

SUMMARY: *The economy remains fragile as some of the critical structural constraints posed by the August 2021 transition persist. Most Afghan banks can still not make international transfers as correspondent banks are unwilling to engage due to AML/CFT risk perception. Loss of human capital will have a long-term scarring impact, and uncertainty around political decisions exacerbates the private sector confidence deficit. In addition, the economy is exposed to the global commodity shock. Increasing food and fuel prices are seeping into the domestic economy, resulting in a 4.3 percentage point increase in y-o-y basic household goods inflation in May 2022. As of June 15, 2022, the AFN is trading at around 3.6 percent below its August 15, 2021, value relative to the USD. Labor demand has improved slightly since February, but wages persistently fall. Despite the general economic slowdown, the ITA collected AFN63.7 billion between December 22, 2021 – end of May 2022, almost similar to what the Republic managed in the corresponding period of 2021. While imports from Pakistan have dropped by 40 percent from January to May 2022 compared to the same period of the preceding fiscal year, Afghanistan's exports to Pakistan have increased by 88 percent.*

The AFN has stabilized against all major currencies in recent months. After strengthening in March and April against all major currencies, the Afghani has moved in a narrow band against major currencies since then. Between end-April to June 15, 2022, the AFN has depreciated slightly by (i) 0.2 percent against the USD, (ii) 0.2 percent against the Indian Rupee, and (iii) 0.6 percent against the Chinese Yuan. On the other hand, it gained i) 3.7 percent against the Pakistani Rupee, (ii) 10.7 percent against the Iranian Toman, and (ii) 0.3 percent against the Euro. In the open market, many Money Service providers (MSPs) report continued forex shortages.

After remaining stable at around 32 percent in February and March 2022, the Y-O-Y basic household goods inflation reached 41.6 percent in May 2022, as increasing global food and fuel prices are pushing domestic prices. In May 2022, the prices have increased by (i) 6.4 percent for diesel, (ii) 8.2 percent for cooking oil, (iii) 3.8 percent for wheat flour, (iv) 3.8 percent for rice, and (v) 2.8 percent for the bread. The April 2022 data issued by the National Statistics and Information Authority (NSIA) shows that the Y-O-Y headline inflation is recorded at 15.5 percent, driven mainly by Y-O-Y 24 percent food inflation.

Labor demand for skilled and unskilled workers has slightly improved since March after falling consistently over previous months. While it is hard to make a conclusive argument in the absence of detailed data, the anecdotal reports suggest that humanitarian and essential service support and paying salaries to public sector employees by ITA have somewhat cushioned the falling aggregate demand. In addition, this slight uptick in demand also coincides with the wheat and poppy cultivation season. Both nominal and real wages of skilled and unskilled workers have been downward since May 2021.

Firms and households continue to face difficulties in accessing cash. AFN liquidity within the banking sector appears to remain constrained. While the reports suggest less pressure on the banks regarding deposit withdrawals, the households and firms can still not access it even to the statutory limit imposed by the DAB.

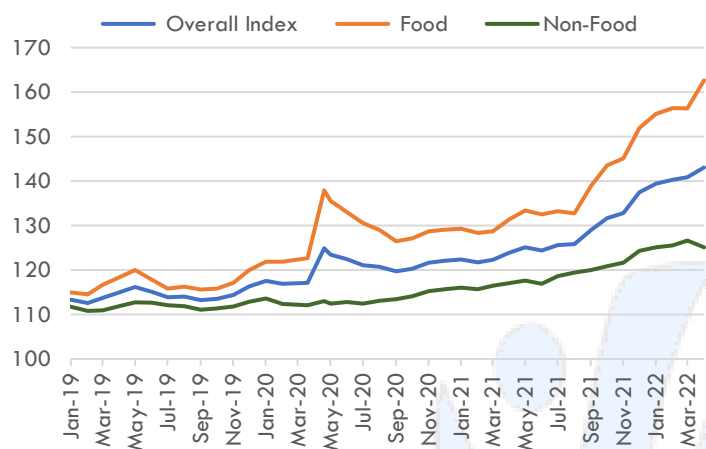
Considering the general economic slowdown, the ITA's revenue collection of AFN 63.7 billion between December 22, 2021, to the end-May 2022 remained healthy. Of these receipts, 57 percent were collected by Afghanistan Custom Department (ACD) at the border. In the inland revenues that Afghanistan Revenue Department (ARD) collected, non-tax sources contributed the most. However, the inland tax receipts have more than halved compared to the last year's comparable period, reflecting difficulties in the private sector.

Imports continue to decline, reflecting the general slowdown in economic activities. Data from Pakistani authorities show that Afghanistan's imports from Pakistan between July 2021 to May 2022 decreased by 38 percent relative to the same period of the previous fiscal year. On the other hand, Afghanistan's exports to Pakistan between July 2021 to May 2022 increased by around 34 percent. As a result, Afghanistan enjoys a trade surplus of USD112.5 million in absolute terms with Pakistan.

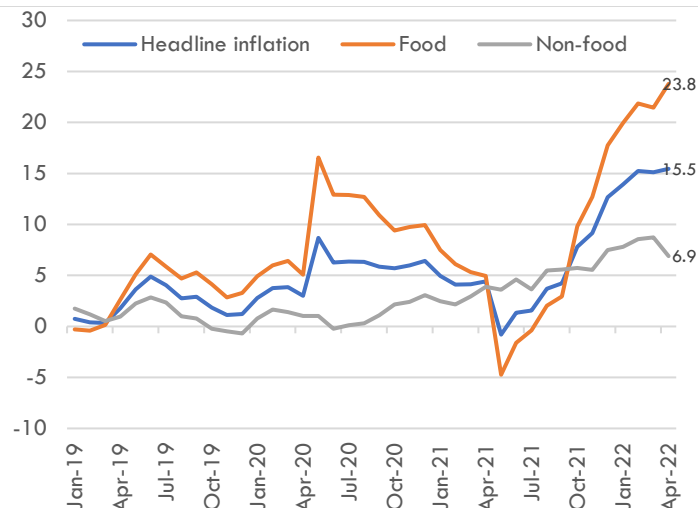
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

Increased food and fuel prices drive headline and basic household goods inflation.

1.1. OVERALL CONSUMER PRICE INDEX



1.2. INFLATION Y-O-Y



Source: National Statistics and Information Authority (NSIA)

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

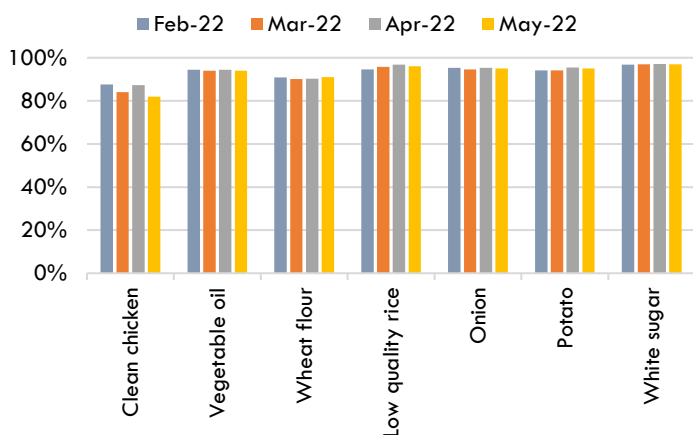
	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
Bread	1.7	3.8	7.5	6.2	7.8	8.6	8.7	10.2	11.6	12.0	14.9	18.1
Fuel (diesel)	32.8	52.3	86.7	48.8	79.4	94.2	97.9	95.1	68.8	73.2	57.3	66.3
Oil (cooking)	26.8	39.1	51.8	58.5	70.1	64.5	55.5	62.3	47.3	43.9	46.4	50.3
Pulses	-1.7	-0.9	4.6	3.8	9.4	13.3	14.8	28.7	27.6	24.1	23.8	22.9
Rice (high quality)	1.7	3.4	7.2	8.5	6.6	7.6	9.4	18.8	21.9	19.8	19.3	24.0
Rice (low quality)	-2.5	3.3	9.6	9.5	5.8	4.8	8.1	14.3	10.1	9.6	7.9	9.6
Salt	9.4	11.6	12.5	12.2	8.4	13.4	14.1	30.2	25.2	23.4	18.9	21.3
Sugar	-0.6	2.1	7.5	12.5	21.2	24.2	25.7	35.3	27.1	24.7	24.4	26.0
Wheat	3.5	6.6	11.6	14.2	26.6	27.3	26.7	40.2	31.0	27.8	35.5	40.3
Wheat flour (high quality)	-8.5	1.1	10.2	15.6	28.3	26.7	27.7	42.2	27.6	31.6	44.0	50.5
Wheat flour (low quality)	-8.1	0.9	10.7	14.4	30.2	29.0	29.6	45.1	32.3	32.1	44.7	52.7
Overall Y-O-Y Inflation	2.6	10.7	20.4	21.6	31.9	32.0	32.0	42.5	32.0	32.2	36.6	41.6

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

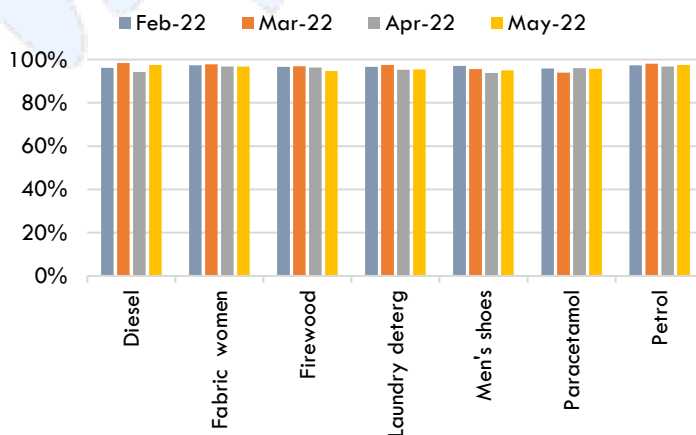
Note: This Index uses World Food Program (WFP) price data for ten critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of overall price trends.

Most basic food and non-food items remain available.

1.4. REPORTED FOOD ITEMS AVAILABILITY



1.5. REPORTED NON-FOOD ITEMS AVAILABILITY

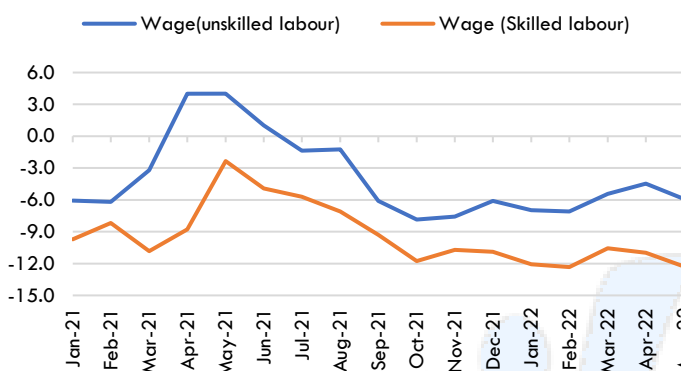


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

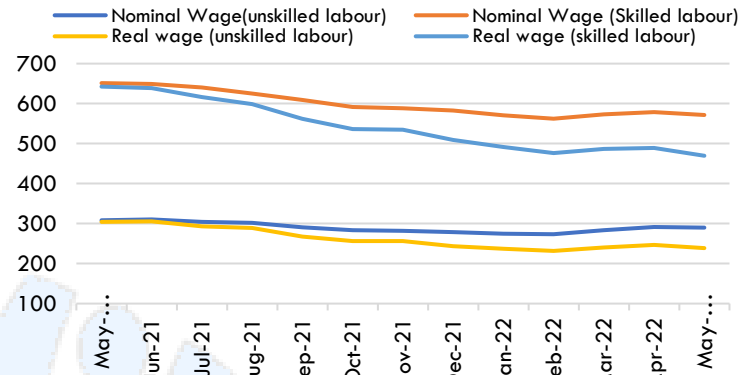
2. LABOR MARKET CONDITIONS

Nominal and real wages have been falling since June 2021.

2.1. WAGES (YEARLY PERCENT CHANGE)



2.2. NOMINAL AND REAL WAGES (IN AFN)

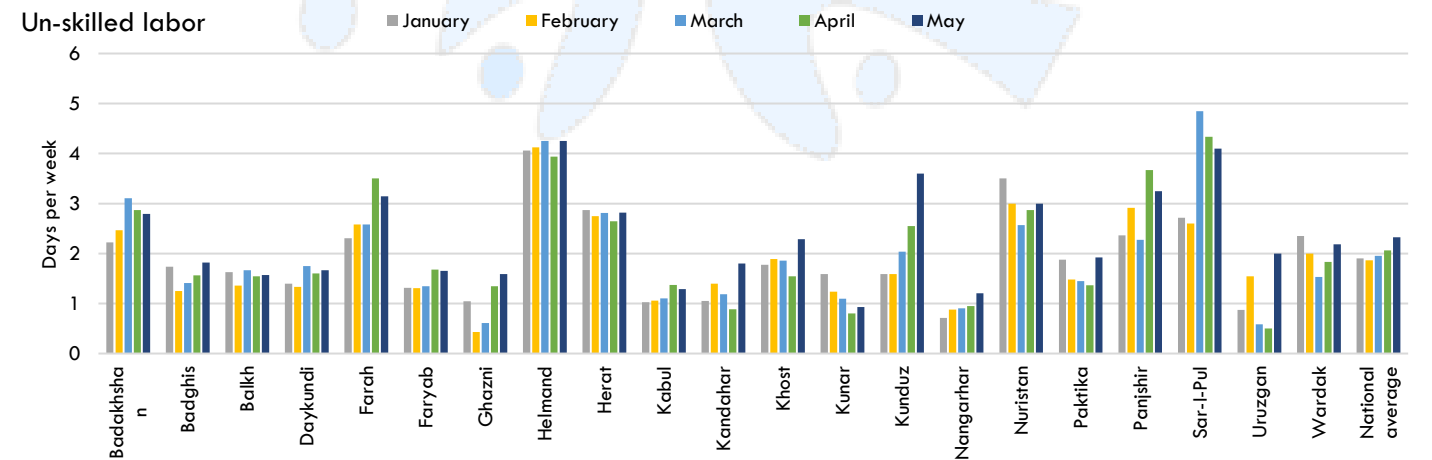
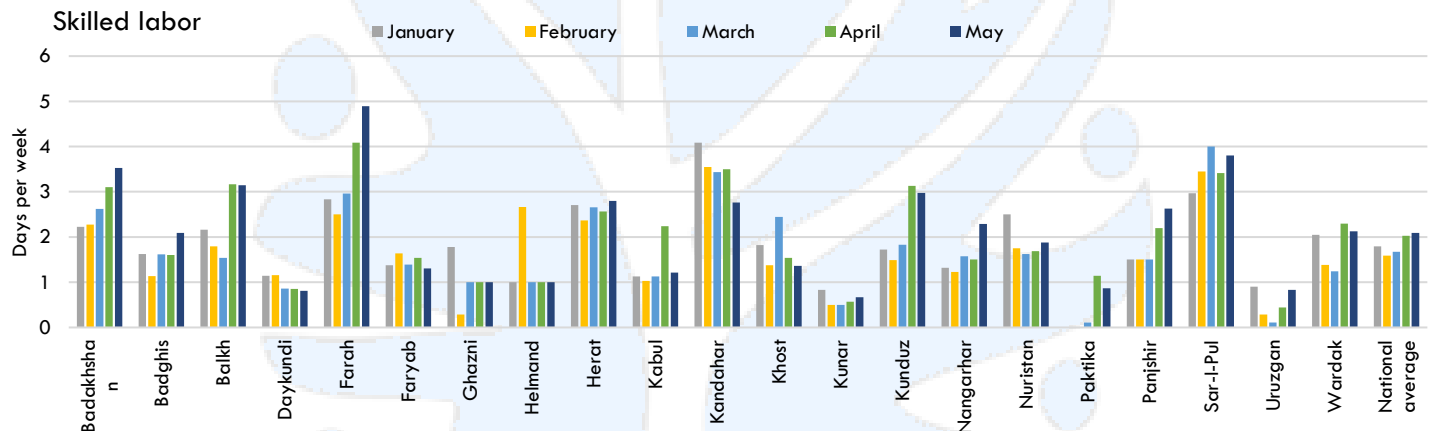


Source: Data from WFP and World Bank Staff elaboration; Real wages are calculated using price data from the NSIA.

Note: Real wages to January 2022 are calculated based on CPI inflation reported by NSIA. Real wages for February and March are calculated based on CPI estimates prepared by the World Bank.

Demand for skilled and unskilled workers has been recovering marginally since February 2022, coinciding with harvesting season, but still, a large-scale under-employment exists.

1.6. LABOUR DEMAND FOR SKILLED AND NON-SKILLED WORKERS BETWEEN JANUARY 2022 TO MAY 2022



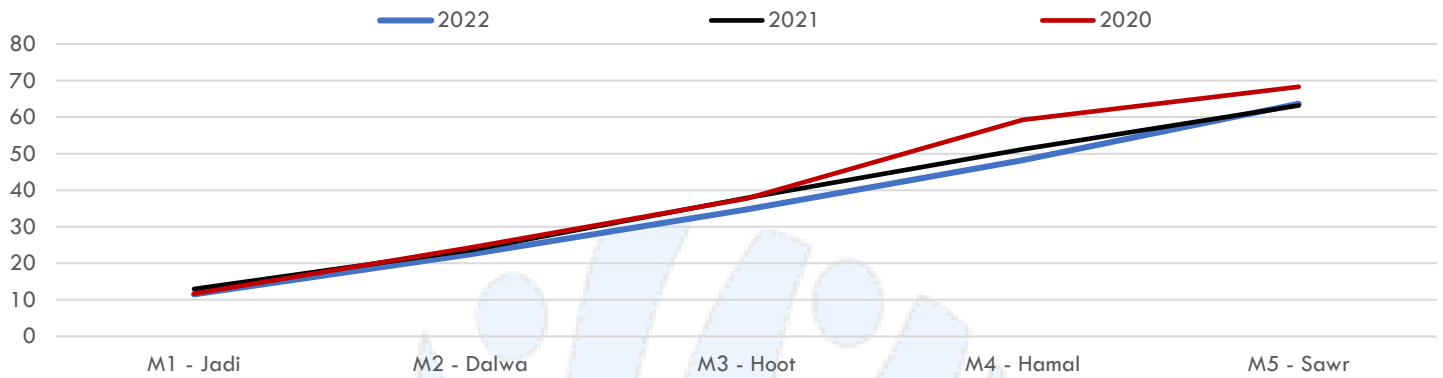
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

Note: Data reflects the number of available workdays reported by skilled and unskilled casual workers seeking work. Skilled workers are: i) carpenters; ii) electricians; iii) masons; iv) painters; v) plumbers; and vi) tile workers.

3. REVENUES

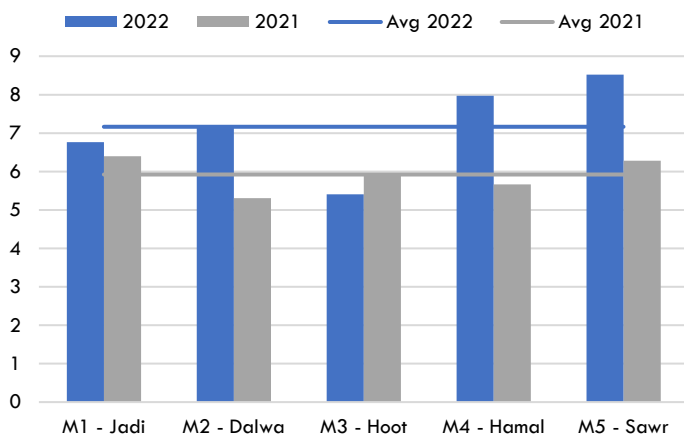
Between December 22, 2021, and May 31, 2022, the ITA collected AFN 63.7 billion. These receipts are similar to what the Republic government collected during a comparable period of 2021.

3.1. TOTAL REVENUE COLLECTION—CUMULATIVE (IN AFN BILLION)



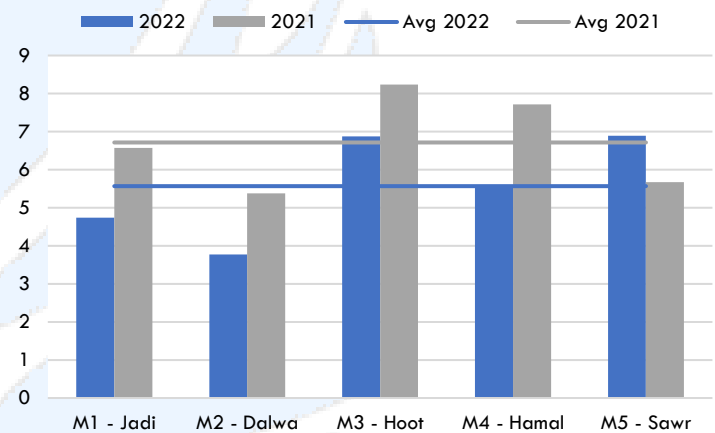
Source: Ministry of Finance, Note: Afghan solar calendar month Jadi runs from December 21-January 20

3.2. MONTHLY REVENUE COLLECTED AT THE BORDER (IN AFN BILLION)



Source: Ministry of Finance

3.3 MONTHLY INLAND REVENUE COLLECTION (IN AFN BILLION)

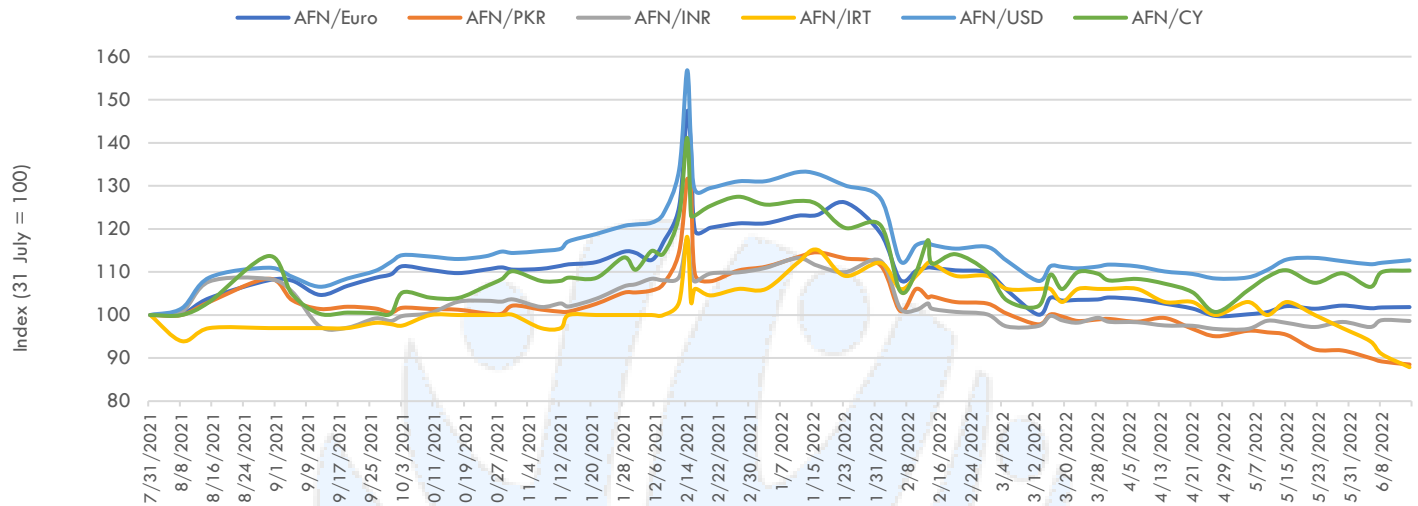


Source: Ministry of Finance

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

After strengthening in March and April against all major currencies, the Afghani has moved in a narrow band against major currencies afterward.

4.1. EXCHANGE RATE - INDEX JULY 2021 (HIGHER = DEPRECIATION)



Source: Data from DAB and World Bank Staff elaboration.

4.2. EXCHANGE RATE – DEPRECIATION BY CURRENCY SINCE END-JULY, 2021

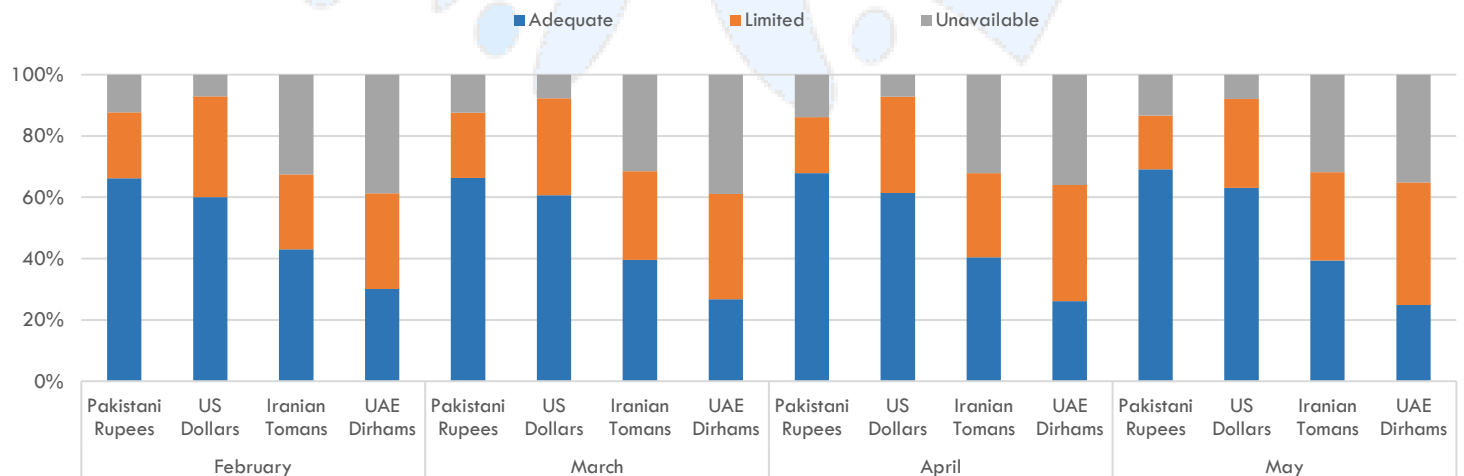
EXCHANGE RATE DEPRECIATION – Since END July 2021

	15-Aug-22	30-Aug-22	30-Sep-22	28-Oct-22	28-Nov-22	27-Dec-22	1-Feb-22	28-Feb-22	31-Mar-22	27-Apr-22	29-May-22	8-Jun-22
AFN/Euro	-3.78	-7.48	-8.64	-9.96	-12.82	-17.54	-15.96	-8.99	-3.91	0.24	-2.13	-1.73
AFN/PKR	-2.95	-7.78	-0.56	-0.30	-4.92	-9.37	-10.34	-2.60	0.92	5.19	8.97	12.09
AFN/INR	-7.23	-7.73	1.41	-3.01	-6.24	-9.01	-11.17	-0.16	1.61	3.36	1.63	1.21
AFN/IRT	3.13	3.13	2.17	0.00	0.00	-5.71	-10.81	-8.33	-5.71	0.00	3.13	10.00
AFN/USD	-8.02	-9.90	-10.96	-12.84	-17.14	-23.69	-21.31	-13.68	-10.48	-7.81	-11.13	-10.83
AFN/CY	-2.96	-12.05	-0.34	-7.67	-11.80	-21.55	-17.25	-9.15	-7.42	-0.70	-8.84	-9.07

Source: Data from DAB and World Bank Staff calculations.

Despite the increasing supply of USD, many traders continue to report foreign currency shortages.

4.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS

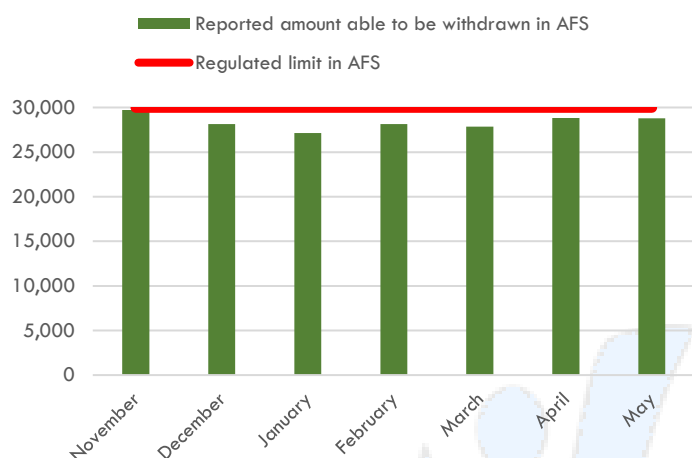


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

Note: Includes banks, hawala operators, and informal currency exchangers.

Firms still report the inability to withdraw AFN and USD funds from bank accounts even up to the regulated limits.

4.4. WEEKLY WITHDRAWAL - INDIVIDUALS (IN AFN)



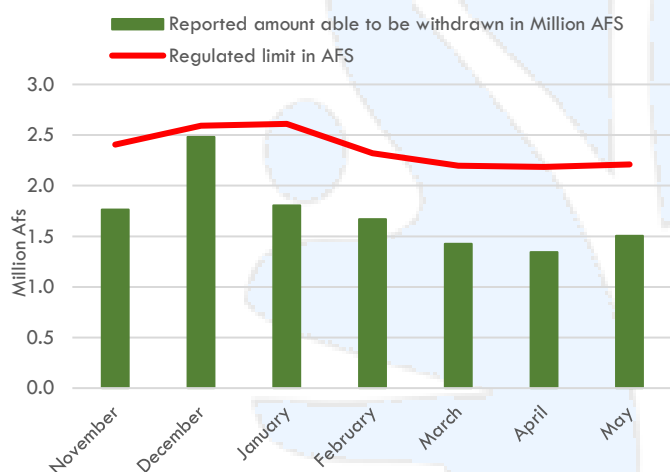
4.5. WEEKLY WITHDRAWAL- INDIVIDUALS (IN USD)



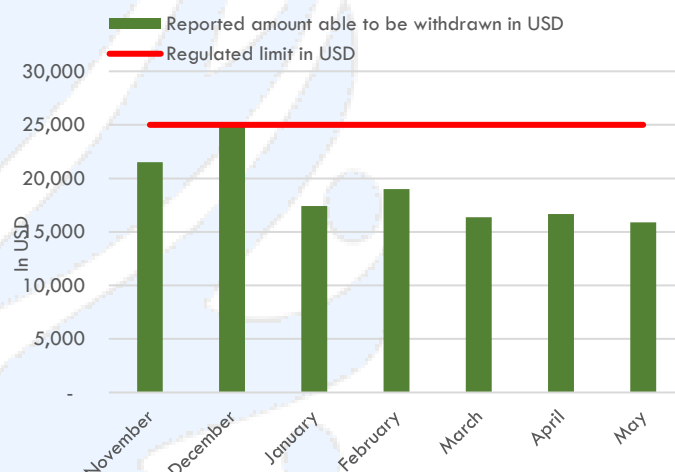
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

Note: Regulated limit as stipulated by Da Afghanistan Bank. Reported amount able to be withdrawn as reported by individual respondents to the Third Party Monitoring Agent survey.

4.6. MONTHLY WITHDRAWAL - FIRMS (IN MILLION AFN)



4.7. MONTHLY WITHDRAWAL- FIRMS (IN USD)



Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

Note: Da Afghanistan Bank stipulates the regulated limit as the lower of US\$25,000 per month (or equivalent in AFN) or five percent of the total account balance. Firm respondents report the reported amount able to be withdrawn to the Third Party Monitoring Agent survey.

5. TRADE DEVELOPMENTS

Trade data produced by the Pakistani authorities show a sharp decline in imports and a considerable increase in exports.

5.1. PAKISTAN'S TRADE WITH AFGHANISTAN IN MILLIONS OF US\$

	Imports from AFG			Exports to AFG		
	FY21	FY22	Growth	FY21	FY22	Growth
Q1 (Jul-Aug)	160.8	151.2	-6%	255	147.9	-42%
Q2 (Sep-Dec)	226.3	274.1	21%	262.2	180.9	-31%
Q3 (Jan-Mar)	90.9	202.9	123%	265.8	122.7	-54%
Q4*(Apr-May)	78.8	116.0	47%	235	180.2	-23%
Total (Jul-May)	556.8	744.2	34%	1018	631.7	-38%

Source: Pakistan Bureau of Statistics, Pakistan's fiscal year runs from July 1 to June 30.

Data notes: The Afghanistan Economic Monitor is produced by the staff of the World Bank, drawing from a range of data sources. Reflecting the 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 National Statistic and Information Authority (NSIA); ii) data on prices and wages collected from all provinces by the World Food Program; iii) data on the availability of foreign exchange and cash collected from 22 provinces by the World Bank's Third Party Monitoring Agent; iv) data on exchange rates collected and reported by Da Afghanistan Bank; v) data on trade from the NSIA.

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

