Policy Paper

The Implications of the U.S.–Israeli–Iranian War on the Yemeni Economy:

Impact of the Shock on a Fragile Economy!

By: Mustafa Nasr

Chairman of the Studies and Economic Media Center (SEMC)

April 2026

economicmedia

economicmedia.net

Table of Contents

Executive Summary 4

Introduction: Yemen, War, and Cascading Effects 7

Methodology 8

War Risks and Their Impact in the Yemeni Context 9

Cascading Effects of the War on the Yemeni Economy 10

First Loop: Energy and Fuel Prices 11

Second Loop: Maritime Shipping and Supply Chains, Rising Costs and Route Changes 12

Third Loop: Shipping Crisis and Rising Market Prices 13

Fourth Loop: Import Bill Pressures and Foreign Currency Demand 13

Fifth Loop: Remittances from the Gulf and External Aid 14

Sixth Loop: Liquidity and Supply Chains 15

Seventh Loop: The Houthis and Escalating Risks 16

Future War Scenarios and Implications 17

Scenario One: Truce and Containment of the Crisis 17

Scenario Two: Resumption and Expansion of the War 17

Potential Opportunities for Yemen 18

Repositioning Yemen as an Alternative Route for Gulf Energy Exports 18

Enhancing Yemen’s Geo-Economic Importance 19

Potential Decline in Iranian Support to the Houthis 19

Yemen Government’s Position in Regional Energy Security Dynamics 19

Recommendations 20

First: The Yemen’ IRG and the Aden-CBY ..... 21.

Managing Foreign Currency Demand and Price Stability 21

Second: Ministry of Transport 21

Third: Ministry of Industry and Trade 22

Fourth: The Private Sector 22

References: 23

Executive Summary

Since late February 2026, the Middle East has witnessed an unprecedented military escalation between the United States and Israel on one side, and Iran on the other. This escalation has had direct repercussions on economic conditions, particularly in the sectors of energy, maritime navigation, supply chains, and finance. Most economies around the world have been affected by the war through rising energy prices, disruptions in supply chains, and financial constraints, with significant variation in the scale of impact depending on each country's capacity to adapt, absorb shocks, reliance on imports, and the fragility of its financial situation.

The most vulnerable economies, those heavily dependent on imports and external aid, are the most exposed to damage, especially if the conflict persists and expands geographically.[1] In the case of Yemen, the war comes amid an already severe and fragile economic situation. 11 years of ongoing conflict have caused major distortions in the Yemeni economy, including the suspension of oil and gas exports, declining public revenues, a shortage of foreign currency, monetary and institutional fragmentation, and near-total dependence on imports. At present, Yemen relies primarily on external assistance, while remittances from Yemeni expatriates constitute the main source of foreign currency.

Yemen entered 2025 burdened with an economy on the brink of collapse, characterized by continued fiscal fragility, a collapse in the Yemeni currency value in Aden to record low levels in July 2025 (before later improving due to administrative and monetary interventions by Aden-CBY), and a 26% year-on-year increase in the minimum food basket cost in Yemen's IRG areas as of June 2025. Any additional disruption to trade,

financing, or port operations could further worsen food security, increase import costs, and weaken institutional resilience.[2]

This paper aims to assess the impact of the ongoing regional war on Yemen's fragile economic situation from multiple angles. Early indicators have already emerged, including rising fuel prices, increased maritime shipping costs, disruptions in supply chains, pressures on monetary policy, challenges in financing imports, and potential impacts on remittances, particularly from Yemeni workers in Gulf countries. Additionally, the war may affect Gulf support, especially Saudi assistance, to Yemen's public budget, raising concerns over declining aid and its implications for both economic and humanitarian conditions.

Data collected by the Surveillance and Research Unit at Studies and Economic Media Center (SEMC), from various official and private sources, indicate that the shock has already begun to materialize in Yemen. This is evident in rising shipping costs, higher insurance premiums, and an increased import bill for petroleum products.

Container shipping costs have increased by between $3,000 and $5,000 in some cases, while oil prices have surged to between $100 and $120 per barrel, signaling a renewed rise in import costs, particularly for fuel used in electricity generation. For example, the cost of shipping a 20-foot container from China to Aden rose from approximately $2,500 to between $5,000 and $6,000 following the outbreak of the war, in addition to war risk surcharges ranging from $2,000 to $3,000 per container. These figures are consistent with announcements from major international shipping companies imposing emergency, war-related, and fuel surcharges on shipments in the region.[3]

The documents SEMC collected provide evidence of the ongoing shift and the direct impact of the war on shipping costs to Yemen. A document issued by the Chinese company COSCO on March 30, 2026, shows that some shipments to Yemen are no longer transported directly to Aden or Mukalla. Instead, they follow a multi-stage route: unloading in Abu Dhabi or Jebel Ali, transporting overland to Sohar in Oman, and then re-shipping by sea to Yemen via feeder vessels.

This process incurs additional fees ranging from $5,000 to $8,500 per container to Aden and $5,500 to $9,500 to Mukalla, in addition to storage and transit fees. The document also indicates that shipments originally unloaded in Sohar are subject to additional, though relatively lower, charges.

In contrast, two official documents from the Yemeni Ministry of Transport reveal Yemen's IRG objection to the imposition of additional fees of approximately $3,000 on certain goods, including shipments that had arrived before March 2, 2026. This reflects the scale of changes in container shipping costs to Yemeni ports.[4]

The paper concludes that the consequences of the regional war, especially if prolonged, will exacerbate Yemen's humanitarian and economic suffering. It is likely to lead to rising prices, pressure on exchange rates, and stagflation, further deepening the country's economic fragility. If the war is contained within a short period, the impact will still be significant but not long-lasting. In all scenarios, IRG and its institutions are required to implement a set of measures and interventions to mitigate the shock and its effects on Yemeni citizens.

Introduction: Yemen, War, and Cascading Effects

The impacts of wars are typically measured through direct indicators such as oil prices, shipping and insurance costs, and financial market volatility. This approach may be relatively sufficient in stable economies that possess the institutional and financial capacity to contain shocks within specific sectors and absorb their initial effects. However, the Yemeni case is fundamentally different. The Yemeni economy does not receive external shocks as isolated disturbances, but rather as compound shocks that spread across multiple channels, generating cascading and interconnected effects.

From a systemic risk perspective, the regional war does not affect Yemen solely through rising oil prices or shipping costs, but through what can be described as cascading effects, whereby the shock moves from one sector to another and from one market to another. For example, it may begin in energy or maritime transport, then extend to the import bill, followed by increased demand for foreign currency, pressure on the exchange rate, rising prices of food, transport, and essential services, ultimately impacting purchasing power and social stability. These effects become more severe in Yemen due to the fragility of its economy, characterized by limited revenues, institutional fragmentation, weak reserves, and multiple authorities controlling ports, entry points, and supply chains.

In this context, rising prices of imported fuel do not only increase the bill of petroleum derivatives but also raise transportation, electricity, and food costs. Similarly, higher shipping and insurance costs do not merely increase the price of containers; they also lead to additional demand for US dollars, exert pressure on foreign currency, raise commodity prices, and reduce the ability of the poorest segments of society to access basic needs.

These waves intensify further when combined with declining remittances, reduced external support, or an expansion of the war into the Red Sea and Bab al-Mandab Strait. Accordingly, this paper is based on a central assumption: that the war between the United States and Israel on one side, and Iran on the other, does not produce a single effect on the Yemeni economy, but rather a series of interconnected shocks affecting trade, liquidity, exchange rates, food security, and overall economic stability.

This paper seeks to address this issue by approaching it from the perspective that the repercussions of the U.S.–Israeli–Iranian war generate complex and overlapping impacts on Yemen's economy across trade, liquidity, exchange rates, and food security in a comprehensive manner.

Methodology

This paper adopts a political economy of conflict approach, linking geopolitical developments to domestic economic transformations. It employs three analytical tools:

1. Analysis of cascading shock effects, tracing the transmission of war-related shocks to energy, trade, and prices.
2. Analysis of economic indicators resulting from these shocks, focusing on key indicators such as inflation, exchange rates, and food prices.
3. Scenario analysis, including an assessment of potential future risks.
4. The paper relies on recent sources from international financial institutions, official local data, documents from international shipping companies, and a series of consultations with relevant stakeholders.

War Risks and Their Impact in the Yemeni Context

Undoubtedly, the war between the United States, Israel, and Iran has generated an economic shock through three main channels: energy, supply chains, and financial markets, in addition to other secondary effects linked to these channels.

The extent of the damage caused by this war depends primarily on its duration, geographical expansion, the level of damage to infrastructure, and each country's dependence on oil imports or affected trade routes. These repercussions are more pronounced in fragile economies suffering from structural imbalances, as rising food, energy, and fertilizer prices can push millions more into food insecurity.[5]

In the energy market, Reuters reports that oil prices surged sharply following the outbreak of the war, with Brent crude reaching approximately $112 per barrel by late March, an increase of nearly 57% during that month due to disruptions in the Strait of Hormuz and escalating regional risks. Estimates from a Reuters survey warned that continued disruption could push prices significantly higher, while a sustained truce could keep prices below $100 per barrel. The International Energy Agency described the disruption as one of the largest shocks in the modern oil market.[6]

In the maritime sector, war risk insurance premiums increased severalfold, rising from approximately 0.25% of a vessel's value to as much as 3% in some cases, an increase of more than tenfold. Shipping routes began to be priced on a voyage-by-voyage basis due to heightened uncertainty. Some services and transit routes in the Gulf were suspended or reduced, vessels were redirected to safer waiting zones, and war-related surcharges rose to emergency levels.[7]

Major shipping companies reinforced this trend. For example, Maersk announced the suspension of certain specialized and refrigerated shipments in several Gulf countries and across the region, while exempting food, medicine, and essential goods. It also introduced what it termed an "Emergency Contingency Surcharge", with additional fees reaching up to $1,800 for a 20-foot container and $3,000 for a 40-foot container on certain routes.

Similarly, MSC announced the imposition of a "War Risk Surcharge" of approximately $2,000 for a 20-foot container, $3,000 for a 40-foot container, and $4,000 for refrigerated containers on some routes. Meanwhile, CMA CGM introduced conflict-related emergency surcharges on new bookings and some shipments already in transit.[8]

These figures reflect the magnitude of changes in the repricing of maritime risk during logistics operations and the transportation of goods between countries, as well as the implications for affected countries, including Yemen. Yemen has already been classified as a high-risk destination, particularly following Red Sea incidents over the past two years, when the Houthi group carried out a series of attacks on international shipping, followed by U.S. and Israeli military responses.

Cascading Effects of the War on the Yemeni Economy

The Yemeni economy was already in a state of fragility and exhaustion even before the current war, particularly following the suspension of oil exports in 2022 after the Houthi group ("Ansar Allah") attacked export ports and threatened shipping companies against approaching Yemeni oil terminals. This was compounded by declining grants and external assistance, deteriorating public revenues, rising inflation, and a clear divergence between areas under the Yemen' IRG those controlled by the Houthi group.

IRG revenues declined by approximately 30% year-on-year in the first half of 2025. Meanwhile, the exchange rate reached nearly 3,000 Yemeni rials per US dollar before improving to around 1,620 rials per dollar in IRG areas. Despite this improvement, the cost of the minimum food basket increased by 26% year-on-year through the second half of 2025.[9]

In such a fragile and weakened economic environment, absorbing the shock of the current war's repercussions becomes extremely difficult. The impacts are expected to intensify through a growing chain of negative effects. Yemen's heavy dependence on imported food and fuel makes it directly vulnerable to the war, while rising insurance premiums, compliance costs, and logistical delays are immediately reflected in economic indicators.

Regarding food security, data from the World Food Programme (WFP) and humanitarian monitoring reports indicate that Yemen remains heavily dependent on imports. Any disruption to maritime routes or increase in shipping costs directly affects food availability and affordability. According to the WFP, Yemen imports approximately 90% of its food in the long term, while more recent data confirm that food imports through Yemeni ports remain a critical lifeline for maintaining relative market stability.[10]

In summary, the war comes at a time when Yemen's economy is highly exposed characterized by heavy reliance on imports (particularly food and energy), weak foreign currency reserves, and deteriorating living conditions driven by currency depreciation and high inflation. These conditions create fertile ground for rapid and significant war-related impacts, especially if the conflict persists over a longer period.

Below, we outline the channels of cascading effects, or interconnected impact loops, of the war on the Yemeni economy:

First Loop: Energy and Fuel Prices

Energy prices represent the first and most immediate channel of impact. Yemen relies heavily on imported petroleum products, except for limited domestic production covering parts of Marib and Hadhramout.

Recently, the cost of fuel imports for electricity generation in Aden declined from approximately $40–50 million per month to about $20 million, due to partial reliance on oil supplied by PetroMasila in Hadhramout. However, the erupted war in the region is likely to reverse this reduction if global oil prices remain around $110 per barrel.[11]

The impact of rising energy prices is inherently cascading. Fuel is not a final good; it is a key input for multiple sectors, including transportation, electricity, water, storage, industrial operations, and food production. World Bank estimates indicate that energy-importing economies will face rising import bills and increased inflationary pressures. Oil prices surged sharply during March, with Brent approaching $113 per barrel and expected to rise further if hostilities resume after the current truce.

Data obtained by the SEMC confirm that the war's impact on Yemen, particularly through shipping, energy, and insurance, is significant. The rise in oil prices to the $100–120 range directly increases import costs. While Yemen had reduced its fuel bill for electricity in Aden through PetroMasila oil, these gains are now at risk. Thus, war not only imposes new burdens but also reverses recent progress in reducing energy costs, which constitutes a major component of public expenditure.

Second Loop: Maritime Shipping and Supply Chains, Rising Costs and Route Changes

Shipping costs to Yemeni ports have increased significantly since the outbreak of the war due to the imposition of "War Risk Surcharge" fees ranging between $2,000 and $3,000 per container (20- or 40-foot), in addition to higher fuel costs.

For example, the cost of shipping a 20-foot container from China to Aden increased from approximately $2,500 before the war to $5,000–$6,000 afterward (including insurance), representing an increase of 100%–120%.[12]

The impacts extend beyond price increases to include:

1. Significant delays in shipment arrivals
2. Pressure on inventory levels, especially for containers stuck in transit ports
3. Additional war-related charges
4. Increased storage and delay fees (Demurrage & Detention)
5. Changes in shipping routes
6. Financing difficulties due to longer capital lock-up periods and higher insurance costs

According to Yemeni business testimonies, shipments are now routed through intermediary ports before reaching Yemen. This aligns with documentation from COSCO indicating that some shipments are transported from Abu Dhabi or Jebel Ali overland to Sohar (Oman), then shipped to Aden or Mukalla via feeder vessels. This process adds costs of up to $8,500 per 40-foot container, in addition to storage, transport, and transit fees.[13]

In essence, Yemen is no longer simply a high-cost shipping destination; goods now arrive through indirect and multi-stage routes. Instead of costs being limited to freight, insurance, and handling, additional layers now include unloading at intermediary ports, storage, land transport, reloading, feeder vessel costs, and increased transport risks.

Third Loop: Shipping Crisis and Rising Market Prices

The first and second loops feed directly into price increases in Yemeni markets. Final consumer prices are shaped by four main factors:

1. Shipping and insurance costs
2. Re-routing of maritime shipments
3. Exchange rate fluctuations
4. Domestic fuel and transport costs, along with risk and profit margins

For example, COSCO's re-routing fee of $8,500 for a 40-foot container, assuming a load of 20–25 tons, translates to an additional $340–$425 per ton before accounting for storage and domestic transport. When converted into Yemeni rials and combined with fuel, logistics, fees, and risk margins, the final price increase for essential goods is expected to range between 15% and 35% in the short term, depending on the type of goods.

These estimates align with WFP projections, which indicate that current disruptions are adding 15%–25% to supply costs, with additional charges reaching up to $200 per metric ton in some humanitarian cases.[14]

Fourth Loop: Import Bill Pressures and Foreign Currency Demand

The war's impact extends to foreign currency demand, remittances, and external aid, especially if the conflict intensifies and affects Gulf economies.

Rising shipping, insurance, and fuel costs require Yemeni importers to secure larger amounts of foreign currency to import the same volume of goods. In an economy already suffering from weak revenues, limited reserves, and inflationary pressures, this leads to increased demand for US dollars, further depreciation of the local currency, and rising inflation.

Thus, the crisis evolves beyond a shipping issue into a balance of payments crisis, driven by higher import costs, declining remittances, and reduced external aid. These factors collectively place additional pressure on the exchange rate.

This occurs in a context where the economy is structurally incapable of absorbing shocks. Increased insurance premiums, compliance costs, and delays burden importers, banks, and shipping companies, while also encouraging greater reliance on the parallel market, an issue the Aden-CBY has been attempting to address through import financing mechanisms.

Fifth Loop: Remittances from the Gulf and External Aid

Remittances from Yemeni expatriates, particularly in Gulf countries, are a cornerstone of economic stability, representing a vital source of foreign currency and household income.

According to World Bank data, remittances reached approximately $3.7 billion in 2023, while broader estimates (including informal channels) suggest total flows may exceed $7.4 billion annually, reflecting the true scale of these financial inflows. Remittances are no longer just household income; they are a key pillar of the balance of payments, exchange rate stability, and import financing. This makes Yemen highly vulnerable to external shocks affecting Gulf economies, financial restrictions, or geopolitical disruptions.

If the war continues and impacts Gulf economies, Yemen will be indirectly but significantly affected. This also extends to Gulf support, particularly from Saudi Arabia, which plays a critical role in financing salaries, covering budget deficits, and maintaining minimal economic stability.

At the same time, the war is likely to reduce international aid flows, as donor attention shifts and operational costs increase, ultimately reducing the volume and effectiveness of assistance reaching vulnerable populations.

Sixth Loop: Liquidity and Supply Chains

From the early days of the escalation, Yemen's private sector has been among the most affected, not only due to higher shipping and insurance costs, but also due to disruptions and delays in supply chains.

War risk fees, route changes, and reliance on indirect transport models have extended shipping times and increased costs related to delays, storage, and re-shipment. This has placed significant pressure on liquidity and working capital.

The issue is no longer just higher container costs, but the prolonged period during which capital remains tied up before generating revenue. Longer transit times and intermediary handling mean upfront payments remain frozen while additional costs accumulate, severely straining operational liquidity, especially for smaller firms.

Private sector reports indicate that the crisis has quickly evolved from a logistical disruption into a financing challenge. Extended shipping times freeze capital, higher costs increase demand for foreign currency, and uncertainty tightens credit conditions. As a result, the real cost of imports now includes direct costs, time costs, and risk premiums, raising prices even before profit margins are added.

These pressures have affected inventory management and import behavior. Companies are reducing quantities, delaying shipments, or restructuring orders based on financing capacity. While shortages have not yet fully materialized, these dynamics create latent vulnerability.
In such an environment, markets tend to become more concentrated: financially stronger firms absorb shocks, while smaller firms risk partial or total exit. This leads to higher pricing margins and reduced competition, reshaping market structures over the medium term.

Although supply bottlenecks are not yet severe, partly due to seasonal stock accumulation before Ramadan Month, this situation is temporary. If war persists, current vulnerabilities may evolve into real shortages, rising costs, and liquidity crises, potentially causing business failures and shifting the crisis from cost shock to a supply shock.

Seventh Loop: The Houthis and Escalating Risks

The Houthis' announcement of involvement in the war in support of Iran represents one of the most dangerous developments. This move risked turning Yemen from a country affected by the war into an active part of it.

Although Houthi group involvement has so far been limited to launching missiles and drones toward Israel, concerns remain about potential escalation, particularly the possibility of disrupting navigation through the Bab al-Mandab Strait.
If the conflict expands to this critical maritime chokepoint, the consequences would be severe, including:

- Increased war risk classifications for Yemeni ports
- Higher insurance premiums
- Suspension of some shipping lines
- Further re-routing of goods
- Additional cost increases

Such developments would impose direct economic costs on Yemen, exacerbating the humanitarian crisis and creating serious disruptions in commodity availability, especially given that the country relies on imports for approximately 90% of its needs.

Future War Scenarios and Implications

Scenario One: Truce and Containment of the Crisis

This scenario assumes the success of the current truce between the United States and Israel on one side, and Iran on the other, along with a gradual restoration of maritime navigation through the Strait of Hormuz and a gradual decline in energy prices, paving the way for serious negotiations between the parties.

Under this scenario, the impact of the current war is expected to persist in several areas, including:

1. Continued elevation of fuel prices and some imported goods
2. Moderate increases ranging between 10% and 20% for certain import-sensitive commodities
3. Ongoing pressure on the import bill and exchange rate, though at manageable levels
4. Continued insurance costs and risk-related surcharges on goods, but for a limited period

Scenario Two: Resumption and Expansion of the War

This represents the worst-case scenario, involving the renewal of the war and its expansion to include the Bab al-Mandab Strait and the Red Sea. It assumes that hostilities resume with greater intensity, particularly if no agreement is reached and each party regains momentum and reorganizes for a prolonged and decisive conflict.

In such a scenario, it is highly likely that the Houthi group would become directly involved in the conflict and intensify its operations in the Red Sea and the Arabian Sea.

The consequences of this scenario would be severe, including:

- Price increases in Yemen estimated between 30% and 70% for certain goods
- Supply shortages of some commodities
- Higher prices for petroleum products
- Reduced funding for humanitarian operations
- Decline in remittance inflows from expatriates

Potential Opportunities for Yemen

Despite the negative cascading effects of the war, ultimately impacting food, medicine, and basic living needs, it simultaneously opens potential windows of opportunity that could be leveraged as economic and strategic gains. However, realizing these opportunities requires serious commitment from decision-makers, supported by political will, appropriate policy decisions, and responsive institutional and administrative frameworks.

Below are some potential opportunities:

Repositioning Yemen as an Alternative Route for Gulf Energy Exports

The current war has revived earlier discussions regarding alternative export routes to bypass the Strait of Hormuz for transporting oil to the Red Sea and the Arabian Sea.

Saudi Arabia's existing alternative pipeline to the port of Yanbu on the Red Sea has served as an important outlet, with a capacity of up to five million barrels per day. However, this and other alternative routes remain insufficient to fully compensate for disruptions in the Strait of Hormuz.

The ongoing conflict and repeated strikes by Iran in the region highlight that such risks are not temporary, making the development of alternative routes for exporting oil, gas, and goods increasingly urgent.

In this context, Yemen emerges as a potential strategic option for future energy export corridors, either through pipelines or through the development of export ports and logistics infrastructure connected to the energy sector.

This idea is not entirely new; previous analyses have pointed to long-term Saudi interest in securing a direct outlet to the Arabian Sea via eastern Yemen to reduce reliance on Hormuz. However, this opportunity requires conditions that ensure equitable partnerships, resolution of ongoing conflicts, and the existence of institutional capacity capable of managing large-scale strategic projects.

Enhancing Yemen's Geo-Economic Importance

Despite Yemen's economic deterioration, political fragmentation, and collapsing infrastructure, the current war has highlighted its significant geo-economic value due to its strategic location overlooking the Red Sea and the Arabian Sea.

This positioning could enable Yemen to become a central node in global trade and energy routes. However, capitalizing on this opportunity requires a strategic shift by Yemeni decision-makers, including rethinking national development strategies in light of this geographic advantage, especially given Yemen's proximity to Africa.

In essence, Yemen's geo-economic importance, while currently a source of external pressure, competition, and geopolitical tension, can be transformed into a valuable opportunity if there is sufficient political will and sovereign decision-making.

Potential Decline in Iranian Support to the Houthis

The anticipated strain on Iran resulting from the war, both financially and militarily, could reduce its capacity to sustain regional proxy support at previous levels, including support to the Houthis.

While the Houthis have received technical, military, and logistical support over the years and possess substantial local revenue sources enabling prolonged resilience, a weakened Iran focused on internal recovery may limit its external engagements.
This scenario depends on several factors, including the nature of any future agreement between the United States and Iran, the internal political structure in Iran, and its ability to recover from the war while maintaining its long-standing policy of regional influence.

Yemen Government's Position in Regional Energy Security Dynamics

The current crisis has drawn global attention to the importance of alternative energy routes and maritime security in the Middle East. This increases Yemen's potential negotiating leverage, provided it can assert itself as a credible actor in regional stability frameworks.
Although Yemen currently suffers from complex crises and remains largely absent from global strategic discussions, the ongoing conflict underscores its potential importance as a key state overlooking both the Red Sea and the Arabian Sea.

However, benefiting from this opportunity depends on resolving urgent internal challenges, including restoring state authority, achieving political and security stability, and establishing a legitimate government capable of engaging in negotiations and presenting a clear framework for regional maritime security cooperation.

Recommendations

The paper demonstrates that the U.S.–Israeli–Iranian war is no longer merely an external regional development for Yemen; rather, it has evolved into a compound economic shock that is already affecting energy costs, maritime shipping, supply chains, liquidity, exchange rates, remittances, and household purchasing power. It is hoped that these effects will remain contained under the current truce.

The danger of this shock lies in the fact that it is directly impacting on an economy already characterized by structural fragility, weak reserves, institutional and monetary fragmentation, and heavy dependence on imports, external aid, and remittances.

The findings of this paper show that the impact of the war does not follow a linear or direct path, but rather operates through interconnected cascading channels, starting with disruptions in energy and maritime transport, then moving to the import bill, increasing demand for foreign currency, and eventually affecting prices, inflation, and food security.

In the context of ongoing uncertainty, rising risk costs, and slowing supply chains, there is an urgent need for a practical response that goes beyond short-term reactions. Such a response should aim to contain the shock, limit its transmission to markets and society, and strengthen the economy's ability to adapt.

Accordingly, these recommendations should be viewed as a set of urgent and realistic priorities aimed at minimizing losses, securing essential imports, stabilizing markets, and protecting the most vulnerable populations. Their implementation requires coordination among the government, the Central Bank, the private sector, and donors.

First: The Yemen' IRG and the Aden-CBY

The IRG's crisis management entity should announce an emergency program to mitigate the economic impacts of the war, accompanied by regular meetings to monitor developments and respond promptly.

1. The Import Financing Committee should develop a selective and transparent mechanism for prioritizing essential imports (food, fuel, medicine), especially in the event of renewed conflict, to ensure limited resources are directed toward sectors critical to food security and social stability.
2. Enhance monetary transparency by publishing regular data on foreign currency allocations, particularly those used for fuel imports, along with operational reserves and the structure of imports, in order to reduce uncertainty and limit
3. speculation.
4. Develop an early warning system to monitor price movements and supply chains, linked to rapid intervention mechanisms to prevent shocks from translating into market shortages or unjustified price increases. This can be managed through a government crisis management committee in coordination with relevant ministries.
5. Improve fiscal and monetary policy tools to avoid excessive pressure on the exchange rate and introduce measures to rationalize demand for foreign currency.

Second: Ministry of Transport

- Establish an operational platform to monitor shipping costs, insurance rates, transit times, and shipping routes, enabling decision-makers to respond quickly and reduce the shock to imports.
- Engage in negotiations with shipping lines to reduce additional fees and address logistical challenges.
- Develop solutions to mitigate rising insurance and war-risk premiums, including reviving the concept of an insurance risk support fund that had been previously discussed.
- Reduce port handling and clearance times to lower domestic costs and limit the impact of rising international costs.
- Review port fees and services to ease the burden on importers, particularly if the war resumes and continues over an extended period.

Third: Ministry of Industry and Trade

- Establish a mechanism to monitor strategic commodity stocks, linking them to shipping times and import costs to anticipate shortages before they occur.
- Develop data-driven monitoring systems to track the gap between import costs and retail prices, ensuring that price increases are justified and preventing monopolistic practices or unjustified inflation.
- Activate effective anti-monopoly and anti-speculation measures by targeting inefficiencies in distribution chains, without disrupting the natural flow of goods, in coordination with chambers of commerce and private sector organizations.
- Require major importers to provide regular disclosures on stock levels and pricing to enhance transparency and reduce market uncertainty.
- Establish a market emergency room to monitor expectations and communicate effectively with the public, helping to curb panic buying behaviors that can amplify shocks, especially in the event of prolonged conflict.

Fourth: The Private Sector

- Establish a joint operations room with government entities to exchange real-time information on shipping conditions, costs, and bottlenecks.
- Diversify suppliers and logistics routes, reducing reliance on high-risk corridors.
- Restructure inventory strategies to balance storage costs with the risk of supply disruptions.
- Develop financial risk management tools, including diversification of financing sources and reduced exposure to exchange rate volatility and logistics costs.
- Enhance transparency and coordination among firms to avoid risk overpricing and contribute to overall market stability.

References

1)"How the War in the Middle East Is Affecting Energy, Trade, and Finance", International Monetary Fund (IMF), March 30, 2026.
https://www.imf.org/en/blogs/articles/2026/03/30/how-the-war-in-the-middle-east-is-affecting-energy-trade-and-finance

2) "Economic Monitor", World Bank, Fall 2025.
https://documents1.worldbank.org/curated/en/099603311122530091/pdf/IDU-9d206bab-c565-4ec7-bc19-914509bc0cdc.pdf

3) "Middle East Operational Update", Maersk, March 3, 2026.
https://www.maersk.com/news/articles/2026/03/03/middle-east-operational-update-3-maersk-march

4) Documents obtained by the researcher, consisting of correspondence between shipping companies and Yemeni traders, dated March 28, 2026.

5) "How the War in the Middle East Is Affecting Energy, Trade, and Finance", previously cited reference.

6) Reuters report on global oil prices, March 30, 2026.
https://www.reuters.com/business/energy/oil-prices-jump-after-yemeni-houthis-attack-israel-widening-iran-conflict-2026-03-29/

7 Reuters report on rising maritime insurance premiums, March 6, 2026.
https://www.reuters.com/world/middle-east/maritime-insurance-premiums-surge-iran-conflict-widens-2026-03-06/

8) Reuters report on maritime insurance premiums, previously cited reference.

9) World Bank report, previously cited reference.

10) "Yemen: Looking Beyond Today's Hunger Crisis", World Food Programme (WFP), September 22, 2022.
https://www.wfp.org/stories/yemen-looking-beyond-todays-hunger-crisis

11) Official sources at the Central Bank of Yemen interviewed by the researcher.

12) Interview conducted by the researcher with authorities responsible for Yemeni ports.

13) Document obtained by the researcher bearing the logo of COSCO, containing the referenced material.

14) "Global Disruptions in Supply Chains Are Driving Tomorrow's Hunger Crisis", World Food Programme (WFP).
https://www.wfp.org/news/global-disruptions-supply-chains-are-driving-tomorrows-hunger-crisis

The **Studies & Economic Media Center (SEMC)** is one of Yemen's leading civil society organizations. Established in 2008, SEMC has extensive experience in promoting good governance, transparency, civic participation, evidence-based advocacy, media development, and the economic and social empowerment of youth and women.

SEMC seeks to contribute to improving Yemen's economic system by making it more transparent and equitable. It works to advance the principles of transparency, good governance, and citizen participation in decision-making; support the development of a free, professional, and independent media sector; strengthen the economic and social empowerment of women and youth; and mitigate the impact of conflict on development pathways while contributing to sustainable peace.

Yemen - Taiz - Wadi Al Dahi St.

00967 -4- 239206

www.economicmedia.net

economicmedia@gmail.com

@Economicmedia

Economicmedia