Economy

Overview: Whereas the northern city Sanaa is the political capital of a united Yemen, the southern city Aden, with its refinery and port facilities, is the economic and commercial capital. Future economic development depends heavily on Western-assisted development of the country's moderate oil resources. Former South Yemen's willingness to merge stemmed partly from the steady decline in Soviet economic support. The low level of domestic industry and agriculture has made northern Yemen dependent on imports for practically all of its essential needs. Once self-sufficient in food production, northern Yemen has become a major importer. Land once used for export crops - cotton, fruit, and vegetables - has been turned over to growing a shrub called qat, whose leaves are chewed for their stimulant effect by Yemenis and which has no significant export market. Economic growth in former South Yemen has been constrained by a lack of incentives, partly stemming from centralized control over production decisions, investment allocation, and import choices. Yemen's large trade deficits have been compensated for by remittances from Yemenis working abroad and by foreign aid. Since the Gulf crisis, remittances have dropped substantially. Growth in 1994-95 is constrained by low oil prices, rapid inflation, and political deadlock that are causing a lack of economic cooperation and leadership. However, a peace agreement with Saudi Arabia in February 1995 and the expectation of a rise in oil prices brighten Yemen's economic prospects.

National product: GDP - purchasing power parity - $23.4 billion (1994 est.)

National product real growth rate: -1.4% (1994 est.)

National product per capita: $1,955 (1994 est.)

Inflation rate (consumer prices): 145% (1994 est.)

Unemployment rate: 30% (December 1994)

Budget:
revenues: $NA
expenditures: $NA, including capital expenditures of $NA

Exports: $1.75 billion (f.o.b., 1994 est.)
commodities: crude oil, cotton, coffee, hides, vegetables, dried and salted fish
partners: Germany 28%, Japan 15%, UK 9%, Austria 7%, China 7% (1992)

Imports: $2.65 billion (f.o.b., 1994 est.)
commodities: textiles and other manufactured consumer goods, petroleum products, sugar, grain, flour, other foodstuffs, cement, machinery, chemicals
partners: US 16%, UK 7%, Japan 6%, France 6%, Italy 6% (1992)

External debt: $7 billion (1993)

Industrial production: growth rate NA%, accounts for 18% of GDP

Electricity:
capacity: 810,000 kW
production: 1.8 billion kWh
consumption per capita: 149 kWh (1993)

Industries: crude oil production and petroleum refining; small-scale production of cotton textiles and leather goods; food processing; handicrafts; small aluminum products factory; cement

Agriculture: accounts for 26% of GDP; products - grain, fruits, vegetables, qat (mildly narcotic shrub), coffee, cotton, dairy, poultry, meat, fish; not self-sufficient in grain

Economic aid:
recipient: US commitments, including Ex-Im (FY70-89), $389 million; Western (non-US) countries, ODA and OOF bilateral commitments (1970-89), $2 billion; OPEC bilateral aid (1979-89), $3.2 billion; Communist countries (1970-89), $2.4 billion

Currency: Yemeni rial (new currency); 1 North Yemeni riyal (YR) = 100 fils; 1 South Yemeni dinar (YD) = 1,000 fils
note: following the establishment of the Republic of Yemen on 22 May 1990, the North Yemeni riyal and the South Yemeni dinar are to be replaced with a new Yemeni rial

Exchange rates: Yemeni rials per US$1 - 12.0 (official); 90 (market rate, December 1994)

Fiscal year: calendar year