

AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

March 28, 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 commodity availability has improved.

According to the latest official statistics published by the National Statistics and Information Authority (NSIA) in February 2023, year-on-year (y-o-y) headline inflation reached 3.5 percent. This deceleration in inflation reflects: (i) the continued downward trend in fuel and food prices in the international market;¹ (ii) a stable exchange rate; and (iii) a winter-induced slowdown in economic activity. Similar trends are visible in the data collected by the World Food Program (WFP), which showed that y-o-y inflation for basic household goods stood at 0.7 percent in February 2023. Correspondingly, the availability of food and non-food commodities, as reported by the Third-Party Monitoring Agent (TPMA), improved further.

The Afghani (AFN) appreciated against major currencies in February 2023.

During February 2023, the AFN strengthened against the United States dollar (USD) (by 0.8 percent), Euro (by 4.0 percent), Pakistani rupee (by 11.5 percent), and Iranian toman (by 29.4 percent). Cash shipments by the United Nations (UN) remained significant and continued to underlie currency stability: in February 2023 alone, USD 240 million were shipped to Afghanistan, for a total of USD 440 million in January–February 2023 (against a cumulative USD 1.85 billion in 2022, amounting to about USD 154 million monthly). Since Da Afghanistan Bank (DAB) provides conversion into AFN for payments requiring local currency, the cash shipments provide DAB with liquidity in USD, which is auctioned in the foreign exchange market. Auction frequency and amounts are not officially available from DAB data, as no statistics have been published officially. Reportedly, the Interim Taliban Administration (ITA) continues to exert strong controls on the illegal export of foreign currency.

Firms report difficulty withdrawing cash from banks.

Cash withdrawals for bank deposits in place before August 2021 continue to be regulated for both firms and individuals by statutory withdrawal limits imposed by DAB. No withdrawal limits exist on new deposits. Data collected by the TPMA confirm that individual depositors can access their deposits within the statutory limits (except for Maiwand Bank). In contrast, firms' access to deposits remains below the permitted limits. Data show that the slight improvement recorded in January 2023 was not sustained in February.

Civil servants' salaries continue to be paid on time.

According to TPMA data (gathered through telephone interviews with about 250 individuals), civil servants regularly receive salary payments (98 percent of men and women respondents). Crowding in bank branches remains the most critical challenge to withdrawing salaries, but the deteriorating quality of banknotes is increasingly reported as a key issue. The quality of notes improved slightly in February 2023 following the issuance of new notes by the DAB.²

Employment for skilled and unskilled labor has declined since October 2022.

Extreme winters resulted in declining agriculture, construction, and related activities, as reflected in the employment figures. The parallel decline in household incomes may have further suppressed already low aggregate demand. This is also a reminder that despite signs of economic stabilization, Afghan families continue to face substantial pressures in sustaining their livelihoods.

Revenue collection during the first eleven months of the fiscal year 2022–23 was strong.

Between March 22, 2022, and February 21, 2023 (the first eleven months of the fiscal year), total revenue receipts were AFN 173.9 billion (USD 1.95 billion, around 87 percent of the fiscal year's revised budget target of AFN 198.7 billion). Revenue collection continues to rely on regressive indirect taxes collected at borders: border taxes accounted for 57 percent of overall revenue, driven by strong imports. Revenue from inland sources depends to a large extent on non-tax sources: royalties and administration fees collected by ministries contribute 51 percent of total inland revenues. Anecdotal evidence suggests that a significant amount of non-tax revenue receipts is collected through arrears—a one-off approach that may not be available in the future. In addition, coal extraction and exports, particularly to Pakistan, and related increases in other royalty fees have contributed to the rise in ministries' revenue and will depend on future export performance.

¹ World Bank global commodity price data show a decline in energy prices by 7.3 percent between January and February 2023, led by coal (-34.8%) and natural gas (-27.2%). Similarly, the United Nations Food and Agriculture Organization (FAO) reported a decline in the food price index by 0.6 percent between January and February 2023, continuing the downward trend for the eleventh consecutive month.

² The DAB issued new currency notes and collected the old banknotes from the market in January 2023. See: <https://dab.gov.af/node/9480?s=08>.

Merchandise exports in January–February 2023 continue to maintain strong momentum.

Based on unofficial Afghanistan customs data, exports have been substantial in 2022, at USD 1.9 billion in 2022 against an average of about USD 0.8 billion during 2019–21. Export performance remained strong in the first two months of 2023, reaching USD 0.3 billion—16 percent higher than in the same period in 2022. Export growth during January–February 2023 can be attributed primarily to an increase in exports of: (i) food, by 7 percent (59 percent of overall exports); (ii) coal, by 19 percent (20 percent of overall exports); and (iii) textiles, by 84 percent (15 percent of overall exports). 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 70 percent of total exports in January–February 2023. Coal exports to Pakistan reached USD 66 million in January–February 2023 (compared to a total of USD 476 million in 2022).

Trade data confirm the economy’s heavy dependence on imports.

Afghanistan’s merchandise imports in 2022 (USD 6.3 billion) remained broadly in line with trends during 2019–21. This figure does not include in-kind humanitarian imports. In the first two months of 2023, imports stood at USD 1.16 billion, reflecting 40 percent growth vis-à-vis 2022, visible in all import groups. Food (a quarter of imports) grew by 14 percent y-o-y in January–February 2023. Similarly, minerals (including fuel), which represent 20 percent of imports, increased by 45 percent y-o-y in January–February 2023. Iran remains the most significant country of origin (22 percent), followed by China (18 percent), Pakistan (17 percent), and the United Arab Emirates (12 percent).

Balance of payments figures remain unavailable.

Aside from unofficial merchandise trade statistics and UN cash shipment flows, other balance of payments statistics are unavailable. Based on the available data, the trade deficit widened by 53 percent on a y-o-y basis, reaching USD 837 million in January–February 2023 compared to USD 547 million during the comparable period in 2022. UN cash shipments for the period (USD 440 million) cover only about half of the merchandise trade deficit.

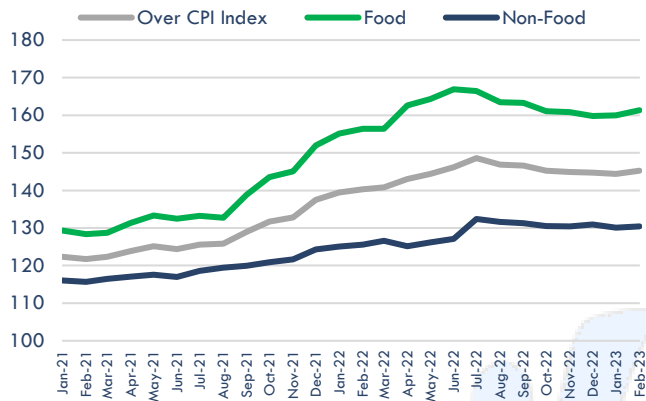
The Health Emergency Response Project, financed by the Afghanistan Reconstruction Trust Fund, continues to provide critical health services for mothers and children.

According to TPMA data, from January 2022 to February 2023, the 2,300 supported facilities received approximately 3.9 million antenatal care (ANC) visits. The number of ANC visits in February 2023 increased by 9 percent compared to January 2023 and by 4 percent improvement compared to January 2022.

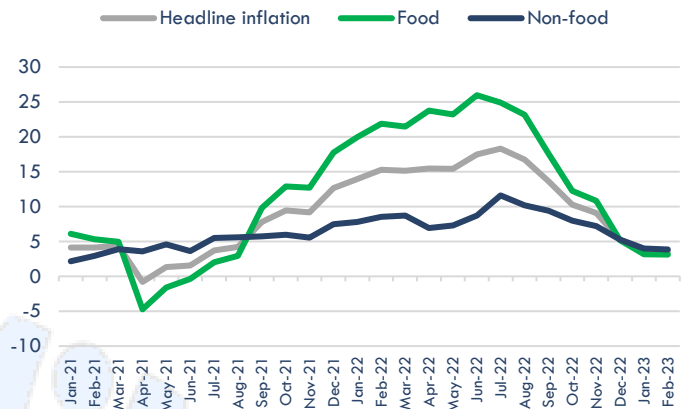
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

Inflation declined further in February 2023, owing primarily to a decline in global prices, subdued domestic demand in winter, and relatively stable exchange rates.

1.1. HEADLINE PRICE INDEX



1.2. HEADLINE INFLATION (Y-O-Y)



Source: NSIA.

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

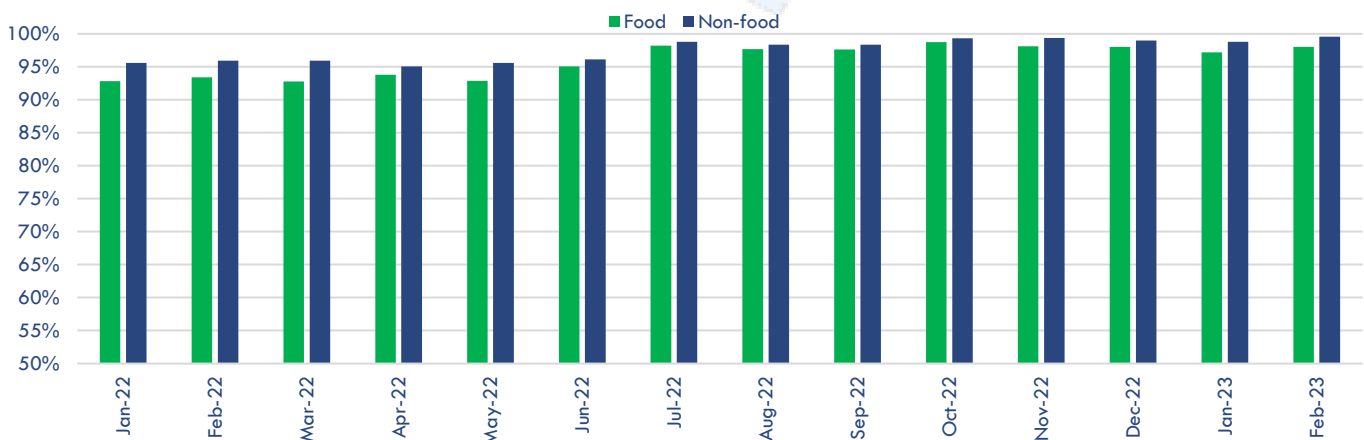
	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23
Bread	12.0	14.9	18.1	22.0	23.2	23.3	21.6	19.1	18.1	16.6	15.2	14.2
Fuel (diesel)	73.2	57.3	66.3	95.3	112.5	54.5	87.4	49.1	34.1	26.3	22.3	14.8
Oil (cooking)	43.9	46.4	50.3	51.3	32.3	16.1	0.8	-13.3	-12.2	-14.4	-21.7	-17.0
Pulses	24.1	23.8	22.9	23.7	23.3	17.7	16.1	11.6	10.6	10.6	-2.4	0.0
Rice (high quality)	19.8	19.3	24.0	34.2	37.8	32.9	32.0	28.9	27.2	26.4	19.8	17.9
Rice (low quality)	9.6	7.9	9.6	14.6	13.1	10.9	14.1	12.5	18.5	21.9	18.9	28.3
Salt	23.4	18.9	21.3	22.9	19.0	18.0	16.0	17.8	10.8	20.0	2.5	-0.1
Sugar	24.7	24.4	26.0	33.9	37.0	30.9	20.5	8.7	3.9	1.2	-7.5	-3.5
Wheat	27.8	35.5	40.3	58.1	49.8	43.5	37.9	19.1	16.8	11.8	-2.7	5.3
Wheat flour (high quality)	31.6	44.0	50.5	65.1	49.4	41.7	31.9	12.3	12.1	5.8	-6.3	-0.6
Wheat flour (low quality)	32.1	44.7	52.7	68.2	50.8	41.5	36.0	14.3	13.4	6.5	-6.6	-1.4
Basic Household Goods Price Inflation	32.2	36.6	41.6	51.7	43.4	31.5	26.4	11.1	9.9	6.1	-3.3	0.7

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

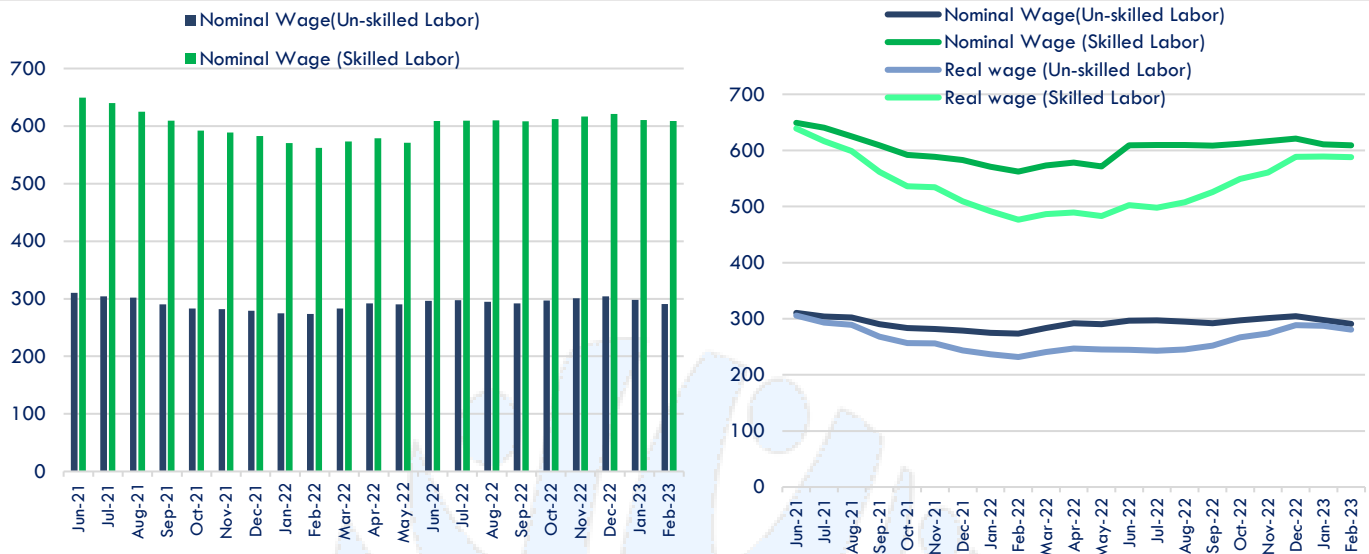


Source: Data collected by the World Bank's TPMA, based on a survey of 48 markets across 21 provinces.

2. LABOR MARKET CONDITIONS

Nominal and real wages decreased slightly in February 2023, in line with seasonal trends.

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

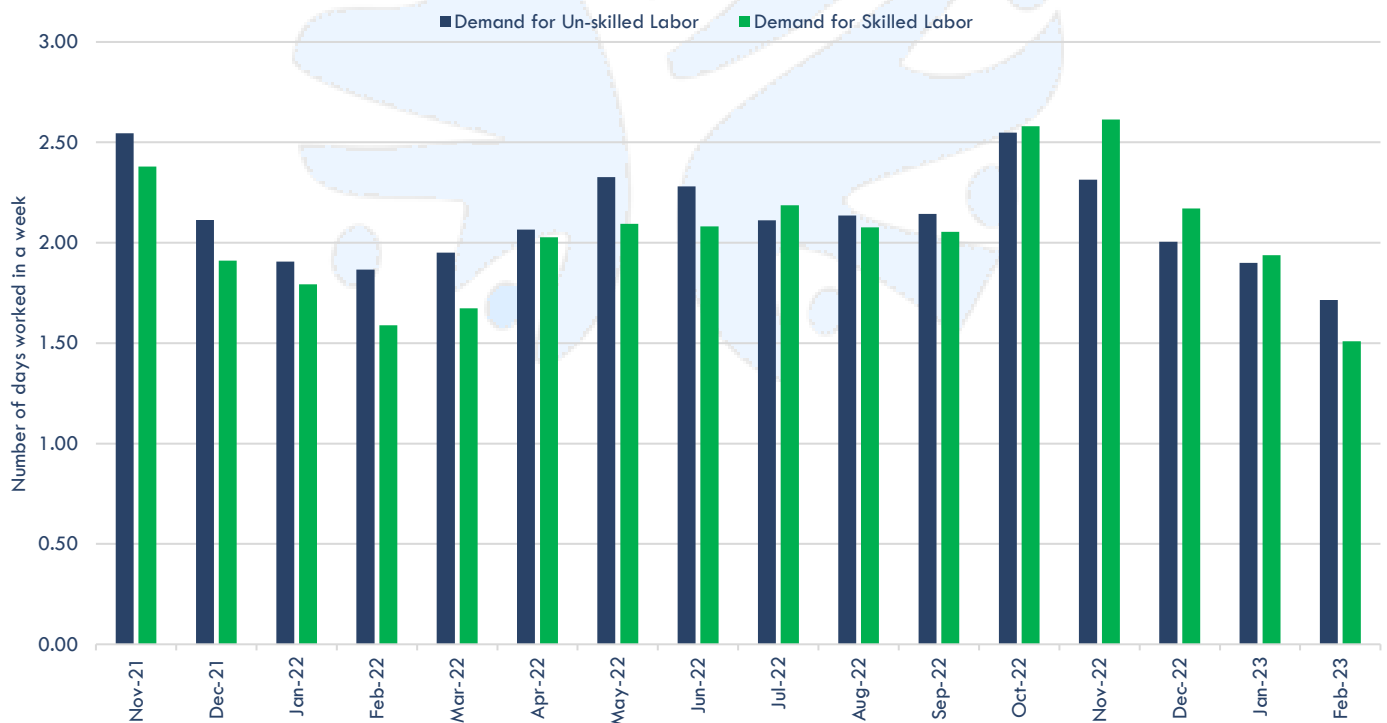


Source: Wage data from WFP, World Bank staff elaboration.

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

Winter-induced slowdowns in agriculture, construction, and related activities, and firms' limited access to credit to expand their operations, have reduced labor demand, particularly for skilled workers.

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



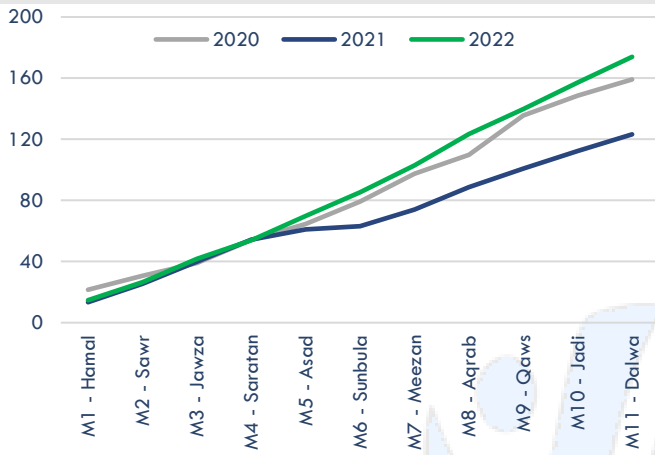
Source: Survey data collected by the World Bank's TPMA.

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.

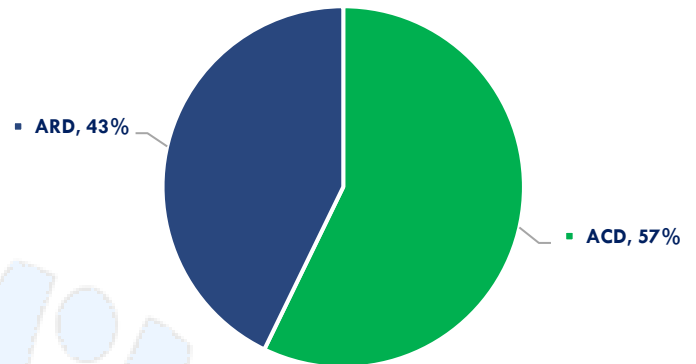
3. REVENUES

ITA revenue collections in the first eleven months of 2022 amounted to AFN 173.9 billion. In line with 2020 figures, these revenues derive mainly from border taxes and non-tax sources.

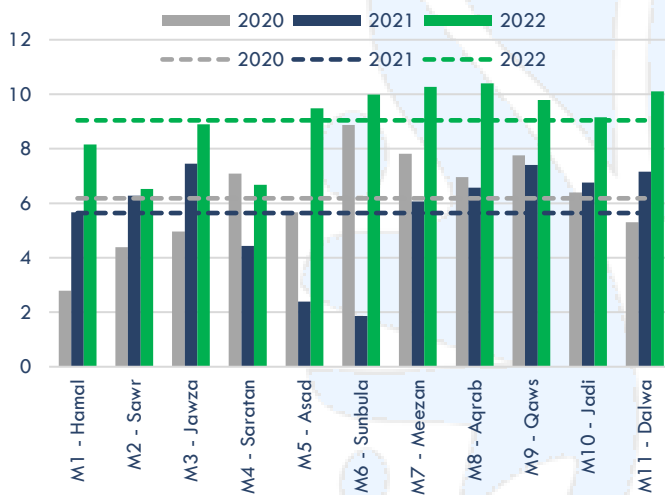
3.1. TOTAL REVENUE COLLECTION – CUMULATIVE (AFN BILLIONS)



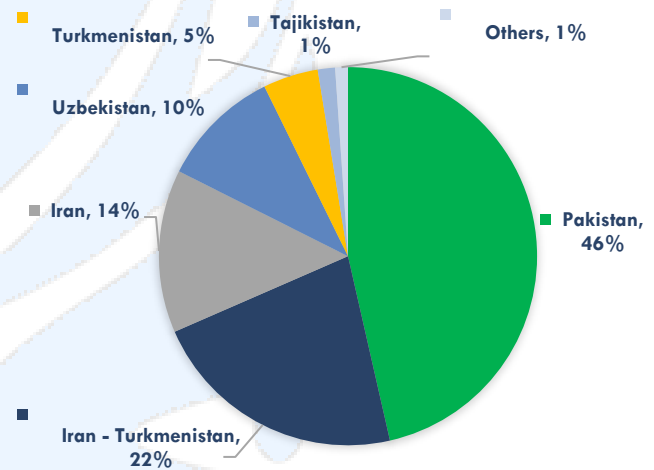
3.2. SHARE OF INLAND (ARD) AND CUSTOMS (ACD) REVENUES IN TOTAL COLLECTIONS



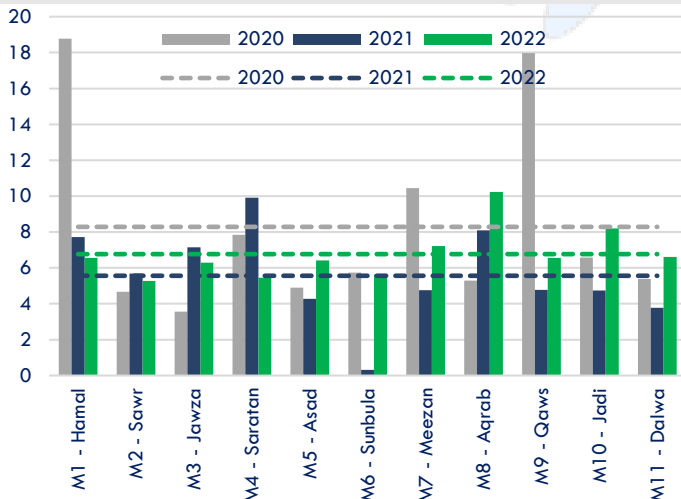
3.3. REVENUES COLLECTED AT THE BORDER (AFN BILLIONS)



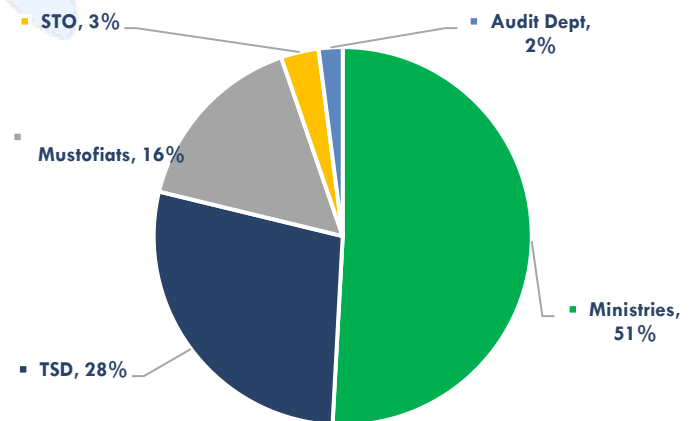
3.4. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



3.5. INLAND REVENUE COLLECTION (AFN BILLIONS)



3.6. PERCENT SHARE OF ARD COLLECTIONS, BY SOURCE



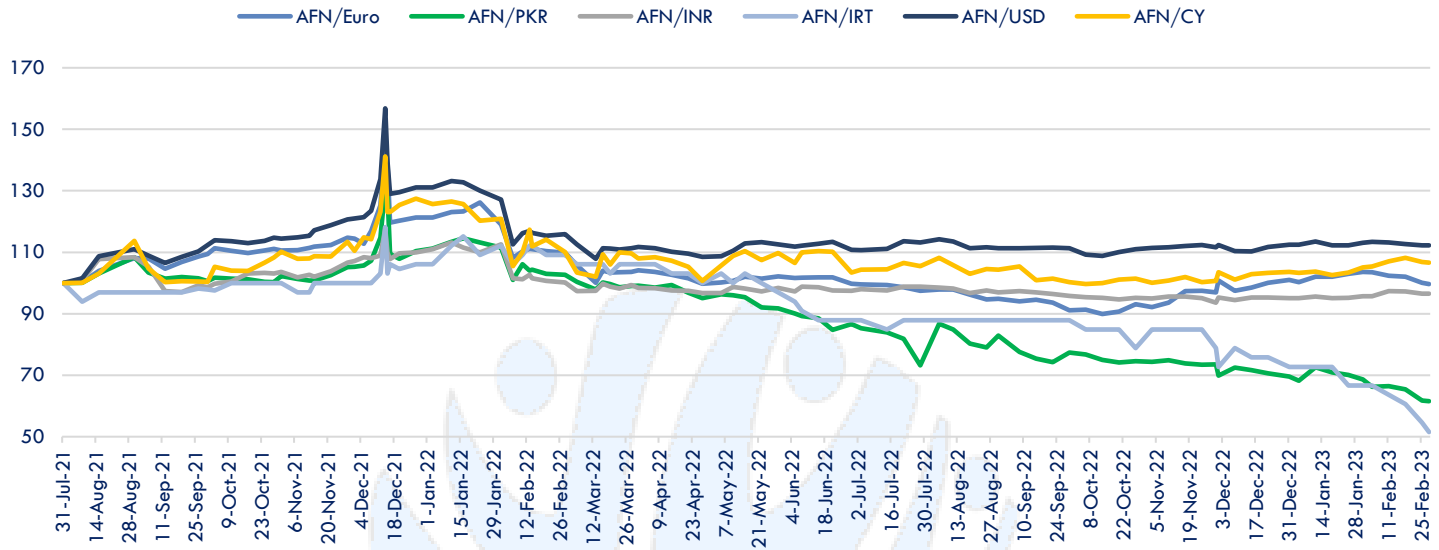
Source: Ministry of Finance.

Note: The Afghan fiscal calendar month, Hamal, runs from March 21–April 20.

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

During February 2023, the AFN remained stable against major currencies as the country received monthly cash shipments of US dollars in 2023 (USD 440 million in January–February 2023).

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



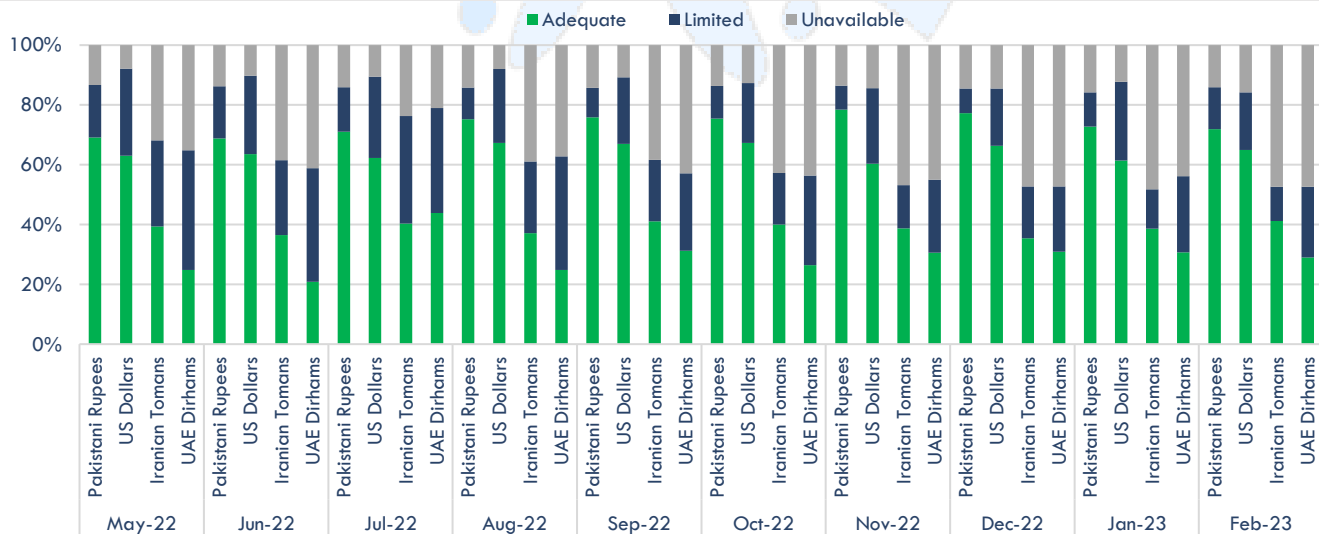
4.2. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

	31-Mar-22	27-Apr-22	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
AFN/Euro	-0.14	4.17	1.71	4.16	6.65	9.62	14.13	11.61	7.22	2.95	0.28	4.28
AFN/PKR	3.98	8.38	12.28	18.88	40.73	24.25	33.15	38.25	40.19	48.18	50.19	67.42
AFN/INR	9.53	11.41	9.55	10.55	9.05	11.23	12.50	13.26	15.18	13.41	12.69	11.73
AFN/IRT	-8.57	-3.03	0.00	10.34	10.34	10.34	10.34	23.08	23.08	33.33	45.45	88.24
AFN/US\$D	-2.68	0.22	-3.38	-1.87	-3.98	-2.35	-2.36	-2.03	-2.61	-3.37	-3.87	-3.14
AFN/CY	-4.59	2.33	-6.06	-0.32	-2.33	-1.22	2.80	1.65	2.40	-0.50	-1.90	-3.30

Source: Data from DAB, World Bank staff elaboration.

The foreign currency shortage persisted. Nonetheless, the availability of US dollars and Iranian tomans improved slightly in February 2023.

4.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS

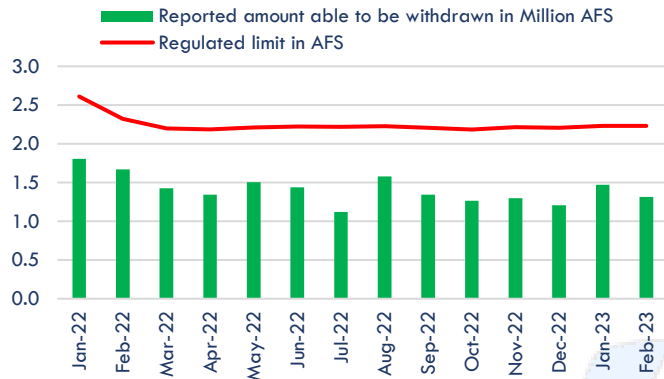


Source: Survey data collected by the World Bank's TPMA by visiting 144 money service providers in 48 markets in the country.

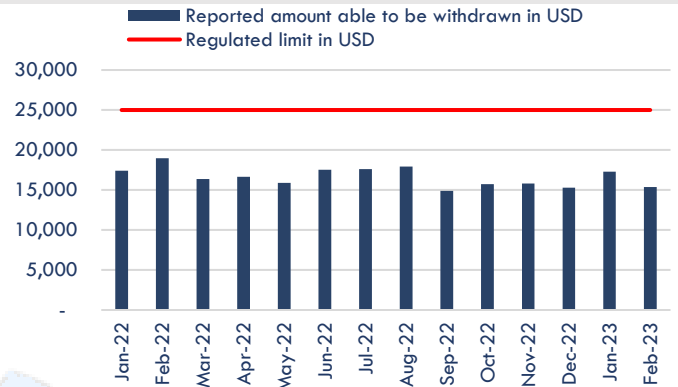
Note: Includes banks, Hawala operators, and informal currency exchangers.

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 USD deposits.

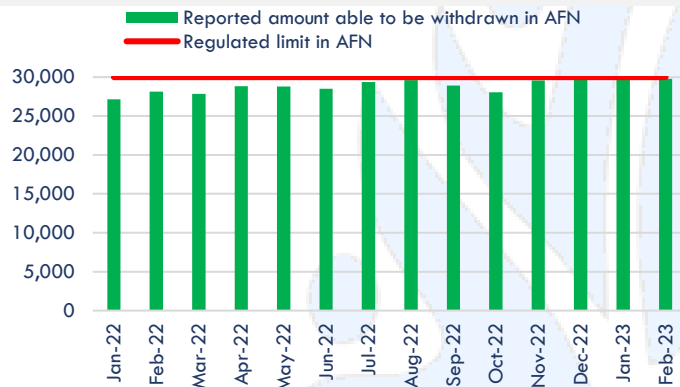
4.4. MONTHLY WITHDRAWALS – FIRMS (AFN MILLIONS)



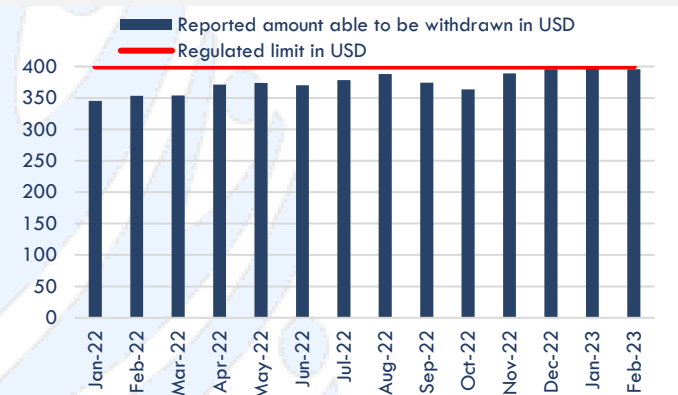
4.5. MONTHLY WITHDRAWALS – FIRMS (USD)



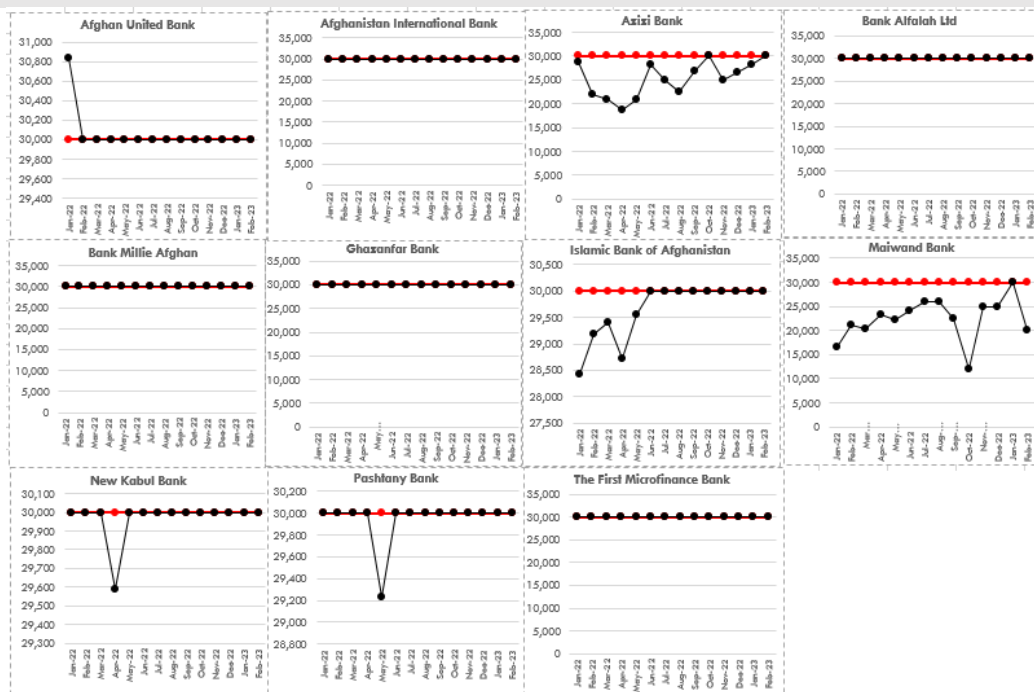
4.6. MONTHLY WITHDRAWALS – INDIVIDUALS (AFN)



4.7. MONTHLY WITHDRAWALS – INDIVIDUALS (USD)



4.8. AVERAGE MONTHLY WITHDRAWAL – INDIVIDUAL (AFN)

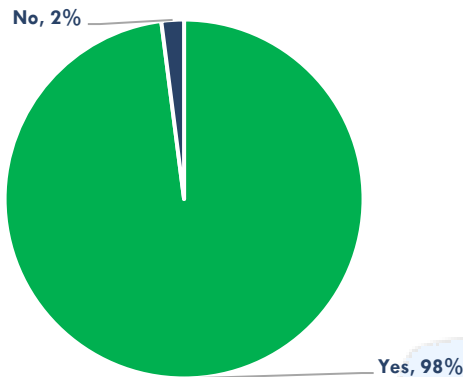


Source: Survey data collected by the World Bank's TPMA.

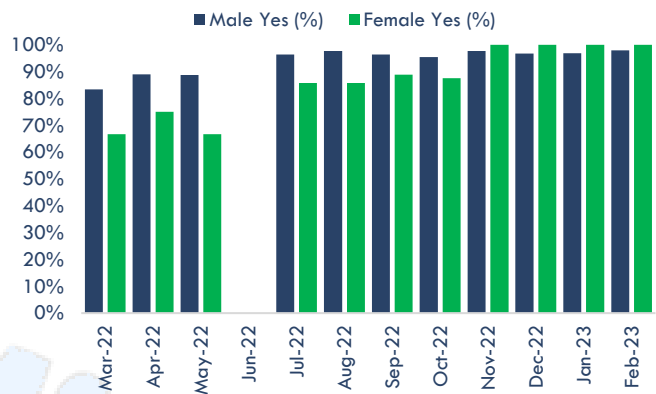
Note: Regulated limit as stipulated by DAB, and amount able to be withdrawn as reported by individual respondents to the TPMA survey.

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

4.9. CIVIL SERVANTS RECEIVED SALARIES DURING THE LAST THREE MONTHS

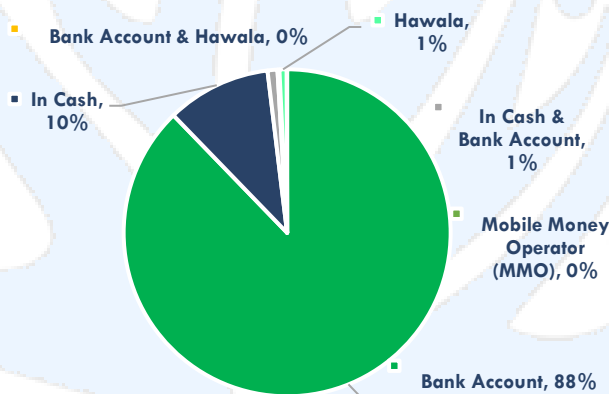


4.10. MALE VS. FEMALE RESPONDENTS RECEIVING SALARIES IN THE LAST THREE MONTHS



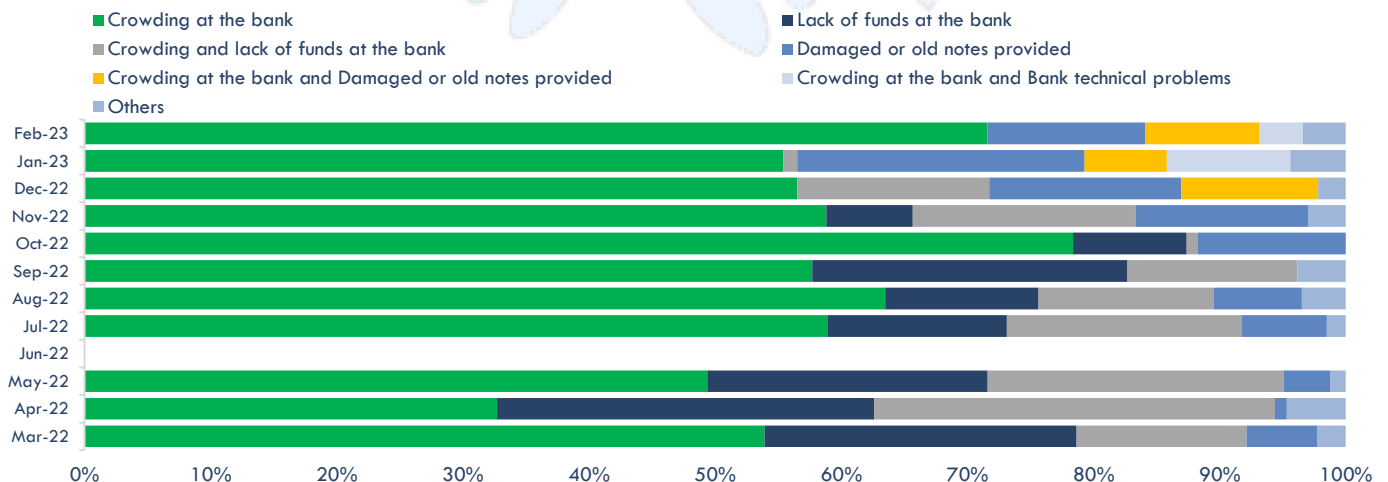
Cash and bank accounts are reported to be the two most common means of receiving salaries.

4.11. MODE OF SALARY PAYMENT



Crowding in bank branches and the provision of damaged notes are the main problems faced in withdrawing salaries.

4.12. CHALLENGES FACED WHEN WITHDRAWING SALARIES

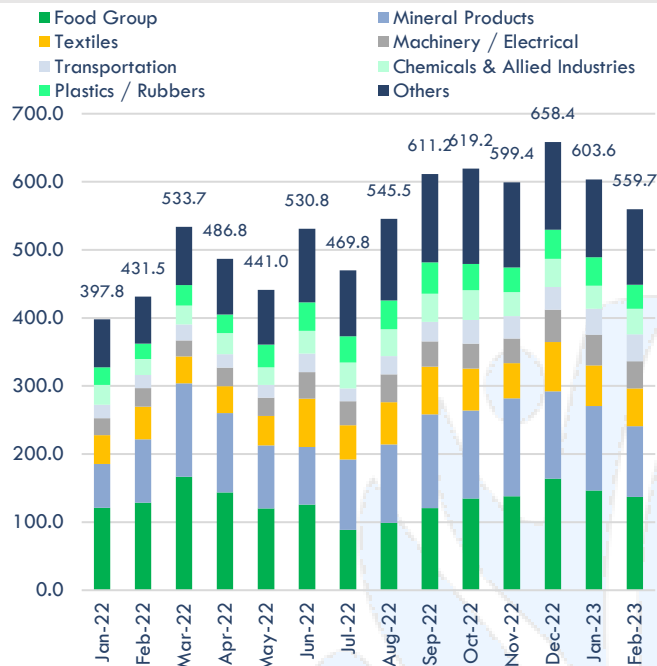


Source: Survey data collected by the World Bank's TPMA.
 Note: Data for civil servants for June 2022 are not available.

5. TRADE DEVELOPMENTS

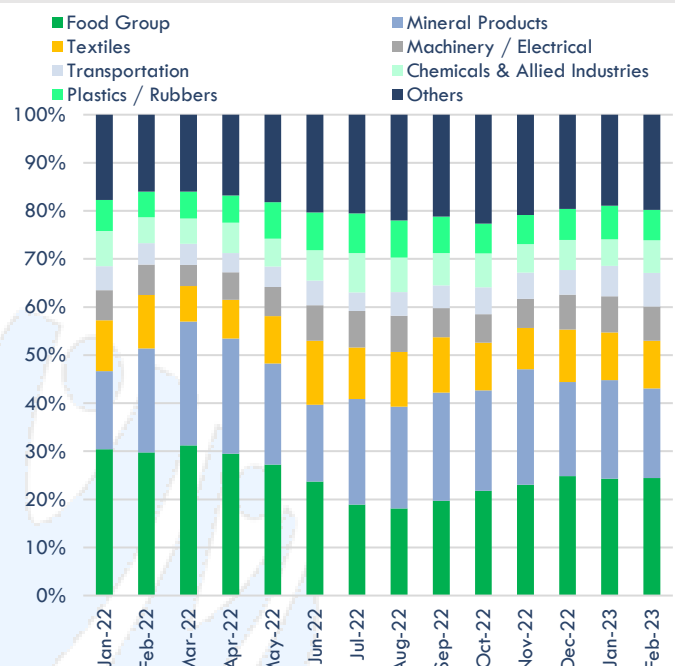
Merchandise exports remained strong in the first two months of 2023, due primarily to increased coal, vegetable, and textile exports to Pakistan.

5.1. AFGHANISTAN IMPORTS (USD MILLIONS), JANUARY 2022–FEBRUARY 2023



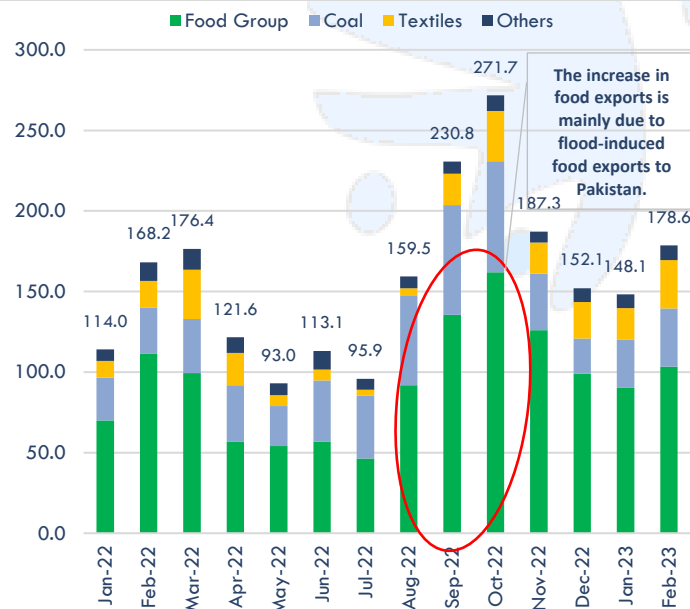
Source: ASYCUDA

5.2. SHARE IN AFGHANISTAN IMPORTS (PERCENT), JANUARY 2022–FEBRUARY 2023



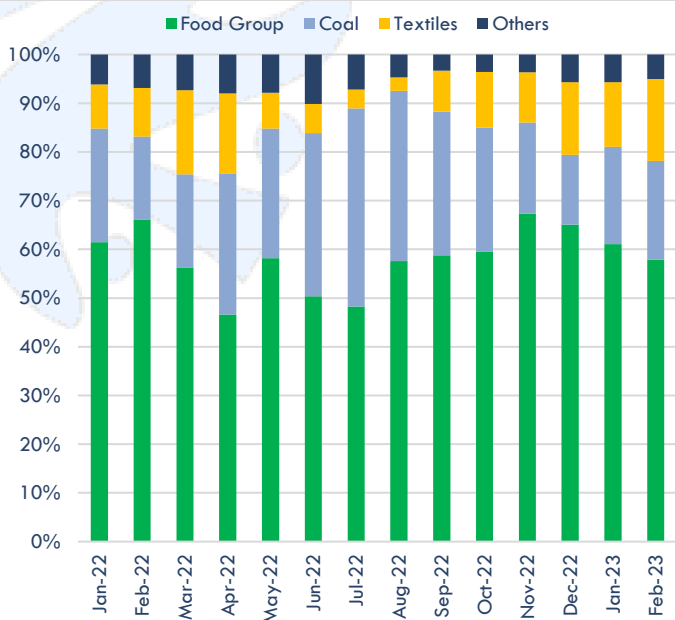
Source: ASYCUDA

5.3 AFGHANISTAN EXPORTS (USD MILLIONS), JANUARY 2022–FEBRUARY 2023



Source: ASYCUDA

5.4 SHARE IN AFGHANISTAN EXPORTS (PERCENT), JANUARY 2022–FEBRUARY 2023

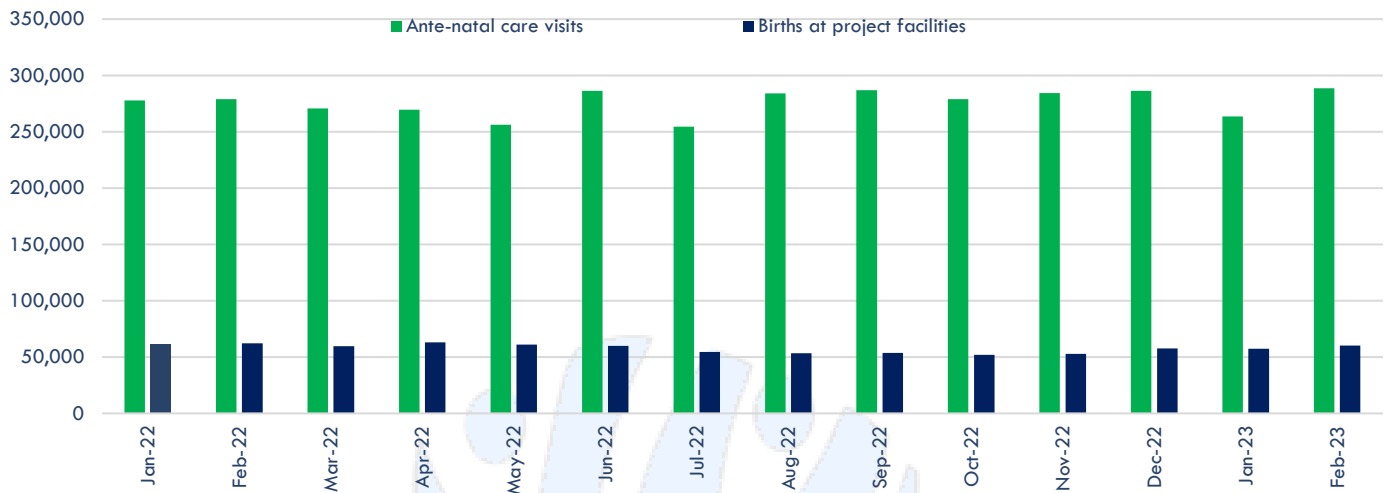


Source: ASYCUDA

6. PROVISION OF HEALTH SERVICES

Health Emergency Response (HER) Project supported a slight improvement in ANC visits in February 2023.

6.1. SERVICES DELIVERED AT HER-FINANCED HEALTH FACILITIES



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

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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