

# AFGHANISTAN ECONOMIC MONITOR: 13 OCTOBER 2021

## HEADLINES:

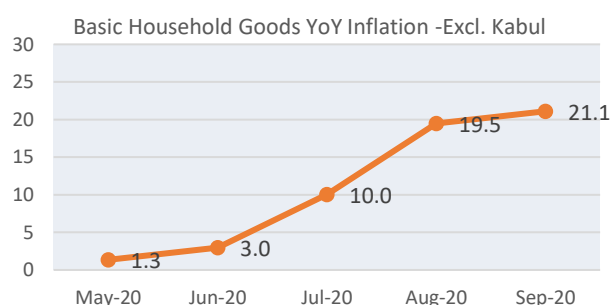
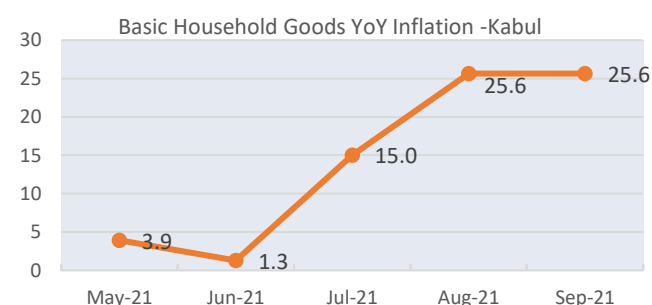
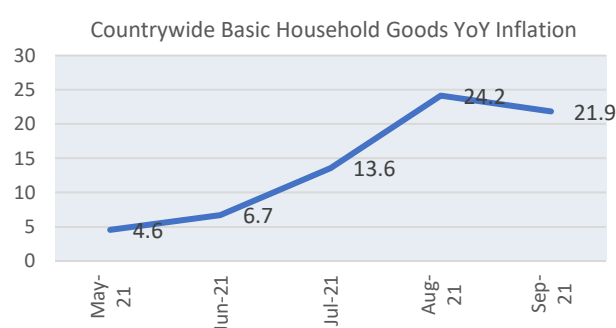
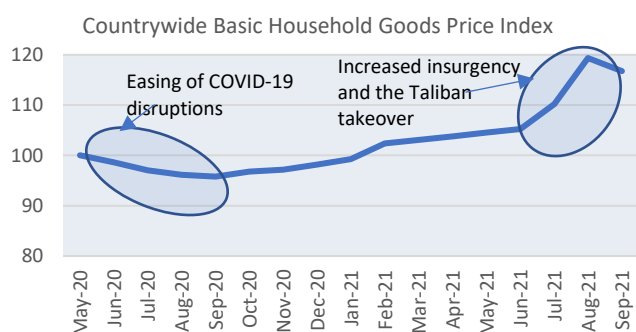
- **Prices for essential household items continue to rise.** A new index of prices for basic household goods shows rapid inflation over recent months, with year-on-year inflation reaching 13.6 percent in July, 24.2 percent in August, and 21.9 percent in September. Increasing prices for cooking oil and diesel fuel are the main contributors to observed inflation, with year-on-year price increases reaching 58.5 percent and 48.8 percent respectively. Price increases have been most pronounced in Kabul.
- **Wages, especially for skilled workers, have fallen consistently over the last five months.** Wages for both qualified and unqualified workers are now below levels observed during the early months of the COVID-19 crisis. Declining wages reflects limited labor demand amid difficult economic conditions.
- **The Afghani has depreciated moderately against the USD, but remains relatively stable against other key trading currencies.** The AFN has depreciated by around 14 percent against the USD since end-July, while remaining broadly stable against the Indian Rupee, Pakistani Rupee, and Iranian Tooman. Limited exchange rate depreciation reflects continued high demand for local currency for transactions in the context of liquidity constraints, and parallel depreciations of main regional trading currencies.
- **Taliban revenue collections have gathered pace.** The Taliban regime is now collecting approximately Afs300 million per day in customs revenues (compared to Afs235 million average daily customs collections in 2020). The sharp recent increase reflects the end of the previous 30 percent 'discount' on duties. The SIGTAS inland tax system has recently been reactivated, with revenue collections not yet known.
- **Trade flows are slowing.** Recent trade data suggests that imports from Pakistan to Afghanistan for August to October have declined by around 40 percent from 2020 levels over the same period. Declining imports likely reflect constrained domestic demand and constraints to international transaction facing local firms. Exports from Afghanistan to Pakistan, on the other hand, have remained relatively stable, with a decline of only around six percent over the period.

## KEY INDICATORS:

### BASIC HOUSEHOLD GOODS PRICE INFLATION <sup>/1</sup>--YEAR ON YEAR (YOY)

	May-21	Jun-21	Jul-21	Aug-21	Sep-21
Bread	2.0	1.7	3.8	7.5	6.2
Fuel (diesel)	27.4	32.8	52.3	86.7	48.8
Oil (cooking)	28.2	26.8	39.1	51.8	58.5
Pulses	-2.2	-1.7	-0.9	4.6	3.8
Rice (high quality)	0.6	1.7	3.4	7.2	8.5
Rice (low quality)	-3.4	-2.5	3.3	9.6	9.5
Salt	-1.8	9.4	11.6	12.5	12.2
Sugar	3.1	-0.6	2.1	7.5	12.5
Wheat	1.9	3.5	6.6	11.6	14.2
Wheat flour (high quality)	-9.6	-8.5	1.1	10.2	15.6
Wheat flour (low quality)	-10.1	-8.1	0.9	10.7	14.4
<b>Basic Household Goods Inflation</b>	<b>4.6</b>	<b>6.7</b>	<b>13.6</b>	<b>24.2</b>	<b>21.9</b>

Source: Price data from WFP weekly report, Index constructed by the Bank staff

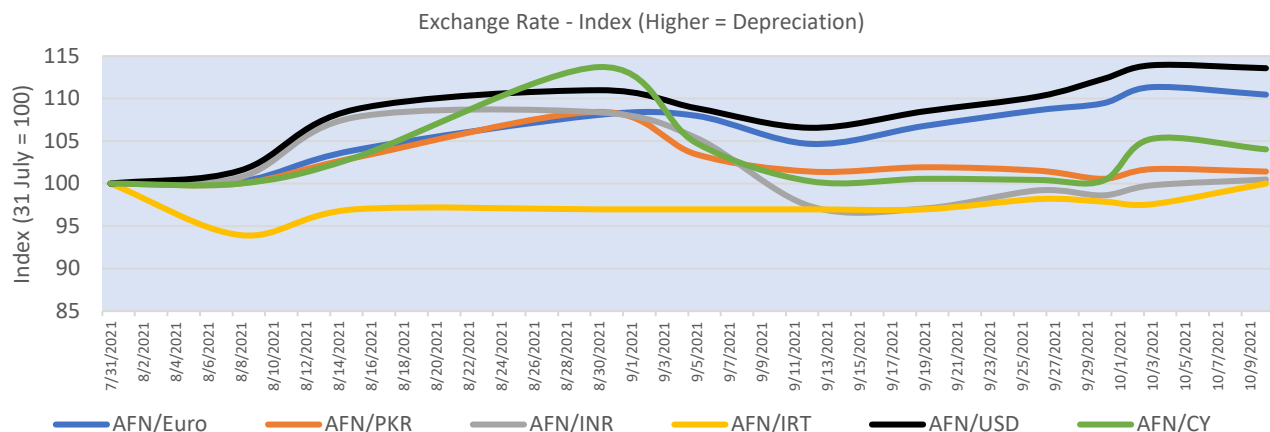


<sup>/1</sup>: In the absence of formal price statistics, the World Bank has created a new index to assess trends in prices for basic household goods. This index uses World Food Program (WFP) price data for ten critical household goods from all provinces and applies consumption and population weights from NSIA to provide an aggregate snapshot of overall price trends.

WAGES (YEAR ON YEAR PERCENT CHANGE)	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21
Wage (non-qualified, non-Agri)	8.4	3.9	0.1	0.4	-2.5
Wage (qualified labor)	-0.8	-3.8	-4.3	-6.1	-6.6

Source: WFP, World Bank Staff Calculations

EXCHANGE RATES – INDEX (JULY 31 = 100)											
	7/31	8/8	8/15	8/30	9/5	9/12	9/19	9/26	9/30	10/3	10/10
AFN/Euro	100	100	104	108	108	105	107	109	109	111	110
AFN/PKR	100	100	103	108	103	101	102	102	101	102	101
AFN/INR	100	101	108	108	105	97	97	99	99	100	100
AFN/IRT	100	94	97	97	97	97	97	98	98	98	100
AFN/USD	100	102	109	111	109	107	108	110	112	114	114
AFN/CY	100	100	103	114	105	100	101	100	100	105	104



Source: DAB, World Bank

AVG DAILY CUSTOMS REVENUES (AFS MILLION)	2020	W1-SEP21	W2-SEP21	W3-SEP21	WK4-SEP21	W1-OT21
	235	93	111	127	147	292

Source: ASYCUDA

INTERNATIONAL TRADE: US\$ MILLION	IMPORTS FROM AFGHANISTAN			EXPORT TO AFGHANISTAN		
	FY21	FY22	Growth	FY21	FY22	Growth
<b>with Pakistan</b>						
July	35.6	27.5	-22.7%	79.9	48.9	-38.9%
August	41.0	44.6	8.8%	79.8	49.9	-37.5%
September	84.3	79.1	-6.2%	95.3	49.2	-48.4%
	160.8	151.2	-6.0%	255.0	147.9	-42.0%

Source: Pakistan Bureau of Statistics

## SELECTED ECONOMIC NEWS

- Food prices are spiraling in Afghanistan as the local currency plummets under selling pressure and imports from Pakistan decline steeply due to a U.S. dollar shortage that prevents traders making payments. [\[Nikkei Asia, October 8, 2021\]](#)
- Dozens of government employees who have been queuing in front of the capital's banks to withdraw salaries complained of difficulty withdrawing funds. [\[Tolo News, October 8, 2021\]](#)
- United Nations agencies and their humanitarian partners are racing against time to deliver life-saving aid and supplies to crisis-hit Afghans ahead of winter, a UN agency said on Thursday. [\[Xinhua, October 8, 2021\]](#)
- As the abrupt cutoff of foreign funding since the Taliban takeover threatens economic collapse in Afghanistan, risking the lives of many of its citizens along with their livelihoods, a United Nations agency has come up with a way to keep at least some of the money flowing. [\[WaPo, October 6, 2021\]](#)
- The United Nations World Food Programme (WFP) in Afghanistan has distributed for thousands of Afghan children amid rising food insecurity in the country, the organization said on Wednesday. [\[Xinhua, October 6, 2021\]](#)
- Afghanistan's capital could be plunged into darkness as the winter sets in because the country's new Taliban rulers haven't paid Central Asian electricity suppliers or resumed collecting money from consumers. [\[WSJ, October 3, 2021\]](#)