

AFGHANISTAN ECONOMIC MONITOR: NOVEMBER 19, 2021

HEADLINES:

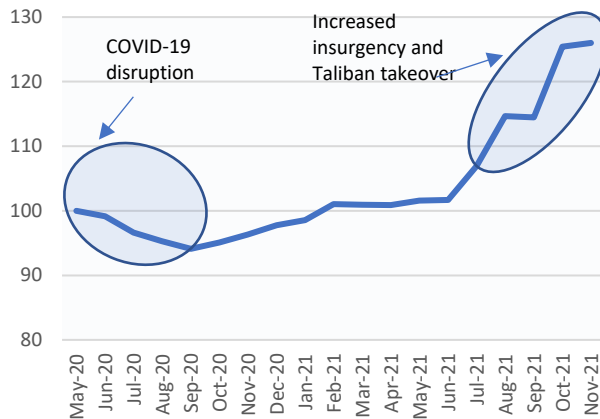
The pace of inflation slowed over the past month, reflecting the combined impact of suppressed demand and increasing supply constraints. Gradual depreciation of the AFN continued, with ongoing net outflows of hard currency. Sustained reductions in import volumes reflected overall continuing depression of demand and consumption, alongside trade constraints arising from ongoing financial sector dysfunction.

- **Essential household goods prices remain elevated.** Prices for basic household items stabilized, rising by around 0.4 percent in the past month. Year-on-year (YoY) countrywide essential food inflation declined marginally to 30.8 percent, from 31.9 percent in October. Continued sharp increases in fuel prices (around eight percent) were offset by marginal declines in prices for wheat flour, pulses, and rice.
- **Wage declines also slowed.** After several months of sharp decline, wages for qualified and non-qualified workers continued to fall by around 0.5 percent over the past month. Wages for qualified and non-qualified workers are now lower by 9.7 and 7.3 percent, respectively, compared to the same period in 2020.
- **The exchange rate remained relatively stable.** The AFN depreciated slightly against the USD and other regional currencies, while strengthening against the Iranian Toman (reflecting sharp depreciation of the Toman). Ostensibly to support the value of the Afghani, the Central Bank auctioned USD2.5 million against an announced target of USD10 million on November 16, at an average price of 91.8 AFN/USD.
- **Imports remain depressed while exports remain close to 2020 levels.** Recent trade data from the Pakistan Bureau of Statistics show that imports from Pakistan to Afghanistan remain 46 percent lower than during the same period in 2020. Exports from Afghanistan to Pakistan, on the other hand, remained stable relative to the same period last year.

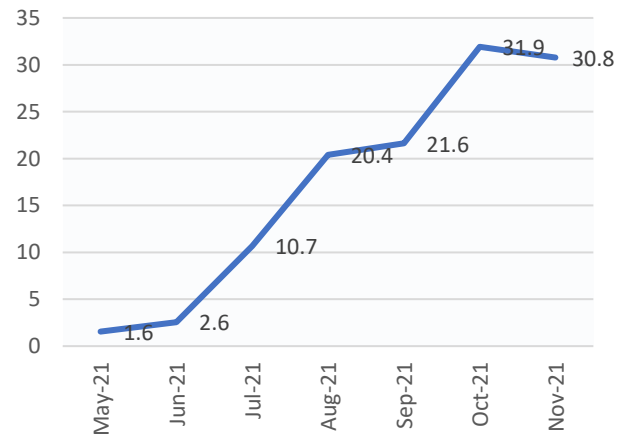
KEY INDICATORS:

BASIC HOUSEHOLD GOODS PRICE INFLATION

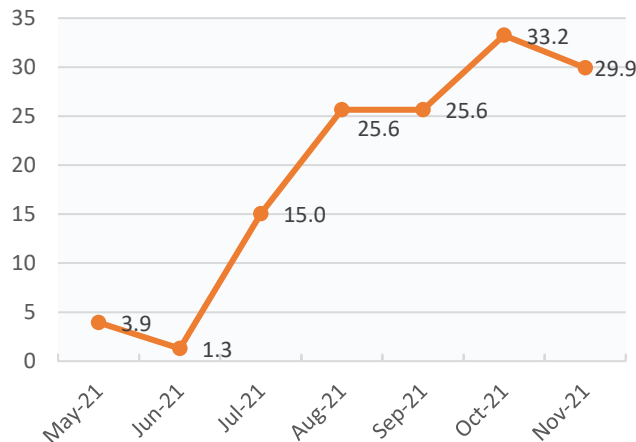
Countrywide Basic Household Goods Price Index



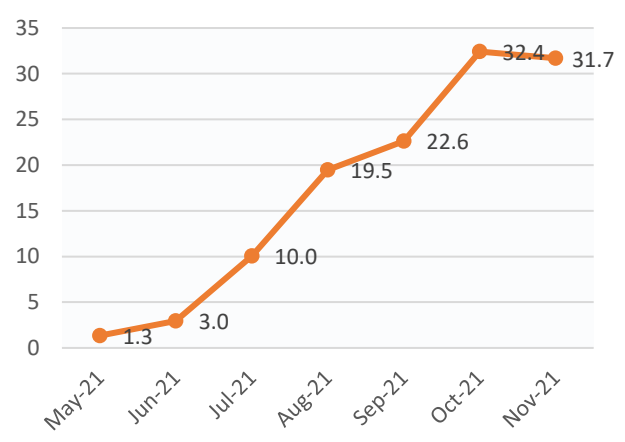
Countrywide Basic Household Goods YoY Inflation



Basic Household Goods YoY Inflation -Kabul



Basic Household Goods YoY Inflation -Excl. Kabul



Basic Household Goods – YoY Inflation

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21*
Bread	2.0	1.7	3.8	7.5	6.2	7.8	8.1
Fuel (diesel)	27.4	32.8	52.3	86.7	48.8	79.4	92.4
Oil (cooking)	28.2	26.8	39.1	51.8	58.5	70.1	64.4
Pulses	-2.2	-1.7	-0.9	4.6	3.8	9.4	12.5
Rice (high quality)	0.6	1.7	3.4	7.2	8.5	6.6	6.3
Rice (low quality)	-3.4	-2.5	3.3	9.6	9.5	5.8	3.8
Salt	-1.8	9.4	11.6	12.5	12.2	8.4	12.4
Sugar	3.1	-0.6	2.1	7.5	12.5	21.2	23.3
Wheat	1.9	3.5	6.6	11.6	14.2	26.6	24.6
Wheat flour (high quality)	-9.6	-8.5	1.1	10.2	15.6	28.3	25.1
Wheat flour (low quality)	-10.1	-8.1	0.9	10.7	14.4	30.2	26.9
Basic Household Goods Price Inflation	1.6	2.6	10.7	20.4	21.6	31.9	30.8

Source: Price data from WFP weekly report, Index constructed by the Bank staff. * Data till 1st week of November 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)

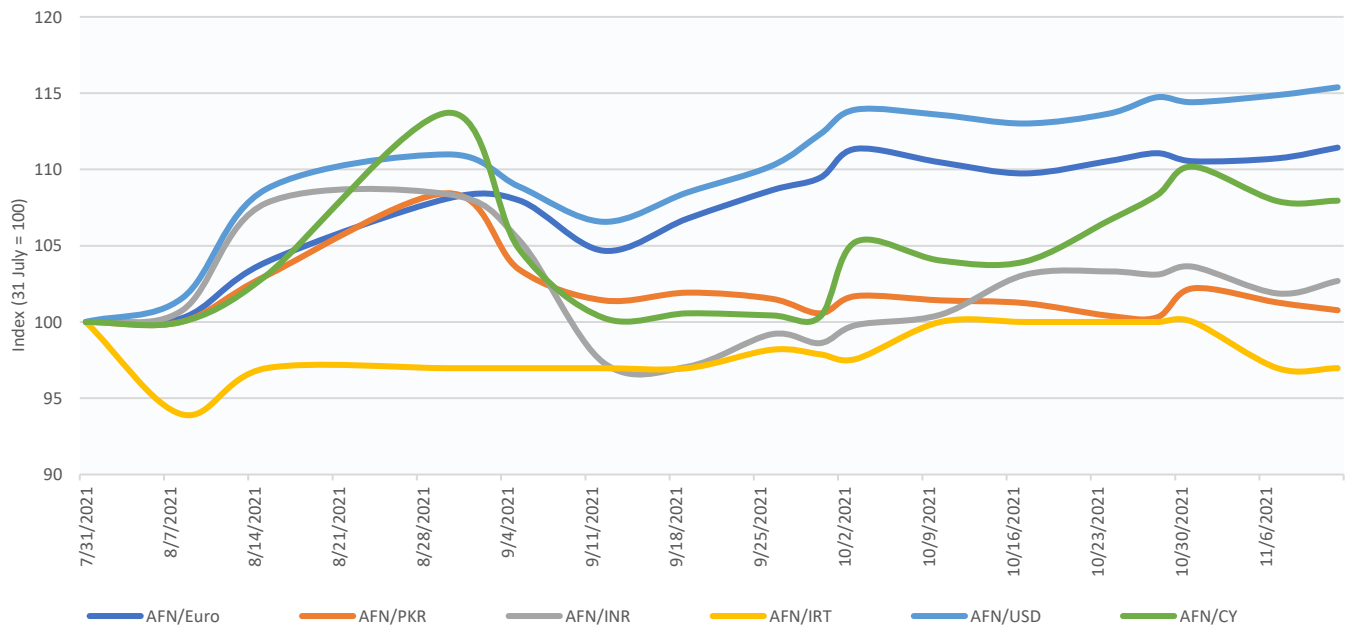
	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21*
Wage (non-qualified, non-agricultural)	8.4	3.9	0.1	0.4	-2.5	-7.5	-7.3
Wage (qualified)	-0.8	-3.8	-4.3	-6.1	-6.6	-10.4	-9.7

Source: Data from WFP weekly report

EXCHANGE RATE DEPRECIATION – Since 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	10/31	11/7	11/12
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	-9.5	-9.7	-10.3
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	-2.2	-1.3	-0.8
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	-3.5	-1.8	-2.6
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	0.0	3.1	3.1
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	-12.6	-12.9	-13.3
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	-9.2	-7.3	-7.4

EXCHANGE RATE - Index (Higher = Depreciation)



Source: DAB, World Bank

PAKISTAN'S TRADE WITH AFGHANISTAN (JULY-OCTOBER) in Million USD

	Imports from AFG			Exports to AFG		
	FY21	FY22	Growth	FY21	FY22	Growth
July	35.57	27.5	-23%	79.92	48.87	-39%
August	40.97	44.57	9%	79.81	49.86	-38%
September	84.3	79.12	-6%	95.27	49.16	-48%
October	91.35	90.82	-1%	92.99	50.55	-46%
Total (Jul-Oct)	252.19	242.01	-4%	347.99	198.43	-43%

Source: Pakistan Bureau of Statistics

SELECTED ECONOMIC NEWS:

- Taliban warn of mass exodus if US keep funds frozen [[France 24, November 17, 2021](#)]
- The world must act now to stop Afghans from starving. [[The Economist, November 13, 2021](#)]
- The so-called Troika Plus group pledged on Thursday to ease severe pressure on Afghanistan's banking system as it warned of possible economic collapse and a humanitarian disaster that could fuel a new refugee crisis. [[Reuters, November 11, 2021](#)]
- Afghanistan's slide towards famine must be halted. [[Financial Times, November 11, 2021](#)]
- Aid Group Says Up to 5,000 Afghans Fleeing Daily to Iran. [[VOA, November 10, 2021](#)]
- Pakistan and Afghan border officials agreed to devise a mechanism to enhance bilateral trade via the Torkham border. [[Dawn, November 10, 2021](#)]
- Afghanistan's health system is on the brink as the Taliban confront a difficult winter. [[France 24, November 8, 2021](#)]
- Most of Afghanistan's public servants have lost their jobs and are left with no income since the Taliban's takeover of the country. Many are forced to sell possessions to buy food. [[DW, November 7, 2021](#)]