

AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

April 25, 2023



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

Headline inflation continues to decline, and commodities remain available nationwide.

The inflationary pressures eased substantially from year-on-year 18.3 percent in July 2022 to 5.3 percent in December 2022. The trend continued in February 2023, with inflation recorded at 3.5 percent. While official statistics for March are unavailable, the data on prices of basic household items collected by the World Food Program (WFP) indicate price deflation on a y-o-y basis: prices declined -4.1 percent on average compared to March 2022. Despite the recent improvement, the overall price level remains much higher than in August 2021, contributing to the erosion of household purchasing power. Against this backdrop in prices, key food, and non-food commodities remain widely available in major markets across the country, as reported by the Third-Party Monitoring Agent (TPMA).

Since February 2023, Afghani (AFN) has appreciated against major currencies.

The AFN has appreciated against all currencies, and in mid-April 2023, it traded around 86 to US\$, approximately the rate as of August 2021. Between February 4 – April 18, 2023, the AFN appreciated by (i) 5.4 percent against the US dollar, (ii) 0.7 percent against the Indian rupee, (iii) 4.3 percent against the Euro, (iv) 10.7 percent against the Pakistani rupee, and (v) 22.2 percent against the Iranian toman. Availability of foreign currency improved in recent months, as confirmed by interviews with foreign currency providers. Reportedly, the Interim Taliban Administration (ITA) continues to exert strong controls on the illegal export of foreign currency, strengthening the AFN rate. At the same time, the United Nations (UN) make USD available in the market through US\$ cash shipments (US\$ 560 million were shipped to Afghanistan in Q1 2023 against a cumulative ~ US\$ 1.8 billion in 2022). The cash shipments provide (directly or indirectly) the Da Afghanistan Bank (DAB) with liquidity in US\$, which is auctioned in the foreign exchange market to allow for the settlement of payments in local currency. Details about auctions are not officially available from DAB, as no statistics have been published.

Firms continue to report difficulty withdrawing cash from banks.

No withdrawal limits exist on bank deposits made after August 15, 2021, while cash withdrawals for pre-August 15 deposits continue to be regulated for both firms and individuals. Data collected by the TPMA indicates that, except for Maiwand Bank's customers, individual depositors can access existing deposits within the statutory limits. In April 2023, the cash withdrawal limit for individuals has been raised to AFN 50,000 per week (from AFN 30,000): the impact of such an increase will be monitored in future reports. Firms' access to deposits (subject to a higher threshold) is reported below the permitted limits; however, in March 2023, a slight improvement was observed for AFN deposits.

Civil servants' salaries continue to be paid on time.

According to TPMA data, nearly all civil servants regularly receive salary payments (gathered through telephone interviews with ~ 250 respondents, including five females—the team aims to improve female representation in future data collection). The majority (93 percent) received salaries through banks during March 2023, and two-thirds did not face any issue withdrawing the salaries from their account. This share remained constant over the past few months. However, one-third of civil servants continue to face issues in withdrawing salaries: crowding in bank branches and the deteriorating quality of banknotes have been increasingly reported as key issue in recent months. In addition, some respondents complained recently about the lack of funds in the bank branches: during the following months, TPMA agents will gather additional data to gain a better understanding of the issue.

Employment for skilled and unskilled labor has improved during March 2023.

After a seasonal decline since the beginning of the winter, data collected by TPMA indicates an improvement in the labor market indicators: employment for both skilled and unskilled workers in March 2023—coinciding with the start of the harvesting and spring seasons increased and surpassed the level measured in March 2022. Correspondently, nominal and real wages also rose slightly in March 2023. We will continue to monitor this trend to identify whether this positive development will be sustained during the rest of the Spring and Summer months.

Revenue collection during the fiscal year 2022 was robust.

Updated revenue data for the last month are not yet available. As discussed in the previous monitor, during the fiscal year 2022 (between February 22, 2022, and March 21, 2023), the total revenue receipts were AFN 193.9 billion (US\$ 2.2 billion), corresponding to a tax-to-projected GDP ratio of 13.8 percent. Revenue collection relied heavily on regressive indirect taxes collected at the borders, with border taxes contributing 55 percent of the overall revenue. Non-tax sources, such as royalties and administration fees collected by ministries, account for 51 percent of total inland revenues. The rise in ministries' revenue was partly due to coal extraction and solid coal exports, mainly to Pakistan, and related increases in other royalty fees. Furthermore, one-time non-tax revenue collection through arrears has significantly contributed to the non-tax revenue growth, but this may not be available in the future. News reports indicate that the ITA's substantial tax demands are imposing a toll on struggling firms and small businesses: the third round of the WB Private Sector Rapid Survey will allow shedding more light on the issue.

Merchandise exports increased in Q1-2023.

Based on unofficial Afghanistan customs data, export in the first quarter of 2023 reached US\$ 0.5 billion, with a 7 percent growth compared to Q1-2022: as food exports remain stable, the increase can be attributed primarily to coal (by 26 percent) (23 percent share in exports); and (ii) textiles by 28 percent (15 percent share). During Q1-2023, Pakistan remains Afghanistan's largest export market (accounting for 60 percent of total exports), followed by India (24 percent). Exports to Pakistan are mainly food and coal, contributing around 72 percent of total exports in Q1-2023. Coal exports to Pakistan reached US\$ 111.6 million in Q1-2023 (compared to US\$ 476 million in 2022 and US\$ 88 million in Q1-2022).

Merchandise imports continued to increase.

During the first quarter of 2023, imports stood at US\$ 1.8 billion, reflecting 32 percent growth vis-à-vis Q1-2022. Food (a quarter of imports) grew by 7 percent while minerals (including fuel), representing 20 percent of imports, increased by 22 percent in Q1-2023 compared to Q1-2022. Iran remains the most significant import origin country (22 percent), followed by Pakistan (18 percent), China (15 percent), and the United Arab Emirates (13 percent).

The trade deficit widened in Q1-2023.

Based on the available data, the trade deficit reached US\$ 1.3 billion in Q1-2023, a 45 percent growth on a y-o-y basis (compared to US\$ 0.9 billion during the comparable period in 2022 - against US\$ 4.4 billion for the entire 2022). However, the UN cash shipments for the period (US\$ 560 million) cover only less than half of the merchandise trade deficit. Other balance of payments statistics remain unavailable.

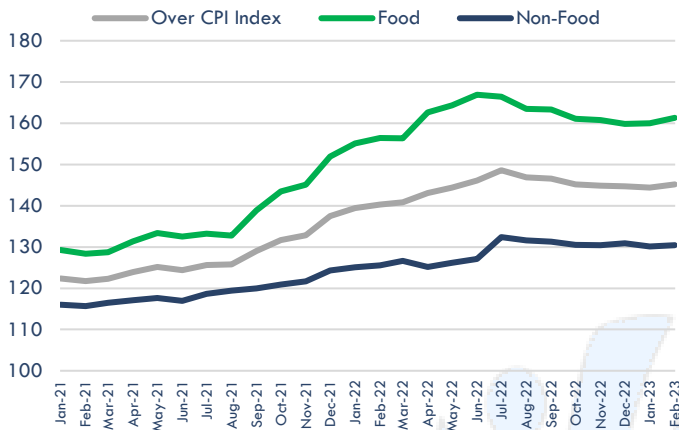
The Health Emergency Response Project, financed by the Afghanistan Reconstruction Trust Fund, continues to provide critical health services for mothers and children.

The Health Management Information System (HMIS) data indicates that between January 2022 and March 2023, around 4.2 million antenatal care (ANC) visits were administered across the 2,300 HER-supported health facilities. In March 2023, the number of ANC visits showed a 5 percent increase compared to February 2023 and a 9 percent improvement compared to January 2022.

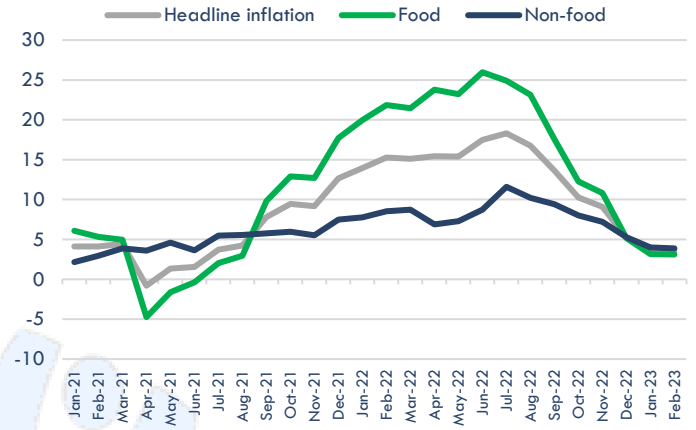
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

Inflation has declined substantially Since July 2022, owing primarily to a decline in global prices and a stable exchange rate.

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

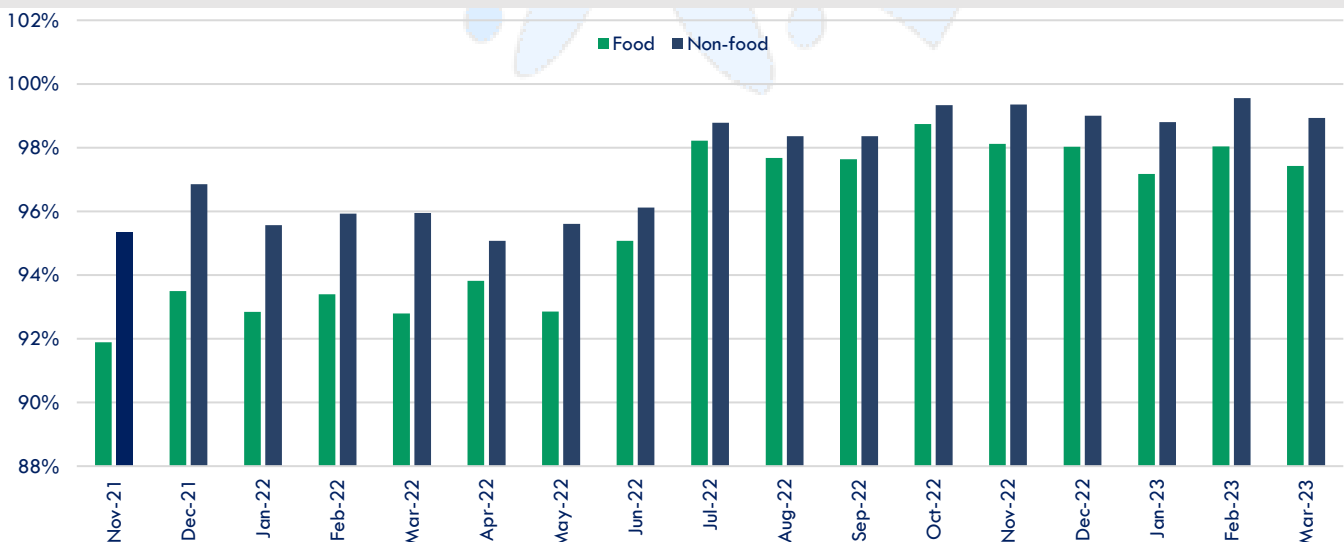
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Bread	14.9	18.1	22.0	23.2	23.3	21.6	19.1	18.1	16.6	15.2	14.2	13.5
Fuel (diesel)	57.3	66.3	95.3	112.5	54.5	87.4	49.1	34.1	26.3	22.3	14.8	-5.4
Oil (cooking)	46.4	50.3	51.3	32.3	16.1	0.8	-13.3	-12.2	-14.4	-21.7	-17.0	-21.3
Pulses	23.8	22.9	23.7	23.3	17.7	16.1	11.6	10.6	10.6	-2.4	0.0	1.7
Rice (high quality)	19.3	24.0	34.2	37.8	32.9	32.0	28.9	27.2	26.4	19.8	17.9	19.1
Rice (low quality)	7.9	9.6	14.6	13.1	10.9	14.1	12.5	18.5	21.9	18.9	28.3	27.9
Salt	18.9	21.3	22.9	19.0	18.0	16.0	17.8	10.8	20.0	2.5	-0.1	4.0
Sugar	24.4	26.0	33.9	37.0	30.9	20.5	8.7	3.9	1.2	-7.5	-3.5	0.1
Wheat	35.5	40.3	58.1	49.8	43.5	37.9	19.1	16.8	11.8	-2.7	5.3	0.0
Wheat flour (high quality)	44.0	50.5	65.1	49.4	41.7	31.9	12.3	12.1	5.8	-6.3	-0.6	-7.9
Wheat flour (low quality)	44.7	52.7	68.2	50.8	41.5	36.0	14.3	13.4	6.5	-6.6	-1.4	-6.3
Basic Household Goods Price Inflation	36.6	41.6	51.7	43.4	31.5	26.4	11.1	9.9	6.1	-3.3	0.7	-4.1

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 remained available.

1.4. REPORTED AVAILABILITY OF FOOD & NON-FOOD ITEMS

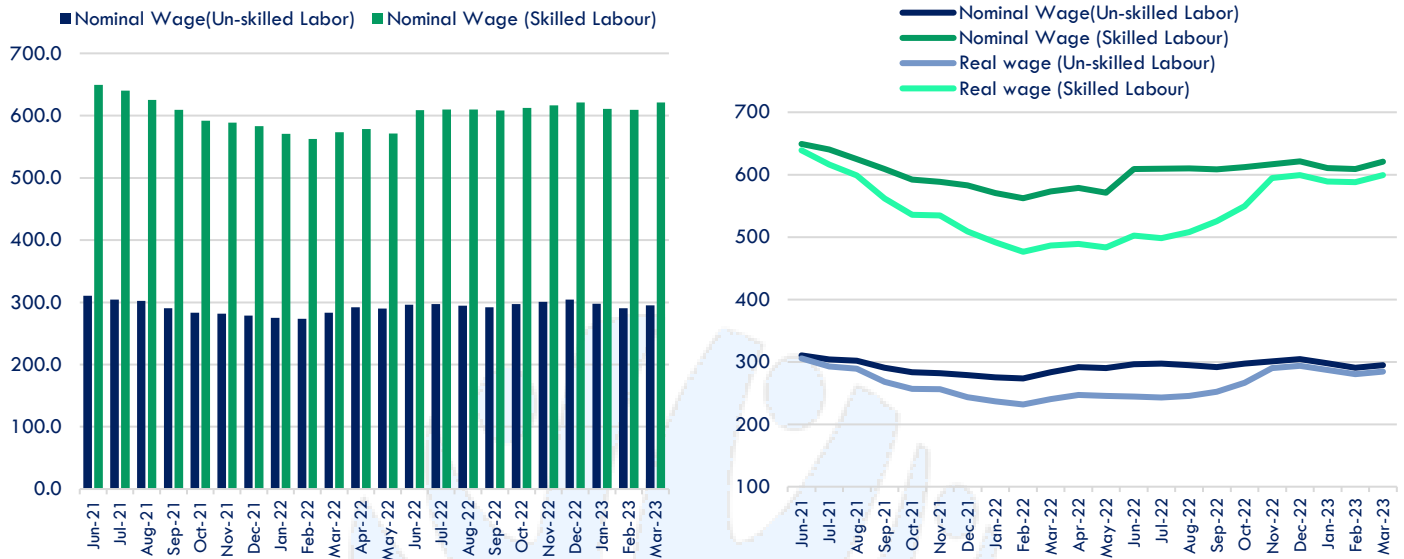


Source: Data collected by the World Bank's TPMA, based on a survey of 48 markets across 21 provinces.

2. LABOR MARKET CONDITIONS

Nominal and real wages are recovering slightly in March 2023 after consistently falling since December 2022.

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

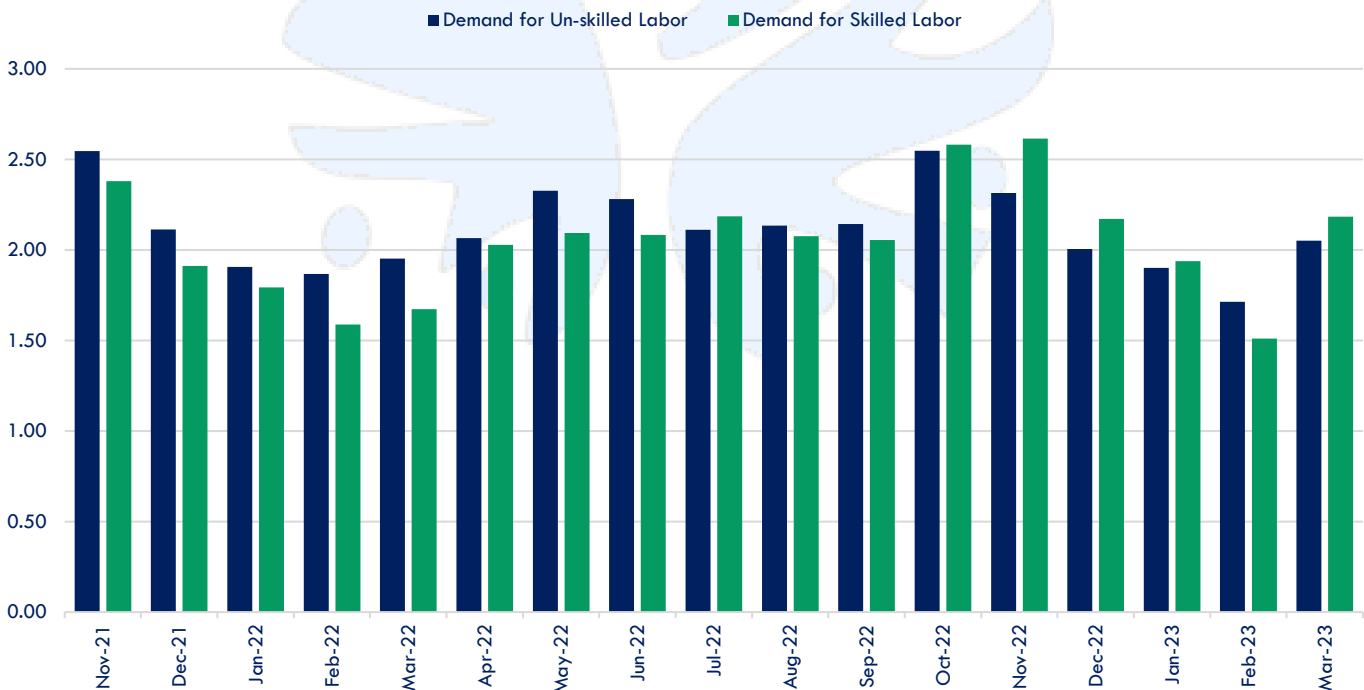


Source: Wage data from WFP, World Bank staff elaboration.

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

Demand for skilled and unskilled workers recovered marginally in March 2023, coinciding with harvesting season and the beginning of spring.

2.2. EMPLOYMENT FOR SKILLED AND UNSKILLED WORKERS BETWEEN NOVEMBER 2021 AND MARCH 2023



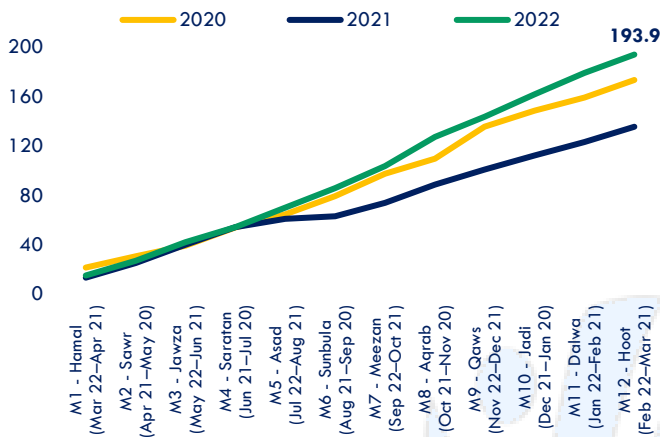
Source: Survey data collected by the World Bank's TPMA.

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.

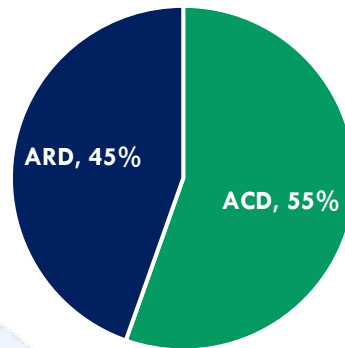
3. REVENUES

The total ITA revenue collections in 2022 amounted to AFN 193.9 billion. Surpassed the receipts in 2020 & 2021, these revenues derive mainly from border taxes and non-tax sources.

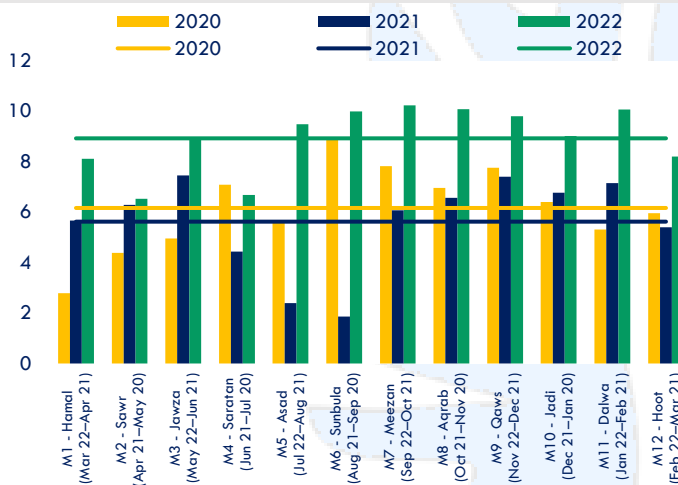
3.1. TOTAL REVENUE COLLECTION – CUMULATIVE (AFN BILLIONS)



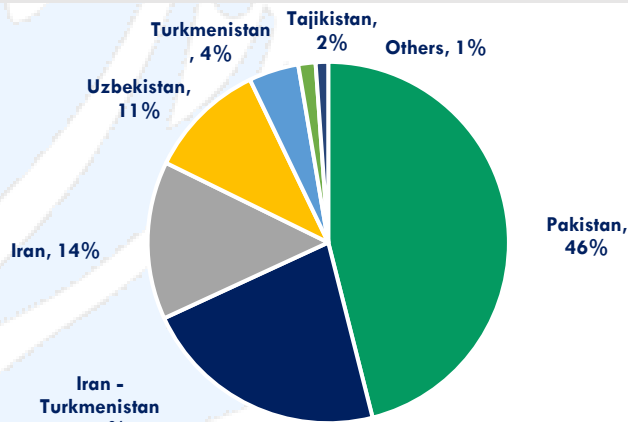
3.2. SHARE OF INLAND (ARD) AND CUSTOMS (ACD) REVENUES IN TOTAL COLLECTIONS



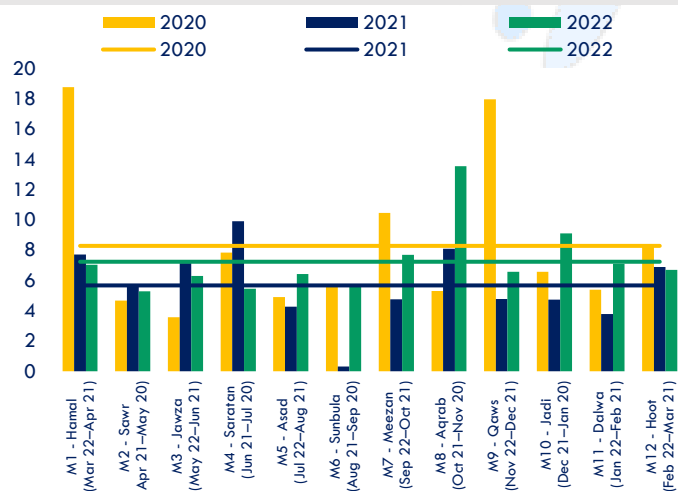
3.3. REVENUES COLLECTED AT THE BORDER (AFN BILLIONS)



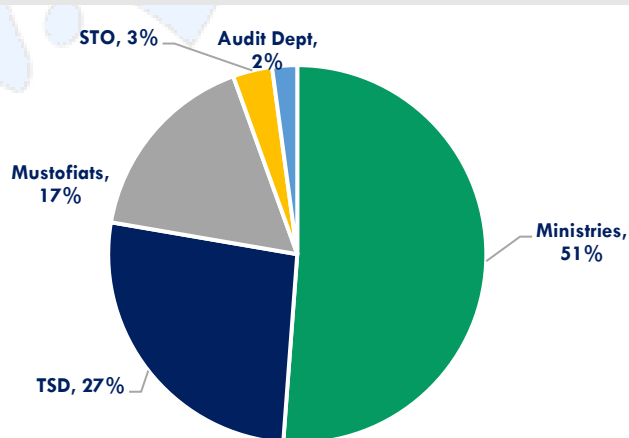
3.4. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



3.5. INLAND REVENUE COLLECTION (AFN BILLIONS)



3.6. PERCENT SHARE OF ARD COLLECTIONS BY SOURCE



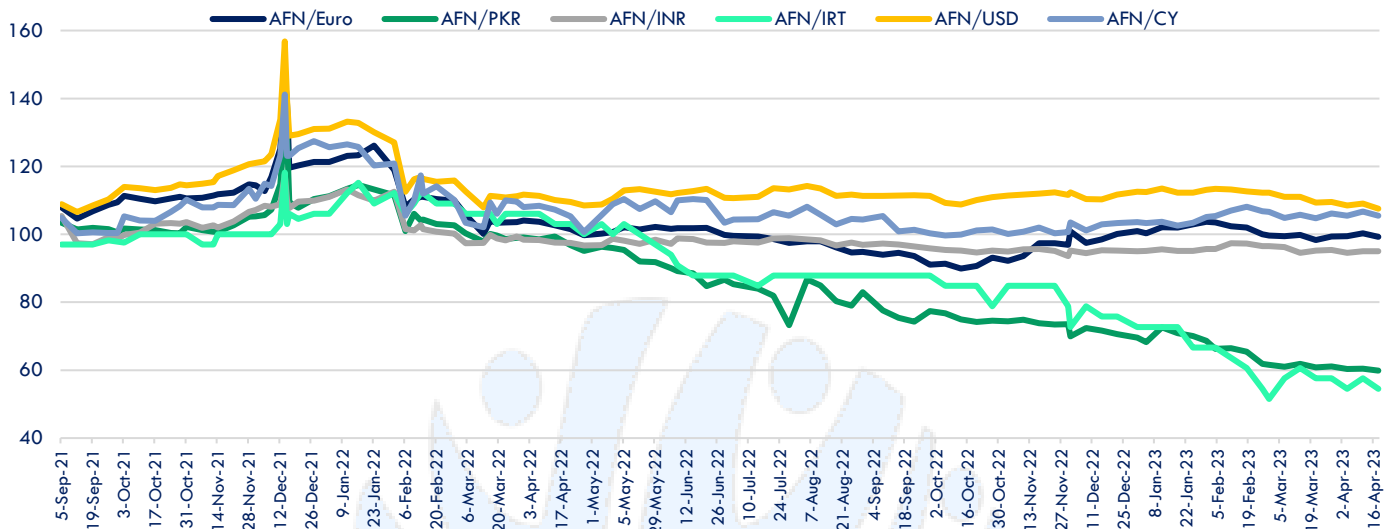
Source: Ministry of Finance.

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

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

During March 2023, the AFN appreciated against major currencies as the country received monthly cash shipments of US dollars in 2023 (US\$ 0.6 billion in January–March 2023).

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



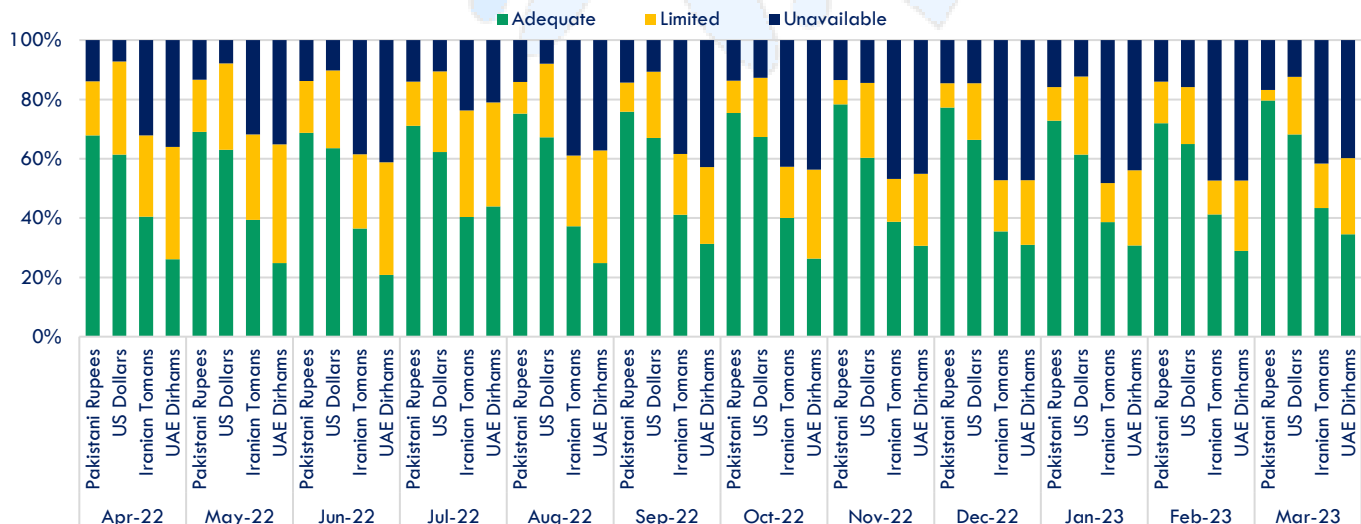
4.2. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

	29-May-22	29-Jun-22	28-Jul-22	30-Aug-22	29-Sep-22	27-Oct-22	30-Nov-22	31-Dec-22	31-Jan-23	28-Feb-23	28-Mar-23	18-Apr-23
AFN/Euro	1.71	4.16	6.65	9.62	14.13	11.61	7.22	2.95	0.28	4.28	4.56	4.67
AFN/PKR	12.28	18.88	40.73	24.25	33.15	38.25	40.19	48.18	50.19	67.42	68.53	72.12
AFN/INR	9.55	10.55	9.05	11.23	12.50	13.26	15.18	13.41	12.69	11.73	13.04	13.48
AFN/IRT	0.00	10.34	10.34	10.34	10.34	23.08	23.08	33.33	45.45	88.24	68.42	77.78
AFN/US\$D	-3.38	-1.87	-3.98	-2.35	-2.36	-2.03	-2.61	-3.37	-3.87	-3.14	-0.74	1.06
AFN/CY	-6.06	-0.32	-2.33	-1.22	2.80	1.65	2.40	-0.50	-1.90	-3.30	-2.86	-2.32

Source: Data from DAB, World Bank staff elaboration.

Availability of all major currencies improved in recent months, including in March 2023.

4.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS

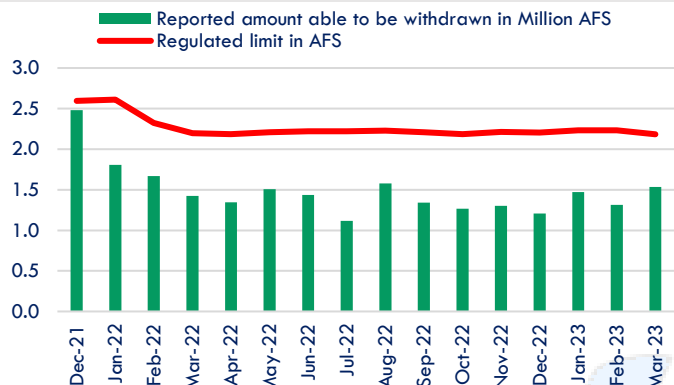


Source: Survey data collected by the World Bank's TPMA by visiting 144 money service providers in 48 markets in the country.

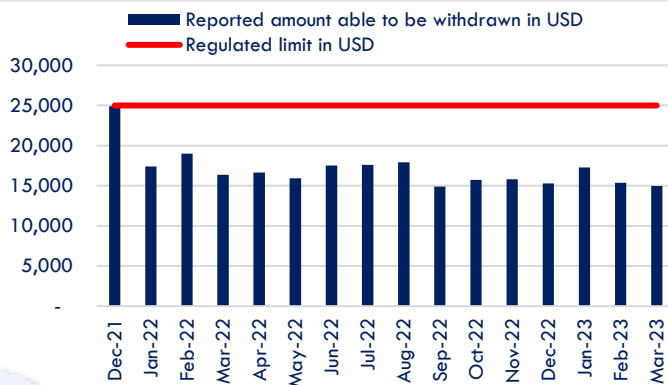
Note: Includes banks, Hawala operators, and informal currency exchangers.

All commercial banks, except one, can provide withdrawal facilities to individual customers up to the withdrawal limits set by DAB. In contrast, firms remain constrained in withdrawing AFN and US\$ deposits.

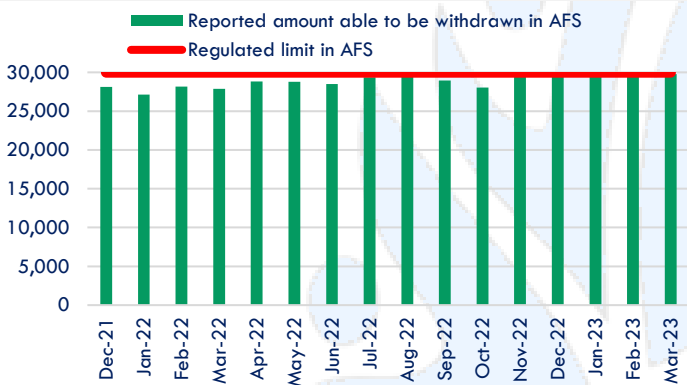
4.4. MONTHLY WITHDRAWALS – FIRMS (AFN MILLIONS)



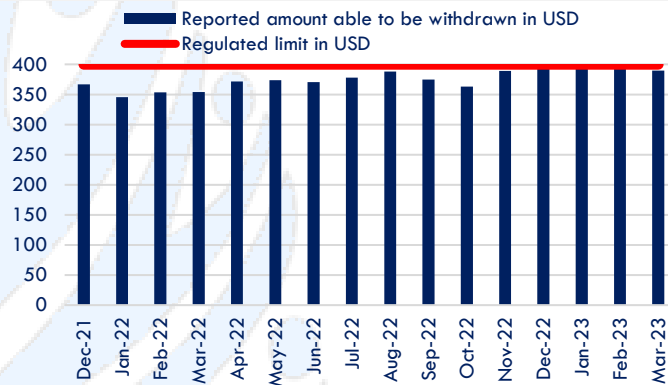
4.5. MONTHLY WITHDRAWALS – FIRMS (US\$)



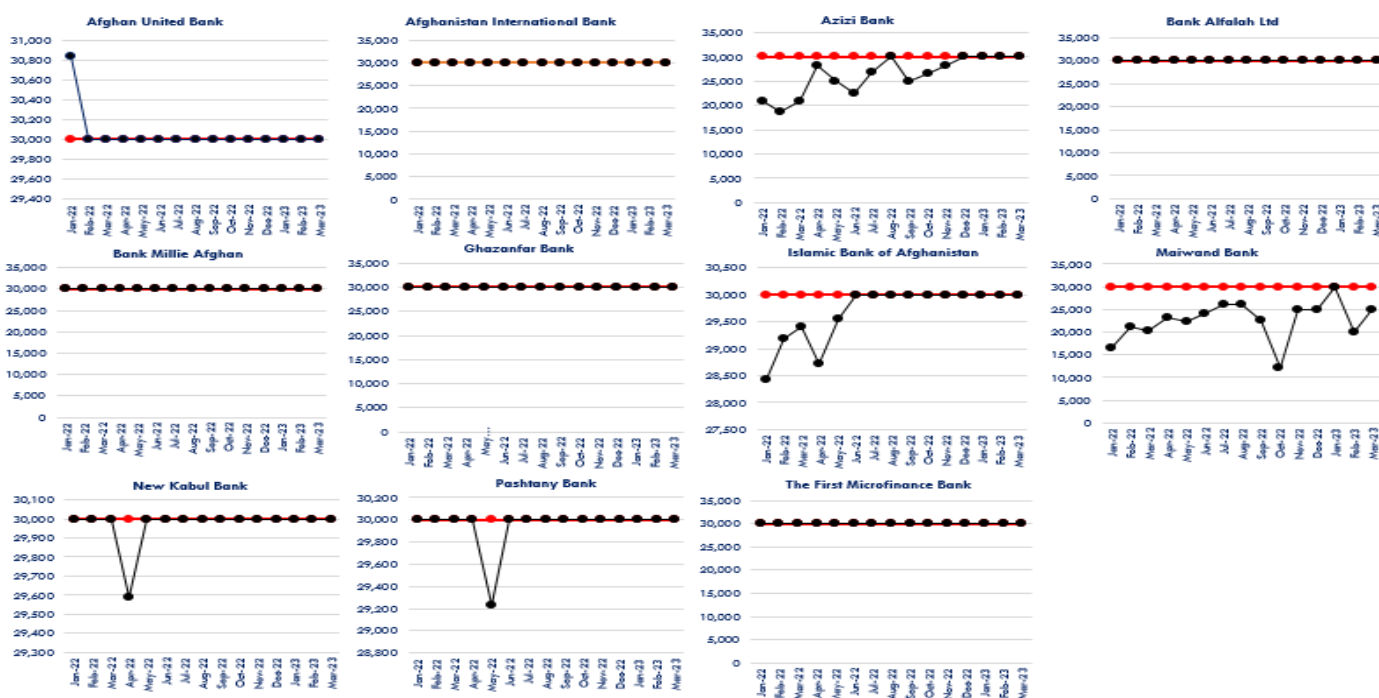
4.6. MONTHLY WITHDRAWALS – INDIVIDUALS (AFN)



4.7. MONTHLY WITHDRAWALS – INDIVIDUALS (US\$)



4.8. AVERAGE MONTHLY WITHDRAWAL – INDIVIDUAL (AFN)

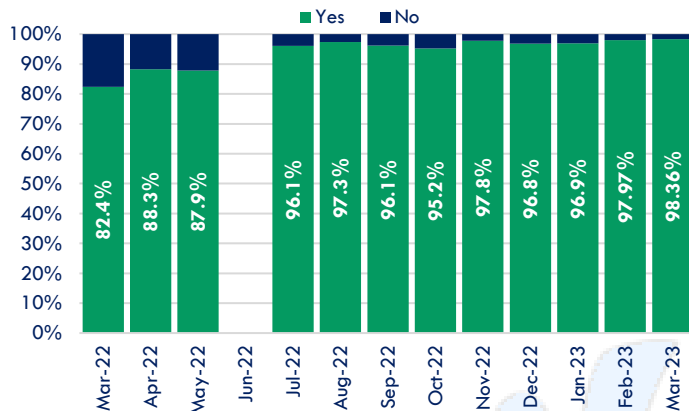


Source: Survey data collected by the World Bank's TPMA.

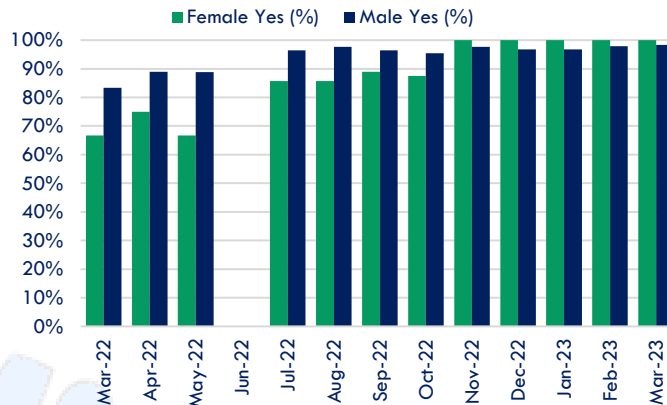
Note: Regulated limit as stipulated by DAB, and amounts depositors could withdraw as reported by individual respondents to the TPMA survey.

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

4.9. CIVIL SERVANTS RECEIVED SALARIES DURING THE LAST THREE MONTHS



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



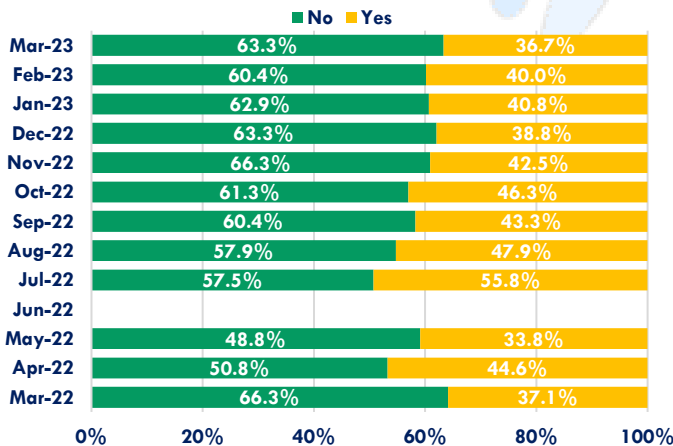
Cash and bank accounts are reported to be the two most common means of receiving salaries.

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

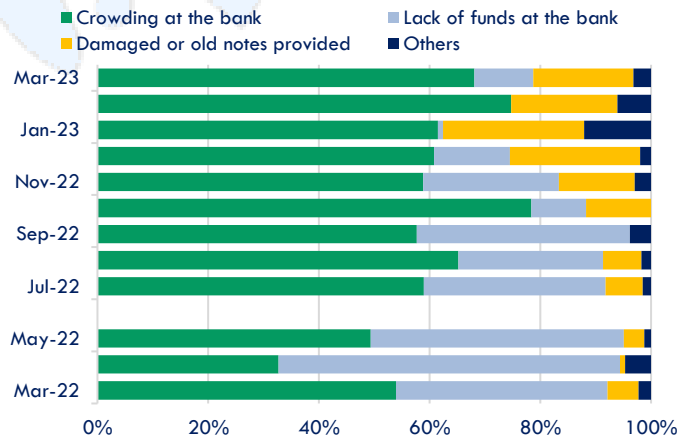


Crowding in bank branches and damaged currency notes are consistently the main problems faced in withdrawing salaries.

4.12. CIVIL SERVANTS FACE CHALLENGES WHEN WITHDRAWING SALARIES THROUGH BANKS



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

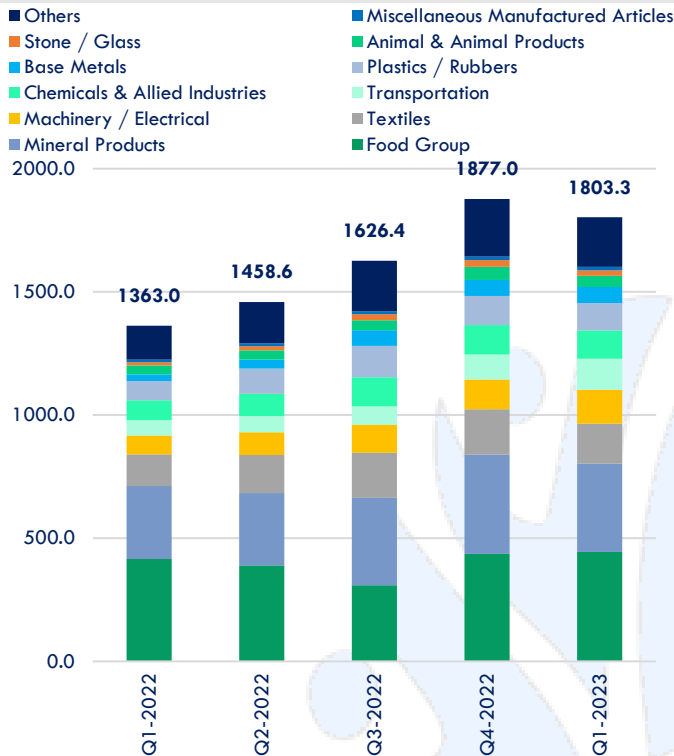


Source: Survey data collected by the World Bank's TPMA.
Note: Data for civil servants for June 2022 are not available.

5. TRADE DEVELOPMENTS

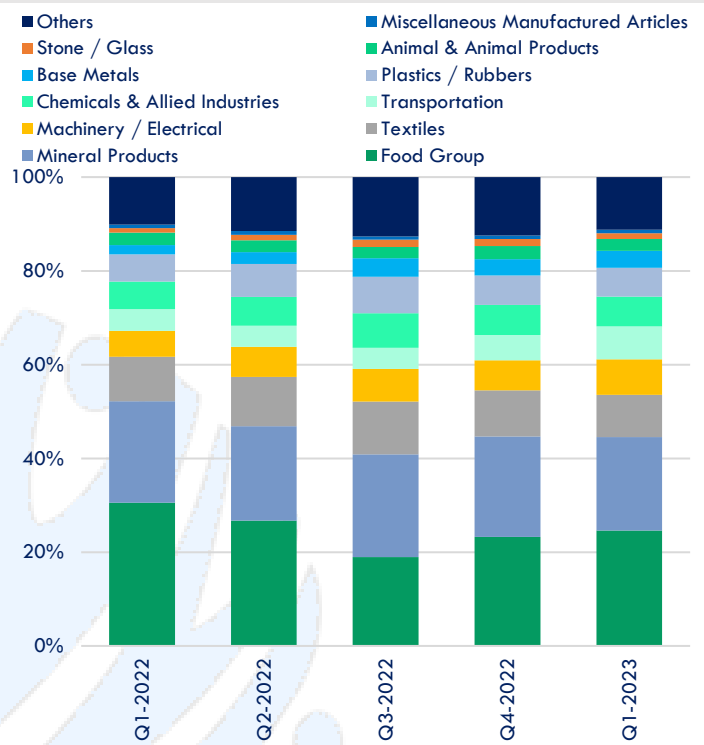
Merchandise imports have increased significantly in the first quarter of 2023. Coal and textile exports to Pakistan drive the export performance. However, the trade deficit has widened.

5.1. AFGHANISTAN IMPORTS (US\$ MILLIONS), Q1 2022 – Q1 2023



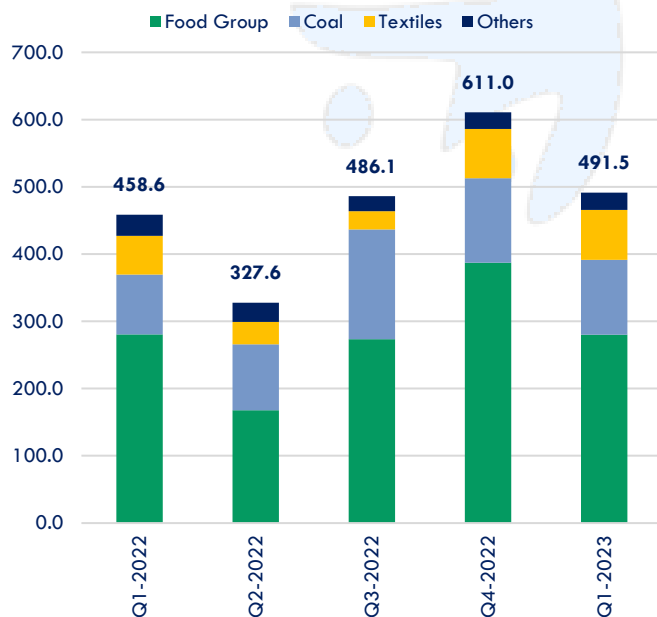
Source: ASYCUDA

5.2. SHARE IN AFGHANISTAN IMPORTS (%), Q1 2022 – Q1 2023



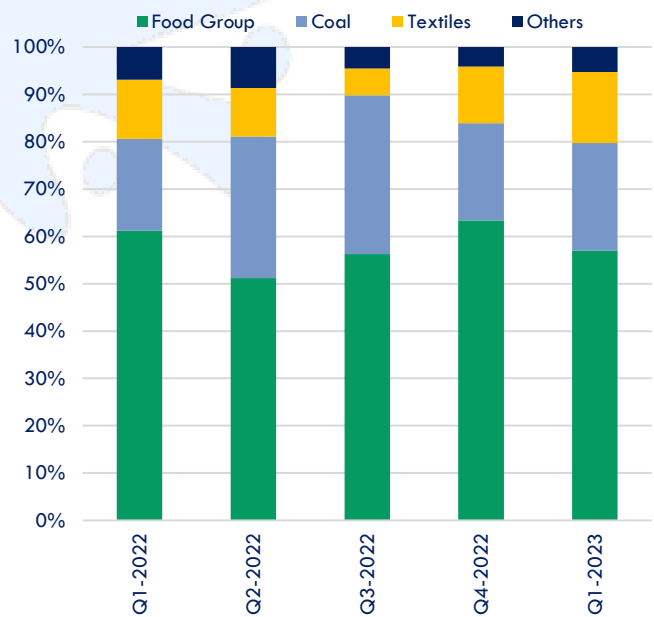
Source: ASYCUDA

5.3. AFGHANISTAN EXPORTS (US\$ MILLIONS), Q1 2022 – Q1 2023



Source: ASYCUDA

5.4. SHARE IN AFGHANISTAN EXPORTS (%), Q1 2022 – Q1 2023

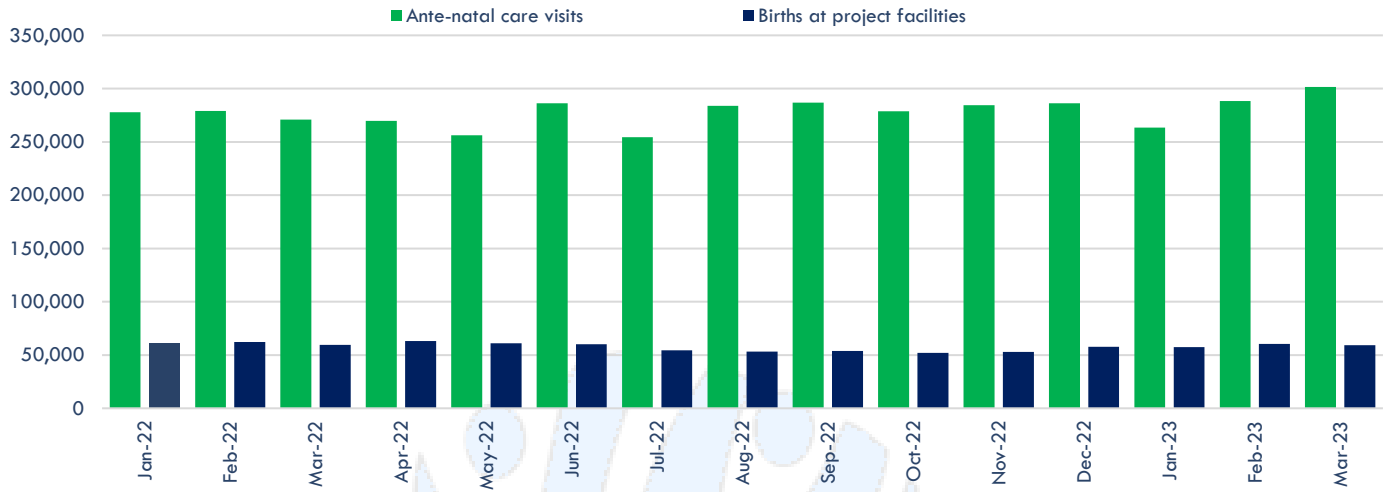


Source: ASYCUDA

6. PROVISION OF HEALTH SERVICES

Health Emergency Response (HER) Project has slightly improved ANC visits since February 2023.

6.1. SERVICES DELIVERED AT HER-FINANCED HEALTH FACILITIES



Source: Health Management Information System.

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.

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