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QUANTITATIVE ASSESSMENT OF GOVERNMENT EXPENDITURE AND ITS IMPLICATIONS ON YEMEN'S BALANCE OF PAYMENTS

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ABSTRACT
This in-depth economic research delves into the complex dynamics of trade imbalances, government finances, and the balance of payments to analyse Yemen's economy from 2018 to 2022.The study is the basis for evaluating the effectiveness of economic policies and the nation's advancement towards stability. The dynamics of trade in both the oil and products sectors prove to be crucial determinants of Yemen's economic story. The balance of payments study offers a full perspective that includes current accounts, capital and financial accounts, and net inflows. The persistent patterns of trade deficits and the difficulties in luring capital and financial investments highlight the necessity of strategic changes to improve Yemen's economic appeal.
KEYWORDS: *Yemeni Economy, Trade Imbalances, Government Finances, Balance of Payments, Economic Resilience.*

INTRODUCTION

Yemen is a nation with enormous economic potential across many different industries, and its agricultural and fishing industries appear to have a bright and hopeful future. With a strategic location that links the East with the West, it has one of the greatest natural harbours on Earth. Notwithstanding these potentials, it is well known that Yemen's economic performance is correlated with an increase in the country's reliance on oil. The country's economy is centred on the production and export of oil, which accounts for 80–90% of its exports, generates about 70% of the government's income, and adds to the majority of its foreign exchange reserves. The manufacturing and agricultural industries accounted for 14% and 24% of the nation's GDP, respectively, prior to the discovery of oil in 1985. But following 1987, there were significant shifts in the economy's structure, with these important sectors' shares shifting significantly. The industrial (including oil and gas) and service sectors now account for larger GDP proportions. The manufacturing and agriculture sectors have seen a notable downturn. The services sector's role has evolved from supporting the manufacturing and agriculture sectors to supporting the oil industry in response to rising demand driven by oil revenues and its growing significance in relation to other sectors. (Ramez Abubakr Badeeb, 2017)

Despite the fact that human civilisations have always had intricate macroeconomic arrangements, the field of macroeconomics is relatively young. Prior to the 1930s, most economic research was centred on examining individual customers, businesses, and sectors, with a particular emphasis on microeconomic phenomena. The predominant school of economic thinking was the classical school, which took its cues from Scottish economist Adam Smith's thesis of self-regulating markets. As a result, these economists believed that macroeconomic phenomena like recessions and growing unemployment were inevitable. (Abdo, 2016)

In response to the Great Depression, which started in the US in 1929, Keynesianism questioned the conventional wisdom. A paradigm change resulted from the disaster's immense scope, lasting over ten years and leaving a fifth of the American workforce jobless. (Acaps, 2022) The General Theory of Employment, Interest, and Money, a seminal book by British economist John Maynard Keynes, published in 1935–36, provided the theoretical framework for that transformation. Keynes maintained that if governments had actively controlled the economy by increasing expenditure

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through fiscal policy, the worst consequences of the Great Depression may have been averted. This marked the beginning of a new school of macroeconomic theory that believed the government should actively manage the economy. The Keynesian school of economics was founded when economists like Paul Samuelson, Franco Modigliani, James Tobin, Robert Solow, and many others took up and developed Keynes's theories. Keynesians contended that governments must fight recessions by leveraging their power over tax revenues to boost demand by raising expenditure during hard times, in contrast to the detached approach of classical economics. (al-Din, 2022) The first serious challenge to Keynesianism came from Milton Friedman and the monetarists in the 1950s. He offered a different theory explaining why the Great Depression occurred, blaming terrible monetary policy for its depth. Monetarists advocated for limited government involvement in free markets and supported regulated increases in the money supply to prevent recessions. When Robert E. Lucas, Jr. established the New Classical school of Thinking in the 1970s, it presented a second challenge to the Keynesian school of thought. Lucas proposed the rational expectations theory, which holds that rational decision-makers base their expectations for the future on a wide range of facts. As a result, real-business-cycle (RBC) models were created, attributing variations in the business cycle to internal and external shocks. Nevertheless, a fresh Keynesian reaction emerged in the 1980s as a result of RBC models' propensity to overemphasise technology-driven oscillations and underplay the importance of monetary and fiscal policy. (Ali, 2008) John B. Taylor and Stanley Fischer, among other New Keynesians, added wage, price stickiness, and other market defects into their more realistic macroeconomic models. They demonstrated that monetary policy may have an immediate influence on production and employment in an environment of stickiness. Following the New Keynesian revolution, everyone agreed that monetary policy may be used to control economic cycles and is successful in the short term. The Great Recession, the 2007–2008 financial crisis, and several governments implementing Keynesian responses resulted in a resurgence of interest in the novel Keynesian approach to macroeconomics. Future advancements in theories and macroeconomic models appear to result from this resurgence of interest. (Al-Samawi, 2020)

OBJECTIVES

1. To Evaluate the Determinants of Trade Imbalances
2. To Evaluate the Impact of Donor Assistance on Economic Stability.
3. To Evaluate Strategies for Enhancing Foreign Investment Attraction.

RESEARCH METHODOLOGY

The research technique used in this report relies on a detailed descriptive analysis aiming at understanding Yemen's complicated economic dynamics from 2018 to 2022, focusing on government finances and the balance of payments. The main goal is to carefully condense and analyse the salient characteristics of the gathered data, using descriptive statistics to identify patterns and fluctuations in economic indicators. A thorough time series analysis investigates temporal trends, revealing key moments and patterns within the given time frame. Cross-sectional comparisons identify differences in economic variables between years, providing insight into how the economy changes.

LITERATURE REVIEW

(Ramez Abubakr Badeeb, 2017) This study investigates the viability of the hypothesis that Yemen's dependency on oil damages the country's ability to expand economically and financially. By capturing the influence of oil reliance on this connection, the auto-regressive distributed lag technique for cointegration is employed to investigate the relationship between financial development and economic growth. The most intriguing discovery is the interaction term's negative sign between financial development and oil dependency, which suggests that as oil dependence rises, financial development's beneficial impact on economic growth diminishes. The VECM Granger causality test result demonstrated the existence of unidirectional causation from financial development to economic growth. Yemen's economy must be more diversified to lessen its reliance on oil. It was advised that quickening the banking sector's speed and efficiency would pay off in this way.

(AL-Rafik, 2021) The study's goal is to examine the impact of interest rates, exports, and investment on the Republic of Yemen's GDP. The secondary data used in this investigation. Using the autoregressive distributed lag, data on the gross domestic product, interest rate, and gross capital formation were acquired and examined. Utilising the E-VIEWS

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programme, the results demonstrated a direct, statistically significant link between investment and GDP at a significance level of 5%. This indicates that a 1% increase in investment will result in a 28.63% rise in GDP. The outcome also demonstrated the direct and statistically significant association between the dummy variable and GDP. Furthermore, exports and GDP positively correlate with statistical significance at the 5% level. This indicates that a 1% increase in exports results in a 69.76% rise in GDP. Additionally, the gross domestic product is enhanced by higher exports. The findings suggest that actual investments should be made rather than putting money in banks because higher interest rates reduce GDP.

DESCRIPTIVE ANALYSIS OF YEMEN GOVERNMENT FINANCES

Over the past five years, Yemen, a country dealing with a turbulent socio-political environment, has had to negotiate a challenging budgetary environment. The story of economic resilience and obstacles as seen in the dynamics of the government's finances is revealed throughout this time, which runs from 2018 to 2022. The financial trajectory provides insight into the complex interactions between local and international forces affecting Yemen's economic stability, with oil income, non-oil revenues, and varied expenditures all playing significant roles. The main source of income for the government in Yemen is oil, which forms the basis of the country's fiscal landscape. The country's oil income witnessed significant swings throughout this time due to production variances and the global oil market dynamics. Meanwhile, non-oil earnings, denoted by tax and non-tax sources, shown an increasing trend, demonstrating the government's endeavours to broaden its sources of income. Looking at government spending, an in-depth grasp of the financial priorities and obstacles may be obtained. Through thoroughly examining Yemen's government finances, this in-depth research sheds light on the country's economic goals, difficulties, and strategic orientations.

1- Oil Revenues

Over half of Yemen's total revenue in 2022 came from oil, making it the country's primary source of income. Oil income have varied over the previous five years but have generally increased. A number of variables, including higher oil prices and increasing output, are responsible for the significant increase in oil income in 2022. An examination of oil income during the five years between 2018 and 2022 demonstrates a dynamic and erratic pattern. 2020 saw a precipitous drop to 259,096 million Rials, which was ascribed to the COVID-19 pandemic's unparalleled effect on the world's oil demand and pricing. The following years witnessed an impressive comeback, with 2021 witnessing a spike of 397,516 million Rials. The most remarkable finding is the exponential increase in 2022, which reached an astounding 1,108,237 million Rials.

2- Non-Oil Revenues

The second-largest source of income for the Yemeni government is non-oil revenue, which will make up around 38% of total revenue in 2022. Over the last five years, non-oil income have grown gradually but have not kept up with the expansion in oil revenues. Several things, such as the COVID-19 epidemic and the ongoing civil war cause this.
non-oil income growth showed a notable tendency throughout the five years from 2018 to 2022. With a total value of 352,833 million Rials in 2018, they provide a varied income stream that supports the patterns in oil revenue. Stability was seen in 2019, with non-oil income remaining comparable. 2020 showed a small growth to 464,563 million Rials. The momentum persisted in 2021, with a notable increase to 699,380 million Rials, confirming a favourable trend in sources of income other than oil. The upward trend continued in 2022, reaching 806,312 million Rials, highlighting the significance and expansion of non-oil revenue streams in the nation's fiscal environment.

3- Tax revenues

Tax revenues, which will comprise the majority of non-oil income in 2022 (about 80%), have risen significantly over the last five years. With tax collections of 232,908 million Rials in 2018, the government demonstrated a strong tax collection system and significantly contributed to non-oil income. The following years witnessed a consistent climb, and 2019 saw a modest increase to 276,944 million Rials, indicating future economic growth. 2020 saw economic difficulties, but tax collections grew still, reaching 289,733 million Rials, demonstrating the tax collecting system's tenacity. The most significant increase was in 2021, when tax receipts reached 580,574 million Rials, suggesting either increased efforts in tax administration or general economic expansion. The upward trend continued in 2022, when tax collections reached 789,514 million Rials, highlighting the administration plans and tax policies' continued efficacy.

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4- Other Revenues

The government finances of Yemen show a dynamic trend in "Other Revenues" between 2018 and 2022. A dramatic drop to 16,798 million Rials in 2019 after a significant contribution of 119,925 million Rials in 2018 begs the issue of what influences this fall. A notable comeback in 2020—achieving 118,805 million Rials—indicates flexibility and calculated alterations. With sales rising to 174,789 million Rials in 2021, the upward trend continues, demonstrating the successful discovery of various revenue streams. But a decline to 78,707 million Rials in 2022 raises questions about what caused the decline. This erratic trend highlights the requirement for flexible fiscal policies to manage economic difficulties and maximise the durability and stability of non-oil and non-tax income streams.

5- Total Expenditures

Over the previous five years, the Yemeni government has raised its overall expenditures, which rose from 1.614 billion riyals in 2018 to 2.661 billion riyals in 2022. The primary cause of this increase is a significant increase in current expenses, which more than doubled during that time. Although there has been a rise in capital expenditures, the rate has also been slower. The amount of money the government spent overall in 2018 was significant, indicating a range of continuing initiatives or economic demands. The next year, 2019, had a little decline, indicating possible cost-cutting or efficiency initiatives. The state of the economy in 2020 was similar to 2018, suggesting stability or a return to previous expenditure levels. There was a little rise in 2021, which may have been caused by inflation or new financial obligations. The most noteworthy finding is the considerable increase in 2022, which reached 2,661 billion riyals. This huge growth calls for more research to fully understand the factors contributing to it and evaluate the consequences for Yemen's overall fiscal health and economic goals.

6- Current Expenditures

Over 98% of the Yemeni government's total spending in 2022 comes from current costs, which include wages and salaries, goods and services, interest payments, subsidies and transfers, and other expenses. With 1,510,340 million Rials allotted, the 2018 budget mostly paid for ongoing operating costs, strongly emphasising pressing requirements. The little increase in 2019 indicated that operational requirements would rise. The following years, 2020 and 2021, showed more increases, suggesting that the government apparatus may become larger or that operating expenses may rise due to inflation or higher service needs. The most noteworthy finding is the increase in 2022—which reached 2,610,031 million Rials. This substantial increase begs the issue of whether particular spending categories are responsible for this surge, hence necessitating more research to comprehend the mechanics and ramifications of this extraordinary increase in current spending.

7- Wages and Salaries

Over 98% of the Yemeni government's total spending in 2022 comes from current costs, which include wages and salaries, goods and services, interest payments, subsidies and transfers, and other expenses. With 1,510,340 million Rials allotted, the 2018 budget mostly paid for ongoing operating costs, strongly emphasising pressing requirements. The little increase in 2019 indicated that operational requirements would rise. The following years, 2020 and 2021, showed more increases, suggesting that the government apparatus may become larger or that operating expenses may rise due to inflation or higher service needs. The most noteworthy finding is the increase in 2022—which reached 2,610,031 million Rials. This substantial increase begs the issue of whether particular spending categories are responsible for this surge, hence necessitating more research to comprehend the mechanics and ramifications of this extraordinary increase in current spending.

8- Goods and Services

Products and services have been erratic, accounting for a sizeable 24% of current spending in 2022. The 454,900 million Rials in 2018 is substantial, indicating strong daily operating spending. However, the steep decline to 185,913 million Rials in 2019 raises the possibility of efficiency improvements or changes to procurement tactics. 2020 saw a recovery with 489,008 million Rials, indicating increased consumer spending on goods and services. The rising trend persisted until 2021 (631,997 million Rials), when it stabilised somewhat to reach 638,098 million Rials in 2022. More investigation is necessary to ascertain the precise nature and ramifications of the products and services acquired.

9- Interest Payments

Interest payments, which will make up only 4% of current spending in 2022, have steadily risen. The amount was 8,000 million Rials in 2018, indicating a reasonable debt. Nevertheless, the following years saw a notable rise, with 70,297 million Rials recorded in 2019 and continuing to be a large amount until 2022 (96,882 million Rials). Growing interest rates highlight the need for responsible debt management techniques to prevent financial hardship.

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10- Subsidies and Transfers

Throughout the study period, subsidies and transfers—which will account for a sizeable 37% of current expenditures in 2022—have experienced significant expansion. The 208,120 million Rials allocated in 2018 clearly demonstrate the dedication to assist certain industries or communities. A significant increase of 373,607 million Rials in 2019 led to a review of subsidy programmes in 2020 (302,478 million Rials). Although 2021 saw a minor decline to 301,910 million Rials, 2022 saw a significant increase to 976,024 million Rials, requiring a careful examination of the factors contributing to this sharp rise. This substantial increase raises concerns about the usefulness and sustainability of support programmes.

11- Other Expenditures

Other expenses, which will make up a meagre 2% of current spending in 2022, include travel and training. While nominal budgetary allocations increased to 38,542 million Rials in 2019 from 9,800 million Rials in 2018, they were steady in the following years. A moderate gain in 2022 (39,609 million Rials) followed the slight fall in 2021 (36,288 million Rials). A thorough investigation is necessary to clarify the precise locations that these costs apply to.

12- Capital Expenditures

Capital expenditures, which are investments in long-term assets or projects, have shown various trends. The 2018 number of 104,000 million Rials shows the commitment to capital projects or infrastructure development. But in 2019, there was a notable drop (12,556 million Rials), which can suggest budgetary limits or a change in priorities. A rebound was observed in the following years, with 24,635 million Rials recorded in 2020 and 29,717 million Rials in 2021. The significant rise in 2022 (51,131 million Rials) raises concerns about the order of importance for long-term economic development initiatives and calls for a thorough analysis of the nature and effects of these capital expenditures.

BALANCE OF PAYMENTS – IN MILLIONS OF US DOLLARS

The balance of payments for Yemen (In millions of US Dollars) provides a snapshot of the country's economic interactions with the rest of the world. Let's break down the key components:

1- Exports of Goods and Services

There were variations in Yemen's overall exports between 2018 and 2022. Starting at $1215 million in 2018, there was a significant rise to $1562 million in 2019, perhaps due to increased demand worldwide or better economic circumstances. But in 2020, the amount dropped significantly to $1113 million, attributed to the COVID-19 pandemic-induced worldwide economic slump. In 2021, there was a resurgence in exports, amounting to $1461.8 million, which suggests sustained economic strength or revived demand worldwide. With exports hitting $1495.3 million in 2022, this encouraging trend persisted, pointing to a possible diversification strategy or a prolonged economic recovery.

2- Oil Exports

The statistic makes Yemen's extreme reliance on oil exports clear. Oil exports were $821 million in 2018 and $1051 million in 2019, perhaps due to changes in local oil output or variations in the price of oil globally. 2020 will see a significant decline to $645 million due to lower oil prices and less global demand. 2021 saw a comeback, with oil exports at $993.8 million, indicating a rise in the world oil markets. Yemen's oil industry is resilient overall, even with a slight decline to $990.3 million in 2022.

3- Other Exports

"Other Exports," or non-oil exports, were $394 million in 2018 and significantly climbed to $1051 million in 2019. This increase may have been caused by diversification initiatives or a rise in the market for non-oil items. The drop to $645 million in 2020 is consistent with the general pattern of exports and can be ascribed to issues facing the world economy. As with overall exports, there was a recovery in 2021, with other exports at $993.8 million. With other exports at $990.3 million in 2022, the steadiness points to continued attempts to maintain and maybe grow non-oil export activity.

4- Total Imports of Goods and Services

Between 2018 and 2022, there were different patterns in Yemen's total imports. Imports rose from $9,344 million in 2018 to $10,486 million in 2019, which can be a sign of increasing economic activity, infrastructural construction, or local consumption. The drop to $8,408 million in 2020 is consistent with issues related to the world economy, trade difficulties, or the COVID-19 pandemic. In 2021, import levels increased again, hitting $9,004 million, suggesting

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that a recovery would occur. However, a notable rise in demand for foreign products and services is indicated by a large spike to $12,461 million in 2022. This increase may be attributed to changes in consumer behaviour, economic growth, or reconstruction activities.

5- Fuel Imports

Imports of fuel, which are vital to Yemen, surged to $2,730 million in 2019 from $2,589 million in 2018, perhaps due to growing energy consumption. The drop to $2,074 million in 2020 is consistent with less economic activity and energy use amid the world economy's downturn. A rise of $2,372 million in 2021 indicates that the energy demand may have recovered. While it will only slightly decline to $3,419 million in 2022, overall stability might point to Yemen's energy sector's resiliency.

6- Food Imports

Essential for survival, food imports totalled $2,140 million in 2018 before rising sharply to $2,902 million in 2019, indicating either increased food intake or altered eating habits. The further rise to $3,114 million in 2020 can be ascribed to changes in customer preferences or population growth. Even while this pattern persisted in 2021, when food imports came to $3,425 million, the notable increase to $5,656 million in 2022 suggests that food demand had significantly increased.

7- Other Imports

The amount of products and services falling under the "Other Imports" category, which does not include fuel or food, was $4,615 million in 2018. This amount increased marginally to $4,854 million in 2019. The reduction to $3,220 million in 2020 is consistent with broader economic difficulties and a drop in the non-essential products and services market. At $3,207 million, import volumes were comparatively constant in 2021 and increased slightly to $3,386 million in 2022.

8- Balance of Goods and Services:**

From 2018 to 2021, Yemen had a continuous trade imbalance, meaning that its imports often outpaced its exports and services. Nonetheless, the deficit gradually decreased between 2018 and 2021, indicating potential economic improvements. A remarkable turnaround occurred in 2022, when the deficit sharply increased to -$10,966 million, indicating either obstacles to export development or increased demand for imports.

9- Balance on Oil Trade

Throughout 2018 and 2022, Yemen's oil trade balance was continuously negative, meaning that the value of its oil imports was more than its oil exports. In 2019 and 2020, the gap was comparatively constant, but in 2021, it began to reduce. But in 2022, the deficit ballooned to -$2,439 million, presumably due to fluctuations in the price of oil globally, adjustments to oil production, or adjustments to the use of energy at home.

10- Balance of Incomes

Yemen faces economic difficulties due to trade imbalances in products, services, and the oil trade. Stability demands that these disparities be addressed. The earnings balance, which increased from $7,853 million in 2018 to $7,773 million in 2022, shows a healthy trend and a steady stream of money from outside sources. This pattern acts as a counterweight, which may lessen the effects of trade deficits. Yemen may need to concentrate on tactics like correcting trade imbalances and encouraging economic diversification in order to strengthen its overall balance of payments.

BALANCE OF TRANSFERS

The balance of transfers for Yemen, which includes remittances and donor assistance, plays a crucial role in the overall balance of payments:

11- Remittances

Remittances, accounting for funds from individuals working abroad, fluctuated from $7,870 million in 2018 to $7,798 million in 2022. A recovery post the 2020 dip suggests improved economic conditions or changes in the global labor market.

12- Donor Assistance

Between 2018 and 2022, Yemen received varied sums of aid from donors, ranging from $3,700 million to $4,454 million. The increase in 2019 indicates that people are paying more attention to Yemen's problems, whilst the decline in 2020 could be related to the COVID-19 pandemic-related worldwide economic crisis. The steady rise from 2021 to 2022 suggests that the international community is still committed to helping Yemen meet its humanitarian and economic requirements. Yemen's dependence on foreign assistance highlights the need for consistent donor support to maintain the country's stability.

13- Current Account

An essential part of Yemen's balance of payments, the current account shows the income, products, and services movement between citizens and non-residents. Yemen saw a $4,170 million surplus in 2018, presumably as a result of good trade circumstances and rising net income. Nevertheless, this excess fell in 2019 and 2020, totaling $2,433 million, possibly due to international economic difficulties, such as the COVID-19 pandemic's effects.

Despite these difficulties, there was a little improvement in 2021 and 2022, with the current account balance rising to $3,160 million and $3,344 million, respectively. These encouraging patterns point to improved trade circumstances and revenue production, indicating resiliency and a possible economic rebound.

14- Capital and Financial Account

Capital transfers between residents and nonresidents and nonproduced nonfinancial assets are shown as credit and debit entries in the capital account. It documents the buying and selling of nonproduced, nonfinancial assets, such as land sold to embassies and the selling of leases and licences, as well as capital transfers, which are the exchanges in which one party provides resources for the benefit of another without receiving anything of economic value in return.

Account Financial

The net acquisition and disposal of financial assets and liabilities are displayed in the financial account. Due to their impact on the stock of assets and liabilities, financial account transactions are included in both the integrated IIP statement and the balance of payments. The net lending (surplus) or net borrowing (deficit) that the global economy has with other countries is represented by the total of the balances for the current and capital accounts. In theory, this is the same as the financial account's net balance. Stated differently, the financial account quantifies the methods used to finance net lending to or borrowing from non-residents. The financial account explains the difference in the IIP between the beginning and end periods in addition to the other changes account.

Yemen's capital and financial account shows capital flows that include portfolio investments, foreign direct investment (FDI), and other financial activities. Yemen experienced a $276 million deficit in this account in 2018, suggesting difficulties in raising funds or a decline in foreign investment. In 2019 and 2020, the deficit increased to -$842 million and -$1,173 million, respectively. The deficit decreased to -$356 million in 2021, indicating a partial improvement in the ability to draw in capital. Nevertheless, 2022 saw a major setback as the deficit significantly widened to -$3,193 million, signalling further difficulties in luring capital and financial inflows. This pattern emphasises the necessity of working to remove obstacles to investment and increase Yemen's allure as a travel destination for foreign capital.

15- Capital Inflows Net

Yemen witnessed a favourable trend in net capital inflows in 2018, with a total of $1,908 million entering the nation. But in 2019, this pattern turned around, showing a net outflow of money with a negative net inflow of -$740 million. Despite a little positive net inflow of $36 million in 2020, there were negative trends in net outflows of -$13 million and -$66 million in 2021 and 2022, respectively. These unfavourable patterns point to Yemen's difficulties in luring and keeping capital.

16- Financial Inflows Net

Yemen saw a notable net increase in financial inflows in 2018, totalling $1,908 million. This probably signified a time when foreign investments were up, indicating that investors were optimistic about the nation's economic future. But in 2019, there was a noteworthy reversal with a negative net inflow of -$740 million, which marked a dramatic flip. This sudden change in trend points to a drop in investor confidence or external economic difficulties that affected Yemen's capacity to draw in and hold onto financial investments. The financial industry continued to have difficulties in 2020, as seen by the net outflow of -$65 million, which continued the dismal trend. Even while 2020 saw some slight improvement over 2019, the downward trend could not be stopped. With a net outflow of -$44 million in 2021, the downward trend persisted, and in 2022 it reached a net outflow of -$73 million. These years of negative financial inflows highlight Yemen's ongoing difficulties luring and holding on to foreign investments, which may impact geopolitical tensions, economic uncertainty, or other external forces.

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CONCLUSION

In summary, scientific analysis of its economic statistics reveals a mosaic of interrelated variables influencing Yemen's economic trajectory. The results highlight the need of doing multidisciplinary research that integrates political science, international relations, legal studies, and economic analysis. Developing evidence-based policies tackling the many possibilities and problems in Yemen's economic environment requires an all-encompassing approach.

RESULTS

1. Yemen continues to have trade imbalances, particularly in trading commodities, services, and oil.
2. In recent years, there has been consistent support from donors, essential in reducing trade deficits' effects.
3. Financial and capital accounts show difficulties in luring and keeping international investments, indicating the need for strategic measures to increase Yemen's attractiveness.
4. While trade and income are improving, as indicated by the current account's positive trends, the growing deficits in capital and financial accounts emphasise the necessity for an all-encompassing and well-rounded economic strategy.
5. There is a change in the patterns of financial inflows from positive to negative, suggesting that there are still challenges in luring and keeping financial investments. Reforms must be implemented immediately to solve these issues and provide Yemen's more stable economic climate.

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