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The Chairman's Summing Up at the Conclusion of the 1981 Article IV  
Consultation with the People's Democratic Republic of Yemen  
Executive Board Meeting 81/158 - December 16, 1981

The People's Democratic Republic of Yemen has over recent years made progress in its development and economic diversification efforts, although there was a marked slowdown in the growth of output in 1980. Directors noted the staff assessment that wider application of production incentives, together with measures to continue to deal with supply bottlenecks, are expected to lead to a recovery of growth.

Directors commended the prudent financial policies followed in recent years. Government revenues have grown rapidly, and the growth of current expenditures has been kept under control. Furthermore, important foreign assistance has added to the resources available for the financing of development. However, Directors expressed some concern about the size of the overall budget deficit and stressed the importance of limiting the growth of the bank-financed government deficit.

The balance of payments recorded considerable overall surpluses in the period 1977 to 1980, but is expected to record a small deficit in 1981, mainly as a result of the acceleration of the development effort and some increases in import prices.