

# The Growth and Development of Republic of Yemen

## Abstract

This research paper included a brief history of Yemen's strategic location. It also covers the geographic location of Yemen. It also provides the data in terms of income during 2001 to 2012.

This paper considers the natural wealth of Yemen like oil, gas sectors, fisheries and industrial sector, tourism and foreign investment.

It also focuses on the financial activity of the bank during the years 2001-2012.

**Keywords:** Republic of Yemen, Yemen Economy, Products of Yemen, Indicators, Population, Yemen Political and Economic.

## Introduction

### Historical Background

Yemen is one of the oldest centers of civilization in the Middle East, its relatively fertile land and adequate rainfall helped sustain a stable population, the Greek geographer, Ptolemy, described this feature of Yemen as 'Eudaimon Arabia' (better known in its Latin translation, Arabia Felix) meaning "fortunate Arabia" or "Happy Arabia".

The Yemen civilization reached a high degree of sophistication, through dissemination of knowledge, extending the arteries of commerce between the old East and West and contributing to the prosperity of human civilization this is evident in archaeological & scientific research.

In the field of architecture, the people of Yemen have a long tradition in constructing dams, temples, palaces and designing the irrigation system. The example of this kind of contribution is the designing and construction of the great Marib dam which has drastically inverted the desert into fruit bearing gardens. This is a great architectural contribution in the development of Yemen.

First thousand years of history of Yemen shows the emergence of political entities along the outskirts of Yemen and the eastern valleys, where successive civilizations (Saba, a certain, Qataban, Hadramout, Osan and Himyarite). Is clearly visible. The museums of Yemen are the good collection the items of antiquity and like, statues and pots of silver gold and copper, which display the antique art and skills.

During seventh century, Yemen embraced of Islam, Yemen produced conquerors, missionaries, scientists, industry experts and construction designing. The progress of Yemen ended with the occupation of the northern part of Yemen by Ottoman rule in 1539 AD, which got rid of in 1635, again in 1872; Yemen came under the Ottoman power which was again thrown out by the Yemen people in 1918. Since then up to September 26, 1962, Yemen remained the northern part of Yemen, under the Imamate rule.

The southern part of Yemen was under the British colonialism since Aden is occupation of 1839. The part got freedom on October 14; 1963. The announcement of the unification of Yemen was signed on May 22, 1990. One to this agreement Yemen came to be called a unified national entity which gave rise to the new era in Yemen for overall development of both the regions. (Wikipedia, Al yemen, 2015)<sup>1</sup>



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**Geography**



**Intelligence, 2015<sup>2</sup>**

**Location**

Yemen is located in the south-west of the continent of Asia, in the south of the Arabian Peninsula, is bounded on the north by Saudi Arabia to the south by the Arabian Sea, the Gulf of Aden to the east by Oman, to the west of the Red Sea. Number of Yemeni islands off its coast are spread along the Red Sea, the Arabian sea and the largest of the islands of Socotra Island lie on the coast of Yemen on the Arabian sea, it distance of approximate 150 kilometers.

**Capital**

The City of Sana'a is the capital of the Republic of Yemen (service, 2015)<sup>3</sup>

**Size**

Yemen has an area of 527,970 square kilometers

**Society**

According to the recent records of the General Census of Population and Housing, the population of Yemen is approximately 25.4 million people with an estimated proportion of the population living in cities is 27.3%, and that of living in rural area

is 73.7%. The percentage of establishment people is 24.527 million people in 2012, represents the ratio of 50.9% males (12.485 million) and of female 49.09% (12.042 million people) of the total population. In light of the growth rate, the population is expected to be 3.7% of the present population by 2025. It will be 38 million people by that time where the average number of persons per household is 7.2 & the average number of people per dwelling 7.1 members. The average age of 75% of population is less than 30 years & 46% of them are less than 15 years of age. In spite of the continuing population growth rate, life has not changed. Life expectancy for men is 62 years compared with of 65 years for women. 28.85% of the population in cities compared to 71.15% in rural areas. The rate illiteracy is about 38.8%. The population density is about 40 persons per square kilometer. The fertility rate is 6.5 children per woman. The infant mortality rate is 68.29 per thousand births, crude death rate 8.10 per thousand live for a year. The crude birth rate is of 35.90 per thousand lives. (Wikipedia, Al Yemen, 2015).<sup>4</sup>

**Economic**

The economy of Yemen is based on market mechanisms. The private sector also contributes equally to the economy of Yemen so as to redefine the role of the state in economic activity. Hence, the role of the state becomes corrective and supervisory. The state works to establish the rule of law & institution building and remove the obstacles which face the private sector. The state also ensures to secure economic stability & encourage the private sector to do the lead role in the development & economic growth process through a set of financial policies & administrative measures. The state takes action to strengthen the market mechanism and encourage free trade the state works on the revision of tax and customs, investment and judicial legislation to the overall investment climate improvement. In addition to the privatization program designed to expand the areas of economic activities & attract national and foreign capital.

**Table 1**  
**The Most Important Macroeconomic Indicators (NIC, 2014)<sup>5</sup>**

<b>Index</b>	<b>Years</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
Gross domestic product (Billion riyals)	YER	4,495	5,099	6,072	5,772	6,843	6,714	34,995
	%	12.84	14.57	17.35	16.49	19.55	19.19	100
Gross domestic product (Billion riyals)	YER	22.59	25.52	29.93	26.29	32.01	31.4	167.74
	%	13.47	15.21	17.84	15.67	19.08	18.72	100
Total final consumption (billion riyals)	YER	4,036	4,837	5,108	5,786	5,518	6,408	31,693
	%	12.73	15.26	16.12	18.26	17.41	20.22	100
Domestic savings (billion riyals)	YER	1,063	1,234	664	1,057	1,196	628	5,842
	%	18.20	21.12	11.37	18.09	20.47	10.75	100
Total investment (billion riyals)	YER	1,378	1,534	1,246	1,451	1,307	1,695	8,611
	%	16.00	17.81	14.47	16.85	15.18	19.68	100
National Income (billion riyals)	YER	4,792	5,719	5,484	6,536	6,300	7,408	36,239
	%	13.22	15.78	15.13	18.04	17.38	20.44	100
National Income (US \$ billions)	\$	24.09	28.63	27.03	29.76	29.47	34.65	173.63
	%	13.87	16.49	15.57	17.14	16.97	19.96	100
Average per capita GDP (US \$)	\$	1,131	1,288	1,197	1,253	1,191	1,264	7,324
	%	15.44	17.59	16.34	17.11	16.26	17.26	100
Average per capita gross national product (YR)	YER	224,980	257,288	242,901	275,191	254,564	270,273	1,525,197
	%	14.75	16.87	15.93	18.04	16.69	17.72	100

Yemen has been one of the promising countries which has important economic & natural resources where much of the wealth and many riches that have not been exploited economically are available, especially in the field of various mineral resources such as oil, gas and minerals, in addition to fish, although the GDP rate is declined. GDP at current prices reached (-3%) which was (-15%) at constant prices in 2011.the average.

#### The Agricultural Sector

The cultivated area in the Republic of Yemen, representing 90% of the total arable area. The agriculture sector contributes between (5% -10%) of the value of GDP. The agricultural sector is the most economic sectors inclusive of labor which absorbs about 54% of the total workforce & a source of income for more than 70% of the population.

#### Oil

The oil sector is one of the fundamental productive sectors in Yemen. Concentrated exploitation of oil resources in a number of governorates including provinces of Marib,Shabwa and Hadramout, contribute to this sector by between (30% -40%) of the value of GDP, contributes more than 70% of the state budget revenues, represents more than 90% of the value of Yemeni exports (Wikipedia, Yemen's economy, 2015).<sup>6</sup>

#### Fish

Fisheries sector is one of the important sectors in economy of Yemen. In fact, Yemen owns a coastal strip with a length of more than 2000 km, stretching across the Red Sea, Gulf of Aden, the Arabian Sea & the Indian Ocean also littered the islands & bays, creating the existence of a favorable environment for fish & marine life of more than 350 species. This is what strengthens the importance of this promising sector in the future as a major source of food. It is an important source of development & support and one of the main sources of employment. (Wikipedia, Yemen's economy, 2015)<sup>7</sup>

#### Industry

Industry is one of the main components of the national economy &which contribute between 10-15% with the exception of the oil industry. In terms of

the contribution of these industries in GDP, food industries is ranked first and then the construction industry including cement, tobacco and metal products. (Wikipedia, Yemen's economy, 2015)<sup>8</sup>

#### Tourism

Yemen terrain has a variety of stunning map of normal comprehensive, combining the plains, mountains and towering bottoms, fertile valleys, hills and plateaus, beaches, desert. The country has climate of a diverse coastal and desert mountain that reflected the diversity of the land and climate. In the cultural diversity of people, social habits & fashions form popular heritage for the people. Even the archaeological divesting has given unique significance to each region.

Tourism in Yemen is the most promising sectors. Yemen is the cradle of civilization and possesses a tourist variety such as history, archeology, cultural heritage, natural ingredients making it a distinctive tourist country. (Wikipedia, Yemen's economy, 2015)<sup>9</sup>

#### Foreign Trade

Depending on variables which occur each year in teams of exports & imports, the overall value of Yemeni exports rose from 753 billion riyals in 2004, 1514 billion riyals in the year 2012. The oil exports are more than 70% of total exports of Yemen followed by fish and agricultural crops. Contrast to this, the value of Yemeni imports of 736 billion riyals rose in 2004, 2069 billion riyals in the year 2011. Diesel imports are at the forefront of imports followed by wheat & gasoline in the first place in the list of Yemeni imports in the year 2012. Among the biggest exporters of the Republic of Yemen (China, Emirates, Saudi Arabia, Kuwait, India, the United States and Kuwait), the main importing countries of the Republic of Yemen (China, Thailand, Emirates, India & South Korea), By the year 2012 statistics. (Wikipedia, Yemen's economy, 2015).<sup>10</sup>

In terms of the most important of all exported goods: oil crops fish comes, either in terms of imported goods, the most important of which are: Diesel Oil wheat gasoline and transportation.

**Table 2**  
**Showing Exports and Imports and Trade Balance (NIC, 2014).<sup>11</sup>**

<b>Years</b>	<b>Year</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Total</b>
<b>Statement</b>									
Exports (billion riyals)	No	1316	1256	1519	1270	1457	1524	1515	9857
	%	13.35	12.74	15.41	12.88	14.78	15.46	15.37	100
Percentage of GDP	No	29.3	24.6	25	22.3	21.3	22.7	21.52	166.72
	%	17.57	14.76	15.00	13.38	12.78	13.62	12.91	100
Total imports (billion riyals)	No	11961	1693	2087	1861	2095	2037	2421	24155
	%	49.52	7.01	8.64	7.70	8.67	8.43	10.02	100
Percentage of GDP	No	26.6	33.2	34.4	32.6	30.61	30.34	34.41	222.16
	%	11.97	14.94	15.48	14.67	13.78	13.66	15.49	100
Trade balance (billion riyals)	No	119	437-	568-	591-	-637	-514	-907	-1477
	%	8.06-	-29.59	-38.46	-40.01	-43.12	-34.80	-61.40	100

#### Financial and Banking Activity

The Yemeni government has adopted fiscal, monetary policies to curb inflation & reduce the overhead of the state. In order to do this; the government of Yemen has removed the subsidies on basic commodities & has adopted a monetary policy with a view to being stability to the riyal against other

currencies. At the same time, the Central Bank also has adopted certain procedures to maintain stability in national economy such as dealing in foreign exchange and treasury bills which is considered one of the main tools to soak up liquidity, reduce money supply, growth & inflation rate. The central bank of Yemen conducts of monetary policy to meet the

requirements of national economy. It has the full autonomy in controlling supervision the banking system. (CBY, 2011)<sup>12</sup>

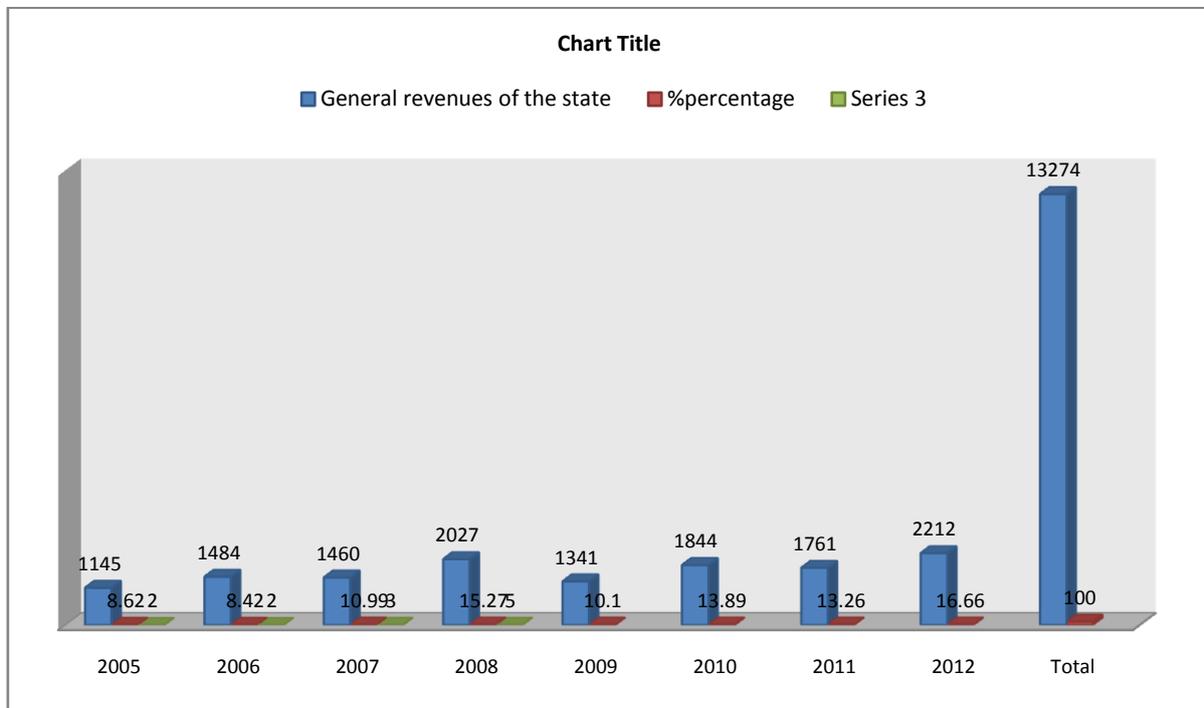
This sector witnessed development in financial and monetary teams. There is an increase in public revenues of the state of 599 billion riyals in the year 2000, 1720 billion riyals in 2011. General expenses of the state have grown from 502 billion riyals in the year 2000 , 2058 billion riyals in the year 2011 which represents the current expenditures of more than (73-87%) of the total public expenditure while representing capital & investment expenditure ratio ranging between (13-15%) of total public expenditure.

As for the banking activity, the number of commercial banks to reached (20) banks, including the Central Bank of Yemen. (1) Central Bank,(12) commercial banks, (7) Islamic banks in its branches in various provinces where the number of subsidiaries of these banks reached to (278) branches by the end of 2011. The banking activity has grown cash offer

size of 599 billion riyals in the year 2000 , 2756 billion riyals in the year 2012. There is growth of the deposits observed in local currency rate which was (55.4%) while the growth of the deposits in foreign exchange rate was (44.6%) of the total deposits in 2012.

**Table 3**  
**The Most Important Fiscal and Monetary Indicators (in Billion Riyals) (NIC, 2014)<sup>13</sup>**

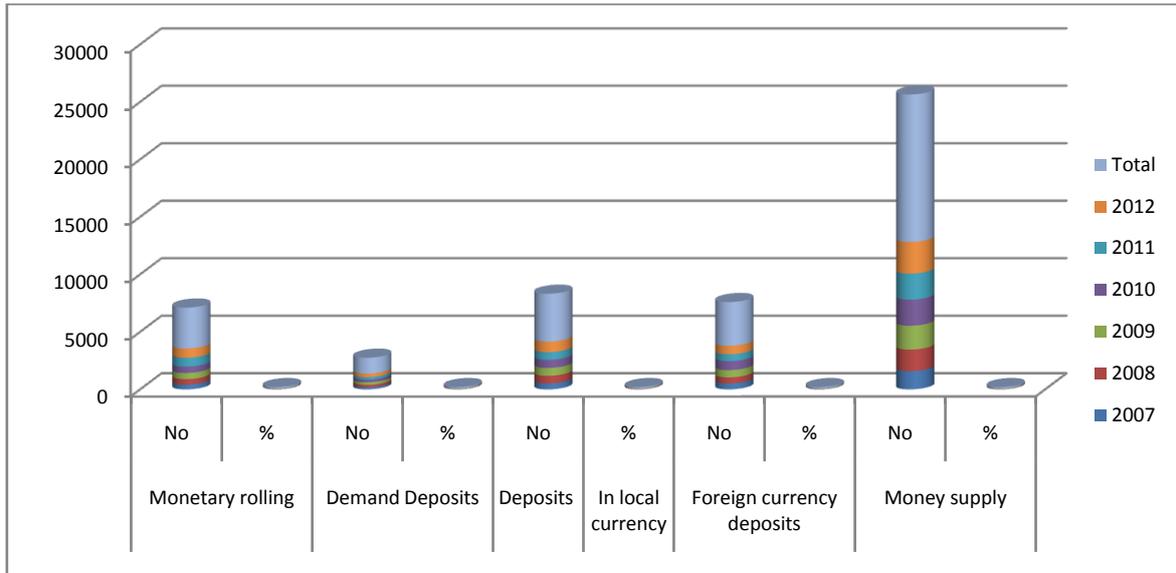
Statement	General Revenues of the state	% Percentage
2005	1145	8.62
2006	1484	8.42
2007	1460	10.99
2008	2027	15.27
2009	1341	10.10
2010	1844	13.89
2011	1761	13.26
2012	2212	16.66
Total	13274	100



\* Actual initial

**Table 4**  
**The Most Important Monetary Indicators (in Billion Riyals) (NIC, 2014)<sup>14</sup>**

Statement	Year	2007	2008	2009	2010	2011	2012	Total
Monetary rolling	No	426	472	532	547	777	803	3557
	%	11.98	13.27	14.96	15.38	21.84	22.58	100
Demand Deposits	No	188	208	226	239	215	301	1377
	%	13.65	15.11	16.41	17.36	15.61	21.86	100
Deposits In local currency	No	521	662	687	703	672	915	4160
	%	12.52	15.91	16.51	16.90	16.15	22.00	100
Foreign currency deposits	No	516	535	630	778	602	737	3798
	%	13.59	14.09	16.59	20.48	15.85	19.40	100
Money supply	No	1586	1877	2075	2267	2267	2756	12828
	%	12.36	14.63	16.18	17.67	17.67	21.48	100



**Table 5**  
**Development of banking in Yemen (NIC, 2014)<sup>15</sup>**

S. No	Bank Name	Establishing Date	The Main Center	Paid-up Capital (in millions of Riyals)	Capital ownership		Number of Branches
					The Destination	Percentage	
1	Yemen Bank for Reconstruction and Development	1962	Sana'a	9500	Private, public	%49 Private %51 public	41
2	National Bank of Yemen	1969	Aden	9000	Public	%100	29
3	Central Bank of Yemen	1971	Sana'a	6000	Public	%100	22
4	United Bank	1972	Sana'a	6016	Foreign	%100	3
5	Arab Bank	1972	Sana'a	6000	Foreign	%100	10
6	Calyon Finance and Investment Bank	1975	Sana'a	6000	Foreign	%100	5
7	Bank lending for housing	1977	Sana'a	200	Public, Private	Private %97.3 public %3	2
8	Yemen and Kuwait Bank	1979	Sana'a	6000	Private	%100	10
9	International Bank of Yemen	1979	Sana'a	2400	Private, Foreign	%79.6 private %20.4 foreign	11
10	Rafidain Bank	1982	Sana'a	6268	Foreign	%100	1
11	Agricultural Cooperative Credit Bank	1982	Sana'a	9000	Public, Private	%1 private %99 public	47
12	Yemen Commercial Bank	1993	Sana'a	6927	Private, public	%90 Private %10 public	14
13	Islamic Bank for Finance	1995	Sana'a	3780	Private, Foreign, public	73.5% private, 22.0% foreign, public 4.5%	5
14	Islamic Solidarity Bank	1996	Sana'a	20000	Private, foreign	Private 96.7%, 3.3% public	22
15	Saba Islamic Bank	1997	Sana'a	7473	Private, foreign	private 85% 0.15% foreign	14
16	Yemen and the Gulf Bank	2001	Sana'a	1250	Private, public, Foreign	%77 private %1 public %22 Foreign	2

17	Comprehensive Yemen and Bahrain Bank	2002	Sana'a	6000	Private, foreign	%57 private %43 foreign	10
18	Qatar National Bank	2007	Sana'a	6000	Foreign	%100	1
19	Amal Microfinance Bank	2010	Sana'a	1533	Government, Private, foreign	Government %45 Private %20 foreign %35	6
20	Kuraimi Bank Microfinance Islamic	2010	Sana'a	1000	Private	%100	4

**Conclusion**

The economy of Yemen is focused on various sectors including the agricultural sector, the petroleum sector, the fisheries sector, the industrial sector and the tourism sector. The statistics showed a marked increase in the important Indicators of economy during 2003 to 2012. Statistics in a marked increase in the past in terms of: GDP, there is increase in GDP, total final consumption, total investment & the average national income per capita.

So far as the agricultural sector in the Republic of Yemen, 90% of the total arable area contributes to agricultural which is between (5% -10%) of the value of GDP. The agricultural sector is the most comprehensive of the economic sectors where labor absorbs about 54% of the total workforce & a source of income for more than 70% of the population of the Republic of Yemen.

The oil sector is one of the main productive sectors. exploitation from concentrated oil resources in a number of provinces contributes between (30% - 40%) of the value of GDP. it contributes more than 70% of the state budget revenues & also represents more than 90% of the value of Yemeni exports.

Fisheries sector is one of the important sectors in the economy of Yemen & it is also one of the main sources of employment.

Industry is one of the key components of the national economy of Yemen which contributes between 10-15% in the national income, exchanging oil industry.

One available data on the tourism sector indicate the existence and expansion in tourist facilities in Yemen. One can find the growth in the number of hotels & even in the paying capacity of tourist & per night is \$145.

On the level business, Yemen is doing better in its business outside the country. Depending on the variables that occur each year on exports & imports, the increased total value of exports of Yemen 753000000000 riyals in 2004, 1.514 trillion riyals in the year 2012. The oil exports are more than 70% of the total exports of Yemen followed by fish &

agricultural crops. The value of Yemeni imports rose 736 billion riyals in 2004, 2.069 trillion riyals in 2011. It is followed by wheat, diesel fuel & gasoline in the list of Yemeni imports in the year 2012.

The statistics showed banks activities & the ownership between public sector & the private sector.

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