

# AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

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This monthly Afghanistan Economic Monitor is part of **Afghanistan Futures**, the World Bank's program of research, monitoring, and analytical reports on the Afghan economy and society. **Afghanistan Futures** seeks to inform the international policy dialogue as the international community assesses how it can support the people of Afghanistan. This Afghanistan Economic Monitor joins the regular surveys on the private sector, household welfare, and gender, as well as the sectoral reports that inform the Afghanistan Development Update, a biannual flagship report.

## HIGHLIGHTS

Year-on-year deflation persists, but signs indicate the trend has bottomed out.

Afghanistan experienced deflation starting in April 2023, which persisted throughout the year. By May 2024, headline inflation was -7.5 percent year-on-year (YoY), with significant declines in the food group (-11.5 percent YoY) and non-food segments (-3.1 percent YoY). Core inflation, excluding volatile food and energy prices, was also negative at -2.5 percent YoY, reflecting weak demand. Headline inflation rose from -10.2 percent in January 2024 to -7.5 percent in April. This broad-based easing of deflationary pressures was observed across food and non-food categories. Several factors, including a base effect, depreciation of the Afghani, and rising international energy and food prices, contributed to easing deflationary pressure. However, sluggish economic activity is delaying inflation from turning positive. Data on prices of basic household items collected by the World Food Program (WFP) also indicate a continued decrease in deflation in May 2024.

Exports declined in the first five months of 2024 compared to the same period of 2023, driven by significant drops in coal and food shipments, while textiles showed resilience.

In the first five months of 2024, Afghanistan's exports declined by 16 percent, totaling US\$613.5 million compared to US\$731.6 million in the same period in 2023. This decrease was primarily driven by a 78 percent reduction in coal exports, which fell from US\$173.6 million to US\$37.9 million due to Pakistan's adoption of more cost-effective coal alternatives. Additionally, food exports decreased by 5.5 percent, from US\$396.4 million to US\$374.5 million, mainly because of reduced exports to Pakistan, although increased exports to India partially offset this. Conversely, textile exports grew from US\$116.9 million in January-May 2023 to US\$137.9 million in 2024, benefiting from competitive pricing due to deflation. Factors such as an overvalued Afghani, slow economic growth in key trading partners, logistical disruptions, and trade route challenges contributed to the overall weak export performance. Pakistan remained Afghanistan's primary export market, accounting for 48 percent of exports, followed by India at 28 percent during January-May 2024.

Import growth continued to be strong in the first five months of 2024.

Afghanistan's imports surged by 22 percent in the first five months of 2024, reaching US\$3.8 billion, up from US\$3.1 billion in the same period last year. Food items, constituting 21 percent of total imports, grew 12 percent to US\$789.8 million. Mineral imports, accounting for 18 percent of the total, rose 11 percent to US\$704 million. In contrast, textile imports, making up 7 percent of the total, fell by 10 percent to US\$281.2 million. Secondary imports, including transportation, machinery, and chemical products, saw substantial year-on-year growth rates of 73 percent, 55 percent, and 45 percent, respectively. These trends are paradoxical given the subdued economic activity caused by limited development projects and the challenges facing the domestic industry due to exchange rate appreciation. Iran is the most significant import source, contributing 30 percent of imports and showing a 75 percent year-on-year growth. Other significant import origins included the UAE (23 percent), Pakistan (17 percent), and China (6 percent). The merchandise trade deficit widened to US\$3.2 billion in the first five months of 2024, marking a 34 percent year-on-year increase from US\$2.4 billion in the previous year.

The Afghani (AFN) remained stable in the first half of 2024 and depreciated only slightly against major currencies despite the trade deficit and reduced aid.

In the first half of 2024, the Afghani remained stable, depreciating slightly by 1.3 percent against the US dollar, 0.1 percent against the Indian rupee, and 4.8 percent against the Pakistani rupee. Afghanistan's foreign exchange market appeared balanced, as remittances and unidentified sources of foreign exchange inflow offset the growing trade deficit and reduced aid inflows. Despite these fluctuations, the Afghani was still 21.2 percent more appreciated than in August 2021, trading at AFN 71.1 per US dollar on June 27, 2024.

Revenue experienced modest growth but failed to meet the target in the

After achieving the revenue target of AFN 210 billion in FY 2023-24, the first two months of FY 2024-25 experienced a decline in revenue mobilization, primarily due to reduced border taxes. During this period, Afghanistan's total revenue reached AFN 31.2 billion, reflecting a modest year-on-year growth of 0.7 percent but falling short of the target by 8 percent. Customs revenue decreased by 13 percent year-on-year to AFN 16.7 billion. However, a

first two months of FY  
2024-25.

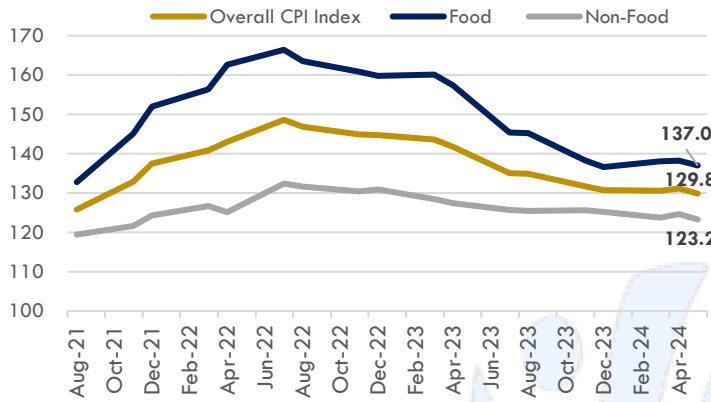
significant recovery occurred in May, with customs collections increasing by 19 percent compared to the previous month, driven by higher import volumes. On the other hand, Inland Revenue saw a robust increase of 22 percent year-on-year, reaching AFN 14.4 billion in the first two months, bolstered by strong performances from Mustofiats, STO, and the Audit Department. Despite this, the Afghanistan Revenue Department collected 13 percent less than the target, and the Afghanistan Customs Department fell short by 3 percent, resulting in overall revenue being AFN 2.7 billion below the target in the first two months.



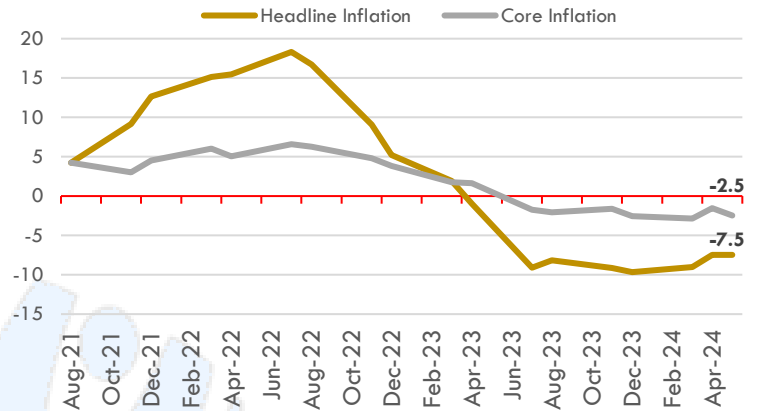
## 1. PRICE TRENDS

In May 2024, headline inflation fell to negative 7.5 percent YoY due to a drop in food inflation to negative 11.5 percent and non-food inflation to negative 3.1 percent, indicating persistent weak demand.

### 1.1. HEADLINE PRICE INDEX



### 1.2. HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

### 1.3. BASIC HOUSEHOLD GOODS – Y-O-Y INFLATION

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
Bread	0.7	-2.7	-6.1	-4.3	-3.0	-4.9	-5.3	-6.3	-6.7	-8.0	-8.2	-8.2
Fuel (diesel)	-32.7	-46.8	-38.6	-32.5	-25.2	-29.8	-30.2	-33.1	-28.5	-19.2	-15.1	-13.2
Oil (cooking)	-43.0	-39.6	-36.2	-32.2	-31.0	-35.9	-36.4	-35.6	-34.7	-33.0	-31.2	-26.4
Pulses	-3.1	-1.2	0.5	3.5	3.0	-3.6	-6.1	-5.1	-6.2	-6.0	-5.5	-5.2
Rice (high quality)	-1.3	-5.0	-5.0	-8.3	-7.8	-12.1	-14.8	-17.0	-15.8	-16.6	-18.1	-19.3
Rice (low quality)	19.5	19.7	19.9	16.3	16.1	6.0	-0.1	-1.8	-5.0	-4.2	-4.3	-7.0
Salt	4.1	4.4	2.5	2.0	1.9	8.9	0.1	0.9	0.6	-1.9	-2.3	2.6
Sugar	13.0	5.9	5.7	10.3	13.4	12.9	10.8	8.2	14.1	9.5	7.1	-9.9
Wheat	-33.2	-32.6	-32.9	-32.4	-30.1	-32.1	-32.8	-32.4	-32.9	-28.3	-25.9	-24.0
Wheat flour (high quality)	-37.4	-37.0	-37.6	-35.3	-30.0	-32.8	-32.5	-32.4	-28.6	-24.2	-21.8	-19.5
Wheat flour (low quality)	-37.8	-37.1	-37.5	-36.1	-32.9	-35.4	-34.7	-35.2	-32.2	-29.3	-27.6	-24.3
Basic Household Goods Price Inflation	-26.2	-27.1	-25.6	-22.9	-19.3	-23.4	-24.0	-24.4	-22.2	-19.6	-18.2	-17.2

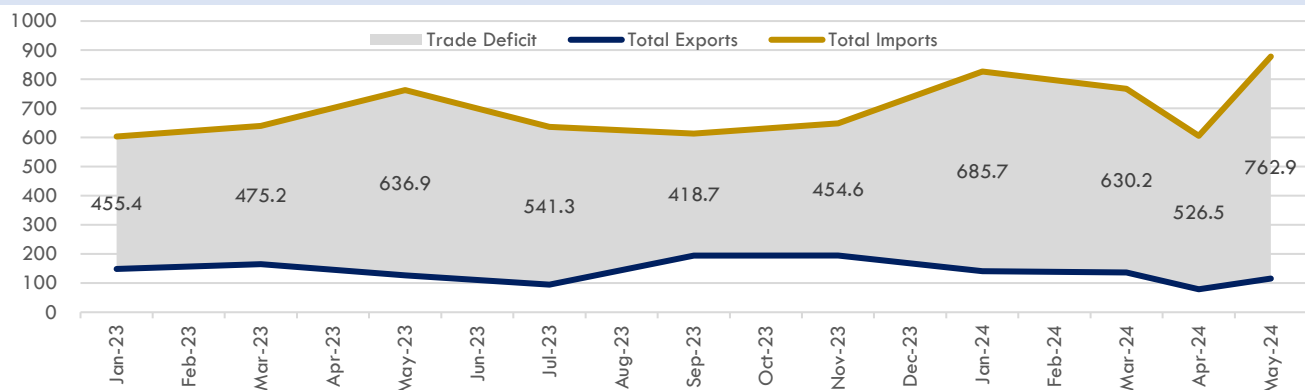
Source: Price data from WFP weekly report; index constructed by World Bank staff.

Note: This Index uses WFP price data for 11 critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of basic household inflation trends.

## 2. TRADE DEVELOPMENTS

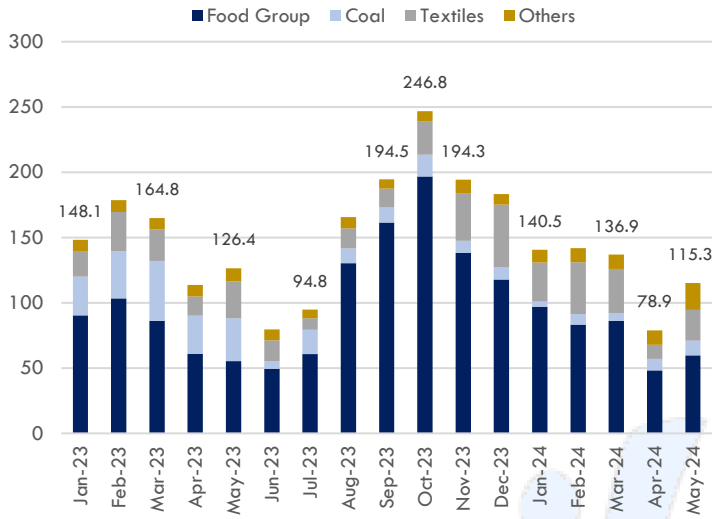
Imports sustained their upward trajectory from 2023 and outpaced the export growth, leading to a wider trade deficit during Jan-May 2024 compared to the same period last year.

### 2.1. AFGHANISTAN TRADE DEFICIT (US\$ MILLIONS)



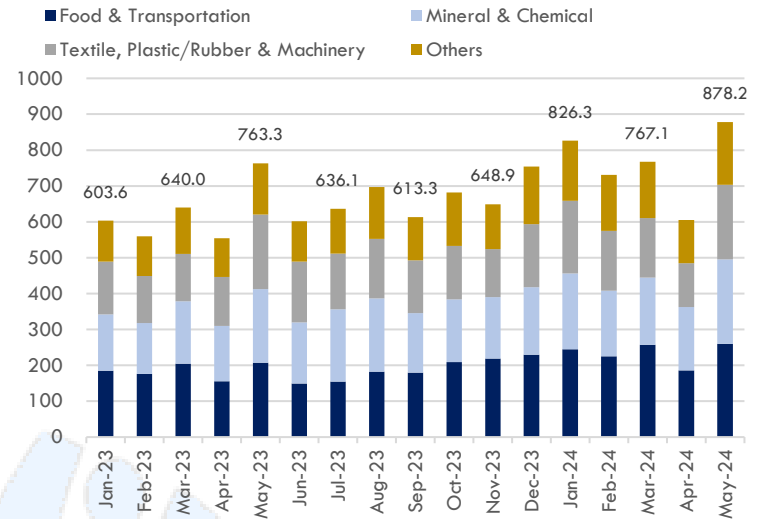
Source: ASYCUDA

## 2.2 AFGHANISTAN'S EXPORTS (US\$ MILLIONS): 2023 - 2024



Source: ASYCUDA

## 2.3 AFGHANISTAN'S IMPORTS (US\$ MILLIONS): 2023 - 2024

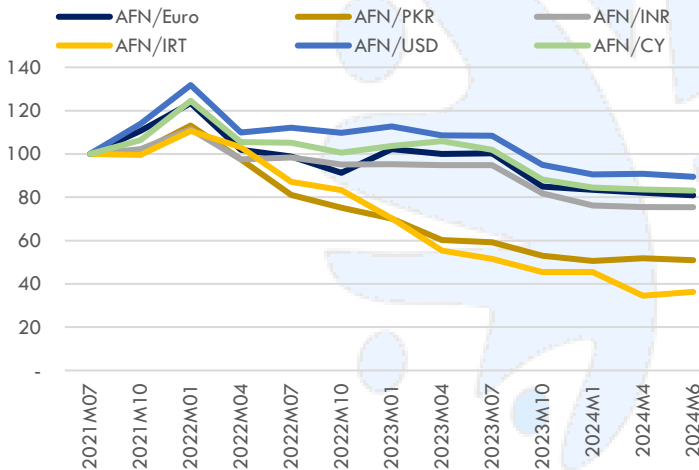


Source: ASYCUDA

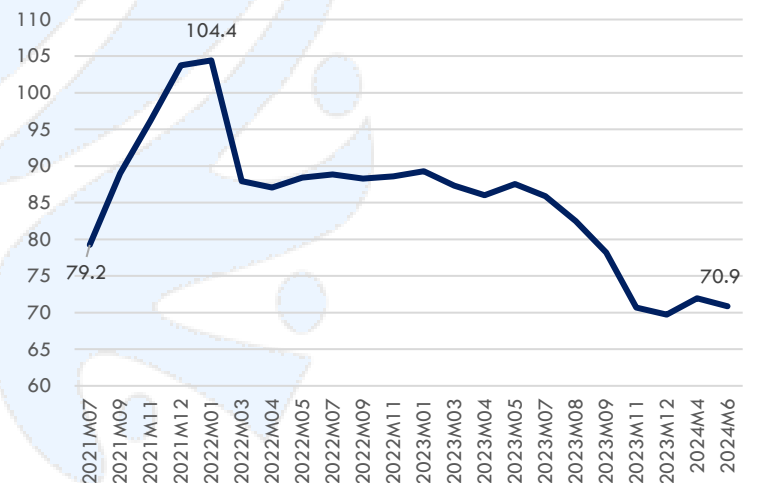
## 3. FOREIGN EXCHANGE

The Afghan currency appreciated against major currencies throughout 2023 but remained stable during the first half of 2024, indicating a balanced foreign exchange market despite a widening trade deficit.

### 3.1. EXCHANGE RATE – INDEX JULY 2021 (HIGHER = DEPRECIATION)



### 3.2. AVERAGE MONTHLY AFN/\$ EXCHANGE RATE



### 3.3. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

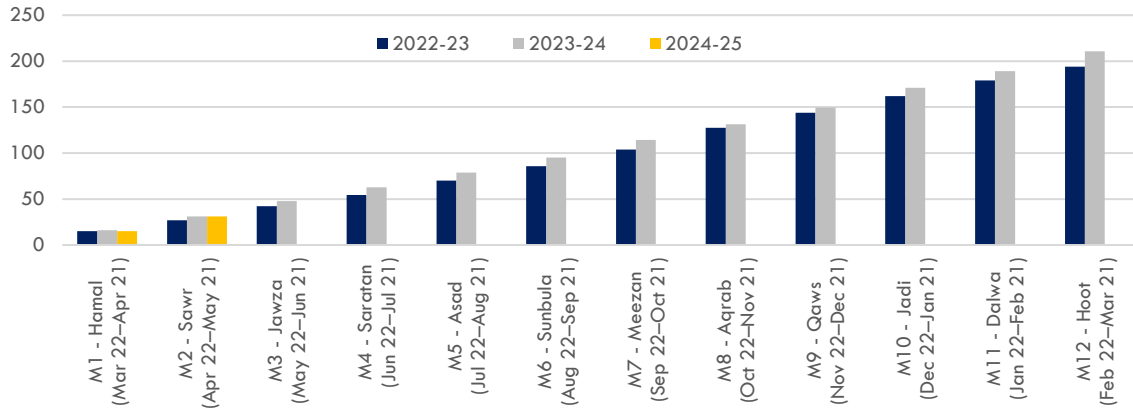
	24-Jul-23	24-Aug-23	25-Sep-23	25-Oct-23	27-Nov-23	26-Dec-23	25-Jan-24	28-Feb-24	28-Mar-24	30-Apr-24	28-May-24	27-Jun-24
AFN/Euro	2.81	8.01	16.69	23.37	26.05	27.02	22.38	23.66	26.54	25.87	27.05	28.96
AFN/PKR	77.02	91.54	98.25	98.71	114.17	110.54	99.73	101.15	100.83	96.79	100.91	100.51
AFN/INR	13.92	13.45	25.45	32.02	46.21	42.57	39.62	41.05	42.56	42.00	42.57	42.68
AFN/IRT	88.24	88.24	88.24	113.33	128.57	113.33	113.33	146.15	166.67	190.91	166.67	166.67
AFN/\$	0.44	3.67	10.10	16.17	23.51	22.82	17.34	18.20	20.38	18.88	20.68	21.23
AFN/CY	2.76	5.47	12.64	17.81	23.14	22.36	20.36	21.64	21.99	22.85	23.92	23.27

Source: Data in Figures and Table is from DAB, World Bank staff elaboration.

## 4. REVENUES

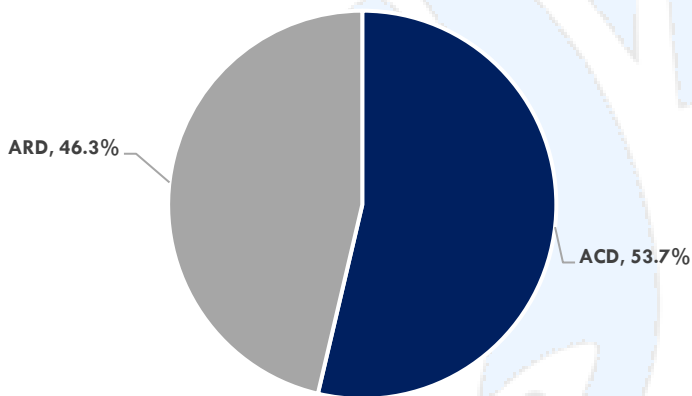
In FY 2023-24, the ITA met its revenue target of AFN 210 billion, driven by robust import growth and high non-tax revenues. Revenue growth remained modest but fell short of the target in the first two months of FY 2024-25.

### 4.1. TOTAL REVENUE (AFN BILLIONS; FY 2024-25)

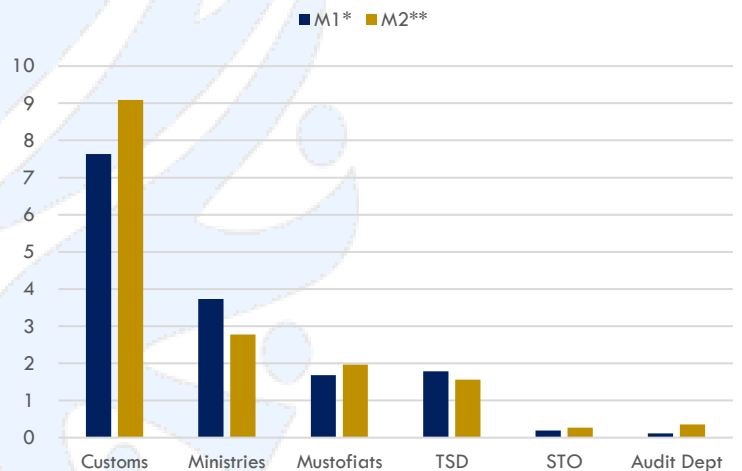


Source: Ministry of Finance

### 4.2. SHARE OF INLAND & CUSTOMS REVENUES IN TOTAL COLLECTIONS (MARCH 22 - MAY 21, FY2024-25)



### 4.3. REVENUE COLLECTIONS BY SOURCE (AFN BILLION) (MARCH 22 - MAY 21, FY2024-25)



Source: Ministry of Finance.

Note: The Afghan fiscal calendar month, Hamal, runs from March 22–April 21.

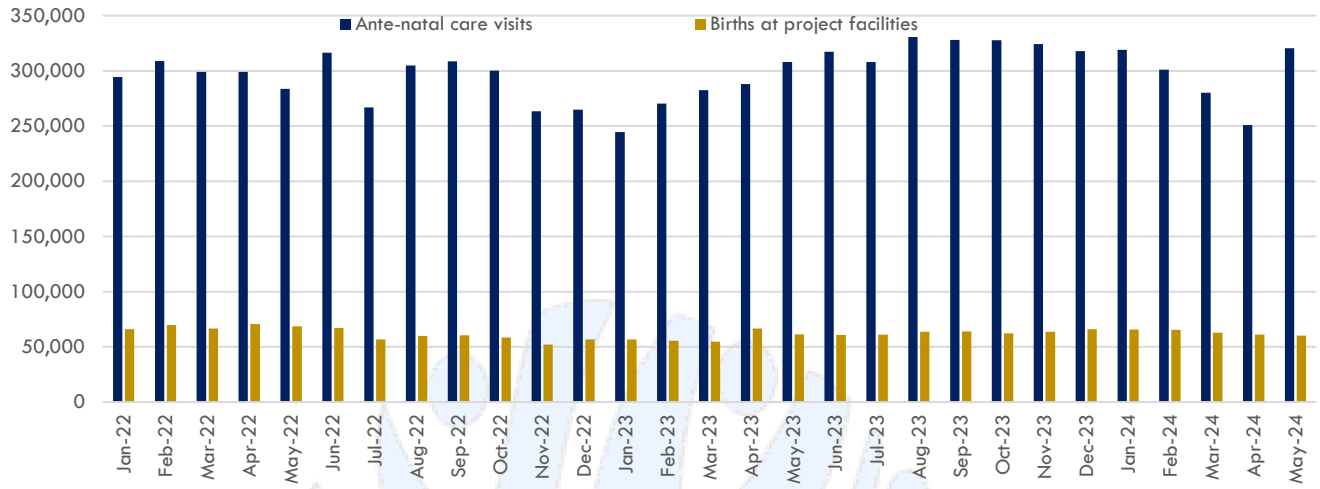
\*M1 - Hamal (Mar 22–Apr 21)

\*\*M2 - Sawr (Apr 22–May 21)

5. PROVISION OF HEALTH SERVICES

ANC visits under the Health Emergency Response (HER) project experienced a notable increase in May 2024, following a sustained decline since August 2023.

5.1. SERVICES DELIVERED AT HER-FINANCED HEALTH FACILITIES



Source: Health Management Information System.





For analytical products in Afghanistan, kindly visit <https://www.worldbank.org/en/country/afghanistan>.

*Data notes:* The Afghanistan Economic Monitor is produced by World Bank staff, drawing from various data sources. Reflecting limited data availability, data sources and coverage may vary between editions. Data sources are cited for each chart. The Afghanistan Economic Monitor uses data from the following sources: (i) official statistics on prices produced by the NSIA; (ii) data on prices and wages collected from all provinces by the World Food Program; (iii) data on exchange rates collected and reported by DAB; and (iv) data on trade from the ASYCUDA.