

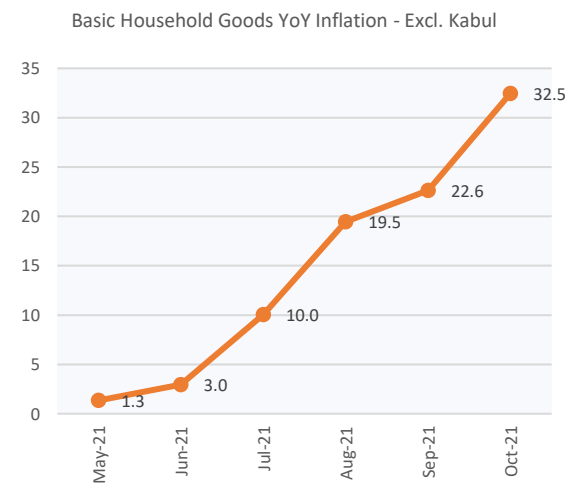
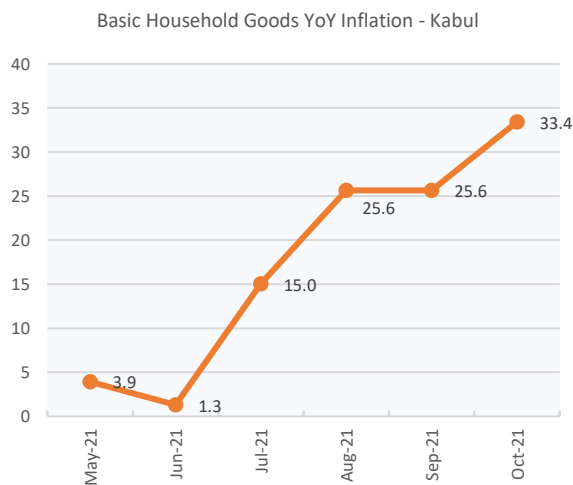
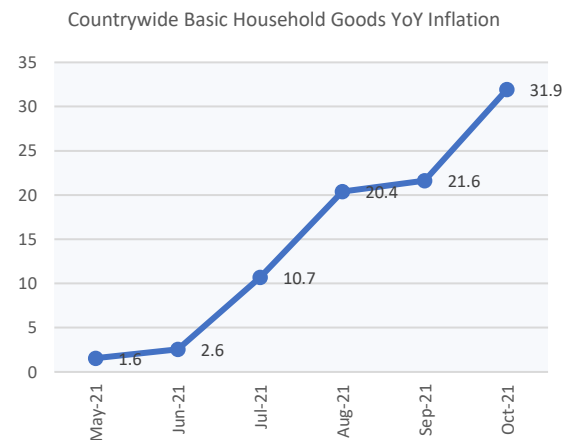
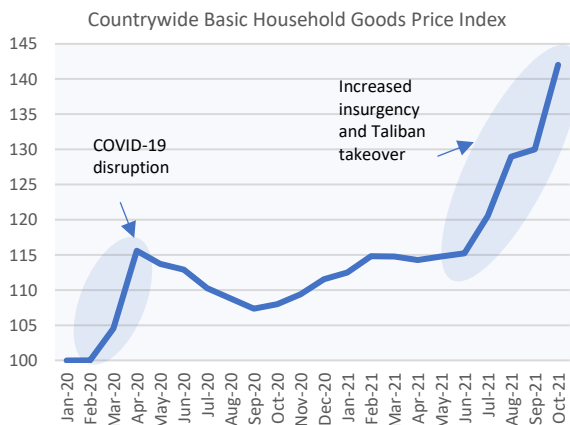
AFGHANISTAN ECONOMIC MONITOR: NOVEMBER 1, 2021

HEADLINES:

- Basic household goods price inflation continues to accelerate.** Prices for basic household items continue to rise, with year-on-year inflation reaching 31.9 percent by the third week of October. Increasing prices for diesel fuel, wheat, wheat flour and cooking oil are the main drivers of this trend. Diesel fuel and wheat flour prices both increased by 18 and 16 percent respectively since September, reflecting import disruptions and the exhaustion of private sector inventories. Inflation trends are broadly consistent between Kabul and other areas.
- Wages have continued to decline.** Wages continued their steady decline over the past month, falling by around three percent. On a year-on-year basis, wages for qualified and non-qualified workers have now declined by 10.3 and 7.5 percent, respectively, as of late October.
- The Afghani has remained relatively stable against main trading currencies over the past month.** The Afghani has now depreciated by around 13 percent against the USD since end-July. Exchange rate stability continues to reflect a limited supply of Afghani for transaction purposes in the context of difficult economic conditions and ongoing withdrawal limits.
- Analysis of newly released trade data from Pakistan shows broad-based declines in imports.** An overall 42 percent decline in goods import over July-September from the same period in 2020 reflected lower imports of food items, base metals, chemicals, and plastics. On the other hand, relatively stable exports from Afghanistan to Pakistan (declining by around six percent) over the period were supported by the exports of fresh fruits and vegetables (grapes USD22m, tomatoes USD22m, and cucumbers USD10.9m), base metals, minerals, and fuels offsetting drops in food and textile exports.

KEY INDICATORS:

BASIC HOUSEHOLD GOODS PRICE INFLATION



BASIC HOUSEHOLD GOODS – YoY INFLATION	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
Bread	2.0	1.7	3.8	7.5	6.2	7.7
Fuel (diesel)	27.4	32.8	52.3	86.7	48.8	76.9
Oil (cooking)	28.2	26.8	39.1	51.8	58.5	69.6
Pulses	-2.2	-1.7	-0.9	4.6	3.8	9.6
Rice (high quality)	0.6	1.7	3.4	7.2	8.5	6.6
Rice (low quality)	-3.4	-2.5	3.3	9.6	9.5	6.1
Salt	-1.8	9.4	11.6	12.5	12.2	8.6
Sugar	3.1	-0.6	2.1	7.5	12.5	20.7
Wheat	1.9	3.5	6.6	11.6	14.2	26.6
Wheat flour (high quality)	-9.6	-8.5	1.1	10.2	15.6	29.0
Wheat flour (low quality)	-10.1	-8.1	0.9	10.7	14.4	30.6
Basic Household Goods Price Inflation	1.6	2.6	10.7	20.4	21.6	31.9

Source: Price data from WFP weekly report, Index constructed by the Bank staff. * Data to 3rd week of October 2021.

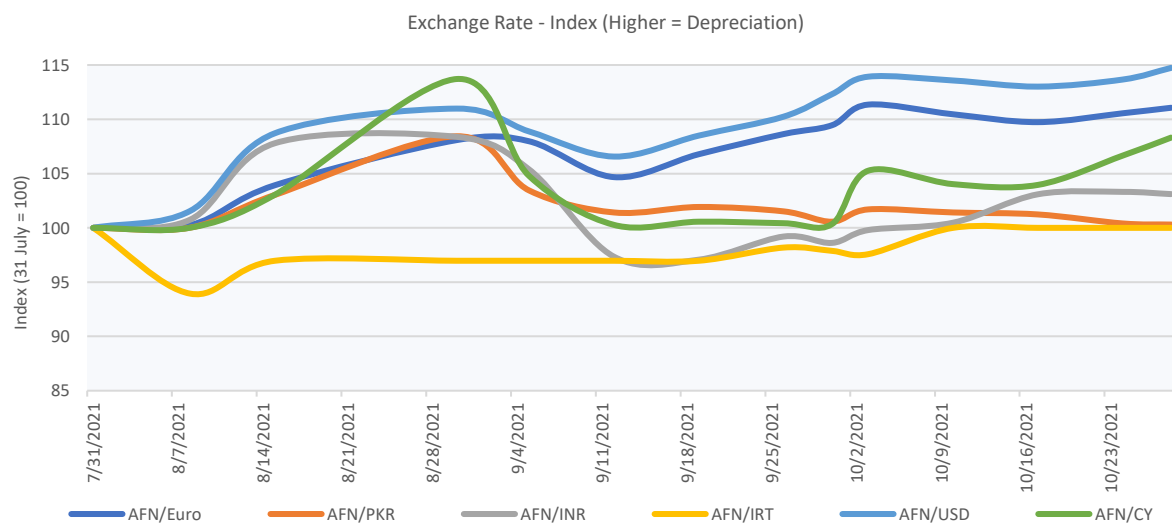
Note: In the absence of formal price statistics, the World Bank has created a new index to assess trends in prices for essential household goods. This Index uses World Food Program (WFP) price data for ten critical household goods from all provinces. It applies consumption and population weights from 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	Oct-21
Wage (non-qualified, non-agricultural)	8.4	3.9	0.1	0.4	-2.5	-7.5
Wage (qualified labor)	-0.8	-3.8	-4.3	-6.1	-6.6	-10.3

Source: Data from WFP weekly report

EXCHANGE RATE DEPRECIATION – SINCE THE END-JULY 2021

	8/8	8/15	8/30	9/5	9/12	9/19	9/26	9/30	10/3	10/10	10/17	10/24	10/28
AFN/Euro	-0.3	-3.8	-7.5	-7.4	-4.5	-6.3	-8.0	-8.6	-10.2	-9.5	-8.9	-9.5	-10.0
AFN/PKR	0.0	-2.9	-7.8	-3.3	-1.4	-1.9	-1.5	-0.6	-1.7	-1.4	-1.2	-0.4	-0.3
AFN/INR	-0.7	-7.2	-7.7	-5.1	2.7	3.0	0.8	1.4	0.2	-0.5	-3.0	-3.2	-3.0
AFN/IRT	6.5	3.1	3.1	3.1	3.1	3.1	1.9	2.2	2.5	0.0	0.0	0.0	0.0
AFN/USD	-1.5	-8.0	-9.9	-8.2	-6.2	-7.8	-9.3	-11.0	-12.2	-12.0	-11.5	-12.0	-12.8
AFN/CY	0.0	-3.0	-12.1	-4.6	-0.3	-0.6	-0.4	-0.3	-5.0	-3.9	-3.8	-6.2	-7.7



Source: DAB, World Bank

PAKISTAN'S TRADE WITH AFGHANISTAN (JULY-SEPTEMBER) in Million US\$

IMPORTS FROM AFGHANISTAN				EXPORT TO AFGHANISTAN			
	2020	2021	Growth		2020	2021	Growth
Food Items	117	99	-16%	Food Items	114	72	-36%
Textiles and Footwear	28	14	-51%	Chemicals and Plastics	55	32	-43%
Minerals and Fuels	8	19	142%	Base Metal	19	8	-59%
others	8	20	151%	Others	67	36	-46%
Total	161	151	-6%	Total	255	148	-42%

Source: Pakistan Bureau of Statistics

SELECTED ECONOMIC NEWS:

- To facilitate trade, [on September 24, 2021](#), the Federal Board of Revenue in Pakistan issued a circular waiving off the sales tax collection on imports of fruits from Afghanistan. In parallel, the State Bank of Pakistan (SBP) has extended the cash-convertible currencies as export proceeds for export settlement to Afghanistan and the Central Asian States, which expired on Oct 15, 2021. The facility is now extended until Dec 31, 2021. In addition, the government of Pakistan is considering allowing the use of local currency for exports to Afghanistan through land routes owing to the non-availability of tradable currency through banking channels [\[Geo News, September 25, 2021\]](#).
- The United Nations cannot get enough cash into Afghanistan to deliver humanitarian aid to millions of people on the brink of starvation and is struggling to develop options to help stabilize the collapsing economy, U.N. officials said. [\[Asia Pacific, October 28, 2021\]](#)
- Chinese Foreign Minister Wang Yi urged the World Bank and International Monetary Fund (IMF) to resume financing support to cash-strapped Afghanistan for reconstruction. [\[Asia Pacific, October 28, 2021\]](#)
- Millions of people, including children, could die of starvation unless urgent action is taken to pull Afghanistan back from the brink of collapse, a senior United Nations official warned. [\[The Times, October 26, 2021\]](#)
- At least 14 million children are among 22.8 million people in Afghanistan who will suffer from an unprecedented food crisis this winter. [\[Independent, October 26, 2021\]](#)
- Afghanistan is teetering on the brink of economic collapse. [\[Spiegel International, October 25, 2021\]](#)
- As Afghanistan enters its harsh winter season, a massive humanitarian disaster appears increasingly likely. Facing food shortages, rising prices and a breakdown in public services, millions of ordinary Afghans need immediate assistance as their country veers toward economic collapse. [\[Center for Global Development, October 25, 2021\]](#)
- Pakistan has decided in principle to look into various options, including allowing exports of additional items in local currency to Afghanistan on land routes owing to the non-availability of tradable currency through banking channels. [\[Dawn, October 24, 2021\]](#)
- Afghanistan's economic woes could fuel a refugee crisis impacting neighboring countries, Turkey and Europe, the International Monetary Fund has said. [\[BBC News, October 20, 2021\]](#)