

Mokha

Economic Briefing

Monthly Overview of the Yemeni Economy

September - 2026



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Introduction

During September, developments in Yemen escalated beyond their domestic impact, generating broader regional and international repercussions for energy flows, maritime traffic, shipping and insurance costs, and the monetary sector. Against the backdrop of developments along the coast and around Bab al-Mandab, Saudi Arabia's East-West Pipeline was disrupted following a drone attack launched from Iraq, pushing Brent crude above \$100 per barrel. Insurance premiums also rose after the Houthis announced that they had targeted Aramco facilities in Yanbu. Although shipping through Bab al-Mandab continued, traffic fell sharply and remained below normal levels, reflecting the heightened risks facing maritime transport in the region.

At the same time, Saudi Arabia provided new support to the Central Bank of Yemen in Aden, while exchange rates remained relatively stable in both Aden and Sana'a, despite the continuing monetary and institutional divide between areas controlled by the internationally recognized government and those under Houthi control. Internationally, the International Monetary Fund and the Yemeni government reached a staff-level agreement on a monitoring programme that remains subject to approval by the IMF's management.

September therefore saw military escalation intersect with risks to energy and maritime trade, monetary and fiscal pressures, and efforts to support economic stability and institutional reform. The economic costs of developments in Yemen consequently extended beyond the domestic economy to regional trade, energy, and transportation.

Central Bank Launches the Yemen Payments and Clearing Company to Advance Digital Transformation

In July, the Houthis targeted two tankers carrying Saudi crude oil as Saudi Arabia expanded its oil exports through the Red Sea. The group also announced a naval blockade on Saudi vessels while allowing ships belonging to other countries to continue passing through Bab al-Mandab. This provided the backdrop to developments in September, when the maritime threat remained primarily directed at Saudi vessels and cargoes rather than extending to a closure of the shipping lane to international trade. The result was higher risk and insurance costs for Saudi-linked shipping, while other vessels continued to transit Bab al-Mandab, albeit in a more costly and risk-prone security environment.

The impact of the maritime escalation is not limited to the vessels directly targeted. Its effects extend to the Yemeni economy through higher transport, insurance, and port-access costs. The cost of shipping a 40-foot container from China to Aden rose to around **\$9,000 in September**, compared with **\$3,650 in September 2025**, an increase of approximately **147%**. In an economy heavily dependent on imports for food, fuel, and other essential goods, such an increase represents an additional cost that can gradually feed into commodity prices and the broader cost of living.

Any sustained decline in shipping traffic and imports would also affect port activity and customs revenues, placing further pressure on government finances at a time when revenue sources remain limited and oil exports are suspended.

IMF Programme and the Economic Reform Track

In July, IMF staff and the Yemeni authorities reached a staff-level agreement on an 18-month monitoring programme focused on fiscal and monetary discipline, improving revenue collection, rebuilding reserves, and reforming the financial and electricity sectors. The programme remains subject to approval by IMF management and does not include direct financing. Rather, it is intended to monitor government performance and build a track record of reforms that donors and Saudi Arabia can use when assessing the government's performance and the level of support required.

During September, progress under the programme remained closely tied to the government's ability to preserve revenues and implement reforms amid the continuing escalation, particularly as ports and customs remain important sources of government revenue. The IMF's projection that Yemen's economy would contract by 1.5% in 2026 was issued before the developments of September. Continued escalation, and the resulting pressures on trade, ports, and public revenues, could therefore require these estimates to be reassessed when economic performance is evaluated in the period ahead.

Saudi Arabia Steps Up Support for the Central Bank in Aden

Saudi Arabia, through the Saudi Development and Reconstruction Program for Yemen, announced new support for the Central Bank of Yemen in Aden aimed at strengthening economic, financial, and monetary stability, without disclosing the value of the latest tranche. Reports estimated the new support at around \$250 million, following two earlier payments during the year: SAR 1.3 billion in February and more than SAR 224 million in June to cover operating expenses and salaries.

The support comes as the Yemeni government faces growing pressure on its financial resources, particularly with oil exports remaining suspended since 2022 following Houthi attacks. Repeated Saudi intervention points to the Central Bank in Aden's continued reliance on external financing to maintain a degree of monetary stability and meet basic financial obligations.

With the amount of the latest support and the mechanism for its use remaining undisclosed, its impact on the exchange rate and liquidity is difficult to assess. The assistance may provide the government with temporary room to manage pressures related to salaries and imports, but it does not address the underlying monetary divide between government- and Houthi-controlled areas, nor the weakness of domestic revenues.

Shipping Continues as Risk Costs Rise

Data from ship-tracking company Kpler showed that maritime traffic through Bab al-Mandab continued during September. A total of 51 vessels transited the strait over the weekend of 19–20 September, compared with 57 vessels the previous weekend. Traffic had fallen sharply on 10 September, coinciding with the Houthis' takeover of Mokha, before the strait recovered part of its earlier activity.

These figures reflect the impact of heightened security risks and rising insurance costs associated with the escalation along Yemen's western coast. Based on the recorded figures, traffic declined by around 10.5% between the two weekends. This represents a limited decrease rather than an effective halt to shipping, although a comparison between two short periods is not sufficient on its own to establish a sustained trend.

The continued flow of vessels is also consistent with Houthi statements that the maritime ban was directed at Saudi ships, while other vessels continued to use the strait despite higher security risks and insurance costs. At the same time, the Houthi-led fighting aimed at taking control of mountainous positions overlooking the western coast near Bab al-Mandab remains an important factor in assessing the future security of navigation through the strait and the southern Red Sea.

Control of these heights would give the dominant force greater ability to influence maritime security and commercial traffic through one of the world's most important shipping corridors, with direct implications for both the Yemeni and global economies.

Currency Stability Under Pressure from Escalation

ACAPS data showed the U.S. dollar trading at around YER 1,575 in Aden, compared with YER 533 in Sana'a, based on the exchange rates for the newer banknotes circulating in Aden and the older banknotes used in Sana'a. Despite the military escalation during September, exchange rates remained broadly stable in both markets.

This reflects the continuing monetary divide between government- and Houthi-controlled areas, including differences in liquidity and the banknotes in circulation, which limits the economic value of directly comparing the two exchange rates. The relative stability of the currency also suggests that the effects of the escalation have not yet been clearly transmitted to the foreign-exchange market, amid continued remittance inflows and Saudi financial support to government-held areas.

This does not, however, mean that broader economic pressures are absent. Higher oil prices and shipping costs increase the cost of imports in an economy that depends heavily on imported food, fuel, and other essential goods. The effects of the escalation may therefore emerge first through higher commodity prices and living costs before becoming clearly visible in the exchange rate.

Rising Shipping Costs to Aden as Maritime Risks Increase

The cost of shipping a 40-foot container from China to the port of Aden rose to around **\$9,000 in September**, compared with **\$3,650 in September 2025**, an increase of approximately **147%**. The rise came amid heightened security risks in the Red Sea and the resulting increase in transport and marine insurance costs, even as shipping through Bab al-Mandab continued without a complete halt.

The increase shows that elevated maritime risks can impose additional costs on importers even when the shipping lane itself remains open. For Yemen, the impact is particularly significant because of the country's heavy dependence on imports and its limited domestic production capacity, making increases in the cost of delivering goods to Yemeni ports more likely to feed through to the domestic market.

Persistently high shipping costs could also squeeze the margins of traders and importers, raise the cost of financing inventories and imports, and add further pressure to the prices of essential goods. Maritime insecurity therefore extends beyond the shipping sector itself, gradually translating into broader economic costs for the Yemeni market.

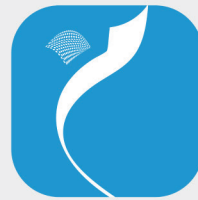
Conclusion

Economic developments in September 2026 highlight the continued vulnerability of Yemen's economy to security, financial, and regional pressures. Signs of monetary stability in government-controlled areas remained limited in their effect against mounting pressures on public revenues, trade, and import costs. While external support provided temporary breathing room for the government and the Central Bank, domestic revenue sources remained constrained, and rising maritime risks increased the cost of accessing Yemeni ports.

The higher cost of shipping to Aden and the continued monetary divide illustrate how the effects of the escalation are increasingly being transmitted from the security sphere into the economy, both directly and indirectly. Even with shipping through Bab al-Mandab continuing and no broad disruption to the exchange rate during the month, the cost of trade increased, placing additional pressure on importers and local markets.

Looking ahead, the Yemeni economy is entering the next phase under the combined pressure of three main factors: continued dependence on external support, limited public revenues, and the rising cost of trade and imports. Its ability to maintain the current degree of stability will depend, on the one hand, on developments in maritime security and military escalation and, on the other, on the government's ability to improve revenue collection and manage monetary and fiscal policy. If these pressures persist, their effects are likely to become more visible in prices, commercial activity, and living standards, even if the exchange rate remains relatively stable.

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