

of the incidence of poverty. The poverty rate (with the poverty line at a US\$3.20 PPP) is estimated to have increased since 2014 by 32 percentage points to approximately 81 percent today. Poverty was already on the rise in Yemen prior to conflict, rising nearly 14 percentage points between 2005 and 2014. However, this deprivation is not uniformly felt throughout the household. Estimates suggest that in particular women are shouldering an inequitable share of the burden and are experiencing even worse deprivations than the average of the population.

The humanitarian response continues to support the basic needs of a significant share of the population in difficult circumstances. There are approximately 153 humanitarian partners on the ground including 8 UN agencies. The World Bank supports the most vulnerable groups with approximately US\$1.3 billion through six large emergency operations providing critical health and other services, complementary income opportunities and cash transfers. These programs serve to combat impoverishment while maintaining critical institutional service capacity. However, coverage by humanitarian partners is not uniform across the country, where only 200 out of 322 districts in the country are classified as “relatively accessible” by

the humanitarian response. Approximately 51 districts are classified as having “high or extremely high access constraints” pockets where people in need cannot be reached. Out of the 22 million Yemeni targeted by the humanitarian response, 1.5 million live in districts with high access constraints.

Outlook

Economic prospects in 2018 and beyond will critically depend on rapid improvements of the political and security situation, and ultimately whether an end to the on-going conflict will allow for rebuilding the economy and social fabric. If violence can be contained by late 2018, GDP is projected to begin to recover in 2019, with double-digit GDP growth. Inflation is likely to decline in such a case as supplies will increase. Less conflict might also help to stabilize further the exchange rate and bring back more options for monetary policy. Restoration of more peaceful conditions will allow for resumption of hydrocarbon production, which in turn will help restore government revenues and the balance of payments. However, even in this scenario, little of a such projected

growth is to translate into a substantial reduction of poverty. Rather, poverty is projected to remain high at approximately 76 percent in 2019 (with the poverty line at a US\$3.20 PPP), or 44 percent of the population living below US\$1.90 a day. Given the bleak outlook, massive foreign assistance would continue to be required to fund recovery and reconstruction in a post-conflict period. In particular, foreign assistance would be needed to help restore basic services and rebuild confidence in institutions.

Risks and challenges

The significant increase in absolute poverty in Yemen since 2014 poses a tremendous challenge for peace building, with a prerequisite of large external assistance. In order to make peace more sustainable, fiscal and other policies need to be designed to support increased investment and to create jobs for the large share of Yemenis who were unemployed and excluded before the conflict. Leveraging support for recovery and reconstruction to improve economic and social inclusiveness could help to mitigate the risk of conflicts arising in the future.

TABLE 2 Yemen / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2015	2016	2017	2018 e	2019 f	2020 f
Real GDP growth, at constant market prices	-16.7	-13.6	-5.9	-2.6	14.7	13.0
Private Consumption	-4.8	-7.5	-2.7	-3.1	7.2	4.3
Government Consumption	-25.6	-23.4	-36.7	27.8	2.5	14.9
Gross Fixed Capital Investment	-82.5	-26.3	39.8	174.3	53.0	28.8
Exports, Goods and Services	-65.1	-69.9	-2.9	183.4	84.9	56.5
Imports, Goods and Services	-39.0	-15.1	-0.1	48.9	13.5	10.2
Real GDP growth, at constant factor prices	-17.6	-14.3	-5.8	-2.1	15.6	13.9
Agriculture	-12.5	-10.5	-6.6	-5.0	11.0	9.0
Industry	-27.8	-23.5	-3.6	5.9	26.8	24.6
Services	-12.5	-10.5	-6.6	-5.0	11.0	9.0
Inflation (Consumer Price Index)	12.0	-12.6	24.7	41.8	20.0	7.5
Current Account Balance (% of GDP)	-6.2	-5.1	-4.0	-9.3	-7.4	-4.5
Fiscal Balance (% of GDP)	-8.7	-8.9	-4.7	-10.7	-4.5	-1.4
Debt (% of GDP)	55.2	68.1	74.5	62.5	48.8	40.3
Primary Balance (% of GDP)	-2.6	-3.6	-4.5	-4.5	-1.1	0.9
International poverty rate (\$1.9 in 2011 PPP)^{a,b}	30.4	42.6	48.2	51.9	44.2	36.4
Lower middle-income poverty rate (\$3.2 in 2011 PPP)^{a,b}	65.6	75.0	78.5	80.6	75.8	71.0
Upper middle-income poverty rate (\$5.5 in 2011 PPP)^{a,b}	87.9	91.8	93.2	94.0	92.2	90.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Calculations based on 2014-HBS. Actual data: 2014. Nowcast: 2015-2018. Forecast are from 2019 to 2020.

(b) Projection using neutral distribution (2014) with pass-through = 1 based on GDP per capita in constant LCU.