

# 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, and the sectoral reports that inform the Afghanistan Development Update, a biannual flagship report.

## HIGHLIGHTS

Consumer prices continue to decrease because of persistent economic weakness and reduced demand, prolonging the deflationary trend that began in April 2023. Half of all Afghans are living in poverty.

According to the latest official statistics, September 2023 year-on-year headline inflation stands at -9.1 percent. This is driven by a 13.3 and 4.3 percent deflation in food and non-food items. Core inflation, which excludes food and energy prices, also registered -5.3 percent in September 2023. The Bank's Third-Party Monitoring Agent (TPMA) survey reveals that supply conditions are better, as major markets nationwide have sufficient essential food and non-food commodities. Deflation dynamics reflect the impact of depleted household savings, reduced public spending, and shocks to farmer income from poppy cultivation bans. These factors have further affected the already weak aggregate demand. The Afghanistan Welfare Monitoring Survey reveals that poverty affects one in every two Afghans, while about 15 million people are food insecure. To cope with the economic downturn, households have increased the participation of marginalized labor market members, such as youth and women. However, this response has increased unemployment due to the lack of available jobs.

From January to September 2023, there was a slight decrease in merchandise exports compared to the same period in 2022.

According to unofficial customs data from January to September 2023, total exports amounted to US\$1.3 billion, representing a slight decrease of 0.5 percent compared to the same period in 2022. Between February and August 2023, exports consistently declined, primarily due to a 37 percent decrease in coal exports, which comprise 17 percent of total exports. On the other hand, food exports, accounting for 63 percent of total exports, grew by 11 percent, and textile exports, comprising 14 percent of total exports, increased by 44 percent. Despite declining unit export prices, the increase in vegetable exports to India and Pakistan helped offset the decrease. Pakistan remains Afghanistan's largest export market, accounting for 55 percent of total exports, followed by India at 29 percent. However, during the first nine months of 2023, exports to Pakistan experienced a 15 percent drop, mainly due to a 15 percent decline in food exports and a 37 percent decline in coal exports. In contrast, food exports to India increased by 40 percent, contributing to the overall increase in food exports.

From January to September 2023, Afghanistan experienced a higher growth rate in merchandise imports than exports, leading to an increase in the trade deficit relative to the same period in 2022.

From January to September 2023, Afghanistan's imports reached US\$ 5.7 billion, showing a 27 percent growth compared to the same period in 2022. This growth was observed across all import groups, including food, minerals, textiles, chemicals, machinery, and transportation. However, the increased import demand in these categories does not align with the country's depressed economic reality. In September 2023, imports declined by 12 percent compared to the previous month, affecting all imported items. This decline may continue as Pakistani authorities have imposed restrictions on importing certain items through the Afghan Transit Trade.<sup>1</sup> Iran is the largest import origin country at 21 percent, followed by China at 18 percent, Pakistan at 18 percent, and the United Arab Emirates at 14 percent. From January to September 2023, the trade deficit widened to US\$4.4 billion, compared to US\$3.2 billion during the same period in 2022.

Despite a widening trade deficit, the Afghani strengthened against major currencies from January to October 2023.

Despite the widening trade deficit, the Afghani has appreciated significantly since the beginning of 2023. The inflow of cash shipments by the UN (US\$ 1.4 billion during 2023) and remittances does not fully explain the financing for the increased trade deficit. It appears that a significant portion of imported goods is not intended for domestic consumption and is not paid for by Afghanistan's forex market. This contributes to a substantial portion of the trade deficit that remittances and US dollar shipments cannot explain. Between January 1 and October 23, 2023, the Afghani (AFN) appreciated by 20.2 percent against the US dollar, 19.8 percent against the Euro, 18.4 percent against the Chinese yuan, 60 percent against the Iranian toman, 34.1 percent against the Pakistani rupee, and 16.4 percent against the Indian rupee. As of October 23, 2023, the AFN was trading at 74.2 against the US dollar, representing a 16.2 percent appreciation from its value on August 15, 2021.

<sup>1</sup> Ministry of Commerce, Government of Pakistan [S.R.O. 1397\(11\)2023](#), [S.R.O. 1380\(II\) 2023](#)

During the first seven months of FY2023, there has been a revenue shortfall compared to the target.

Revenue collection for the first seven months of FY2023 reached AFN 105 billion, 5 percent below the target. This represents a marginal increase of 1.2 percent compared to the corresponding period in the previous fiscal year. Border taxes, which account for 58 percent of total revenue, showed minimal change, with only a 1.3 percent increase compared to the same period last year. This can be attributed to a decline in border collections due to border crossing closures and transit trade challenges between Pakistan and Afghanistan. Inland revenue collection also showed modest cumulative growth of 1.1 percent during the first seven months of FY2023 compared to the same period last year.

Improved bank deposits have resulted in better access to their pre-August 2023 deposits for both firms and individuals.

Starting in May 2023, the central bank increased the weekly withdrawal limit for individuals to AFN 50,000 (from AFN 30,000) for deposits made before August 2021. Despite some improvement since April 2023, the withdrawal amount is still below the legal limit. The monthly withdrawal limit for businesses was also increased to AFN 4.0M. According to data collected by TPMA, firms have had better access to deposits since June 2023. However, there has been a slight decline in firms' and individuals' cash withdrawals in August 2023. It is important to note that there is no statutory withdrawal limit on the deposits made after August 15, 2021.

Salaries for public servants are being consistently paid.

Public servants continue to receive their salaries. Telephonic interviews with around 1100 male and 330 female public employees reveal that nearly all civil servants were paid their salaries in August 2023. Out of those interviewed, approximately 90 percent received their salaries through bank accounts within the same month—39 percent experienced difficulties when withdrawing their payments. This percentage has improved from the previous month. Respondents commonly complained about crowded bank branches and low-quality banknotes. Some also expressed dissatisfaction with the limited funds' availability during salary withdrawals and bank staff behavior.

In August 2023, there was a decrease in labor demand, particularly for unskilled workers, which aligned with the conclusion of the harvesting season.

Since March 2023, there has been an increase in work availability for both skilled and unskilled workers, following a seasonal decline during the winter. The favorable weather conditions in 2023 have improved harvests and incomes, positively impacting labor demand in agricultural and non-agricultural sectors. However, in August, the availability of work, especially for unskilled labor, has decreased, likely due to the completion of the agricultural harvest season. Additionally, the demand for skilled labor remains stagnant in August 2023 due to the limited capacity of the Afghan economy to absorb skilled workers. As a result, nominal wages for skilled labor remain unchanged, while nominal wages for unskilled labor have slightly declined in August 2023.

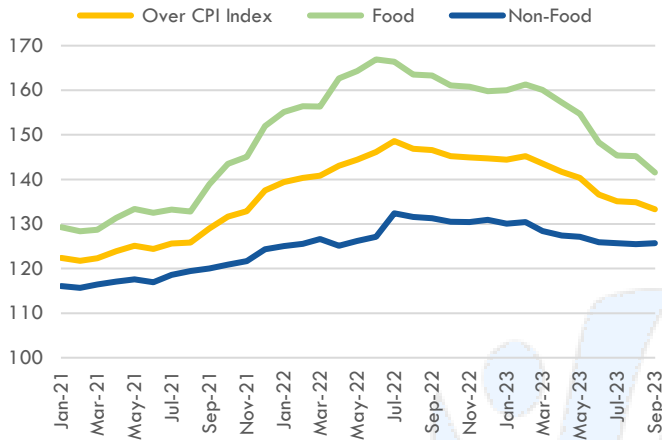
The Health Emergency Response Project, financed by the Afghanistan Reconstruction Trust Fund, continues to provide critical health services for mothers and children.

The Health Management Information System (HMIS) data shows that around 6.2 million antenatal care (ANC) visits were recorded at 2,300 Health Emergency Response (HER) supported facilities between January 2022 and September 2023. Moreover, the Health Emergency Response (HER) Project recorded a six percent improvement in ANC visits from July to September. In addition, since Jan 2023, the visits have increased by 8 percent. Moreover, around 1.3 million births have been assisted in the HER-supported facilities since January 2022.

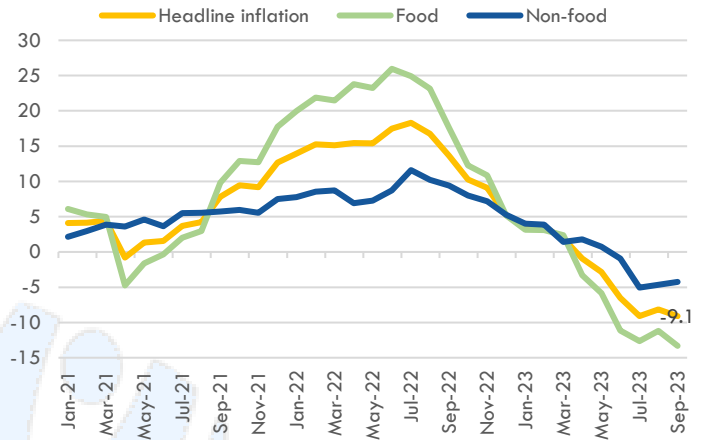
## 1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

The headline inflation fell to a negative 9.1 percent year-on-year in September 2023 due to a drop in food inflation to negative 13.2 percent and non-food inflation to negative 4.3, indicating an overall decline in demand.

### 1.1. HEADLINE PRICE INDEX



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



Source: National Statistics and Information Authority (NSIA).

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

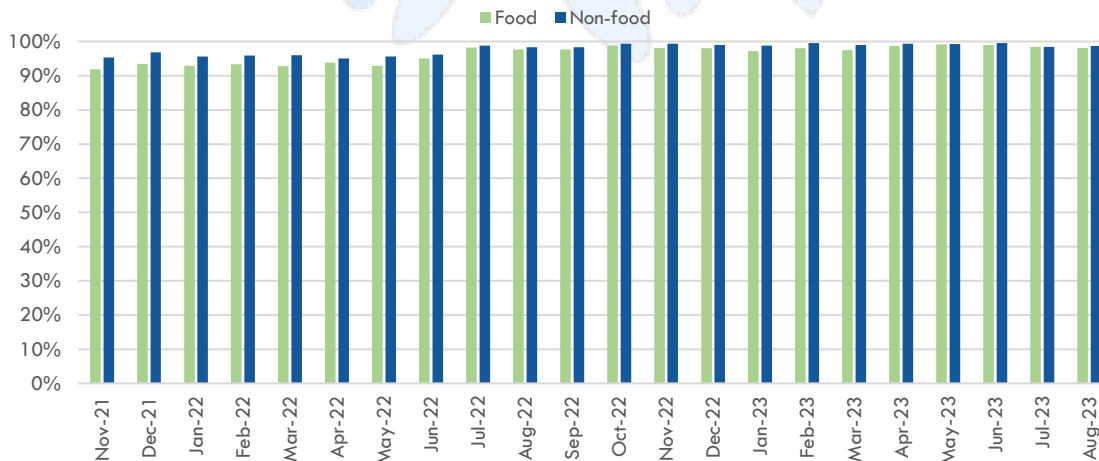
	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
<b>Bread</b>	21.6	19.1	18.1	16.6	15.2	14.2	13.5	10.7	7.7	0.7	-2.7	-6.1
<b>Fuel (diesel)</b>	87.4	49.1	34.1	26.3	22.3	14.8	-5.4	-2.2	-11.1	-32.7	-46.8	-38.6
<b>Oil (cooking)</b>	0.8	-13.3	-12.2	-14.4	-21.7	-17.0	-21.3	-26.3	-38.3	-43.0	-39.6	-36.2
<b>Pulses</b>	16.1	11.6	10.6	10.6	-2.4	0.0	1.7	0.3	-2.3	-3.1	-1.2	0.5
<b>Rice (high quality)</b>	32.0	28.9	27.2	26.4	19.8	17.9	19.1	16.7	9.1	-1.3	-5.0	-5.0
<b>Rice (low quality)</b>	14.1	12.5	18.5	21.9	18.9	28.3	27.9	26.3	24.7	19.5	19.7	19.9
<b>Salt</b>	16.0	17.8	10.8	20.0	2.5	-0.1	4.0	8.2	2.9	4.1	4.4	2.5
<b>Sugar</b>	20.5	8.7	3.9	1.2	-7.5	-3.5	0.1	2.3	16.6	13.0	5.9	5.7
<b>Wheat</b>	37.9	19.1	16.8	11.8	-2.7	5.3	0.0	-10.5	-19.5	-33.2	-32.6	-32.9
<b>Wheat flour (high quality)</b>	31.9	12.3	12.1	5.8	-6.3	-0.6	-7.9	-18.7	-26.3	-37.4	-37.0	-37.6
<b>Wheat flour (low quality)</b>	36.0	14.3	13.4	6.5	-6.6	-1.4	-6.3	-16.0	-25.0	-37.8	-37.1	-37.5
<b>Basic Household Goods Price Inflation</b>	<b>26.4</b>	<b>11.1</b>	<b>9.9</b>	<b>6.1</b>	<b>-3.3</b>	<b>0.7</b>	<b>-4.1</b>	<b>-9.8</b>	<b>-16.8</b>	<b>-26.2</b>	<b>-27.1</b>	<b>-25.6</b>

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.

Most of the basic food and non-food items remain available.

### 1.4. REPORTED AVAILABILITY OF FOOD AND NON-FOOD ITEMS

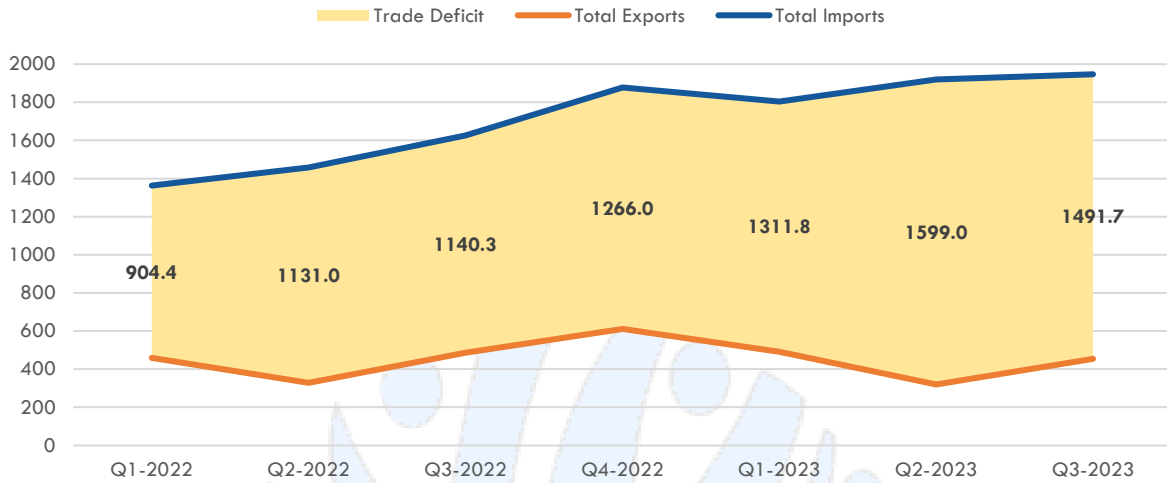


Source: Data collected by the World Bank's TPMA, based on a survey of 48 markets across 21 provinces.

## 2. TRADE DEVELOPMENTS

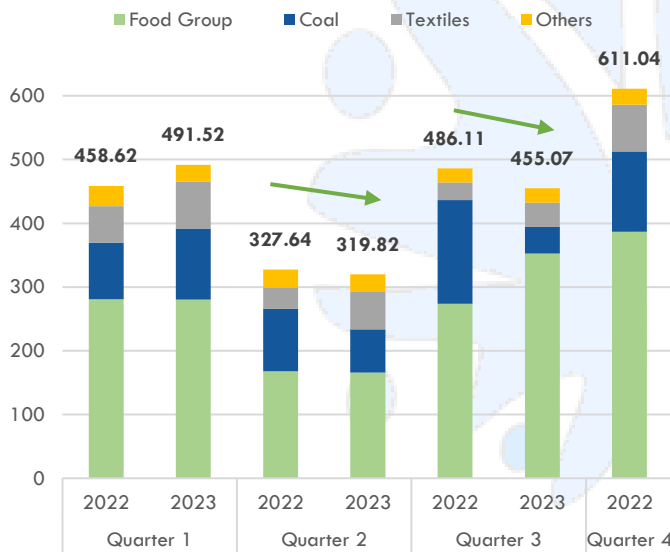
Merchandise imports in the first nine months of 2023 are substantial. Exports declined marginally during this period due mainly to lower food and coal exports to Pakistan. The trade deficit has widened.

### 2.1. AFGHANISTAN TRADE DEFICIT (US\$ MILLIONS), 2022 – 2023



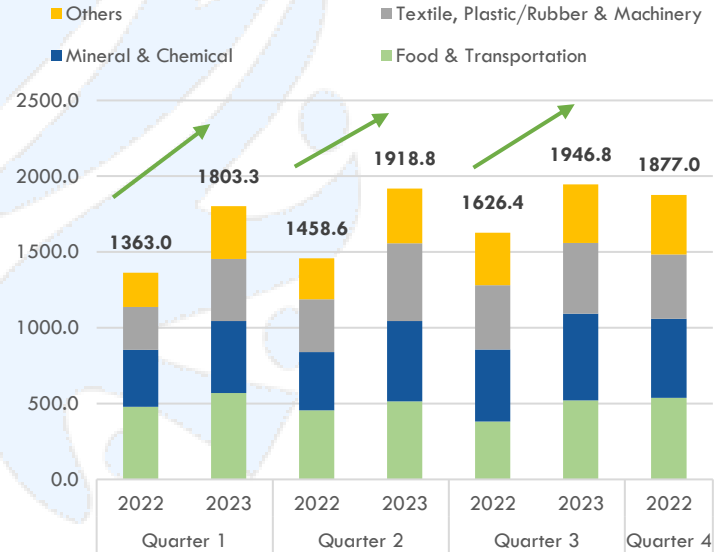
Source: ASYCUDA

### 2.2 AFGHANISTAN'S EXPORTS (US\$ MILLIONS): 2022 – 2023



Source: ASYCUDA

### 2.3 AFGHANISTAN'S IMPORTS (US\$ MILLIONS): 2022 – 2023

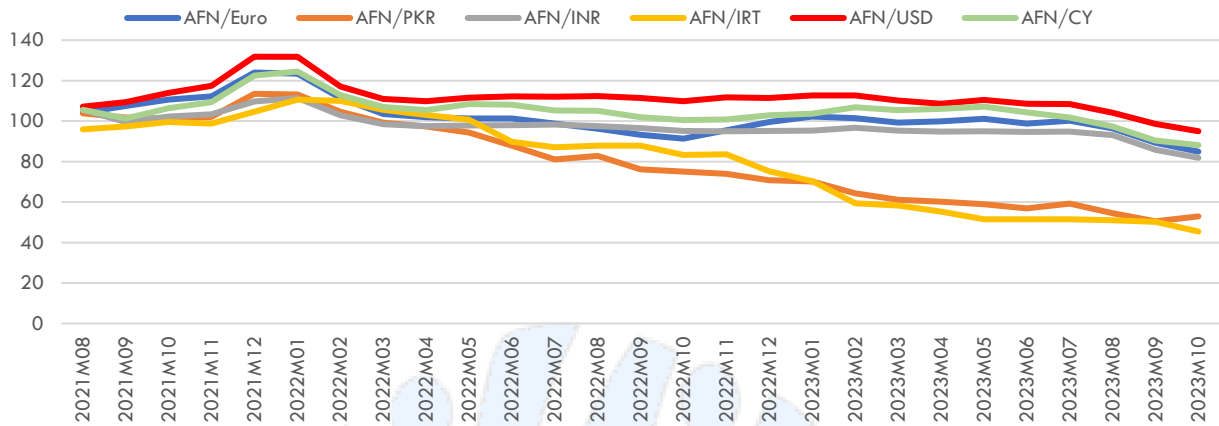


Source: ASYCUDA

## 3. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

Despite a widening merchandise trade deficit, the Afghani appreciated against major currencies from January to October 2023.

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



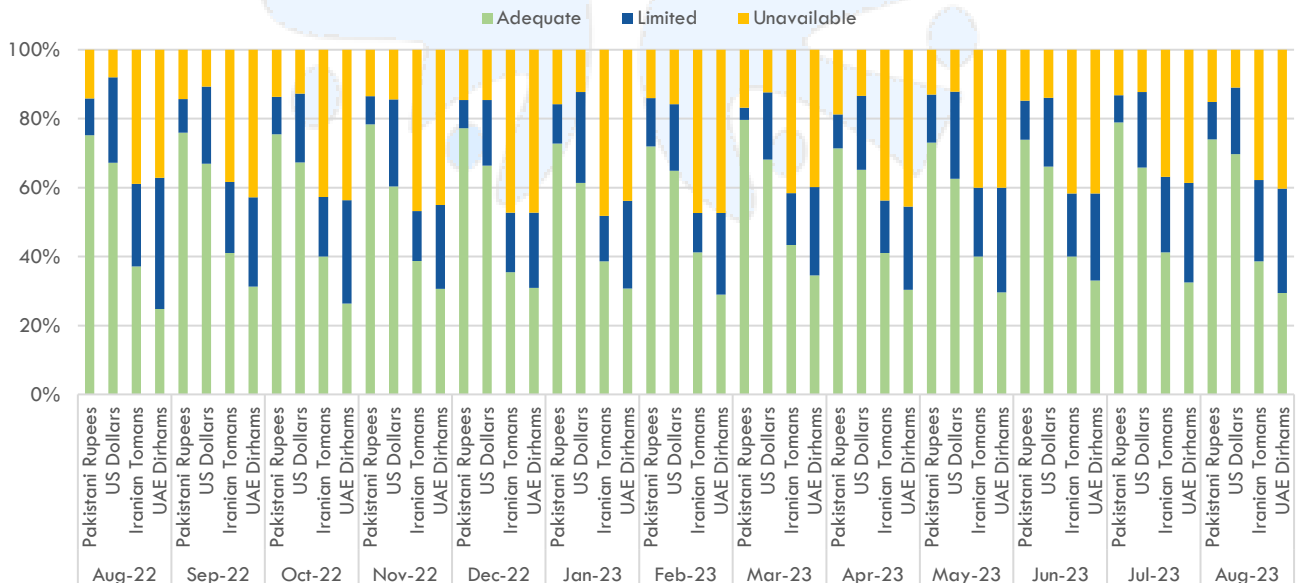
### 3.2. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

	30-Nov-22	31-Dec-22	31-Jan-23	28-Feb-23	28-Mar-23	25-Apr-23	29-May-23	26-Jun-23	24-Jul-23	24-Aug-23	25-Sep-23	25-Oct-23
AFN/Euro	7.22	2.95	0.28	4.28	4.56	3.30	4.20	4.99	2.81	8.01	16.69	23.37
AFN/PKR	40.19	48.18	50.19	67.42	68.53	70.85	82.02	78.76	77.02	91.54	98.25	98.71
AFN/INR	15.18	13.41	12.69	11.73	13.04	13.62	13.59	14.01	13.92	13.45	25.45	32.02
AFN/IRT	23.08	33.33	45.45	88.24	68.42	77.78	88.24	88.24	88.24	88.24	88.24	113.33
AFN/US\$D	-2.61	-3.37	-3.87	-3.14	-0.74	-0.22	-1.32	0.31	0.44	3.67	10.10	16.17
AFN/CY	2.40	-0.50	-1.90	-3.30	-2.86	-2.96	-3.48	-1.24	2.76	5.47	12.64	17.81

Source: Data from DAB, World Bank staff elaboration.

In August 2023, except for US dollars, the availability of different foreign currencies slightly declined.

### 3.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS



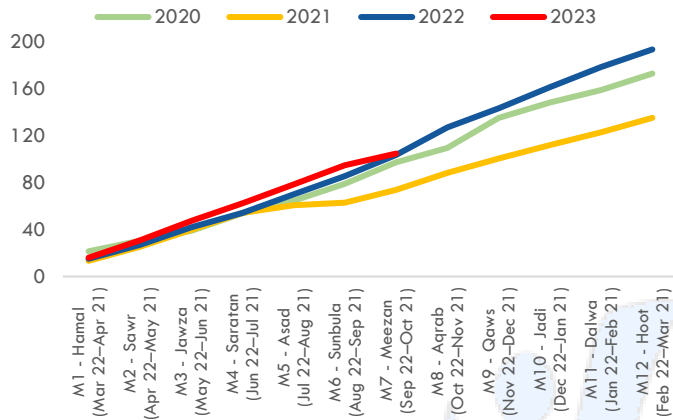
Source: Survey data collected by the World Bank's TPMA by visiting 144 money service providers in 48 markets in the country.

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

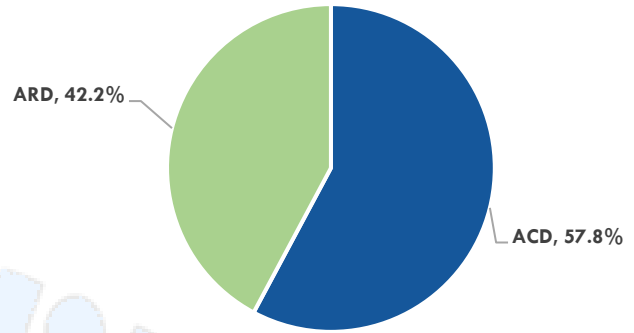
## 4. REVENUES

The revenue collection growth is tapering off. Total receipts during the first seven months of the fiscal year 2023 were AFN 105.0 billion, with a heavy reliance on border taxes.

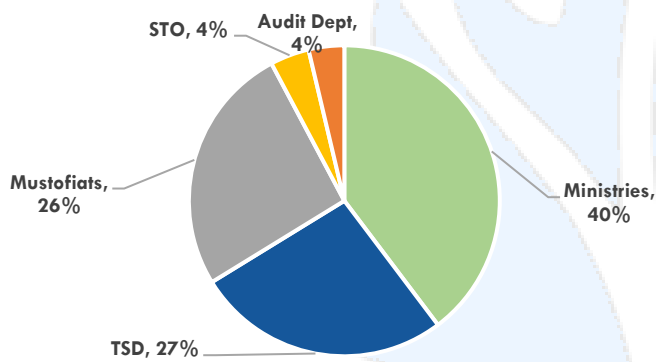
### 4.1. TOTAL REVENUE COLLECTION – CUMULATIVE (AFN BILLIONS)



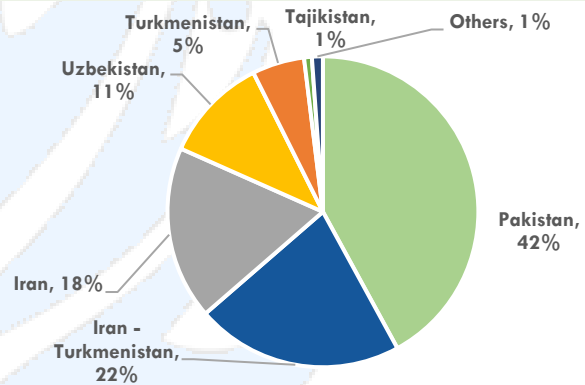
### 4.2. SHARE OF INLAND (ARD) AND CUSTOMS (ACD) REVENUES IN TOTAL COLLECTIONS (March 22 – October, FY2023)



### 4.3. PERCENT SHARE OF INLAND COLLECTIONS BY SOURCE (March 22 – October, FY2023)



### 4.4. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS (March 22 – October, FY2023)



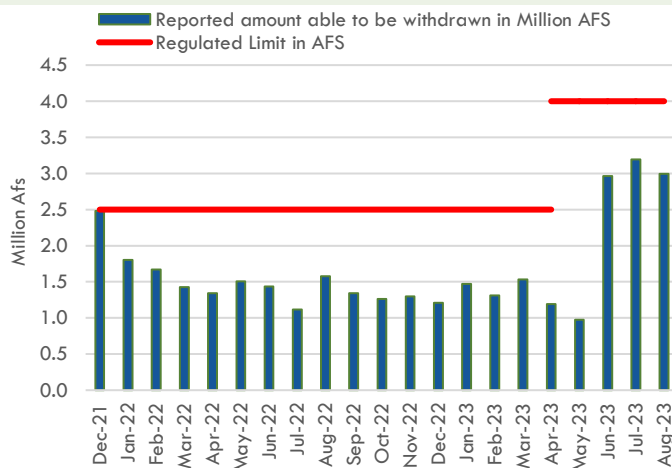
Source: Ministry of Finance.

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

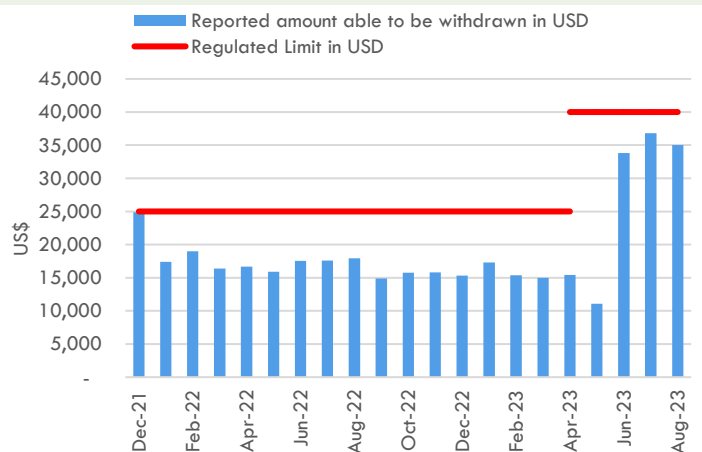
## 5. BANKING WITHDRAWAL LIMITS

During August 2023, both individuals and firms reported a slight decline in withdrawing cash from banks.

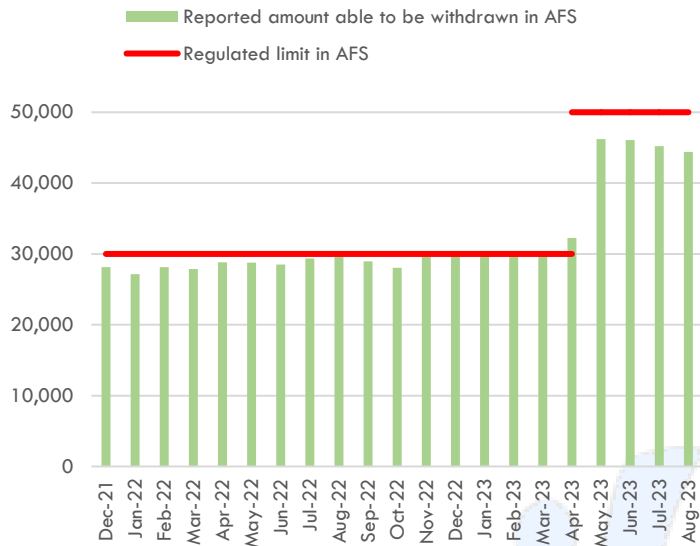
### 5.1. MONTHLY WITHDRAWALS – FIRMS (AFN MILLIONS)



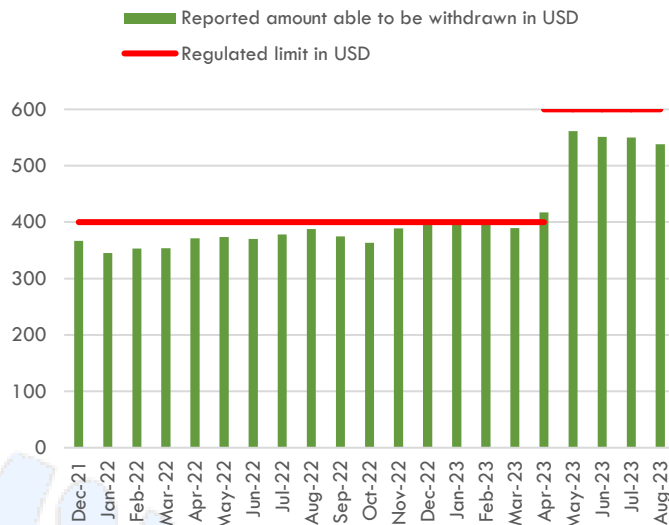
### 5.2. MONTHLY WITHDRAWALS – FIRMS (US\$)



## 5.3. WEEKLY WITHDRAWALS – INDIVIDUALS (AFN)



## 5.4. WEEKLY WITHDRAWALS – INDIVIDUALS (US\$)



## 5.5. AVERAGE MONTHLY WITHDRAWAL – INDIVIDUAL (AFN)



Source: Survey data collected by the World Bank's TPMA.

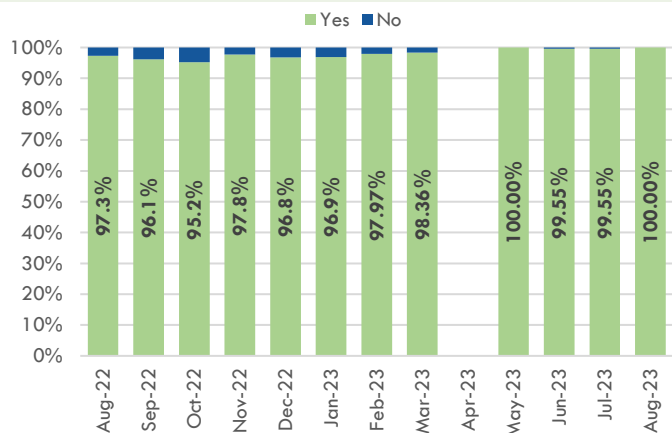
Note: Regulated limit as stipulated by DAB, and amounts depositors could withdraw as reported by individual respondents to the TPMA survey.



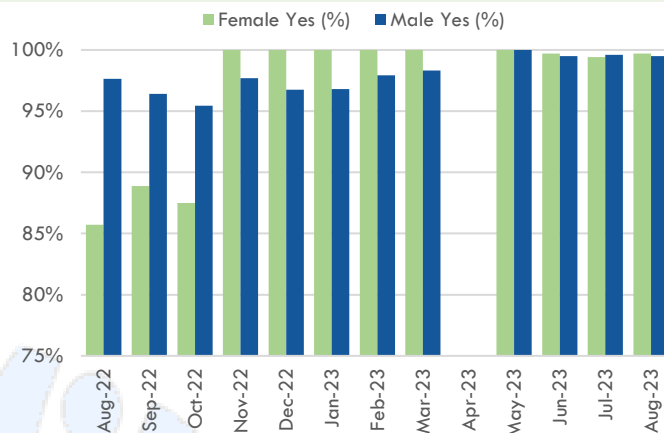
6. CIVIL SERVANTS SALARY PAYMENTS

Over the past few months, civil servants have regularly received salaries.

6.1. CIVIL SERVANTS RECEIVED SALARIES DURING THE LAST THREE MONTHS

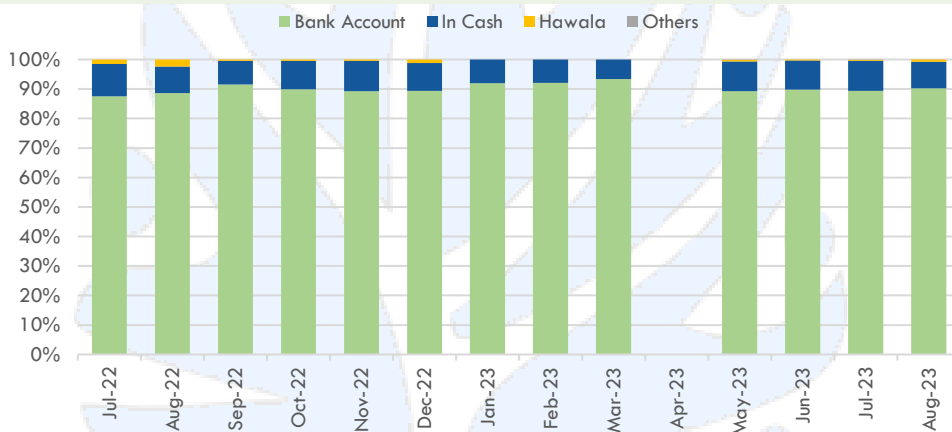


6.2. MALE VS. FEMALE RESPONDENTS RECEIVING SALARIES IN THE LAST THREE MONTHS



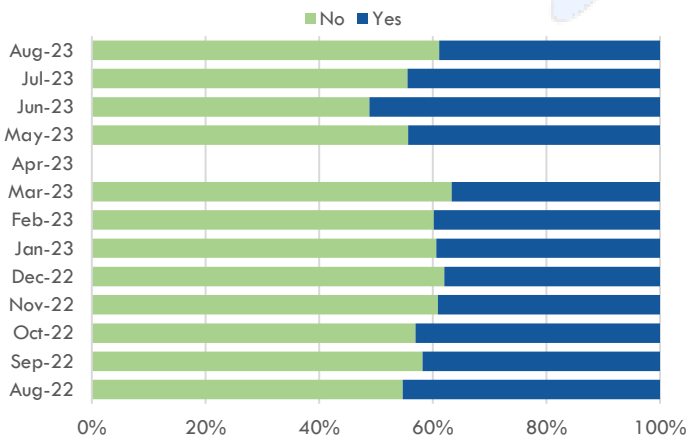
Cash and bank accounts are consistently reported to be the two most common means of receiving salaries.

6.3. MODE OF SALARY PAYMENT (FOR THOSE WHO HAVE RECEIVED SALARIES DURING THE LAST THREE MONTHS)

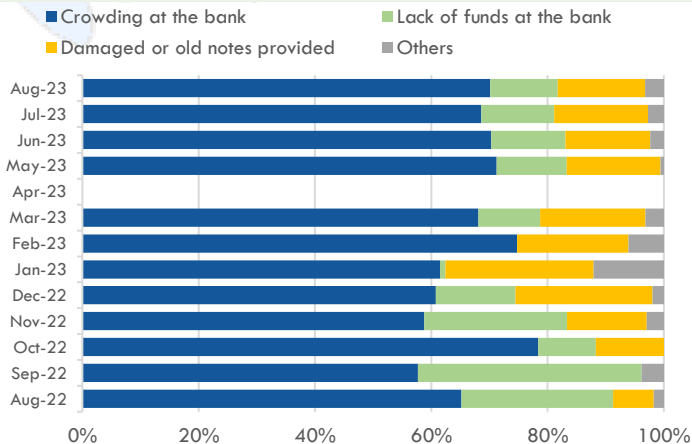


Crowds in bank branches and damaged currency notes are consistently the main problems faced in withdrawing salaries.

6.4. CIVIL SERVANTS FACE CHALLENGES WHEN WITHDRAWING SALARIES THROUGH BANKS



6.5. CHALLENGES FACED BY CIVIL SERVANTS WHEN WITHDRAWING SALARIES THROUGH BANKS



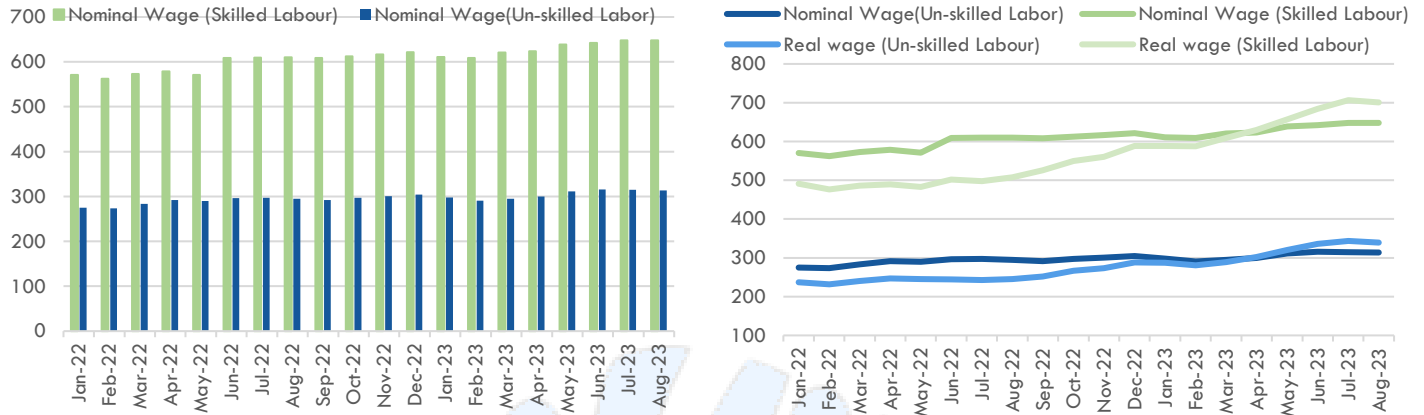
Source: Survey data collected by the World Bank's TPM from 1452 civil servants (Males 1123, Female 329)

Note: Data for civil servants for April 2023 are not available.

## 7. LABOR MARKET CONDITIONS

A significant decline in the general price level has resulted in a recent improvement in real wages.

### 7.1. NOMINAL AND REAL WAGES (AFN) FOR SKILLED AND UNSKILLED WORKERS

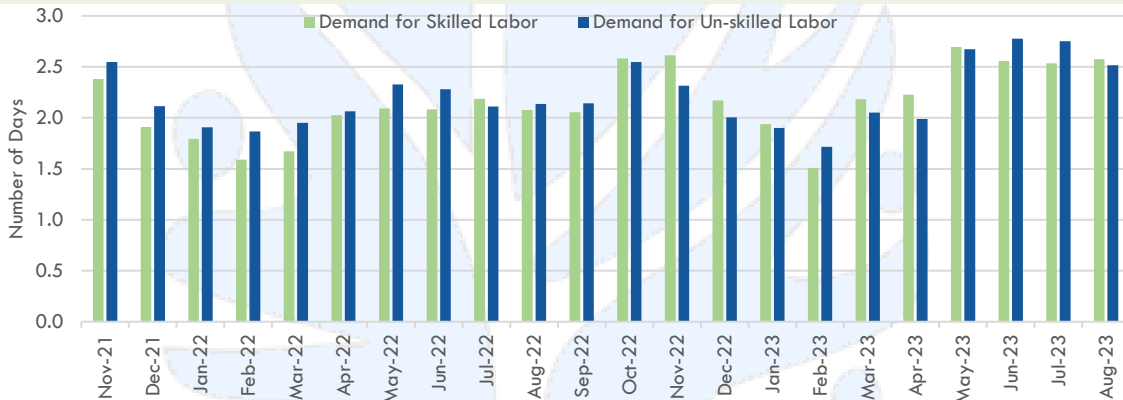


Source: Wage data from WFP, World Bank staff elaboration.

Note: Real wages to January 2022 are calculated based on consumer price inflation as reported by NSIA.

The availability of work, particularly for unskilled labor, declined in August 2023, likely due to the completion of the agriculture harvest season.

### 7.2. EMPLOYMENT FOR SKILLED AND UNSKILLED WORKERS BETWEEN NOVEMBER 2021 AND JULY 2023



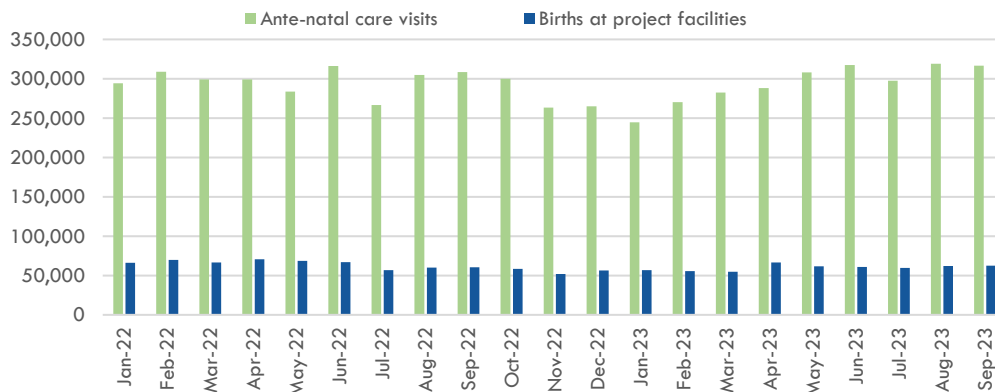
Source: Survey data collected by the World Bank's TPMA.

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

## 8. PROVISION OF HEALTH SERVICES

ANC visits under the Health Emergency Response (HER) Project improved after slightly declining in July 2023.

### 8.1. 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 the availability of foreign exchange and cash collected from 22 provinces by the World Bank's TPMA; (iv) data on exchange rates collected and reported by DAB; and (v) data on trade from the NSIA.

