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Sommario/riassunto	This paper investigates the likely implications of declining oil

production on Yemen's equilibrium exchange rate, and discusses policy options to ensure a smooth transition to a nonoil economy. The empirical results suggest that, as oil production and foreign exchange earnings fall, the Yemeni rial will have to adjust downward in real effective terms to keep pace with the equilibrium exchange rate. In light of strong pass-through from exchange rate depreciation to domestic inflation, this could entail a substantial depreciation in nominal terms. Given the nature of the adjustment, a floating e