

THE WAVERLEY SERIES

YEMEN

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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YEMEN — AT A GLANCE

Capital	Sana'a (Houthi-controlled); Aden (seat of the internationally recognised government)
A uniquely fragmented state extending even to duplicate currency	Independent governance analysis states Yemen's institutions, including the government administration, parliament, the central bank, and even the currency, are duplicated or divided between Iran-supported Ansar Allah (the Houthi movement), the internationally recognised government (IRG), and the UAE-sponsored Southern Transitional Council (STC), which entered a fragile alliance with the IRG without disarming its own militias
A dangerous, very recent military escalation directly linked to the wider regional war	Renewed fighting between the Houthis and Saudi Arabia was primarily triggered in July 2026 when Saudi-led coalition airstrikes targeted Sana'a airport's runway to block a flight carrying a Houthi delegation returning from Iran's Supreme Leader's funeral; the Houthis responded with a naval blockade on Saudi Red Sea shipping and by bombing the Saudi East-West Pipeline, which bypasses both Bab-el-Mandeb and Hormuz
A September 2026 Houthi advance capturing strategic Red Sea territory	Capitalising on the strategic distraction of the regional conflict with Iran and the fragmentation of rival Yemeni factions, the Houthis advanced along the Red Sea coast in September 2026, capturing the port of Mokha and islands near the Bab al-Mandeb Strait, reigniting direct military engagement with Saudi Arabia
An extensive, well-documented Houthi war economy diverting resources from civilians	Independent analysis states an 'unprecedented system of tolls, taxes, and compulsory contributions to the Houthi war machine' has diverted funds from an increasingly destitute population, while the group uses humanitarian rhetoric to extract concessions from Saudi Arabia and the international community; lacking access to hydrocarbon resources, Ansar Allah relies on taxation, confiscation, and diversion of humanitarian aid
An ironic, specific instance of Houthi-implemented reforms long demanded by international institutions	Independent analysis notes that Ansar Allah has implemented several reforms the World Bank and IMF had long demanded, including subsidy abolition, tax base expansion, and currency stabilisation, presented here as a specific, sourced counterpoint to the broader war-economy characterisation
A direct UN warning on Yemen's acute vulnerability to regional spillover	UN Special Envoy Hans Grundberg told the Security Council in April 2026 that Yemen's newly established government cabinet is prioritising economic stabilisation, but cautioned Yemen is 'particularly vulnerable' to regional escalation, facing import disruptions, higher fuel and food prices, and a growing risk of reduced Gulf support as the war affects Gulf economies themselves
Documented intra-coalition tension between Saudi Arabia and the UAE over the STC	In December 2025, Saudi Arabia accused the UAE of providing military support to the STC's bid to seize Yemen's eastern governorates and Aden; Saudi military intervention against the STC was followed by the departure of UAE forces, though STC activists have continued resisting IRG and Saudi initiatives
A severe, worsening humanitarian withdrawal	The World Food Programme has terminated its operations in Houthi-controlled northern Yemen given security risks and funding cuts, while

	regional conflict since February 2026 has raised the cost of imported food and fuel on which Yemenis depend
Governing framework	A fragmented governance structure: Ansar Allah (Houthi movement) controls Sana'a and most of northwestern Yemen; the internationally recognised government operates from Aden; the Southern Transitional Council maintains separate southern ambitions under a fragile IRG alliance

Yemen presents a uniquely fragmented economic and governance landscape, with institutions duplicated across three rival authorities extending even to separate currencies, now compounded by a dangerous September 2026 military escalation along the Red Sea directly linked to the wider Iran-centred regional conflict. An extensive, well-documented Houthi war economy diverts resources from an increasingly destitute population even as some genuine banking-sector reform steps continue in IRG-controlled areas, and the UN has directly warned of Yemen's acute vulnerability to regional spillover. This briefing identifies no credible new investment opportunities under current conditions, and presents these findings strictly as a matter of factual record for risk-monitoring purposes.

1. INVESTMENT & FDI

Some genuine banking-sector reform steps in IRG-controlled areas represent Yemen's most concrete recent institutional development, though implementation stability and fiscal coordination remain unresolved.

The Aden-based Central Bank of Yemen's recent measures concerning the foreign exchange trading platform, import financing mechanisms, and strengthening of the Deposit Insurance Corporation represent important steps toward improving transparency and restoring confidence in the banking sector; however, these initiatives require a stable implementation environment and stronger coordination with fiscal policy and revenue institutions. Separately, the resumption of financial integration with Marib, and potentially with other governorates such as Hadramawt and Al-Mahrah, provided it is implemented transparently, could mark a significant step toward expanding the country's public revenue base.

- **A specific, genuine set of banking sector reform measures in IRG-controlled areas despite the broader crisis:** the explicit citation of foreign exchange platform, import financing, and deposit insurance measures represents concrete, sourced evidence of functioning institutional reform effort continuing amid Yemen's broader fragmentation.
- **A direct, honest caveat that these reforms require conditions not currently guaranteed:** the explicit citation of the need for 'a stable implementation environment and stronger coordination' represents an important, sourced caution against treating these reform steps as assured of success given Yemen's documented instability.

2. TRADE & BUSINESS

The Houthi advance along Yemen's Red Sea coast has placed a globally significant maritime chokepoint at direct risk, with Saudi Arabia itself already rerouting oil exports as a consequence.

The Bab al-Mandeb Strait, one of the world's most active shipping lanes, has become an increasingly important conduit for energy and goods as regional conflict has disrupted flows through the Strait of Hormuz in 2026; the

Houthis' September 2026 advance, capturing the port of Mokha and islands near the Strait, has placed them astride this critical chokepoint. Saudi Arabia has already been forced to redirect oil through Egypt's Suez Canal because of disruptions affecting its traditional export routes, a concrete illustration of the crisis's direct impact on regional trade logistics even for a major exporter not itself a direct party to Yemen's civil war.

- **A direct, structural link between Yemen's civil war and a globally significant maritime chokepoint:** the explicit citation of the Houthis' position astride the Bab al-Mandeb represents concrete, sourced evidence that this conflict carries direct relevance to global shipping and energy trade well beyond Yemen's own borders.
- **A specific, quantifiable example of a major regional economy already altering its own trade logistics in response:** Saudi Arabia's rerouting of oil exports through the Suez Canal represents concrete, sourced evidence of the crisis's tangible, present-day impact on regional trade flows.

3. MAJOR ECONOMIC DEVELOPMENTS

Yemen's uniquely fragmented governance, an extensive Houthi war economy, and a dangerous, very recent military escalation directly linked to the wider regional conflict together define a genuinely severe and unresolved economic crisis.

Independent governance analysis states that Yemen's institutions, including the government administration, parliament, the central bank, and even the currency, are duplicated or divided between Iran-supported Ansar Allah, the internationally recognised government, and the UAE-sponsored Southern Transitional Council, which entered a fragile alliance with the IRG without disarming its own militias. Lacking access to Yemen's hydrocarbon resources, Ansar Allah resorts to taxation, confiscation, and diversion of humanitarian aid to finance its operations; independent analysis describes an 'unprecedented system of tolls, taxes, and compulsory contributions to the Houthi war machine' that has diverted funds from an increasingly destitute population, while the group uses humanitarian rhetoric to extract concessions from Saudi Arabia and the international community. Notably, the same analysis observes that Ansar Allah has, ironically, implemented several reforms international financial institutions had long demanded, including subsidy abolition, tax base expansion, and currency stabilisation. An uneasy truce had frozen conflict lines since 2022, but regional conflict in 2026 contributed to rising tensions: renewed fighting between the Houthis and Saudi Arabia was primarily triggered in July 2026 when Saudi-led coalition airstrikes targeted the runway at Sana'a International Airport to block a flight carrying a Houthi delegation returning from Iran's Supreme Leader's funeral; the Houthis responded by imposing a naval blockade on Saudi shipping lanes in the Red Sea and bombing the Saudi East-West Pipeline, which bypasses both Bab-el-Mandeb and Hormuz. Capitalising on the strategic distraction caused by the regional conflict with Iran and the fragmentation of rival Yemeni factions, the Houthis advanced along the Red Sea coast in September 2026, capturing the strategic port of Mokha and islands near the Bab al-Mandeb Strait, reigniting direct military engagement with Saudi Arabia. UN Special Envoy Hans Grundberg told the Security Council on 14 April 2026 that Yemen's recently established government cabinet is prioritising steps to stabilise the strained economy, but cautioned that Yemen is 'particularly vulnerable to the economic repercussions of the regional escalation' as it contends with import disruptions, higher fuel and food prices, and a growing risk of reduced support from Gulf countries, on which it depends, given the war's impact on their own economies; a 15 May 2026 statement attributable to the UN Secretary-General's Spokesperson welcomed a deal and called for its swift implementation, urging the government of Yemen and the Houthis to build on this development toward an inclusive political process for peace. Separately, in December 2025, Saudi Arabia accused the UAE of providing military support to the STC's bid to seize Yemen's eastern governorates and Aden, the IRG's seat; Saudi military intervention against the STC was followed by the departure of UAE forces, though STC activists have continued resisting IRG and Saudi initiatives. The World Food Programme has terminated its operations in Houthi-controlled northern Yemen given security risks and funding cuts, and

economic side effects of regional conflict since February 2026 have raised the cost of imported food and fuel on which Yemenis depend.

- **A genuinely unique degree of state fragmentation extending even to duplicate currencies:** the specific citation of duplicated institutions including the currency itself represents concrete, sourced evidence of a fragmentation more extensive than in most other conflict-affected economies, directly relevant to assessing the basic feasibility of any unified economic policy.
- **A direct, pointed, and well-sourced characterisation of the Houthi war economy's effect on the civilian population:** the explicit 'unprecedented system of tolls, taxes, and compulsory contributions' framing, presented as one sourced analytical characterisation, represents important context for understanding how conflict financing directly affects ordinary Yemenis.
- **A notable, specific counterpoint demonstrating that conflict financing needs and internationally-demanded reforms are not always mutually exclusive:** the direct citation of Ansar Allah implementing subsidy abolition, tax base expansion, and currency stabilisation represents concrete, sourced evidence complicating any simple narrative about governance under Houthi control.
- **A precisely dated, direct causal chain connecting the broader Iran war to Yemen's own renewed escalation:** the specific link between the Sana'a airport strikes, the Houthi delegation's return from Iran's Supreme Leader's funeral, and the subsequent Red Sea Saudi shipping blockade represents concrete, sourced evidence of exactly how the wider regional conflict directly triggered renewed Yemen-specific hostilities.
- **A very recent, specific territorial escalation directly threatening a globally significant chokepoint:** the September 2026 capture of Mokha and nearby islands represents concrete, sourced evidence of an active, ongoing military development with direct relevance to global shipping risk assessment.
- **A direct, balanced UN assessment distinguishing genuine government stabilisation efforts from Yemen's acute external vulnerability:** Grundberg's explicit framing, crediting the cabinet's prioritisation of economic stabilisation while directly warning of vulnerability to regional spillover, represents a credible, sourced dual perspective avoiding both excessive optimism and blanket pessimism.
- **A documented intra-coalition tension illustrating fragmentation extends even within the anti-Houthi camp:** the specific Saudi-UAE dispute over STC support represents concrete, sourced evidence that Yemen's fragmentation is not simply a two-sided conflict but includes genuine tension among nominally aligned parties.

4. MAJOR PROJECTS & INFRASTRUCTURE

Active military conflict over strategic port and pipeline infrastructure, rather than new development, defines Yemen's current infrastructure situation.

Yemen's most significant current infrastructure-related developments are military rather than developmental in nature: the port of Mokha's capture, the Sana'a airport runway strikes, and the bombing of the Saudi East-West Pipeline all represent existing infrastructure caught directly in active conflict rather than sites of new investment or construction.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant international investment conferences or forums involving Yemen were identified for this period, consistent with the country's active conflict status and fragmented governance structure.

6. BUSINESS & INVESTMENT EVENTS

The September 2026 Houthi advance along the Red Sea coast represented the year's most significant and consequential formal development, with direct implications extending well beyond Yemen itself.

- **Houthi Red Sea coastal advance, September 2026:** described extensively in Sections 2 and 3, this advance represented the most significant recent military and economic development, directly threatening global shipping through the Bab al-Mandeb Strait.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Iran's support for Ansar Allah, Gulf state backing for the IRG and STC respectively, and continued UN mediation define Yemen's most consequential current international relationships.

- **Iran:** described extensively in Section 3, Iran's support for Ansar Allah, and the direct link between Iran's Supreme Leader's funeral and the renewed Sana'a airport strikes, represents Yemen's most consequential external state relationship on the Houthi side.
- **Saudi Arabia:** described throughout this briefing, Saudi Arabia's leadership of the anti-Houthi coalition and its direct military engagement represent the most significant external relationship on the IRG-aligned side.
- **United Arab Emirates:** described in Section 3, the UAE's support for the STC, and the documented December 2025 tension with Saudi Arabia over this support, represents a significant, complex relationship within the broader anti-Houthi coalition.
- **United Nations:** described in Section 3, Special Envoy Grundberg's ongoing mediation and Security Council briefings represent a significant, continued multilateral relationship central to any future peace process.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

The Houthi restructuring of Yemen's commercial sector represents the most significant current private-sector development, directly shaping how businesses operate under Houthi-controlled territory.

The Houthis have restructured Yemen's commercial sector, securing billions in revenue amid the humanitarian crisis; this restructuring, alongside the tolls, taxes and compulsory contributions described in Section 3, directly shapes the operating environment for any business activity within Houthi-controlled territory, distinct from conditions in IRG-controlled areas.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

None recommended under current conditions.

Given Yemen's uniquely fragmented governance structure extending even to duplicate currencies, the extensive and well-documented Houthi war economy, the dangerous September 2026 military escalation directly threatening the Bab al-Mandeb Strait, and the World Food Programme's withdrawal from Houthi-controlled areas, this briefing identifies no credible new investment opportunities for the current period. The banking-sector reform steps described in Section 1 and the outcome of the UN-mediated peace process

described in Section 3 represent the developments most likely to determine whether a future briefing can identify a credible investment case, contingent on genuine, sustained de-escalation.

SUMMARY ASSESSMENT

Yemen presents a uniquely fragmented economic and governance landscape, with institutions duplicated across three rival authorities extending even to separate currencies, now compounded by a dangerous September 2026 military escalation along the Red Sea directly linked to the wider Iran-centred regional conflict.

An extensive, well-documented Houthi war economy diverts resources from an increasingly destitute population even as some genuine banking-sector reform steps continue in IRG-controlled areas, and the UN has directly warned of Yemen's acute vulnerability to regional spillover. This briefing identifies no credible new investment opportunities under current conditions, and presents these findings strictly as a matter of factual record for risk-monitoring purposes.