

Foreword

The Central Bank of Yemen takes pleasure in publishing Review of Monetary and Banking Developments in the Republic of Yemen for the period ending January 2008.

We hope that this review will prove to be helpful to the reader.

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Governor

Notice

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- This Bulletin is issued by the Research and Statistics Department of the Central Bank of Yemen.

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Statistical Concepts and Methodological Note

Review of Monetary and Banking Developments bulletin disseminated by the Research and Statistics Dept. of the Central Bank focuses on monetary and banking developments in the Republic of Yemen. It also includes balance of payments, external debt, government share in oil production and consumer price index.

I- Money and Banking

The main source for the monetary and banking Statistics in tables 1-19 is the Central Bank of Yemen. The Central Accounts Department provides the Research and Statistics Dept. with the balance sheet of the Central Bank of Yemen while the Banking Control Sector provides the consolidated balance sheet of the commercial and Islamic banks in Yemen including their activities. The Research and Statistics Dept. collects monthly data, process the data in compliance to the IMF Monetary and Financial Statistics Manual (2000). Data collected from individual corporations are treated confidentially in accordance to the Central Bank Law No. (14) of 2000.

Final monetary data are disseminated monthly and the review of the data is undertaken whenever any amendment in the methodology and classification of the monetary data. The following are definitions of main items used in the monetary and banking section:

- Banks

Includes all commercial and Islamic banks operating in Yemen which accept deposits.

- **Banking System**

Includes Central Bank and all commercial and Islamic banks operating in Yemen.

- **Government**

Includes the Central Government and local councils.

- **Pension Funds**

Includes General Corporations for Social Security, the General Authority for Social Security & Pensions, and Military & Security Pension Funds.

- **Public Enterprises**

Includes public enterprise (enterprises and institutions in which the government has effective voting power).

- **Non-Government Sector**

Includes all domestic non-government sectors excluding pension funds.

- **Resident**

A person or entity which resides in Yemen for one year or more regardless of its nationality, with the exception of international and regional institutions and foreign students that reside for more than one year.

- **Non-resident**

Any judicial or natural person or entity who lives outside Yemen and/or those who live in Yemen for less than one year regardless of his nationality with the exception of families and individuals who have permanent economic activity in Yemen and have permanent house regardless of living in it occasionally.

- **Net Foreign Assets**

This item shown in tables (1, 2, 3, and 7) represents foreign assets of the banking system minus foreign liabilities of the banking system. It is

calculated from the foreign assets and foreign liabilities of both the Central Bank balance sheet table (4) and the consolidated balance sheet of the commercial and Islamic banks table (5).

- **Net Claims on Government**

This item shown in tables (1-3) represents total claims on the central government and local governments minus deposits of the government in the banking system.

- **Claims on Non-government**

shown in tables (1-3) represents total claims on the domestic public and mixed enterprises and private sector.

- **Other items (Net)**

This item shown in tables (1-3) is the result of other assets of the banking system minus other liabilities of the banking system, i.e. items not included in net foreign assets, net claims on government and claims on non-government in the balance sheet of Central Bank and the consolidated balance sheet of the commercial and Islamic banks.

- **Currency issued**

Is the currency issued by the Central Bank and consists of currency in circulation plus currency in the tills of banks.

- **Money**

Includes currency in circulation plus demand deposits of the private sector and public enterprises in rials in the banking system.

- **Quasi-Money**

Time and saving deposits in rials, and foreign currency deposits in the banking system for all the sectors mentioned in money, plus pension fund deposits.

- **Money supply**

Equals Money plus quasi money. It also equals the total of net foreign assets, net claims on government, claims on non-government sector and other items (net).

- **Banks deposits at Central Bank**

includes the following:

- 1- **Legal Reserves**

The minimum amount required by banks to keep at the Central Bank to meet the legal reserve requirements of the deposits with banks.

- 2- **Current Account**

The current account of banks with the Central Bank of Yemen in both foreign and domestic currency. Certificates of Deposits in rials are not included in this item.

- **Bank Credit**

The credit facilities granted by commercial banks in the form of loans, advances and discounted bills plus financing of investment operations of Islamic banks.

- **Loans and Advances Granted by Banks to the Private Sector**

This item includes loans and advances granted by banks to the private sector plus capital participation of banks.

- **Loans and Advances Granted by Banks to the Government**

Consists of purchases of domestic treasury bills, repurchase operations (REPO), and government bonds in domestic currency.

II – Treasury Bills and External Public Debt

Statistical tables (16-20) show treasury bills and external debt data. Public Debt Dept. at the Central Bank of Yemen is the main source of

treasury bills data while the source of external debt data is Foreign Loans and Grants Dept. in the Central Bank.

- **Treasury Bills**

Includes short and medium-term treasury bills issued by Ministry of Finance, excluding repurchase operations (REPO).

- **Outstanding External Debt**

Represents amounts disbursed minus amortization repayments plus amortization and interest arrears.

III- Government share in Crude Oil Production:

The L/Cs and Transfers Department at the Central Bank of Yemen provides data on government share in crude oil production. Exports include exports from government share, share of Yemeni Company for Oil Investment and exports of Aden Refinery out of its share for local consumption. Domestic consumption includes oil transferred to Aden and Mareb refineries. It doesn't necessarily represent total domestic consumption.

IV – Consumer Price Index (CPI)

The Central Statistical Organization (CSO) collects fixed basket prices of goods and services consumed by the household in Yemen in accordance to household survey (1998) with base November 1999=100, to measure the price index in Yemen using Laspeyers equation in constructing the price index. Using the CPI data from the CSO, the Central Bank estimates two other core inflation indicators one by Excluding Qat and the other by excluding Qat and Foodstuffs.

V. Balance of Payments

In accordance with the Central Bank of Yemen Law No.14 of 2000, the Central Bank of Yemen (CBY) is responsible for compiling balance of

payments statistics. The Balance of Payments Department (BOPD) of the CBY's Research and Statistics General Directorate collects data from various sources, including government ministries and agencies, and conducts surveys of foreign direct investment companies, and banks. It also uses balance sheets of commercial banks submitted to the CBY and information from the CBY's internal records. Since 1999, the compilation of balance of payments statistics in Yemen follows the fifth edition of the Balance of Payments Manual (BPM5). Historical data since 1990 have been converted to be compatible with the BPM5.

Current Account

- A) Goods

Exports and imports of goods are based on trade statistics compiled by the Central Statistical Organization (CSO). The BOPD adjusts import data upward by adding 10 percent for coverage adjustment of unrecorded imports (before 2003 the rate was 20% due to higher unrecorded imports). Then it is adjusted downward by 12 percent of the c.i.f. value to derive imports on an f.o.b. basis. Data on exports are adjusted for crude oil exports from CBY records of crude oil exports (government's share) and from the Ministry of Oil's data on crude oil exports (oil companies' share). BOPD adds bunkering of foreign airplanes and vessels, as reported by companies, to the export data obtained from the CSO.

- B) Services

- Transportation

Data on debit entries for freight are estimated at 10 percent of the c.i.f. value of imports. Credit and debit entries for air transportation are derived from an airline survey. BOPD records the data it collects from airport authorities as credit entries under other air transportation, while it records

data it collects from seaport authorities as credit entries under other sea transportation.

- **Travel**

The Ministry of Tourism collects data from the immigration authorities on the number of foreign tourist arrivals. Number of tourist nights is estimated through a comprehensive survey to estimate the travel receipts. The BOPD reflects the data obtained from the Ministry of Tourism in the balance of payments statistics. Travel debits are estimated from the CBY records and the monthly international transactions reporting survey (ITRS) of commercial banks for business travelers, excursionists, and students studying abroad, Yemeni pilgrims, and health treatments of Yemeni nationals abroad.

- **Communications**

The BOPD conducts surveys to collect communications transactions (credit and debit), which represent receipts and payments for telephone, Internet, telex, fax, and mail services by communications companies.

- **Construction**

Debits are estimated at 20 percent of the grant and loan drawings, in addition to the data compiled from oil companies.

- **Insurance**

Debits are estimated at 2 percent of the c.i.f. import values.

- **Other business services**

Owing to the lack of a breakdown of service expenditures from oil companies, the debit entries before 2004 covered 38 percent (average for previous periods) of oil companies' expenditures on services. Since 2004, actual figures from oil companies are used.

- **Government n.i.e**

The CBY collects data from its internal records for the Yemeni government's expenditure for its embassies, consulates, and trade/military attachés abroad and revenues from these embassies. For receipts and payments of foreign embassies, consulates, and international and regional institutions operating in Yemen, the CBY collects data from a monthly survey of commercial banks.

- **C) Income**

- **Investment income**

- **Direct Investment Income**

Debit entries for direct investment income are estimated as follows: (1) exports of oil companies minus cost recovery as reported by the Ministry of Oil, and (2) profits of branches of foreign banks, and communications companies.

- **Other Investment Income**

- **General Government**

Debit entries cover interest obligations on the general government loans as reported by the CBY's Debt Management and Financial Analysis System (DMFAS) unit.

- **Monetary Authorities**

The credit entries represent the interest receipts on the CBY reserves, while the debit entries represent interest obligations of the CBY's liabilities on IMF loans, AMF loans, and other liabilities. Information is obtained from CBY's internal records.

- **Banks**

The credit entries represent interest receipts, while the debit entries represent interest payments, as reflected in the reports of the commercial banks.

- **D) Current transfers**

- **General government**

Credit entries represent grant receipts of the general government, while debit entries represent the government contributions to the international and regional institutions. Information is obtained from the CBY's records.

- **Other sectors**

- **Workers' remittances**

Debit entries are derived from monthly surveys of commercial banks and CBY's records, which cover remittances by nonresident workers in Yemen. Credit entries represent remittances from Yemenis working abroad. In 1996, the estimate was based on the number of workers abroad obtained from the immigration authorities, their average salaries, and assumptions about the proportion of their salary remitted to Yemen. Since then a growth of 1 or 2 percent is assumed on the basis of economic situations in the region.

- **Other current transfers**

Credit entries represent compensation received by Yemeni workers who previously worked abroad and have returned home. Information is obtained from the CBY's internal records.

Capital and Financial Account

A) Capital Account

- **Capital transfers**

The credit entries represent debt forgiveness of general government loans. The source of these data is the CBY's DMFAS unit.

- **B) Financial Account**

- **Direct investment**

For oil companies, direct investment in Yemen refers to their expenditures (inflow) minus their cost recovery (outflow) as reported by the Ministry of Oil and Mineral Resources. For direct investment in Yemen in commercial banks, the CBY's Banking Supervision Sector collects data from the balance sheets of commercial banks. For direct investment in Yemen in other companies, BOPD conducts a survey to collect the information.

- **Portfolio investment**

The portfolio investment claims reflect Yemeni commercial banks' shares in foreign banks abroad. BOPD collects the information from the consolidated balance sheet of commercial banks as reported by the CBY's Banking Control Sector.

- **Other investment**

- **Trade credits**

Trade credits represent short-term credits given to crude oil importers and repayments collected from them. Information is obtained from the CBY's records.

- **Loans, currency and deposits, and other assets/liabilities**

- **Other Investment Assets**

- **Banks**

The assets of banks in the form of currency and deposits reflect changes in commercial banks' foreign assets as identified in the consolidated balance sheet of commercial banks.

- **Other Investment Liabilities**

- **Loans**

- **Monetary Authority**

The liabilities of monetary authorities consist of (1) drawings and repayments of IMF loans, (2) drawings and repayments of AMF loans, and (3) other liabilities as reflected in the balance sheet of the CBY.

- **General Government**

The CBY derives the liability of general government from drawings, repayments, and rescheduling of foreign loans of the general government as reported by the DMFAS unit.

- **Banks**

The banks' liability in the form of currency and deposits represents changes in foreign liabilities of commercial banks as reflected in the consolidated balance sheet of commercial banks.

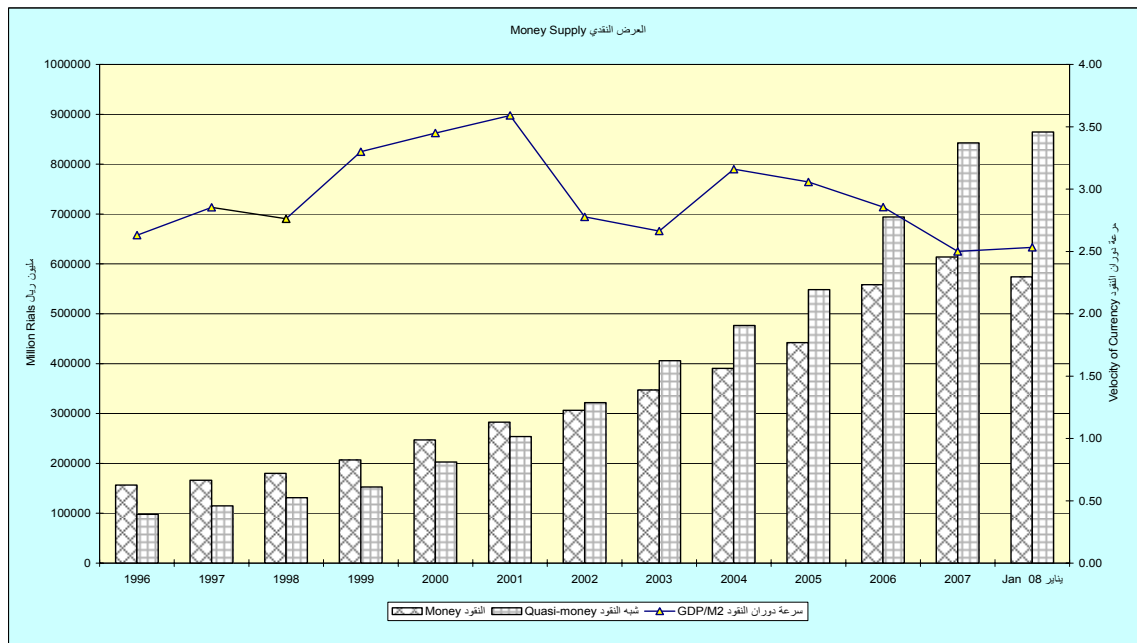
- **Reserve assets**

The reserve assets reflect changes in SDR holdings, currency and deposits, and securities representing CBY's foreign assets as reflected in the balance sheet of the CBY, net of valuation changes.

Review of Monetary and Banking Developments

Exchange Rate

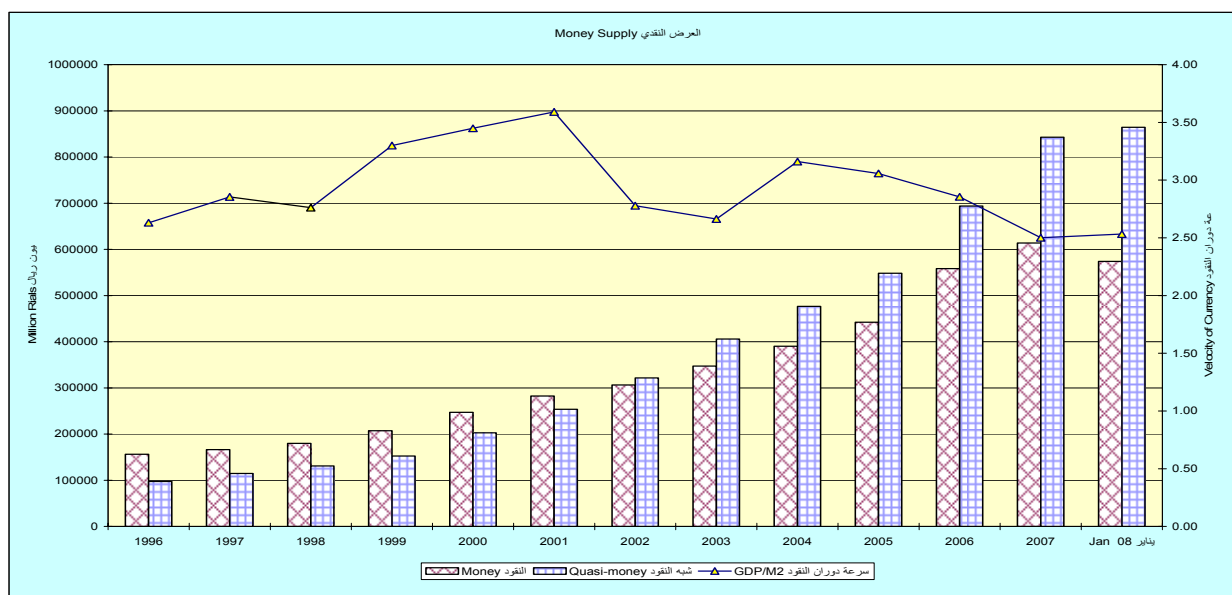
The end of period exchange rate increased slightly from 199.54 Rials per US Dollar at the end of December 2007 to 199.55 Rials per US Dollar at the end of January 2008, a percentage increase of 0.01%. The average exchange rate during January 2008 was 199.54 Rials per US Dollar.



Money Supply

Money supply decreased from 1586.2 billion Rials at the end of December 2007 to 1575.1 billion Rials at the end of January 2008, a decrease of 11.1 billion Rials or 0.7% compared with an increase of 101.1 billion Rials or 6.81% during December 2007. Money supply at the end of January 2007 was 1344.0 billion Rials.

Net foreign assets of the banking system amounted to 1734.3 billion Rials at the end of January 2008 compared with 1733.8 billion Rials at the end of December 2007, an increase of 0.5 billion Rials or 0.03%. Net foreign assets of the banking system were 1690.1 billion Rials at the end of January 2007.



Net claims on government amounted to 37.9 billion Rials at the end of January 2008 compared with an amount of 66.9 billion Rials at the end of the previous month. Net claims on government were -94.1 billion Rials at the end of January 2007.

Claims on non-government sector increased from 374.7 billion Rials at the end of December 2007 to 383.7 billion Rials at the end of January 2008, an increase of 9.0 billion Rials or 2.41%. Claims on non-government sector were 271.8 billion at the end of January 2007.

Balance Sheet of Central Bank

Total balance sheet of Central Bank showed an increase of 2.5 billion Rials or 0.15% amounting to 1615.2 billion Rials at the end of January 2008 compared with an increase of 0.41% during the previous month. Total balance sheet was 1550.3 billion Rials at the end of January 2007.

Foreign assets of the Central Bank at the end of January 2008 amounted to 1545.7 billion Rials (dollar value 7744.9 million US Dollars) covering 14.2 months of imports compared with 1548.6 billion Rials (dollar value 7762.2 million US Dollars) covering 14.2 months of imports at the end of December 2007. Foreign assets of the Central Bank at the end of January 2007 were 1503.2 billion Rials (dollar value 7569.8 million US Dollars).

Currency issued amounted to 412.6 billion Rials at the end of January 2008 compared with 444.0 billion Rials at the end of December 2007, a decrease of 31.3 billion Rials.

Treasury Bills

The weighted average yield of treasury bills during January 2008 auctions amounted to: -

For three months 15.88% per annum compared with 15.88% per annum during December 2007.

For six months 15.88% per annum compared with 15.90% per annum during December 2007.

For one year 15.89% per annum compared with 15.90% per annum during December 2007.

Clearing Room

Total number of Rial checks transacted in the clearing rooms amounted to 49.1 thousand checks valued at 115.26 billion Rials during January 2008 against 57.2 thousand checks valued at 133.04 billion Rials during December 2007, a decrease of 14.23% in number of checks and 13.36% in their value.

Crude Oil

Crude oil exports (government share) during January 2008 amounted to 3.55 million barrels with a total value of 317.58 million US Dollars (at average price of US\$ 89.46/barrel) compared with 3.82 million barrels valued at 198.04 million US Dollars (at average price of US\$51.86/barrel) during January 2007, a decrease of 7.07% in quantity and an increase of 60.36% in value.

Consolidated Balance Sheet of Commercial and Islamic Banks*

The total of the consolidated balance sheet of the commercial and Islamic banks showed a decrease of 2.1 billion Rials or 0.16% amounting to 1298.3 billion Rials during January 2008 compared with an increase of 70.5 billion Rials or 5.73% during December 2007. The total of the consolidated balance sheet of the commercial and Islamic banks was 1056.1 billion Rials at the end of January 2007.

Foreign assets of banks amounted to 283.5 billion Rials (dollar value of 1420.3 million US Dollars) at the end of January 2008 compared with 278.3 billion Rials (dollar value of 1394.7million US Dollars) at the end of December 2007, an increase of 5.2 billion Rials or 1.87%. Foreign assets of commercial and Islamic banks at the end of January 2007 were 279.8 billion Rials.

Total reserves of banks at the end of January 2008 decreased by 24.2 billion Rials or 11.64% to 184.0 billion Rials compared with 208.3 billion Rials at the end of the previous month. Certificates of deposits amounted to 108.4 billion Rials at the end of January 2008.

Total credits and loans granted by commercial and Islamic banks to the private sector amounted to 369.1 billion Rials at the end of January 2008 compared with an amount of 359.5 billion Rials at the end of December 2007. Treasury bills amounted to 276.4 billion Rials at the end of January 2008 compared with 289.3 billion at the end of December 2007.

Total deposits with banks increased by 0.05% from 1050.9 billion Rials at the end of December 2007 to 1051.4 billion Rials at the end of January 2008.

* Including provisions against nonperforming loans.