Inflation in Yemen: A Threat to Stability and Development

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Abstract
This research study looks at the causes and consequences of inflation in Yemen, with a particular emphasis on the economic variables that contribute to inflationary pressures and the efficacy of strategic efforts in limiting their influence. The research takes a comprehensive approach, including both qualitative and quantitative approaches. A thorough examination of the current literature on inflation in Yemen is carried out in order to identify important economic variables driving inflation trends. In addition, case studies of strategic initiatives conducted by policymakers and international organizations are reviewed to assess their effectiveness in reducing inflation. The study's findings highlight numerous crucial economic elements that are fuelling Yemen's inflation. Notably, price controls, targeted subsidies, and other strategic interventions, such as monetary policy adjustments, have been shown to be beneficial in decreasing inflationary pressures. Furthermore, the study emphasizes the importance of political stability, foreign help, and structural reforms in strengthening Yemen's economy and its capacity to sustain stable pricing over time. Furthermore, examining strategic interventions improves comprehension of their efficiency in combatting inflation, while a full assessment of economic variables gives light on the underlying causes of inflation in Yemen.

Keywords: Inflation, Monetary Policy, Yemen, Economic Stability

1. Introduction

Inflation is one of the major issues affecting an economy's strength or weakness economically. We're talking about inflation today because it's a major barrier to investment and growth in the Republic of Yemen. Yemen is one of these undeveloped nations, although inflation is a potential issue in all nations, including rich nations. The difference is in the inflation rate and how it affects many facets of life. The following are some broad guidelines and requirements for controlling the economic environment:
• All goods and services should be subject to the price hike, not just a select few. Although the expansion or scarcity of raw resources may have caused specific prices to rise, inflation is the general level of prices.
• The minor price increase is a normal outcome of competitiveness and should have a minimum proportion of more than 5%. However, it is regarded as real inflation if it rises above the preinflation rate.
• The rise ought to last for a very long time. This naturally eliminates variations and seasonal changes, such as the availability of certain fruits and changes in commerce.

The study of recent events and developments has shown the fact, which is that the problem of inflation hurts society and its families. This is so because rising prices impact wages and salaries, which frequently causes manufacturing to stop. Examples include worker strikes and educational disruption brought on by the demise of the local currency and financial system. The issue has gotten worse over the previous ten years, with inflation reaching a point that has divided society, with some people being able to take advantage of every opportunity to become wealthy while others were struggling to make ends meet. Recent years have seen a lot of discussion on how dealers' withdrawals of hard cash from the exchange market affect inflation. Capital flight, often known as traders leaving for hard cash, may greatly influence a nation's economy and capacity to manage inflation. The availability of circulating currency is one of the primary causes of inflation. Prices often increase and inflation results when money is scarce in circulation [1]. The acts of traders here play a role. Hard currency withdrawals by traders from the exchange market are effectively money removals. As a result, less money may be available, resulting in higher pricing. As a result, inflation may increase, making it more challenging for the government to stabilise and regulate the economy [2]. The exchange rate is another effect of merchants removing hard cash

from the exchange market. Hard money might lose value when dealers withdraw it because they also demand local currency. This might increase inflation, making it harder for the government to manage and regulate the economy. Governments must acknowledge this influence and act to lessen it. These measures can involve putting legislation to stop capital flight or incentivising traders to maintain their cash in the local economy. Governments should also concentrate on fostering an atmosphere that encourages businesses and investors to remain and invest in their nation. Inflation in Yemen was mainly brought on by currency depreciation. This is due to a number of factors:

• Political Unrest: Yemen has experienced political unrest for several years due to recurrent wars and the absence of a strong central authority. As a result, investors lost faith in the economy, which in turn caused them to withdraw capital, lowering the value of the local currency.

• Depletion of Foreign Reserves: Due to the problems above, Yemen's foreign exchange reserves have shrunk, making it difficult for the government to support the local currency. The value of the currency decreased as a result, of increasing inflation. Yemen's inflation has risen significantly as a result of currency depreciation. Living expenditures are growing, making it harder and harder for people to satisfy their basic needs. Additionally, the local currency's dropping value made it harder for businesses to import products, which resulted in shortages and increased pricing. It also allowed buyers to spend the same amount on fewer items by lowering their purchasing power. Additionally, it can lead to a decline in people's real incomes, which might lead to a deterioration in living conditions.

2. Research Objective
• The research aims to achieve several objectives, including:
• Conducting a thorough examination of Yemen's inflation issue and comprehending how inflation has changed.
• Gathering and interpreting statistical data on Yemen's broad use of electronic payment systems.
• Emphasising the need to work towards monetary policy.

2.1 Research Hypothesis
Hypothesis 1: Yemen's money supply (M2) increased significantly between 2011 and 2021.
Hypothesis 2: M1 and M2's mean values differ greatly.
Hypothesis 3: The monetary base, the currency issued, and the reserve held by the central bank all have significantly different mean values.
Hypothesis 4: Between 2011 and 2021, there were considerable fluctuations in the value of the Yemeni Rial about the dollar.

2.2 Literature Review
Al-Qatbari used multiple linear regression analysis using E-Views to analyse macroeconomic performance indicators in Yemen during the study period [3]. The study aimed to identify the impact of some macroeconomic variables on economic growth in Yemen, to analyse the concept of war economy and its impact on the spread of economic corruption in Yemen, and to provide some

recommendations that help to improve the performance of those variables to be positive impact on the Yemeni economy. The study found that the crises and wars that the Yemeni economy faced during the study period harmed economic growth and that the inflation rate hurt the gross domestic product. The study also found that spreading economic corruption in Yemen negatively impacted economic growth and trust in the government and government institutions. The study also showed an urgent need to improve Yemen's economic performance by improving macroeconomic variables such as investment, foreign trade, education, and technology. Based on the study's findings, Al-Qatbari recommends improving the economic performance in Yemen by improving some macroeconomic variables, improving the investment climate and encouraging foreign investment, improving the quality of education and providing job opportunities for youth, improving infrastructure and developing national industries. The researchers also recommend combatting economic corruption and improving transparency and governance in the government and government institutions. The study by Al-Qatbari is a valuable contribution to the literature on the economic performance of Yemen [3]. The study provides a comprehensive analysis of the factors that have affected the Yemeni economy in recent years, and it offers several recommendations for improving economic performance in the future.

An extensive analysis by Ba-Omer offers a profound grasp of the origins, repercussions, and suggestions for enhancing Yemen's economic position. According to the report, Yemen's economic development is negatively impacted by the Republic of Yemen's foreign debt in a variety of ways, including A reduction in the state's financial resources that could otherwise be utilised for development: The external debt load forces the government to make monthly payments on the principle and interest, which can cause the state's financial resources to be reduced. Increased reliance on imports: The weight of the government's foreign debt may force it to import goods and services that it cannot manufacture domestically. A trade deficit and employment losses in the domestic economy may result. Rising inflation: The weight of foreign debt can also cause inflation to rise since the government may need to generate additional currency to pay off its debts. As a result, the standard of life may deteriorate, and earnings and salaries may have less buying power. The study also offered some recommendations to help Yemen's economy, including: refraining from borrowing money from abroad unless necessary; the government should only borrow money from abroad when necessary, and it should ensure that the money is put to productive use to advance the country's economy.

This literature review focuses on the definition, causes, and types of inflation in general, specifically emphasising its effects on Yemeni society, particularly the youth, and the subsequent implications on the country's economic, social, and developmental aspects. The study aims to shed light on the challenges faced by the young population in Yemen due to inflation and identify potential solutions to alleviate their hardships. The study explores

how inflation harms Yemeni youth, concentrating on how it affects their quality of life overall, economic well-being, and health. Young people are finding it harder to satisfy their basic necessities due to inflation's constant rise in the cost of necessary goods and services, which has increased poverty and financial instability among this group. This literature study is significant because it is the first to investigate how inflation affects Yemeni adolescents and focuses on a group frequently ignored in economic studies. The study intends to contribute to creating targeted policies that can enhance young people's economic and social well-being by providing light on the difficulties they encounter. The researcher suggests some approaches to deal with the problems that Yemeni youth are experiencing due to inflation. First and foremost, the government must perform thorough socioeconomic analyses and research to determine if salaries and pensions are enough for addressing individuals' material and spiritual requirements. Such studies can help guide judgements about raising young people's living standards.

3. Stages of Inflation in The Republic of Yemen

The Republic of Yemen has seen tumultuous phases of disruption and succeeding political crises that have impacted all facets of the economy and exacerbated misery in several Yemeni regions. There is no prospect for a future resolution to the crisis, and the daily misery continues. Although it is hard to identify the exact time when the currency collapsed, gathering and analysing information from the major sources is feasible. One of the activities that contributed to greater suffering was the Central Bank of Yemen's in Aden's decision to publicise the dollar exchange rate, which economists considered as a dereliction of duty at a time when people should be helping them and sticking by them through problems. On the black market, the average exchange rate of the Yemeni riyal to the US dollar in December 2021 was (1255.26) riyals, a significant increase from the rate of (792.69) riyals to the dollar at the end of December (2020). In November (2021), the price jumped from (1500.60) riyals to the dollar. To address the instability in the foreign exchange market, the Central Bank of Yemen implemented some measures and reforms. These included the creation of a weekly auction process for the selling of currencies through an electronic platform, stricter control over the flow of foreign currencies, and fines for infractions. The Republic of Yemen has had some difficult periods characterised by political turmoil and escalating crises that have influenced all elements of the economy and heightened suffering in many Yemeni regions. Despite the lack of a defined schedule for the devaluation of the currency, the situation may be understood by analysing the data that is now accessible. Aden-based Central Bank of Yemen adopted a decision to modify the value of the US dollar, which experts have criticised as an abdication of duty at a time when people need help and support to deal with challenges. Compared to the average exchange rate of 792.69 riyals for every dollar at the end of December 2020 and 1500.60 riyals for every dollar in November 2021, the Yemeni riyal's value versus the US dollar as of December 2021 was 1255.26 riyals for every dollar.

The Central Bank of Yemen undertook actions and changes, such as introducing a weekly foreign currency auction system via an electronic platform and adopting a flexible exchange rate system to alleviate instability in the foreign exchange market. During the auction period, the Central Bank received offers totaling $135 million, with a total bid value of ($102.3) million, or (75.8%) of the total bid value. The sum allotted to successful bids at the end of December 2021 was ($100.3) million. The Central Bank might absorb 120.9 billion Yemeni riyals through these operations, equal to (22.3%) of the increase in the monetary base by the end of December 2021. The minimum interest rate on loans has also remained at 15% thanks to the Central Bank's rate cut in February 2013. Banks still choose the loan interest rate based on their operational requirements. The primary objective of monetary policy, by Central Bank of Yemen Law No. 14 of 2000, is to achieve and maintain price stability. To create and implement an effective monetary policy that is driven by broad economic goals upholds the currency's strength, and ensures appropriate financing to achieve overall financial balance, the Central Bank has made significant efforts to collaborate with considerable government agencies. The Republic of Yemen's cost of living index for food increased due to inflation, rising from (47,248) in December 2020 to (84,708) in November 2021 and (73,607) in December 2021. This is due to a monthly inflation rate for food of 13.1% in December 2021 and an annual inflation rate of roughly (55.8%) from December 2020 to December 2021. The inability to get correct data in the Yemeni Republic was one of the major challenges; as a result, research institutions had to use time tracking techniques to study economic advances year after year, which impacted the reliability and quality of data. Ten years ago, for instance, there were(250 YER) for every dollar.

Despite this, the exchange rate for today is (1010 YER) to (1 USD) due to the current situation and political upheaval. 2020 witnessed a significant decline in the currency's value before briefly recovering, with the exchange rate dropping from (250YER) to (120 SR). This inflation is substantial and unpredictable [4].

Due to this sudden and unfathomable drop, many currency traders have threatened to file for bankruptcy if the markets do not recover swiftly. The inflation issue has now collapsed, necessitating international involvement to contain the scope of the catastrophe. If the currency fails, the system for leading a respectable life also fails, and high crime rates spread. The Yemeni government frequently issued money without any support, which caused it to devalue. Repeating this practice would lead to the currency's eventual demise and would be bad for the production of money.
• The government printed (8 billion YER) from July to September 2012.
• To try to stop the currency's collapse in June (2021), the government produced (400 billion YER) from the most recent printing.
• The final delivery of seven containers of paper money came on December 20, 2018.
• The Central Bank of Yemen in Aden got $665 million from the

IMF account on August 25, 2021, to help with external foreign currency funding [5,6].

4. Data Analysis

Terms/ Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
M2	2268.2	2756.8	3101.6	3106.2	3238.9	3697.5	4282.3	5504.2	5973.7	6701	7229.1
M1	993	1104.8	1116.6	1129.5	1502.4	1789.6	2316.5	3084	3411.1	4035.9	4479.3

Source: Monetary and financial developments, December 2021, General Administration of Research and Statistics, Central Bank of Yemen - Aden -

Table 1: M1 and M2 of Yemen's Monetary Supply from 2011 to 2021

The table shows the values for M2, M1 from 2011 to 2021. Cash and bank deposits are included in M2, representing the total amount of money circulating in an economy. M1, which excludes time deposits but includes cash and checking deposits, represents an economy's entire amount of money. With M2 reaching 7229.1 and M1 reaching 4479.3 in 2021, respectively, the table shows how M2 and M1 have risen steadily.
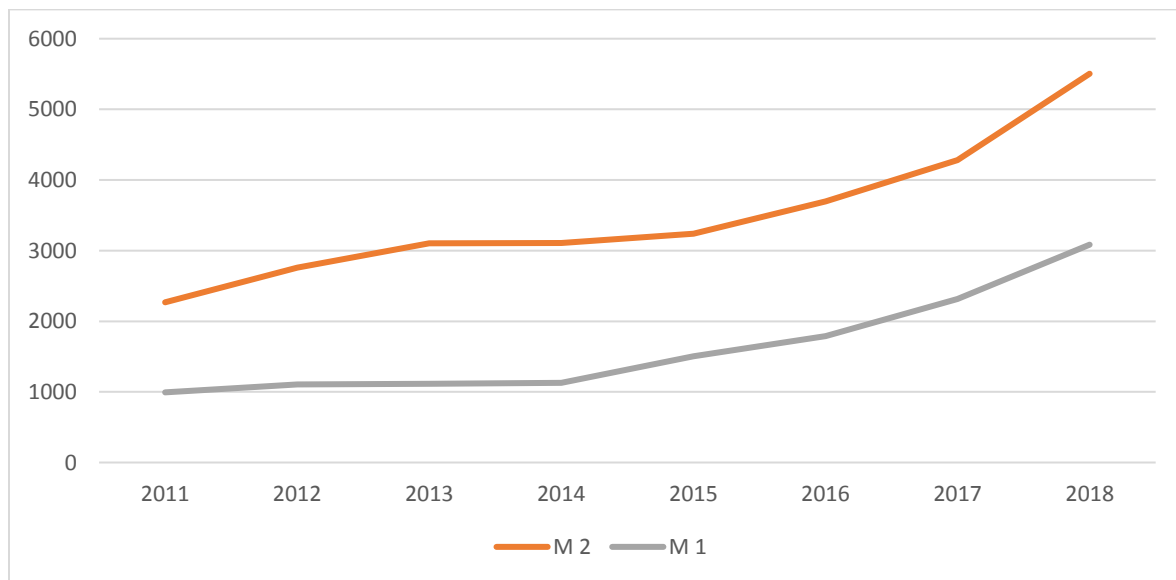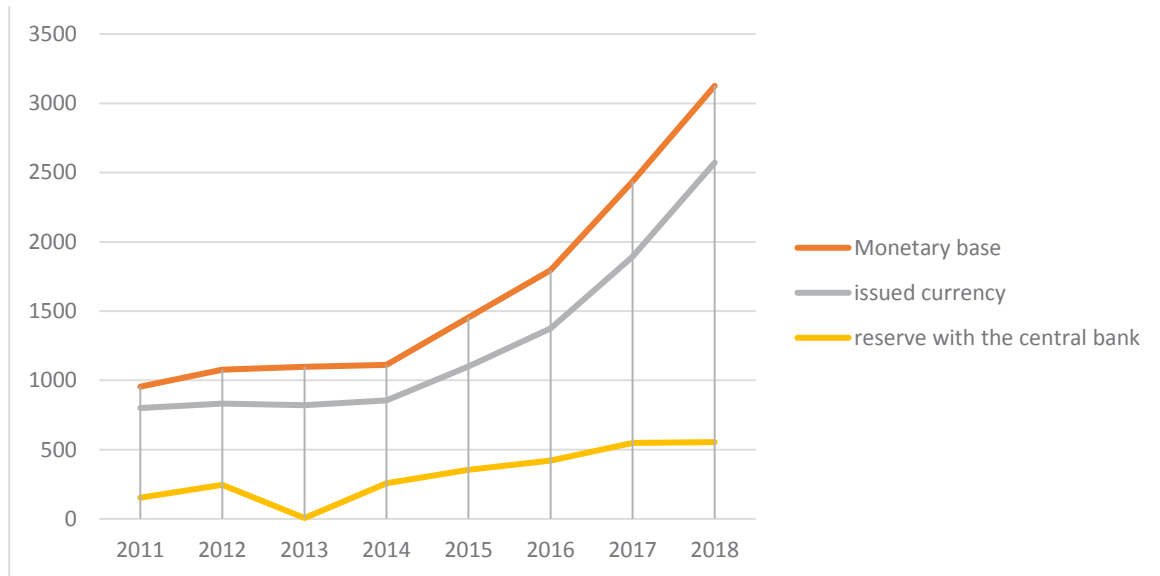

Graph 1: Terms From 2011-2018

Terms / Years	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
MB	954.5	1077.5	1097.6	1112.8	1452.7	1795.9	2435.8	3125.9	3484.7	3948.1	4490.7
IC	800.3	832.7	821.6	854.9	1099.5	1375.8	1893.8	2571.6	2890.5	3327.5	3802.7
C.B.R	154.2	244.8	6.127	257.9	353.2	420.2	549.3	554.3	594.2	620.6	688

Source: Monetary and financial developments, December 2021, General Administration of Research and Statistics, Central Bank of Yemen – Aden –

Table 2: Yemen's Monetary Base, Issued Currency, and Reserve with the Central Bank: 2011-2021

According to the descriptive data, the mean values for MB, IC, and C.B.R. are (636.33, 800.3) and (154.2) respectively. The data has a lot of variance, as shown by the standard deviations, which are also generally large for each variable. The minimal values for MB, IC, and C.B.R are (154.2, 800.3) and (6.127), respectively. The maximum values for MB, IC, and C.B.R are (4490.7, 3802.7) and (688) respectively. The difference between any variable's highest and minimum values is its range. The first quartile is subtracted from the third quartile to obtain the interquartile range, representing the middle 50% of the data. The value that appears in the center of the data when it is ordered from least to greatest is the median value for each variable. Overall, the descriptive data reveals that MB, IC, and C.B.R. values are very variable. This volatility might be caused by various variables, including modifications to the economy, monetary policy, or activity on the financial markets.

Graph 2: Three Terms From 2011-2018
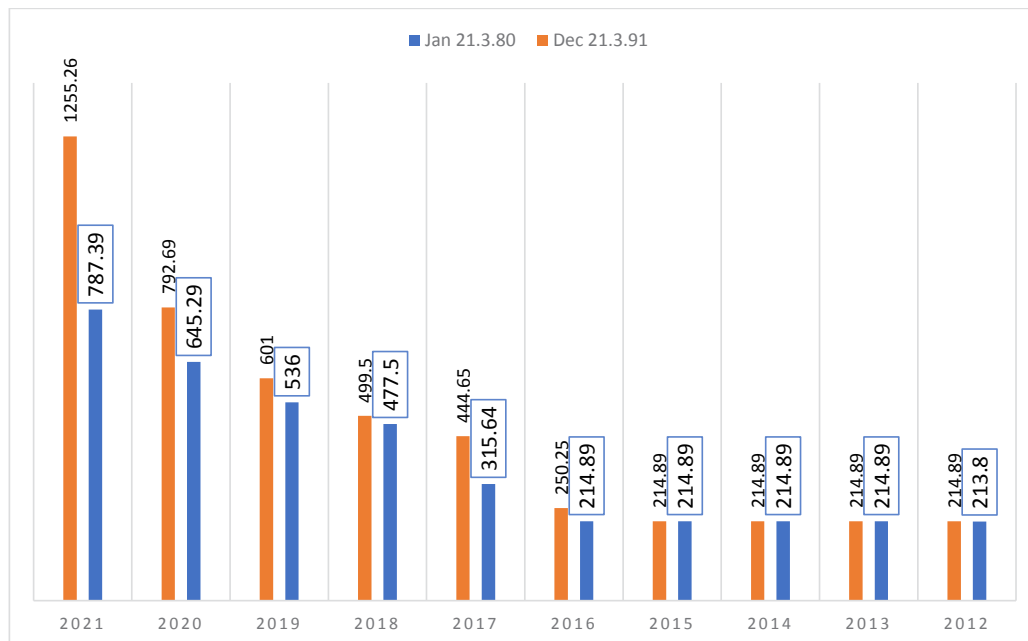
Source: Monetary and financial developments, December 2021, General Administration of Research and Statistics, Central Bank of Yemen - Aden -

Figure 1: Yemeni Rial Exchange Rate Fluctuations: 2011-2021

Between 2011 and 2021, the average exchange rate of the Yemeni Rial (YER) was (213.8 YER/USD). The data showed a considerable amount of variance since the exchange rate's standard deviation was (94.7 YER/USD). In April 2014, the currency rate was (250.25 YER) to one US dollar, and in November 2020, it was (1500.6 YER) to one US dollar. The (1250.35 YER/USD) exchange rate range shows large fluctuations in the currency rate over the period. The middle 50% of the data was quite close together, as seen by the interquartile exchange rate range of (103.25 YER/USD). Half of the data points were above this figure and half were below it, according to the median exchange rate of (214.89 YER/USD). The descriptive study reveals that the Yemeni Rial exchange rate varied substantially between 2011 and 2021. The data showed a large amount of fluctuation; the mean exchange rate was (213.8 YER/USD) while the standard deviation was (94.7 YER/USD). In April 2014, the currency rate was (250.25 YER) to one USD, and in November 2020, it was (1500.6 YER) to one USD. The (1250.35 YER/USD) exchange rate range shows large fluctuations in the currency rate over the period. The middle 50% of the data was quite close together, as seen by the interquartile exchange rate range of (103.25 YER/USD). Half of the data points were above this figure and half were below it, according to the median exchange rate of (214.89 YER/USD). Based on these facts, the Yemeni Rial exchange rate appears to be unstable and unpredictable. Various variables, including Yemen's protracted civil conflict, reliance on oil exports, and the weakening USD currency, might be to blame for this volatility.

Statistic	Value
Test Statistic	-7.299
p-value	0.000
Number of lags	4
Critical value (1%)	-3.441
Critical value (5%)	-2.861
Critical value (10%)	-2.576

Table 3: T. Test
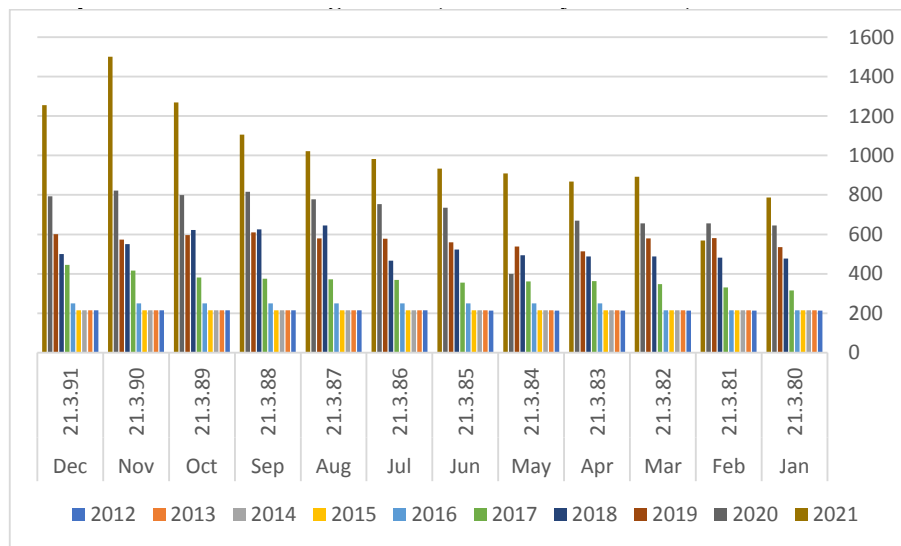
Graph 3: Market Exchange Rates (Yemeni riyal/ Dollar) From 2011-2021

Term	N	Mean	Std. Deviation	Std. Error Mean
M1	11	4350.86	1715.447	517.227
M2	11	2269.34	1280.850	386.191

Table 4:Group Statistics

The test results for the data analysis are displayed for "M1" and "M2." The table includes the mean, standard deviation, standard error mean, and total observations (N) for each term. There are 11 observations for term M1, with a mean of 4350.86 and an SD of 1715.447. For term M1, the standard error mean is 517.227. There are 11 observations for term M2, with a mean of 2269.34 and an SD of 1280.850. For term M2, the standard error mean is 386.191. This shows that the data for word M1 is more varied and dispersed than that for term M2, according to the data.

| Mean Difference | Std. Error Difference | 95% Confidence Interval of the Difference | |
		Lower	Upper
2081.527	645.497	735.043	3428.011
2081.527	645.497	728.042	3435.013

Table 5: Independent Samples Test M1, M2

The table below displays the outcomes of an example test comparing the M1 and M2 groups. The standard error difference is 645.497, while the average difference between the two groups is 2081.527. The difference's 95% confidence interval range is from 735.043 to 3428.011. Since M1 has a greater mean value than M2, it is evident that the two groups differ significantly.

Terms	Method	Levene Statistic	df1	df2	Sig.
	Based on Mean:	14.581	2	30	.000
Monetary base issued currency Reserve with the central bank	Based on Median:	6.004	2	30	.006
	Based on the Median and with adjusted "df"	6.004	2	20.294	009
	Based on trimmed "mean."	13.792	2	30	000

Table 6: Test of Homogeneity of Variances

The results of a test of the homogeneity of variances for the three variables of the monetary base, issued money, and reserve with the central bank are shown in the table below. Four distinct approaches were employed to conduct the test: the Levene statistic based on mean, the Levene statistic based on the median, the Levene statistic based on the median and with modified degrees of freedom, and the Levene statistic based on the trimmed mean. When the significance threshold (Sig.) is less than 0.05, the findings demonstrate that the variances of the three terms vary considerably in each of the four approaches. This indicates that variations in the monetary base, the currency that has been issued, and the central bank's reserves do not differ consistently or clearly. This can point to a problem with the data or a mistake in how the three components were distributed. To determine the reason for these variations, substantial investigation would be required.

Source:	Sum of "Squares"	df	Mean Square	F	Sig.
Between Groups:	21039004.538	2	10519502.269	10.593	.000
Within Groups:	29793196.724	30	993106.557	--	--
Total=	50832201.261	32	-	-	-

Table 7: ANOVA Test

This ANOVA test will demonstrate any significant differences between the means of three or more groups. The "Between Groups" source has a mean square of (10519502.269), a degree of freedom of 2, and a total of (21039004.538) squares, according to the information in the table. The F value is 10.593, there is a significant difference between the group averages, and the significance level is 000. The "Within Groups" source has 30 degrees of freedom, a sum of squares of 29793196.724, and a mean square of (993106.557). The degree of freedom and number of squares for the "total" source are 32 and 50832201.261, respectively. The variation among groups is also quite low, suggesting that there is likely a significant difference between the groups.

(I)	(J)	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Monetary base:	"issued currency"	427.75455	516.24088	.793	-913.7407	1769.2498
	"Reserve with the central bank"	1866.67027*	395.65528	.002	758.0210	2975.3195
issued currency:	"Reserve with the central bank"	1438.91573*	344.45136	.005	476.5545	2401.2770

Table 8: Multiple Comparisons by Dunnett T3

With a standard deviation of 516.24088, the mean difference between the monetary base and issued currency is 427.75455. Since the difference is not statistically significant, the p-value is 0.793.

With a standard error of 395.65528, the mean difference between the monetary base and reserves held by the central bank is

1866.67027. Since the difference has a p-value of 0.002, it is statistically significant. With a standard deviation of 344.45136, the mean difference between issued currency and reserves held by the central bank is 1438.91573. Since the difference has a p-value of 0.005, it is statistically significant.

Term	Method	Levene Statistic	df1	df2	Sig.
Market exchange rates (YER to Dollar)	"Based on Mean"	13.859	10	121	.000
	Based on Median	10.268	10	121	.000
	Based on Median and with adjusted "df"	10.268	10	20.571	.000
	"Based on trimmed mean"	13.347	10	121	.000

Table 9: Test of Homogeneity of Variances

The results of a test for homogeneity of variances using four different methods—based on mean, based on median, based on the median with modified degrees of freedom, and based on trimmed mean—for the variable "Market exchange rates (Yemeni riyal/ Dollar)" are shown in the table above. Degrees of freedom (df1 and df2), the Levene statistic, and significance (Sig. The statistics

demonstrate that the variations among the various techniques are not all equal. Significant p-values are included in the Sig (all p-values are less than 0.05). The column demonstrates this. Inferring that the data could not have a normal distribution, it would be necessary to analyse it using several methods.

Source	Sum of Squares	df	Mean Square	F	Sig.
Between Groups:	8504307.583	10	850430.758	114.559	.000
Within Groups:	898245.653	121	7423.518	-	-
Total=	9402553.236	131	-	-	-

Table 10: ANOVA Test

The difference between the groups accounts for (85.04%) of the variation in the data, as indicated by the between-groups sum of squares, which is (8504307.583). The difference within the groups accounts for (14.96%) of the variation in the data, as indicated by the within-groups sum of squares, which is (898245.653). At the

(0.05) level, the F-statistic is statistically significant at (114.559). This indicates that the groups differ significantly from one another. The p-value, which is less than 0.05, is 0.000. This shows a low likelihood that the reported results were obtained by accident. Overall, the ANOVA test results show that the groups differ

significantly. This indicates a disparity in the mean values of the groups and that the groupings are unequal.

5. Discussion and Result
Based on the provided data analysis, evaluate each hypothesis below:

Hypothesis 1: There is a significant increase in Yemen's monetary supply (M2) from 2011 to 2021.

The data analysis supports this hypothesis as both M1 and M2 steadily increased over the years. The values for M2 increased from 2268.2 in 2011 to 7229.1 in 2021, indicating a significant increase in Yemen's monetary supply.

Hypothesis 2: The mean values of M1 and M2 are significantly different.

The data analysis confirms this hypothesis. The independent samples test shows a significant difference between the mean values of M1 and M2, with a mean difference of 2081.527 and a 95% confidence interval ranging from 735.043 to 3428.011.

Hypothesis 3: A significant difference exists in the mean values of the monetary base, issued currency, and reserve with the central bank.

The multiple comparisons and the ANOVA test support this hypothesis. The multiple comparisons revealed significant differences between the mean values of the monetary base and the reserve with the central bank and between the mean values of the issued currency and the reserve with the central bank. The ANOVA test reveals a significant difference in the means of the groups.

Hypothesis 4: The exchange rate of the Yemeni Rial to the dollar has significantly fluctuated over the years 2011 to 2021.

The provided table and graph for the exchange rate show significant fluctuations over the years, with values ranging from 214.89 to 1500.6. The graph also shows an increasing trend from 2016 onwards. Therefore, this hypothesis is supported by the data analysis.

In conclusion, all four hypotheses are supported based on the data analysis.

6. Conclusion
The purpose of this research study was to examine the economic causes of inflation in Yemen as well as potential strategic responses. The research looked at a number of things, such as Yemen's monetary supply (M1 and M2), the mean values of M1 and M2, the mean values of the monetary base, issued currency, and reserve with the central bank, as well as the rate at which the Yemeni Rial fluctuated about the dollar from 2011 to 2021. The General Administration of Research and Statistics of the Central Bank of Yemen provided the information that was gathered. Yemen's monetary supply (M1 and M2) research revealed considerable growth from 2011 to 2021. M1 climbed from 993 in 2011 to 4479.3 in 2021, while M2 consistently rose from 2268.2 in 2011 to 7229.1 in 2021. This implies that Yemen's money supply significantly increased during the studied period. The mean values of M1 and M2 were compared, and the results showed a substantial difference between the two variables. The mean difference was determined to be 2081.527,

with a standard error difference of 645.497. This result shows that M1 and M2 have different mean values. The research also looked at the monetary base, issued money, and reserve with the central bank's mean values. The findings revealed a sizable variation in the mean values of these factors. The Dunnett T3 test of multiple comparisons revealed that the mean difference between the monetary base and issued currency was not statistically significant. However, the reserve held by the central bank, the issued currency, and the monetary base differed significantly. More investigation would be required to understand the underlying causes of these disparities. Lastly, the exchange rate of the Yemeni Rial to the dollar was analysed. The data showed significant fluctuations in the exchange rate over the years 2011 to 2021. The values varied greatly, with a substantial increase observed from 2016 onwards. The highest value was recorded in November 2021, with 1500.6 Yemeni Rials to the dollar. This indicates significant volatility in the exchange rate during the analysed period. This research provides the economic factors influencing inflation in Yemen. The substantial increase in monetary supply, differences in mean values of various financial variables, and exchange rate fluctuations highlight the complex dynamics of the Yemeni economy. These findings can inform policymakers and economists in developing strategies and interventions to manage inflation and stabilise the economy in Yemen [7-12].

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