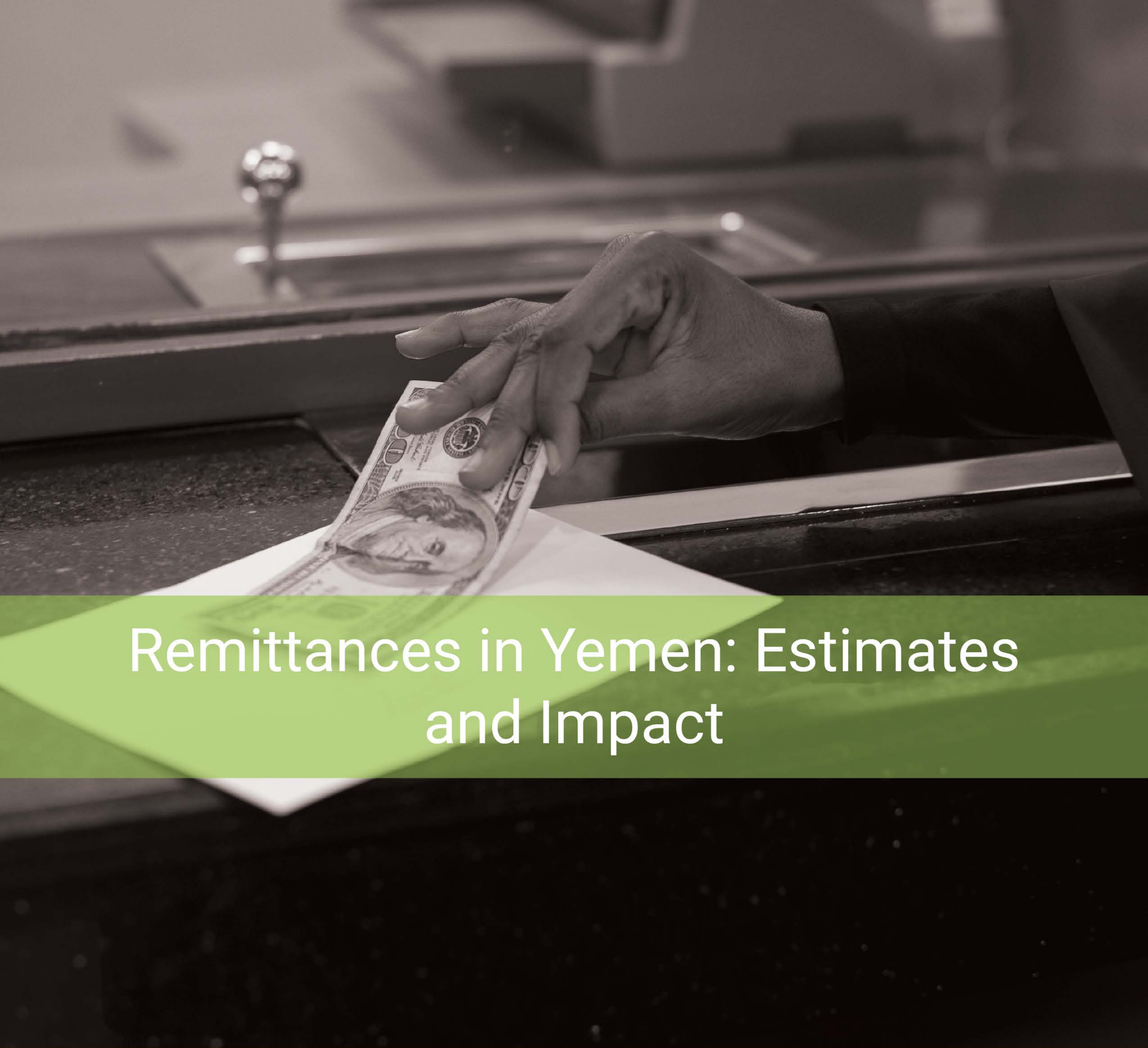


Remittances in Yemen: Estimates and Impact

CCY
إتحاد المساعدات النقدية
في اليمن
CASH CONSORTIUM
OF YEMEN

CRISIS ANALYSIS
MENA/EUROPE
MERCY CORPS

European Union
Civil Protection and
Humanitarian Aid

Introduction

Remittances play a critical role in Yemen, where they help maintain a degree of currency stability, underwrite Yemen's vital imports, and sustain recipient households amid a cost-of-living and food security crisis. International remittances are now the country's largest source of hard currency following the northern Yemen-based de facto authority's (DfA) effective embargo on oil exports, the reduction in humanitarian funding for Yemen, and sanctions implemented by the current US administration. Economists estimate that these remittances account for over one-third of Yemen's gross domestic product (GDP). According to the research team's analysis, remittances to Yemen were estimated to have totaled more than 7.4 billion US dollars (USD) in 2024, representing over 38% of the country's GDP.[1] This would make Yemen the third-most remittance-dependent country behind Tajikistan and Tonga, both of which have significantly smaller populations.[2]

Since 2015, external and internal remittance[3] flows have proven resilient despite several local and international economic- and conflict-induced shocks. However, numerous factors could disrupt this resilience: the US Foreign Terrorist Organization (FTO) designation of the DfA, US sanctions on Sana'a-based private banks, Israel targeting key economic infrastructure in the north, or a potential slowdown in the global economy. This volatile environment will likely continue through 2025, despite any reprieve that the May 6 ceasefire between the DfA and US provides. Any significant disruption in remittances would likely destabilize Yemen's currency markets and worsen food insecurity, given their crucial role in financing imports.

This brief provides an overview of money transfer dynamics between areas controlled by the DfA and Internationally Recognized Government (IRG) and the role external remittances play in alleviating the humanitarian situation in Yemen. The brief also describes potential constraints on remittances and transfer flows, as well as the consequences if remittances to Yemen slow. Any decline in remittance inflows would precipitate an increase in negative coping mechanisms among millions of households already struggling with deteriorating economic conditions and a sharp reduction of humanitarian funding.

---

[1] See "Estimating Remittances" callout box.
[2] Based on data gathered by the World Migration Report, the higher estimate of 32% of GDP would make Yemen the country with the fifth-largest share of remittances in its GDP worldwide, after Tajikistan: (51%), Tonga (44%), Lebanon (36%), and Samoa (34%).
Migration Data Portal, Remittances, Retrieved on December 6, 2024
[3] Because the paper also addresses the importance of transfers between the two zones of control as a special type of remittances specific to Yemen, we refer to this type as "internal remittances" and to remittances coming from outside of Yemen as "external remittances".

Key Findings

- International remittances, formal and informal, are estimated to have exceeded USD 7.4 billion in 2024, indicating that they have played a key role in blunting the impact of Yemen’s economic instability.

- However, this trend might not continue in 2025 due to sanctions targeting the DfA and banks in DfA areas, and a potential slowdown in the global economy. Several other significant risks also could reduce remittances including the DfA’s conflict with Israel, internal economic conflict, and potential economic shocks.

- Many civil servants, daily wage workers, and internally displaced persons (IDPs) based in IRG areas send hard currency to support their families in DfA areas. Research informing this report indicates that many displaced individuals have economically integrated into their new areas of residence in Yemen when moving to IRG locations, and have begun to send money to their areas of origin. Consequently, any factors that undermine the IRG’s fiscal capacity, hard currency availability, or exchange rate stability are likely to negatively affect the volume of remittances flowing from IRG to DfA areas.

- Internal and international remittance flows underpin much of the financial service systems across Yemen. Therefore, understanding changes in these systems – including the number of exchange shops operating in a given location – can offer insights into sub-national remittance dynamics not currently available in the data.

- Due to the importance of remittances at the micro- and macro-economic levels, any decline or fluctuation will gravely impact Yemeni households and livelihoods, through lowering purchasing power, increasing prices, and weakening the ability to fund imports.

Methodology

This brief is based on analysis of CCY Remittance Tracker data, key informant interviews (KIIs) with actors in the formal and informal financial sectors, and desktop research.

Data from the CCY Remittance Tracker[4] covers the period January 2022 to March 2024. The Remittance Tracker is based on surveys with financial service provider (FSP) owners in six governorates – Taiz, Hudaydah, Hajjah, Marib, ad Dhale, Abyan, and Aden – which were conducted from January 2022 to January 2024. Notably, the number of FSPs indicating change does not necessarily reflect the actual magnitude of change, but only whether the shop owners perceived a decrease or increase in activity during a given month.

The team conducted interviews with five FSP owners and a Hawala network operator between November 2024 and April 2025.

The team also calculated the number of FSPs in several regions of Yemen (shown in figures 3 and Z) using data from exchange company websites. The official FSP companies list was retrieved from official central bank websites.[5]

IDP data was taken from the International Organization for Migration (IOM) Displacement Tracking Matrix[6] for the period of January 2021 to January 2025.

Background

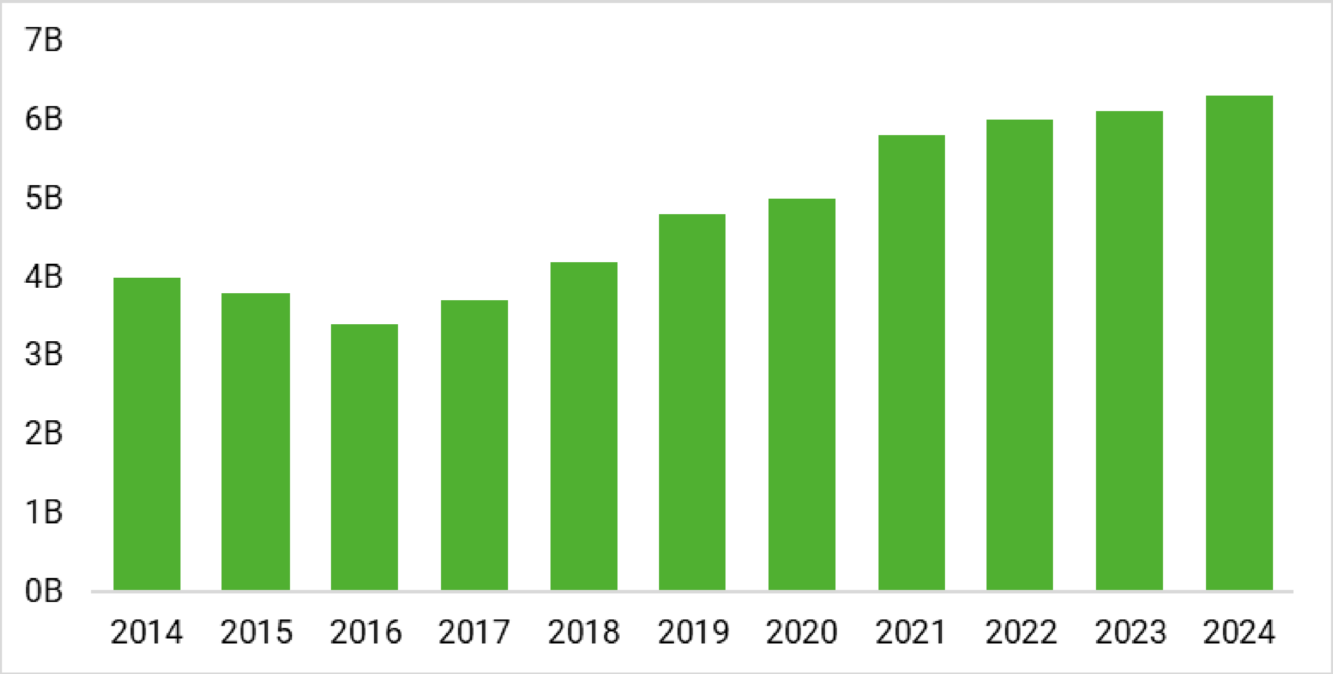
International Monetary Fund (IMF) and World Bank estimates show that international remittances have steadily risen since 2014 (Figure 1), making Yemen one of the world's most remittance-dependent countries. Remittance flows to Yemen have been largely resilient, rising over the course of the past decade despite a series of local, regional, and global economic shocks including civil war, international sanctions, shifting labor and migrant visa policies in Gulf Cooperation Council (GCC) countries, the COVID-19 pandemic, and economic warfare between the DfA and IRG. Remitted funds replaced oil and gas exports as the country's main source of foreign currency shortly after the war broke out in 2015 and the IMF's remittance diffusion index[7] (Figure 2) shows that remittances continued to be resilient well into 2024.

---

[4] Cash Consortium of Yemen, Cash Consortium of Yemen (CCY) Remittances Tracker - March 2024
[5] Central Bank of Yemen - Aden, Monetary Development Report for December 2024;
Central Bank of Yemen - Sana'a, List of Banks
[6] International Organization for Migration (IOM), Yemen | Displacement Tracking Matrix May 2025
[7] The World Bank's Remittance Diffusion Index "tracks changes in remittance inflows, where 50 indicates no change, values above 50 signal an increase, and values below 50 indicate a decrease. It is computed by the International Monetary Fund using data from Yemeni authorities and Cash Consortium of Yemen."
World Bank, Reshaping Social Contracts: The Role of Public Spending in Building Trust in MENA April 2024

Since many remittance flows are informal, it is difficult to estimate their total value. Current estimates show that remittances are over 38% of annual GDP.[8] However, the authors of this report estimate that remittance inflows to Yemen exceeded USD 7.4 billion in 2024,[9] accounting for approximately 38% of Yemen's GDP that year, which the IMF estimated at USD 19.1 billion.[10] Since 2022, a de facto embargo on oil exports and falling aid spending have increased Yemen's reliance on remittances.[11] Concurrently, humanitarian and development funding fell by approximately 35% between 2022 and 2024.[12] As a result, where remittances accounted for 21% of GDP in 2019, they represented approximately 32% of economic output in 2023. This number is expected to increase this year due to the impact of aid cuts and the funding gap for Yemen's Humanitarian Response Plan, which remains only 9% funded as of May 2025.[13]

Figure 1: Remittance Inflows (USD billion, nominal)

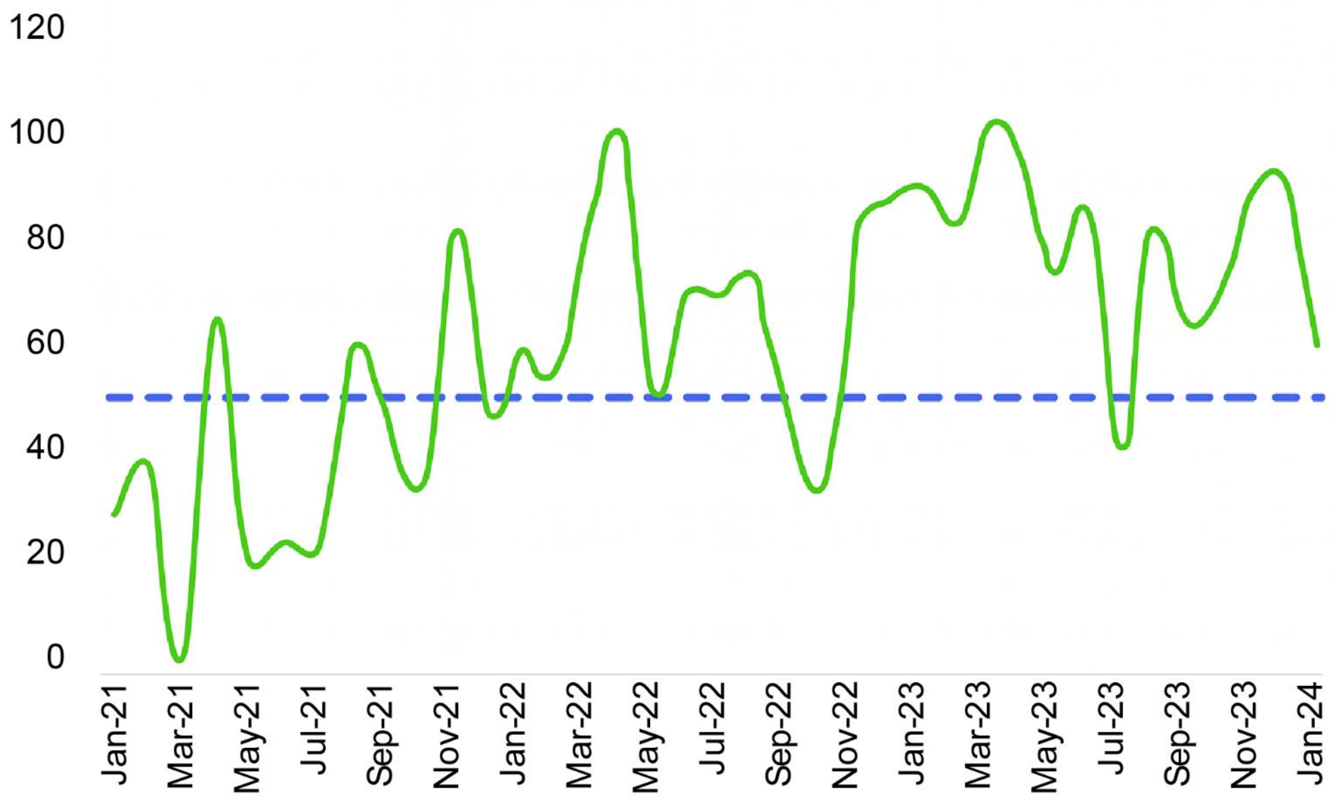


Source: World Bank[14]

---

[8] World Bank, Yemen Economic Monitor: Persistent Fragility amid Rising Risks June 2, 2025
[9] See section titled "Estimating Remittances".
[10] International Monetary Fund, Yemen: NGDPD Data Mapper
[11] In October and November 2022, DfA forces targeted Qana Oil Port in Shabwah and al-Dabbah Oil Port in Hadramawt with drone strikes, preventing ships from docking and effectively imposing an embargo on IRG oil exports. The embargo remains in place as of the time of writing. The attacks also led petroleum companies in Yemen to downscale or completely cease operations, meaning that a return to pre-embargo levels of exports is unlikely in the short or medium terms. As of April 2024, the IRG estimates that YER 3 trillion in losses have been caused by the embargo (some USD 2.2 billion using the average exchange rate from 2023 and the first four months of 2024).
Ministry of Oil and Minerals, Facebook April 8, 2024
[12] OCHA Financial Tracking Service, Yemen: Country Summary 2024 Dashboard 2024
[13] OCHA, Financial Tracking Service
[14] World Bank, Yemen Economic Monitor: Navigating Increased Hardship and Growing Fragmentation Spring 2024

Figure 2: Remittance Diffusion Index (50 = unchanged)



Source: World Bank[15]

Remittances are now more critical than ever for Yemen's economic stability. Remittance inflow fluctuations have a measurable impact on the currency exchange rate, and by extension, local consumer prices.[16] In July, the value of the rial against the dollar reached an all-time low in IRG territory[17] and local prices of essential food commodities like wheat flour and beans have increased in 2025. Facing economic deterioration and irregularity in public salary disbursement, households have increasingly been unable to cope with the high cost of living in the country.[18] Yemeni economists believe the impact from these shocks would have been significantly sharper were it not for the cushioning effect of remittances.[19]

[15] World Bank, Reshaping Social Contracts: The Role of Public Spending in Building Trust in MENA April 2024
[16] World Bank, Navigating Increased Hardship and Growing Fragmentation June 26, 2024
[17] The rial crossed the YER 2,000 per USD 1 mark in October 2024 and peaked at around 2,900 per USD 1 in July 2025
YETI, Exchange rate and commodity prices Retrieved on May 20, 2025
[18] FAO, GIEWS Country Brief: Yemen April 1, 2025
[19] FAO, Yemen Joint Monitoring Report: Bimonthly Update on Food and Nutrition Security Crisis Risks April 2, 2025

Estimating Remittances

Currently there is no publicly available or reliable data on remittances. With Yemen's other two main sources of foreign currency at risk, the need to understand remittances and internal transfer dynamics is paramount. This can help determine whether remittances are becoming the last steady source of foreign currency in Yemen and inform key stakeholders, including the government and humanitarian actors, when assessing the health of the economy and identifying potential risks. The research team gathered data from several sources on key balance of payments components to estimate remittance inflows to Yemen in 2024. This paper does not aim to assess the total financing gap in the balance of payments, but rather to estimate balance of payments components, thereby facilitating a reasonable approximation of remittance volumes. The team compiled this estimate using data on all balance of payments components except remittance inflows and errors and omissions; a standard balancing item that brings the total balance of payments to zero. After incorporating all known data, the remaining discrepancy in the balance of payments was then used as an estimate of total remittance inflows.

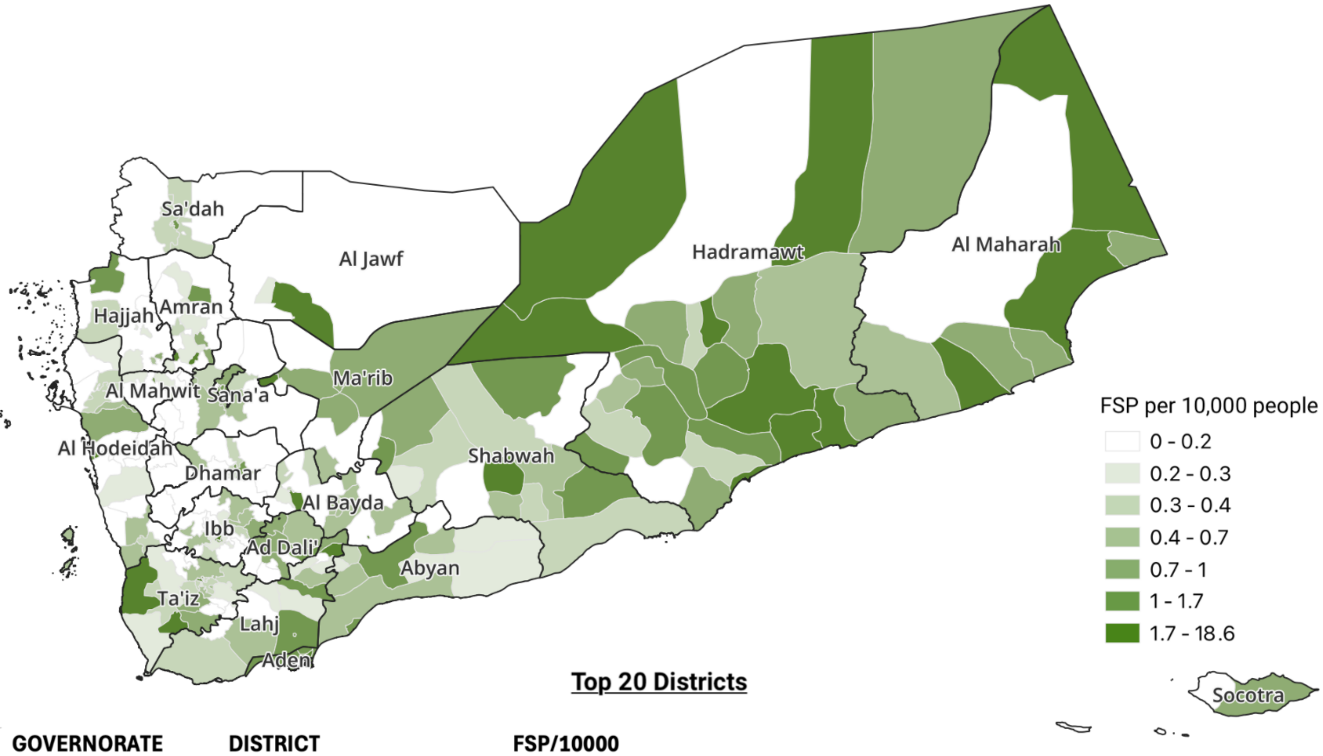
The research team used the United Nations Comtrade database to collect import and export data,[20] calculating and adjusting a three-year monthly average to align with the selected period. The team also used United Nations Office for the Coordination of Humanitarian Affairs (OCHA) data[21] to estimate humanitarian assistance, supplemented by International Monetary Fund (IMF) estimates on informal financial assistance provided to Yemen.[22]

To measure changes in Central Bank of Yemen in Aden (CBY-Aden) reserves, which generally reflect the central bank's foreign exchange interventions, the research team analyzed data on foreign currency sales through the auction system, which is regularly published on the central bank's official website.[23] Lastly, the team completed the balance sheet errors and omissions entry by averaging the same entries for the three previous available years (2020 to 2022), leading to the estimate of YER 2.7 billion. Since the bifurcation of the Central Bank, this number has been exceptionally high on Yemen's balance sheet, reaching over 10% of the GDP estimates in recent years. This is likely explained by some unaccounted-for transfers, which are usually classed under errors and omissions, as well as, for example, unaccounted foreign support to military groups. It is likely that a portion of the amount labeled under errors and omissions are remittances sent through informal channels, meaning that the actual remittance figures are higher than those presented below. By consolidating these data points, the calculated residual in the balance of payments equation represents the total estimated remittance inflows. **Using this method, the research team estimates that remittances, formal and informal, totaled at least USD 7.4 billion in 2024.**

[20] United Nations Comtrade, International Trade Data Platform 2025
[21] OCHA Financial Tracking Service, Yemen Humanitarian Response Plan 2024
[22] KII, International Monetary Fund Staff, January 2025
[23] Central Bank of Yemen, Foreign Exchange Auctions 2025

Remittance Dynamics

Figure 3: Number of FSPs per 10,000 people in each district



Top 20 Districts

GOVERNORATE	DISTRICT	FSP/10000			
Al Maharah	Shahin	18.6	Hadramawt	Al Mukalla City	2.9
Hadramawt	Zamakh wa Manwokh	18.2	Aden	Ash Shaykh Othman	2.7
Al Hodeidah	Al Mina	7.7	Hadramawt	Thamud	2.4
Al Maharah	Al Ghaydhah	4.9	Sana'a City	Al Wehdah	2.4
Al Hodeidah	Al Hali	3.9	Al Maharah	Sayhut	2.4
Ma'rib	Harib Al Qaramish	3.8	Hadramawt	Sayun	2.4
Aden	Al Mansurah	3.8	Hadramawt	Al Abr	2.4
Shabwah	Ataq	3.5	Hadramawt	Ad Dis	2.2
Lahj	Yafi'	3.3	Aden	Kritar - Sirah	2.2
Hadramawt	Al Mukalla City	2.9	Sana'a City	As Sab'in	2.2

Sources: Based on data collected by the research team using HDX, OCHA Yemen Population Estimates

The ongoing conflict has complicated money transfers between IRG and DfA areas. The bifurcated monetary authority and banking system – the Central Bank of Yemen is now split between Aden and Sana'a – has severely disrupted traditional financial channels, forcing many Yemenis to rely on informal hawala networks and money exchange services to send funds between the two zones of control. This fragmented monetary landscape not only complicates basic financial transactions for families separated by conflict such as IDPs and refugees but also reflects the broader impact of years of economic warfare on Yemen's humanitarian crisis, and private sector operations.

a. External Transactions

Remittances are sent to Yemen through international money services such as Western Union, MoneyGram, and Rai Money Transfer, which partner with local banks and FSPs. Some remitters also use the hawala system, which is run by exchange stores through informal networks in Yemen and abroad. The hawala system allows Yemeni migrant workers and refugees to circumvent the challenges associated with traditional banking systems in Yemen.[24] However, fraud and organized crime appear to have increased the risk of dealing with the informal systems.[25] Prior to the conflict, according to CBY-Aden, approximately 70% of remittances from Saudi Arabia were transmitted through informal channels. Due to reforms in Saudi Arabia and Covid, this trend has reversed, with approximately 70% now flowing through formal channels.[26] In November 2024, the Central Bank of Saudi Arabia set daily limits on transfers at 10,000 Saudi riyals (SAR) and monthly limits equal to 60% of the monthly income of the remitter. Furthermore, stricter controls were reportedly enforced on which financial companies migrant workers can use.[27] The FTO could reverse this shift and increase reliance on informal systems, which will be indirectly affected by the designation. Private actors dealing with remitters abroad should be expected to exercise maximum due diligence, which could result in a disruption of transfers that rely on the hawala system.

Analysis of CCY Remittance Tracker data[28] (Figure 3) shows the trends in remittance inflows and outflows and changes over time. Fluctuations appear to be largely driven by seasonality, with the most significant changes occurring around Ramadan and Eid al-Fitr, when many Yemenis abroad send money for holiday gifts and charity. Negative trends are seen in the summer and at the beginning of the year in January. A decline during the summer months could be influenced by GCC labor and health laws. Most Yemeni migrants in GCC countries are manual laborers, and in recent years new legislation has limited work hours between June and September.[29] Other downturns can be explained by IRG or DfA policies that disrupted exchange store operations or led to mass closures. Figure 3 also highlights the disruptive impact of international sanctions such as the US naming the DfA a Specially Designated Global Terrorist group (SDGT) in January 2024 and a Foreign Terrorist Organization (FTO) in March 2025.[30]

[24] Many Yemenis have used other informal channels like money swapping with friends and relatives abroad to circumvent official remittance transfer systems.
[25] Boqash, بأساليب جديدة :عمليات احتيال على الصرافين في اليمن February 10, 2025
Yemen Eco, شاهد إيمنيون يتعرضون لأخطر عمليات احتيال مالي واستدراج ينفذها مصريون May 28, 2024
[26] KIIs with Yemeni Economist, February 2025
[27] Mareb Press, السعودية تحدد أقصى مبلغ يسمح للمقيمين بتحويله إلى خارج السعودية Nov 2024
[28] CCY, Remittances Tracker
[29] Ministry of Human Resources and Social Development, الشمس أشعة تحت عن العمل حظر قرار تطبيق بدء June 9, 2025
[30] US Department of State, Designation of Ansarallah as a Foreign Terrorist Organization March 4, 2025

Figure 4: Sentiment of FSPs toward change in remittances MoM, January 2022 - March 2024

Source: Survey Data from the CCY Remittances Tracker

b. Internal transactions

Spikes in remittances, shown in figure 3, highlight how the different zones of control impact families divided by war. This could be explained by the dispatch of IRG public and military salaries – many Yemenis from the north work in IRG areas, receive IRG salaries, and send remittances to their families in DfA areas – correlating with an increase in remittance activity around the same period. These transactions are usually conducted in SAR[31] to avoid the high transactional costs charged by FSPs, primarily due to the discrepancy in Yemeni rial exchange rates between the north and south.[32]

Analysis of FSP growth in high IDP outflow districts indicates that remittances still play a significant role in sustaining households in their district of origin. The research team overlayed the number of FSP providers with internal displacement data in Hudaydah (figure 4) and Taiz (Figure 5), the governorates from where most economic IDPs travelled between 2021 and 2024. Mapped data shows a correlation between IDPs leaving districts and an increase in FSPs within those districts. Over the same period, key informants indicated that the number of FSPs increased in Marib Governorate, which became the primary destination for economically displaced persons.[33] The distribution of FSPs in Marib city and near IDP camps highlights its significance as a financial hub where some IDPs earn and transfer money back home. This suggests that displaced individuals seek employment in Marib and other destinations but maintain financial ties with their home districts through remittances. Following the halt on fuel exports from southern ports, public salary payments have at times been dispersed irregularly in IRG areas, though delays vary based on sector. Any reduction in bilateral budget assistance to the IRG would therefore likely impact internal remittance flows.

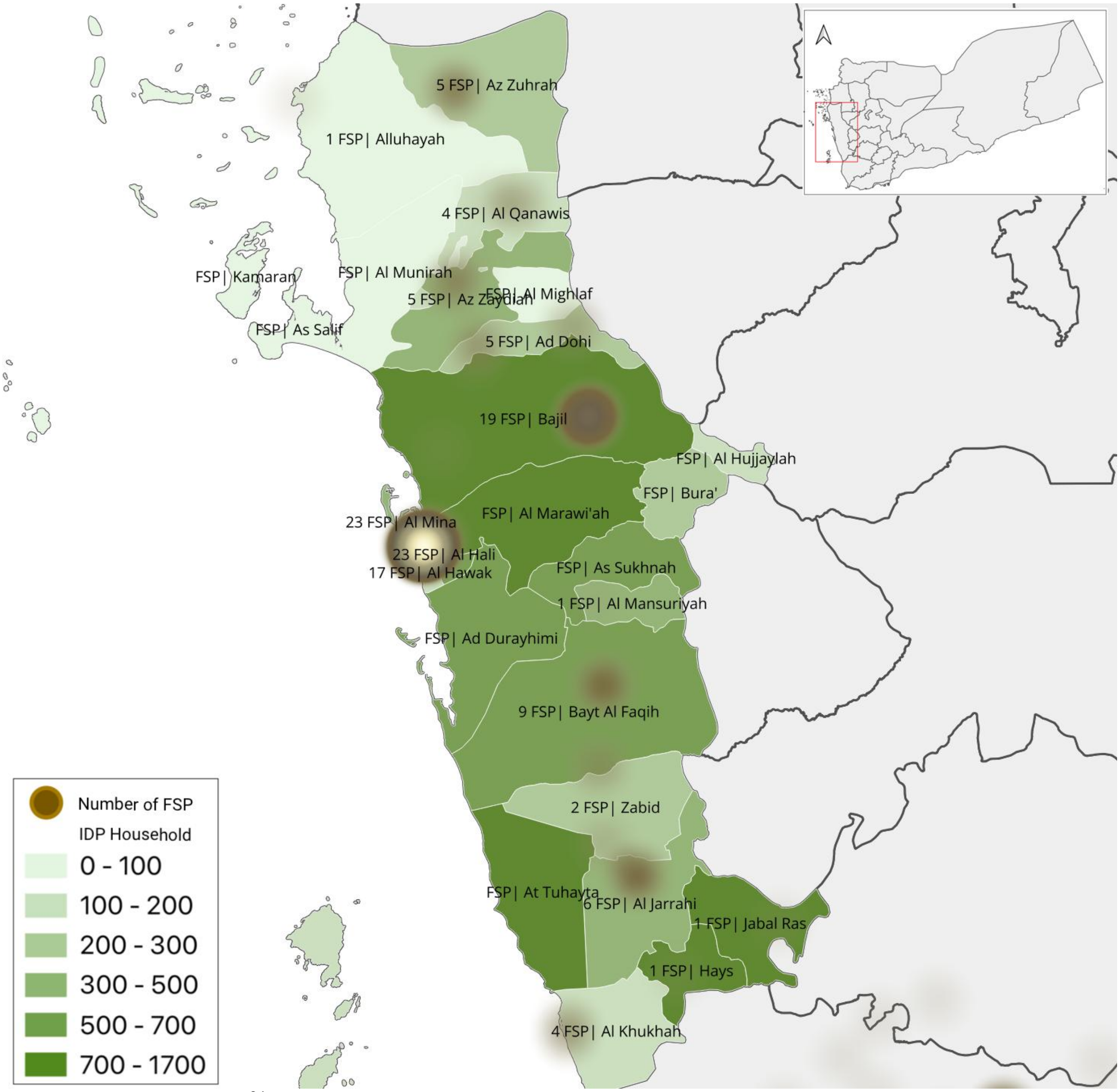
---

[31] KIIs with Yemeni FSP owners, February 2025

[32] Internal remittances have become very difficult due to the divergence in YER exchange rates between IRG and DfA areas. When sending to DfA areas, a large fee is placed on transfers, reaching up to a 100% of the value of the remittance – FSP operators increased this rate in line with the exchange value difference. These internal transfer challenges have limited the capacity of Yemenis to easily use YER as the currency of transfer, especially when sending into DfA areas. Instead, many have resorted to carrying out financial transfers in USD or SAR.

[33] ibid.

Figure 5: Outflow of IDP Households (2021-2024) against Number of FSPs by District - Hudaydah

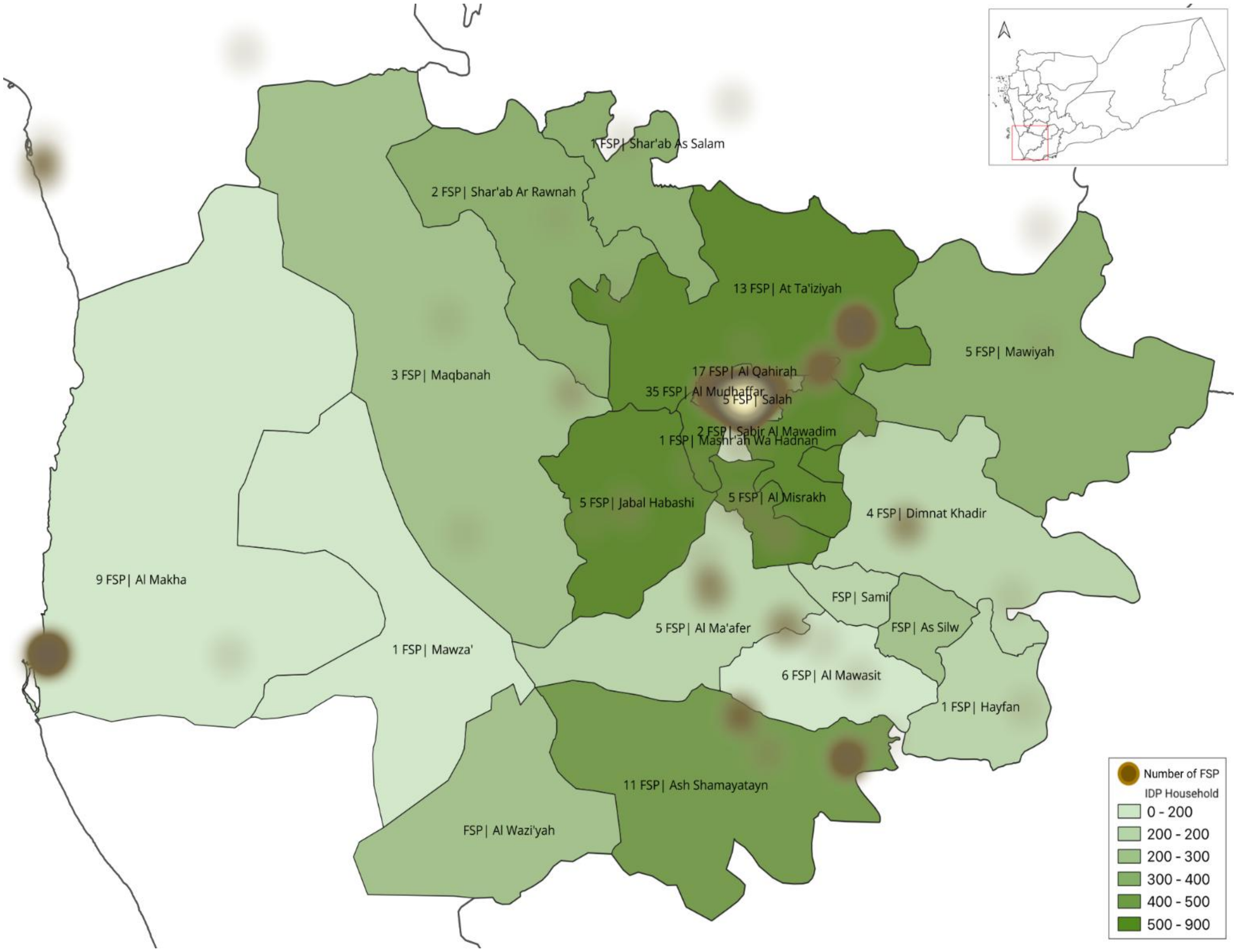


Sources: IDPS, IOM DTM,[34] FSPs, and internally collected data using officially approved lists of FSP by CBY-Sana'a and CBY-Aden.

---

[34] IOM, DTM Insights

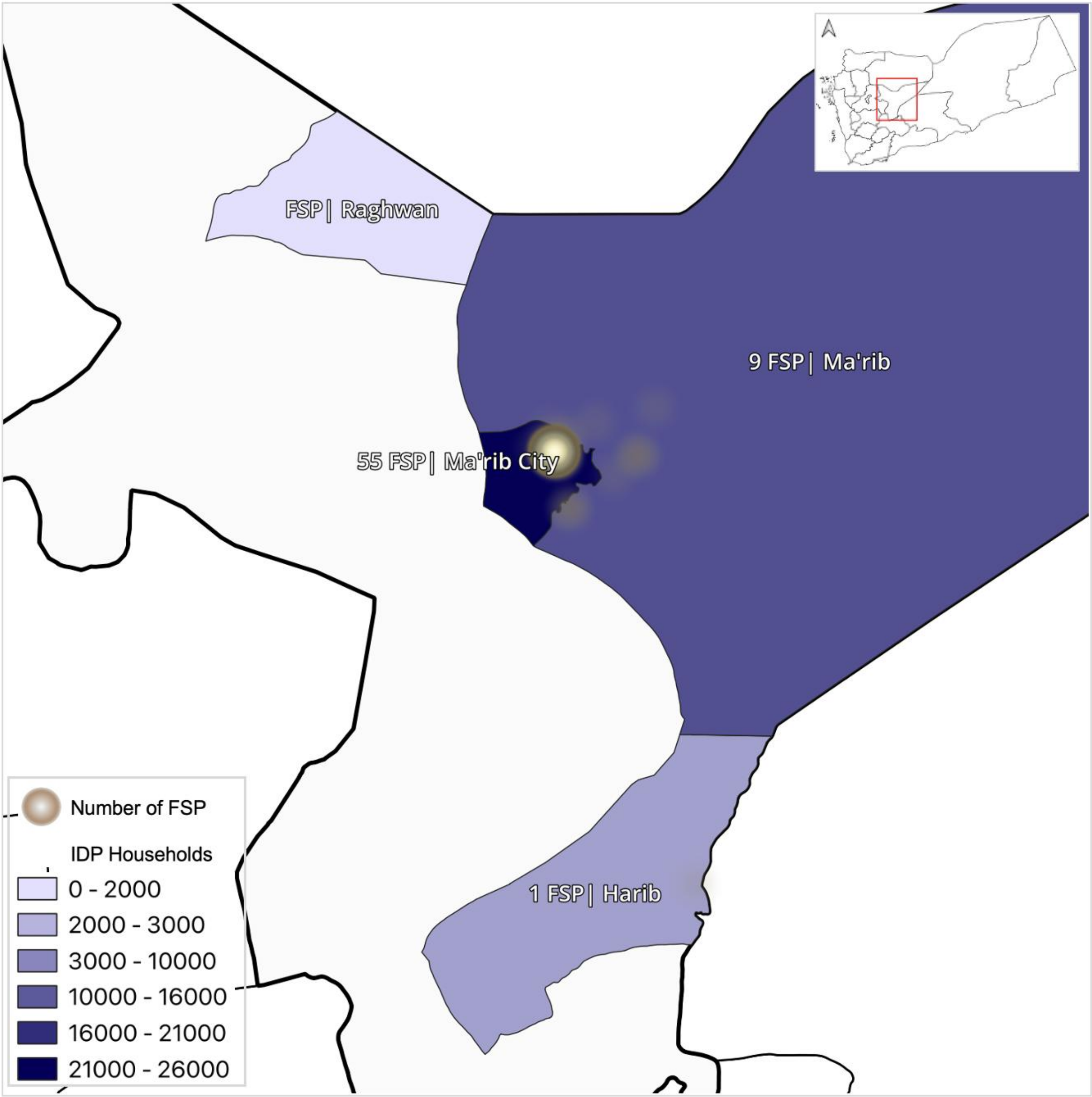
Figure 6: Outflow of IDP Households (2021-2024) against Number of FSPs by District – Taiz



Sources: IDPS, IOM DTM[35], FSPs, internally collected data using officially approved lists of FSP by CBY-Sana'a and CBY-Aden.

[35] IOM, DTM Insights

Figure 7: Inflow of IDP Households (2021-2024) against Number of FSPs by District - Marib



Sources: IDPS, IOM DTM[36], FSPs, internally collected data using officially approved lists of FSP by CBY-Sana'a and CBY-Aden.

[36] IOM, DTM Insights

Potential Risks Driving Reduced Remittance Flows

Yemen's reliance on remittances makes it vulnerable to regional and international economic shocks. For example, the Covid-19 pandemic triggered a shift in remittances in 2020, when in March through June remittance volumes decreased significantly.[37] The year also saw a shift to formal networks given the mobility restrictions imposed by Covid that caused remittances to shift from cash to digital. Private banks stepped in to fill the gap created by the challenges facing informal networks, and toward the end of 2020, remittances stabilized. Even though the Covid-19 effect was brief, as was the case in most remittance-dependent countries,[38] 2020 showed that remittances could be quickly affected by unexpected contextual dynamics.[39]

Several regional and international developments could influence the inflow of remittances to Yemen. International geoeconomic fragmentation or global economic shocks – such as those stemming from tariffs imposed by the current US administration – could spur a precipitous slowdown in the global economy. This would have a negative effect on import-dependent countries such as Yemen, where global price fluctuations substantially influence domestic market prices. These economic shocks can also negatively impact remittances from the Yemeni global diaspora and affect the economies of remitter countries such as Saudi Arabia, Egypt, or the United Arab Emirates, making it harder for Yemeni migrants and refugees to transfer money home. However, sanctions against the DfA and a potential uptick in economic warfare are likely to have the most immediate impact on remittance inflows in the near term.

a. Sanctions and Designations

In January 2024, the US named the DfA an SDGT group.[40] The SDGT remained in place until January 2025, when President Trump re-designated the DfA as an FTO, a harsher and less flexible designation, to deter DfA military operations against commercial shipping. The US Department of the Treasury then sanctioned private Yemeni banks for the first time since the start of the Yemen conflict, to limit DfA's financial resources. Specifically, Washington sanctioned Yemen Kuwait Bank and the International Bank of Yemen, accusing both of facilitating the DfA's international financial activities.[41] Non-sanctioned FSPs and exchange

[37] ACAPS, Yemen: Impact of Remittances on the Economy October 15, 2021
[38] World Bank, Remittances are a critical economic stabilizer December 6, 2024
[39] For example, Yemen is highly vulnerable to a global geoeconomic fragmentation ushered in by the Russian invasion of Ukraine and tensions between Russia and the EU, as well as the economic escalation between the US and China. If the DfA is decoupled from international transactions they can attempt to join the Chinese-operated Cross-border Interbank Payment System (CIPS), the Russian Mir, or the new payment system being considered by BRICS members, which will further exacerbate the economic division in Yemen.
[40] United States Department of the Treasury Office of Foreign Assets Control, OFACT FAQ 1158 January 17, 2024
[41] United States Department of the Treasury, Treasury Increases Financial Pressure on the Houthis January 20, 2025; US Department of the Treasury, Treasury Targets International Bank of Yemen for Support to the Houthis April 17, 2025

companies that were closely associated with now-sanctioned exchange networks are contending with operational disruptions. International transfer companies outside of Yemen have been cautious about dealing with FSPs in DfA areas, leading to increased use of informal channels. Furthermore, the flow of remittances has not been significantly affected, but Yemeni money transfer companies have been implementing thorough due diligence and compliance measures before completing transfers – including hawalas – to avoid being sanctioned themselves.[42]

To mitigate the impact of sanctions, the Treasury Department's Office of Foreign Assets Control (OFAC) issued several general licenses (GLs) authorizing specific types of transactions, for humanitarian purposes, including remittances.[43] The FTO has contributed to a reduction in inbound remittances in 2025, as international companies adopt de-risking measures and engage in overcompliance, despite General Licence No.24A covering remittances.[44]

International transactions are crucial for the survival of Yemeni banks. For example, the introduction of the SDGT in early 2024 caused interruptions in money transfers because international companies compliant with US regulations had been exercising maximum due diligence when dealing with Yemeni businesses.[45] These de-risking polices could also affect import financing because exchange companies play a major role in facilitating remittance transfers to Yemen, enabling them to provide hard currency liquidity to finance food imports.[46]

---

[42] KIIs with Yemeni FSP owners, July 2025
[43] OFAC issued other GLs covering the import of refined petroleum products in Yemen, the provision of agricultural commodities and medical products, transactions related to telecommunications, mail, and certain Internet-based communications, in addition to licenses authorizing transactions for third-country diplomatic missions involving the DfA. General License 24A addresses remittances for personal and non-commercial purposes and authorized transactions involving DfA-affiliated entities, if they are "necessary to the transfer of non-commercial, personal remittances to or from an individual in Yemen." The authorization excludes donations that funds transfers for use in supporting or operating a business.
OFAC, General License No. 23A March 5, 2025;
OFAC, General License No. 22A March 5, 2025;
OFAC, General Licence No. 24A March 5, 2025;
OFAC, General License No. 25A March 5, 2025;
OFAC, General License No. 28A March 5, 2025;
[44] ReliefWeb, Yemen Joint Monitoring Report: Bimonthly Update on Food and Nutrition Security Crisis Risks June 11, 2025
World Bank, Yemen Economic Monitor: Persistent Fragility amid Rising Risks June 2, 2025
[45] In February and March of 2024, international money transfer institutions limited services to Yemen. Some local Yemeni money transfer agents reportedly encountered difficulties and delays when conducting transfers from the EU and the US. Yemen Today, ويسترن تعلق إرسال حوالات إلى اليمن بالتزامن مع تصنيف الحوثيين منظمة إرهابية February 19, 2024
[46] Exchange companies control a significant portion of incoming remittances, allowing them to support financial transactions within the food supply chain – from small traders to large retailers and in-between both zones of control.

b. Economic Conflict

The DfA and IRG have been locked in economic conflict since the start of the war, but tensions ratcheted up over the last two years. In March 2023, the DfA introduced an anti-usury law, affecting banks' accumulated interests.[47] Then in February 2024, the IRG introduced the Unified Network for Money, to wrestle oversight of financial transactions and remittance systems from the DfA.[48] In response, the DfA-controlled Central Bank of Yemen in Sana'a (CBY-Sana'a) started minting new 100 Yemeni rial (YER) coins, and then introduced a new YER 50 coin and a YER 200 note a year later. It also ordered that all incoming foreign currency transfers – including personal remittances – be dispersed in SAR.[49] For its part, the IRG enacted measures to urge banks to move operations to Aden.[50]

This escalation of economic warfare highlighted the precarious situation of Yemeni banks and their access to international banking. In mid-March, eight major banks reportedly informed CBY-Aden that they were planning to make the move to IRG areas, following the FTO and bank sanctions.[51] Since then, several banks have moved their headquarters to Aden to avoid sanctions. Tensions over bank relocations could drive an escalation in economic warfare and lead to a disruption in internal money transfers, similar to summer 2024.

---

[47] Banks invested heavily in government bonds before the war due to high interest rates ranging between 15% to 18%. However, during the conflict, banks were faced with a liquidity crisis limiting the amounts depositors can withdraw due to DfA freezing the bank's deposits in CBY-Sana'a and the prominence of exchange stores as day-day financial service providers. The anti-usury law compounded the banks' liquidity crisis because it effectively meant they could access their initial deposits at CBY-Sana'a but not any accumulative interests since 2015.

[48] The Unified Network for Money is a closed shareholder company owned by 48 founding exchange companies. The network was formed to give CBY-Aden oversight of money transfer and remittance systems, allowing it to work with the private sector to regulate, unify, and expand remittance networks. CBY-Aden initially banned major banks for not complying with its directive to use the network exclusively, before reversing its decision due to the disruptions it caused for financial transitions between the two zones of control.
Unified Network for Money, About Us
Al Ayyaam, إطلاق الشبكة الموحدة لتحويل الأموال في عدن برأسمال 5 مليار ريال March 2, 2024

[49] Yemen Eco, تعميم هام من البنك المركزي في صنعاء بشأن صرف الحوالات الخارجية الواردة بالدولار والريال السعودي وثيقة March 14, 2024
Saba News, محافظ البنك المركزي اليمني يعلن عن إصدار عملة معدنية من فئة 100 ريال March 30, 2024

[50] Mediation by the UN Special Envoy resulted in a partial return to the status quo and a fragile de-escalation. The government was likely forced to agree to the deal by Saudi officials, and several media sources shared a resignation letter for CBY-Aden governor and one of his advisors as a sign of protest against the decision.

[51] Central Bank of Yemen, Clarification Announcement March 15, 2025

The Impact of Reduced Remittances on Coping Mechanisms

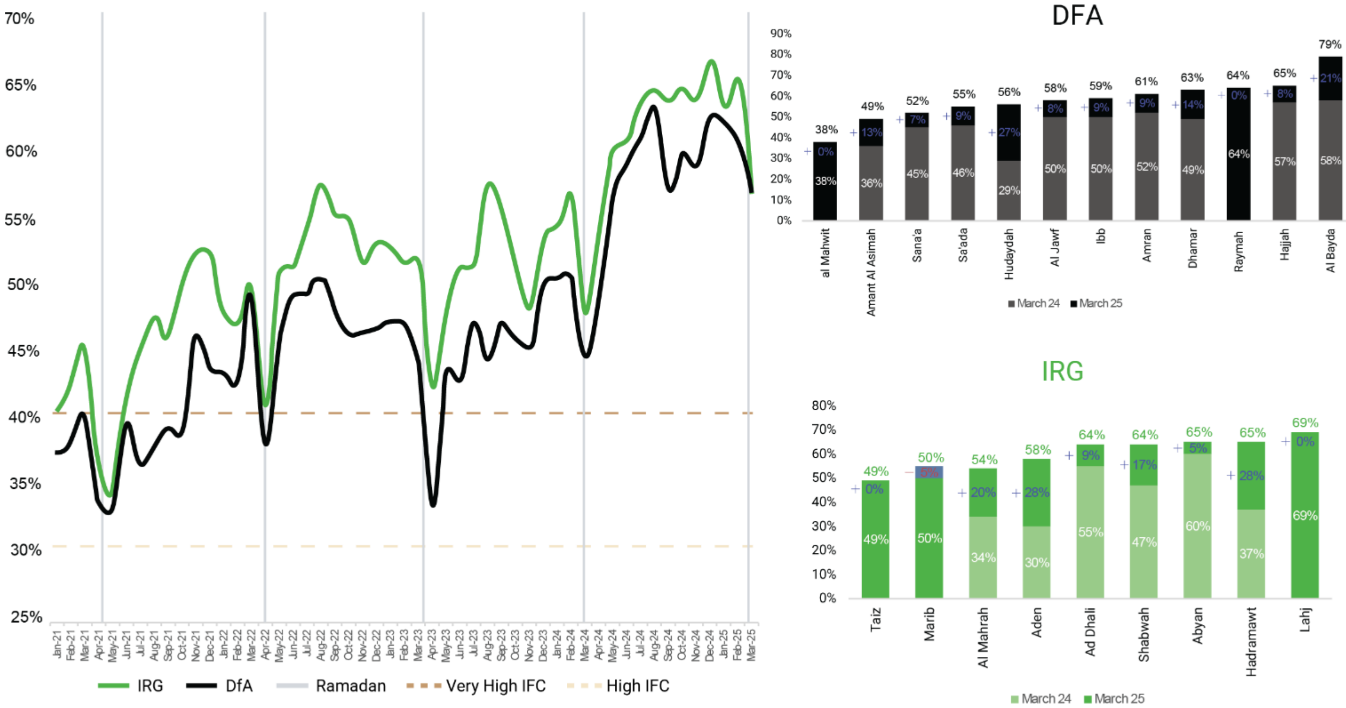
Yemenis that entirely rely on remittances – some 10% of the population according to a World Bank estimate[52] – are in a precarious position. Remittance inflow interruptions in Yemen have prompted households to adopt coping mechanisms that include borrowing from local merchants, retail shop owners, family members, and friends.[53] Many have also cut back on essential commodities and services. This has led to a decline in quality of life, particularly those living in rural areas and marginalized communities. In extreme cases, some have even sold valuable assets, such as gold, land, or other properties. This loss of assets can have long-lasting consequences for individuals and families, limiting their future economic opportunities and social mobility. Funds from abroad accounted for 27% of remittance-reliant households' total expenditures before the war, according to the World Bank.[54] The number of people relying on remittances and its percentage share of household expenditures has likely increased but limitations on data collection restrict the scope of research on the topic. Recent studies have found that food remains the largest household expenditure, meaning the impact of remittances on food security at the household level is now more important than ever for sustaining living standards.[55]

Negative coping mechanisms have already become more prevalent since WFP paused general food distribution in December 2023 and due to aid funding shortfalls throughout 2024.[56] The situation is expected to worsen when the impact of the US aid cuts and damage to port infrastructure is felt by markets and households. In June 2025, WFP noted that 44% of the people it surveyed reported adopting severe food-based negative coping mechanisms and lacked adequate access to food; inadequate food consumption reached an all-time high with 66% of surveyed individuals unable to meet minimum food needs, while the average cost of the minimum expenditure basket (MEB) increased by 32% in IRG areas and 2% in DfA areas between May 2024 and May 2025. Some one-fifth of households surveyed by WFP in May 2025 – across DfA and IRG areas – restricted adult food consumption in favor of children and reported that at least one family member went a whole day without food due to shortages.[57]

---

[52] Oxfam, Remittances to Yemen plummet as needs surge amid war and coronavirus June 1, 2024
[53] For more information on Informal Social Protection in Yemen refer to:
CCY, The Unseen Assistance: Measuring Informal Social Protection in Yemen November 14, 2024
[54] World Bank, Living in Dire Conditions March 1, 2024
[55] REACH, Yemen Expenditure Household Assessment (YEHA) – Preliminary Findings of the YEHA Pilot in Yemen, February 2023 February 16, 2023
Cash Consortium of Yemen, The Multiplier Effect of Multipurpose Cash Assistance in Ad Dhali and Ja'ar Sub-districts, Yemen November 14, 2024
[56] In December 2023, WFP paused GFD for 9.5 million people in the north while in the south 3.6 million received rations that were reduced by 40% due to funding shortages. The WFP resumed limited rounds of GFD in the north in late 2024 and early 2025 which included 1.4 million people who received half a ration.
[57] WFP, WFP Yemen Food Security Update June 2025

Figure 8: WFP's Inadequate Food Consumption (IFC) Data by Percentage of Household



Source: WFP[58]

---

[58] WFP, WFP Yemen Food Security Update April 2025

Humanitarian Implications of Declining Remittances

Decreased, or heavy fluctuations of remittance inflows into Yemen would have a marked impact on the population and likely result in overall economic decline, particularly if fuel exports do not resume and humanitarian funding continues to dwindle. The purchasing power of Yemenis would plummet as they already contend with food price inflation, fluctuating exchange rates, and irregular salary payments.[59] The war has all but wiped out the middle class in Yemen, which is largely sustained by the resilience of the private sector. The price of a minimum food basket has increased in IRG areas by 44% between July 2024 and July 2025 where it was estimated at YER 192,000 (68 USD).[60] This means that households reliant on lower-tier government employees, for example, cannot afford a full basket.[61] The food security situation in Yemen is projected to worsen between September 2025 and February 2026, with an estimated 18.1 million people expected to face IPC Phase 3 or above (Crisis or worse), representing 52% of the population.[62]

Therefore, remittances are playing an increasingly important role in covering the basic needs of the population. Yemen's financial sector is expected to face further disruptions in 2025. The issue of bank headquarters relocations is already affecting the sector. CBY-Aden is keen on regulating the informal sector after all banks relocate, essentially bringing exchange stores under its full oversight. The DfA will likely introduce its own policies on currency exchangers in response. Such disruptions would impact the flow of external and internal remittances. With no alternatives the humanitarian crisis could deepen, spurring more civil unrest or even reignite the largely dormant kinetic conflict.

---

[59] See CCY report "Hidden Inflation: The Untold Story of Purchasing Power in Yemen", April 2025

[60] ACAPS and partners, Yemen Joint Monitoring Report: Bimonthly Update on Food and Nutrition Security Crisis Risks August 31, 2025

[61] Public wages have not been adequately adjusted since 2011 – the IRG raised public wages by 30% in 2018, whereas the DfA has not. According to the current public pay structure, the highest tier of employees, such as deputy ministers, are paid YER 103,990 (equivalent to approximately USD 36 a month according to July 2025 exchange rates), while employees in the lowest tier are paid YER 31,390 or approximately USD 11 a month.
Asharq Al-Awsat, الحكومة اليمنية تقر زيادة الرواتب المدنية 30 October 5, 2018

[62] IPC Global Partners, IPC Yemen Combined SBA GoY Acute Food Insecurity May 2025–February 2026 Special Brief May 2025–February 2026

Recommendations To Humanitarian and Relevant Actors

Short Term

- Humanitarian actors are advised to monitor political, security, and economic developments – including the implementation of sanctions regimes – to better anticipate significant fluctuations in remittance flows, humanitarian needs, and household vulnerability.
- Humanitarian actors should consider expanding advocacy efforts – leveraging their on-the-ground experience – to alert foreign governments and donors to the consequences of reductions in remittance flows amid a decrease in humanitarian funding, which would drive greater Yemeni household vulnerability in a deteriorating economy.

Medium Term

- Donors, as part of advocacy campaigns – particularly those aimed at European states and the US – can highlight the effect of sanctions on remittances and ways to alleviate their unintended consequences on the population.
- International financial institutions should explore closer engagement with CBY-Aden, possibly by providing technical support, as part of a broader effort to reduce remittance costs and delays.

Long Term

- CBY-Aden and development actors should continue to support banks and FSPs in implementing due diligence processes and compliance measures, to facilitate international financial transactions and regain the trust of correspondent banks.
- International financial institutions should support financial institutions and actors in Yemen through bolstering their capacity to develop less expensive financial services, including mobile money or blockchain-based transfer platforms that improve traceability and lower costs.