



## Impact of the Blockade on Economic Resilience in Yemen

28 January 2018

1. Nearly 3 years since March 2015 escalation of the conflict, Yemen is slowly choking and millions of Yemenis are at risk of dying of hunger, cholera or any other consequence of the conflict in a severely impoverished country already on the brink of collapse prior to the current crisis.
2. Continued fighting has not only destroyed the State's economic fabric, but has also been increasingly eroding the adaptive, absorptive and transformative resilience of households, whose abilities to sustain positive coping measures has almost completely disappeared.
3. Public service workers' situation is getting worse due to the non-payment of salaries. Non-payment of salaries and the recent liquidity crisis have limited people's purchasing power, leading them into the downward spiral of poverty, vulnerability and at higher risk of morbidity and mortality largely due to lack of disposable income to cover health and
4. The current blockade is putting an additional strain, bringing the economy of the entire State to almost total collapse. Yemen imports almost 90 per cent of its essential commodities and fuel. The sustained blockade seriously impacted the survival of millions, who can no longer afford basic commodities and fuel, especially during winter time. Private Sector actors report:
  - a. *Reduction of turn-over and near bankruptcy*: Decline of up to 70 per cent of their sales and consequent reduction of turn-over. Many businesses may be forced to close soon if the situation remains the same.
  - b. *Increase of unemployment due to lay-offs*: Many private sector employers were forced to lay off several of their employees, up to 70 per cent in some cases. Decrease of business activities and an increase of operational charges has forced them to maintain only a minimum of personnel to handle seriously reduced activities to keep afloat. Sustained blockade for a few more months will result in further loss of employment for the few remaining people still employed under current circumstances.
  - c. *Increase of operational costs, additional security and logistical challenges*: The blockade resulted into an increase of prices of fuel and other goods<sup>1</sup> due to increased demurrage charges on ships awaiting clearance, additional charges related to long and costly alternative import routes and speculation. Businesses using alternative routes a whole new set of security and logistical challenges including blocking of consignments for several days or weeks to , causing additional demurrage and other operational charges.
  - d. *Effects of the devaluation of the Yemeni Rial*: In a matter of months, the Yemeni Rial lost nearly 100 per cent of its pre-crisis exchange rate in local markets contributing further to the loss of the purchasing power of Yemeni households and consequently, the turnover of businesses.
  - e. *Disruption of activities*: The many business in the productive industry describe the increasingly impossible environment for business activities to be sustained. In addition to damages to infrastructure they have experienced due to direct attacks, it is difficult increasingly impossible to maintain a steady flow of activities due to the major supply

---

<sup>1</sup> As regularly reported by the CMWG since the beginning of the blockade



chain disruptions. Frequent interruptions of productive activities have been reported. It is difficult to predict how long productive activities will continue, how long employees will retain their jobs and how much of basic services (water and electricity) and social activities (health) supported by these companies provide will be sustained.

- f. *Effect on Small and Medium Enterprises and the Informal Sector:* The increased deterioration of the economic fabric and the collapse of large businesses has had a significant impact on dependent small and medium enterprises and several businesses in the informal sector. Both, SMEs and the informal sector employ most Yemenis. Their collapse will deteriorate further the dire economic status of hundreds of thousands of Yemeni households.
5. In summary, direct results of a sustained blockade include:
- a. *For businesses*
    - Collapse of productive activities due to the impossibility to maintain a steady and predictable import/supply chain of fuel (diesel and heavy oil), spare parts and raw material essential to production processes;
    - Collapse of productive activities due to the difficulties in importing raw materials as well as cash liquidity
    - Reduced turn-over of major import businesses with direct short-term impact on market prices;
  - b. *For families*
    - Increase of prices of essential commodities in the market due to speculations and additional charges incurred by businesses as the result of the blockade. Coupled with ongoing hostilities, liquidity crisis and lack of salary payment for most of civil servants, high market prices increase further food insecurity in Northern and Western Yemen;
    - Increase of unemployment due to lay-offs directly resulting from reduced business turn-over and increased charges;
    - Increase of food insecurity due to the loss of income sources for millions of Yemenis and reliance on relief assistance
    - Increased risk of rights violations, including forced labor, trafficking in person, recruitment of children in violent and armed groups, exploitation; and increased exposure to risks of landmines and UXOs. Sustained blockade and fighting is increasingly causing affected populations to resort to negative coping measures (e.g. loss of productive assets, child marriages, separation of families, withdrawal of children from school, child labor and other serious [child] protection risks) for survival.
    - Overall, reduced ability for families' ability to cope or adapt and progressively resume normal life due the exhaustion of all survival means at their disposal.