

The inflationary pressure has eased since July 2022, helped by lower global oil and food prices. Wages increased modestly in October, coinciding with increased demand for skilled and unskilled labor. Real wages also inched up as inflation eased. The ITA's revenue collection for the first ten months of the current year is marginally better than the previous year's comparable period, with a greater reliance on trade-related taxes and non-tax revenue sources. The AFN to US\$ exchange rate has been stable at around 87-89 during the last few months as the country received a steady inflow of UN's US\$ cash shipments. The H1-2022 merchandise export data shows strong export growth, outpacing the imports. As a result, the merchandised trade deficit has narrowed H1-2022.

The official statistics show that headline inflation has been decelerating since July 2022. The headline inflation in September 2022 decelerated to 13.6 percent, compared to its recent peak of 18.3 percent in July 2022. A better harvesting season this summer and easing international food and fuel prices have contributed to this positive outcome. The basic household goods price inflation calculated using the price data collected by the World Food Program (WFP) shows a steep deceleration, as Y-o-Y inflation decelerated to 11 percent in October 2022 compared to 26.4 percent observed in September 2022 and a peak of 51.7 percent in June 2022. The 15.3 percentage point monthly decline can be explained by a drop in inflation of fuel (38 percentage points), cooking oil (30 percentage points), wheat (19 percentage points), sugar (12 percentage points), pulses (4.5 percentage points), bread (3 percentage points), and rice (2.4 percentage points), etc. Moreover, according to the latest World Bank survey, basic food and non-food commodities remain in the market.

The exchange rate remained stable against major currencies. The AFN has slightly depreciated against the US Dollar (by 0.2 percent) between end-June and to end of October 2022 but appreciated against the Pakistan rupee (16.3 percent), Euro (7.2 percent), Indian rupee (2.5 percent) and Chinese yuan (2.0 percent). The US\$~1.8 billion cash shipments by the UN during the last 12 months have helped exchange rate stability in the country. The central bank is not undertaking regular foreign exchange auctions to manage market liquidity (the last reported US\$ auction by Da Afghanistan Bank (DAB) was held on March 23, 2022). In the absence of the central bank's liquidity management, the ITA continues to exert more direct controls in the foreign exchange market to manage parity and liquidity, such as regulating the Money Service providers (MSP) sector and prohibiting foreign currency-denominated domestic transactions. Nonetheless, the money service providers (MSPs) continued to report persistent foreign exchange shortages in the open market.

Cash withdrawals of pre-August 2021 deposits from banks continue to be regulated for both firms and individuals. In recent months, commercial banks (except two banks) could satisfy individual depositors' cash withdrawal requests. However, firms continued to report that accessibility to the deposit is much lower than the allowed limits. It is important to note that there is no statutory withdrawal limit on deposits made after August 28, 2021.

Demand for labor has improved in October 2022. This can be explained by the improvement in private employment, in line with other indicators showing that the economy is settling into a new low-level equilibrium. The improved demand for labor and reduced inflationary pressure is also visible in gradual, albeit slight, improvement in nominal and real wages. Data collected by TPMA also shows that most civil servants have reported receiving salaries on an almost regular basis (as reported by 95 percent of the respondents).

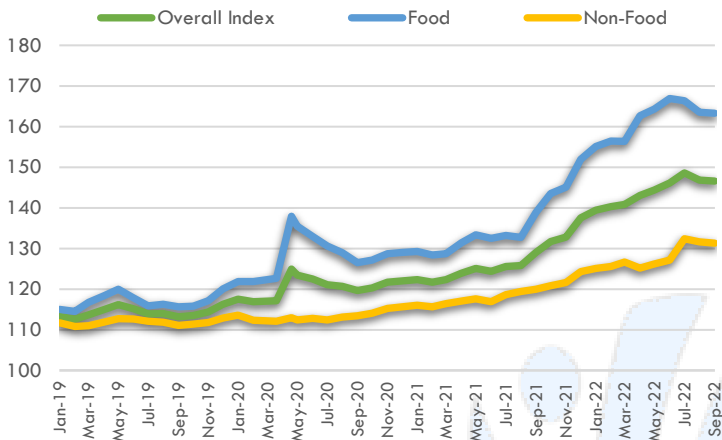
Revenue collection surpassed last year's performance in the first ten months of 2022. Overall revenue collection reached AFN144 billion between December 22, 2021, and end-October 2022, exceeding collections over the same period in 2020 and 2021. Afghanistan continued to rely relatively heavily on revenue collected at the border—as opposed to inland revenue collection. For example, taxes at borders reached 59 percent of the total revenue collected up to October 2022. Revenue from inland sources reached AFN59 billion, of which non-tax sources contributed the most. Non-tax revenue, comprising mainly revenues from ministries in administration fees and royalties, contributes 53 percent of total inland revenues, compared to 33 percent in 2021. A rise in coal mining royalties and fees likely drives the increase in ministries' revenue.

Imports and exports rebounded since Q4-2021, and the trend continued into H1-2022. Available aggregated official statistics show that during the first half of 2022, the country imported merchandise worth US\$2.9 billion (10 percent lower than the comparable period last year), of which US\$0.6 billion was duty exempted (likely humanitarian imports). Exports have recovered strongly since Q3-2021 and reached US\$740 million during H1-2022—a significant growth of 121 percent compared to H1-2021. Of the total exports, Pakistan (62 percent) and India (25 percent) were the two main export destinations. The Q3-2022 mirror trade data from Pakistani authorities show that Pakistan's imports from Afghanistan reached US\$253 million, driven mainly by coal US\$107 million and vegetables and fruits US\$110 million. The January-September 2022 data suggest that Pakistan imported US\$282 million worth of coal, followed by the Food group (US\$149 million) from Afghanistan.

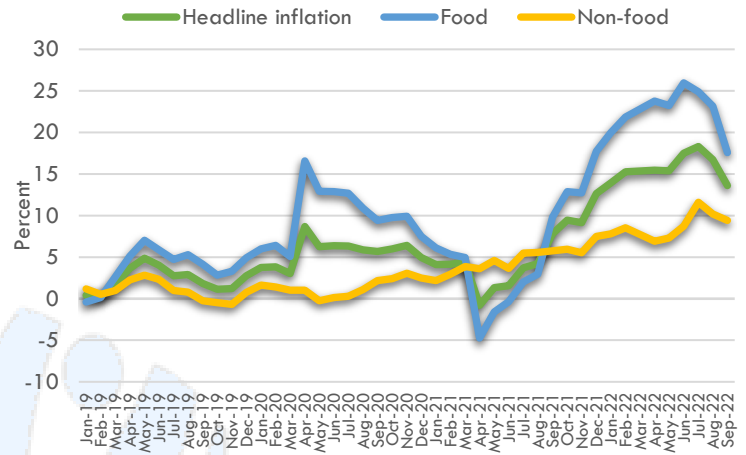
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

The inflationary pressure has slightly eased since July, helped by lower global oil and food prices.

1.1. COUNTRYWIDE BASIC HOUSEHOLD GOODS PRICE INDEX



1.2. COUNTRYWIDE BASIC HOUSEHOLD GOODS Y-O-Y INFLATION



Source: Price data from WFP weekly report; index constructed by World Bank staff.

Note: This Index uses 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 basic household inflation trends.

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

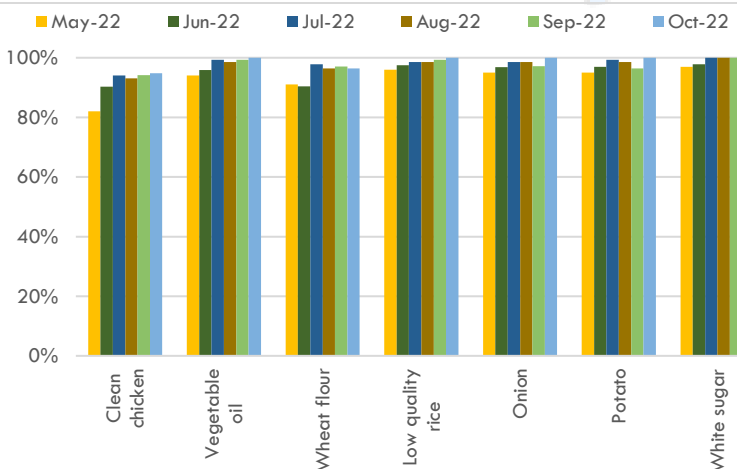
	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
Bread	8.7	10.2	11.6	12.0	14.9	18.1	22.0	23.2	23.3	21.6	19.1
Fuel (diesel)	97.9	95.1	68.8	73.2	57.3	66.3	95.3	112.5	54.5	87.4	49.1
Oil (cooking)	55.5	62.3	47.3	43.9	46.4	50.3	51.3	32.3	16.1	0.8	-13.3
Pulses	14.8	28.7	27.6	24.1	23.8	22.9	23.7	23.3	17.7	16.1	11.6
Rice (high quality)	9.4	18.8	21.9	19.8	19.3	24.0	34.2	37.8	32.9	32.0	28.9
Rice (low quality)	8.1	14.3	10.1	9.6	7.9	9.6	14.6	13.1	10.9	14.1	12.5
Salt	14.1	30.2	25.2	23.4	18.9	21.3	22.9	19.0	18.0	16.0	17.8
Sugar	25.7	35.3	27.1	24.7	24.4	26.0	33.9	37.0	30.9	20.5	8.7
Wheat	26.7	40.2	31.0	27.8	35.5	40.3	58.1	49.8	43.5	37.9	19.1
Wheat flour (high quality)	27.7	42.2	27.6	31.6	44.0	50.5	65.1	49.4	41.7	31.9	12.3
Wheat flour (low quality)	29.6	45.1	32.3	32.1	44.7	52.7	68.2	50.8	41.5	36.0	14.3
Basic Household Goods Price Inflation	32.0	42.5	32.0	32.2	36.6	41.6	51.7	43.4	31.5	26.4	11.1

Source: Price data from WFP weekly report; index constructed by World Bank staff.

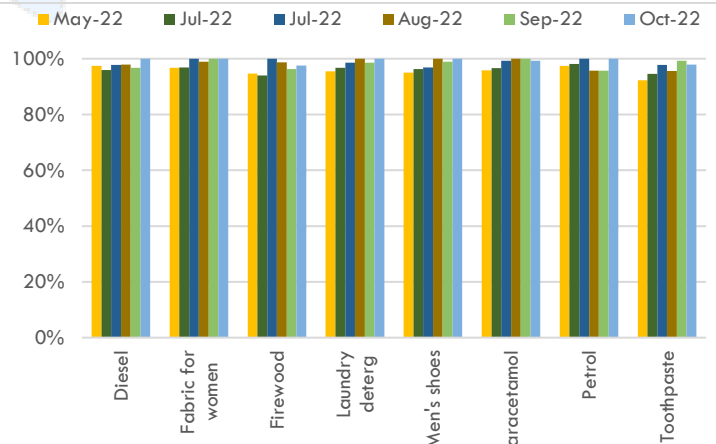
Note: This Index uses WFP price data for 11 critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of basic household inflation trends.

Data from 48 markets in 21 provinces suggest that most basic food and non-food items remain available.

1.4. REPORTED AVAILABILITY OF FOOD ITEMS



1.5. REPORTED AVAILABILITY OF NON-FOOD ITEMS

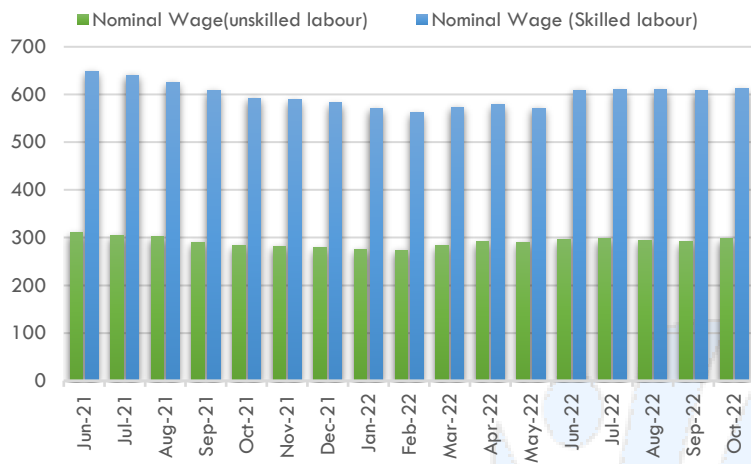


Source: Survey data collected by the World Bank's Third-Party Monitoring Agent.

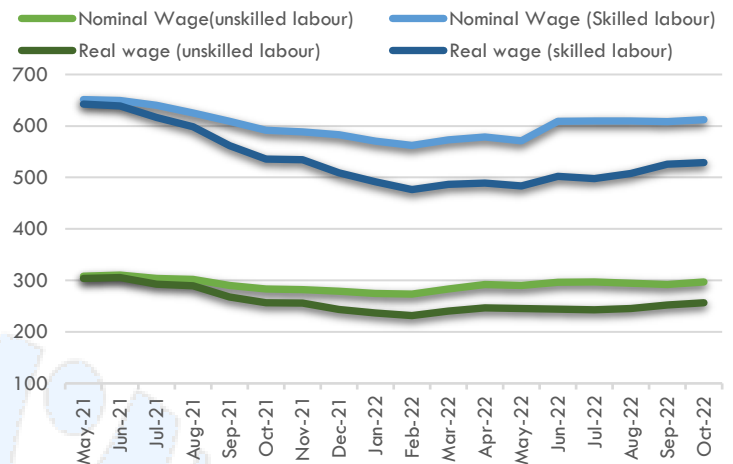
2. LABOR MARKET CONDITIONS

Nominal and real wages gradually increased in October, reflecting increased demand for skilled and unskilled labor and a reduction in overall inflationary pressure in the country.

2.1. DAILY WAGE FOR SKILLED AND UNSKILLED WORKERS (AFN)



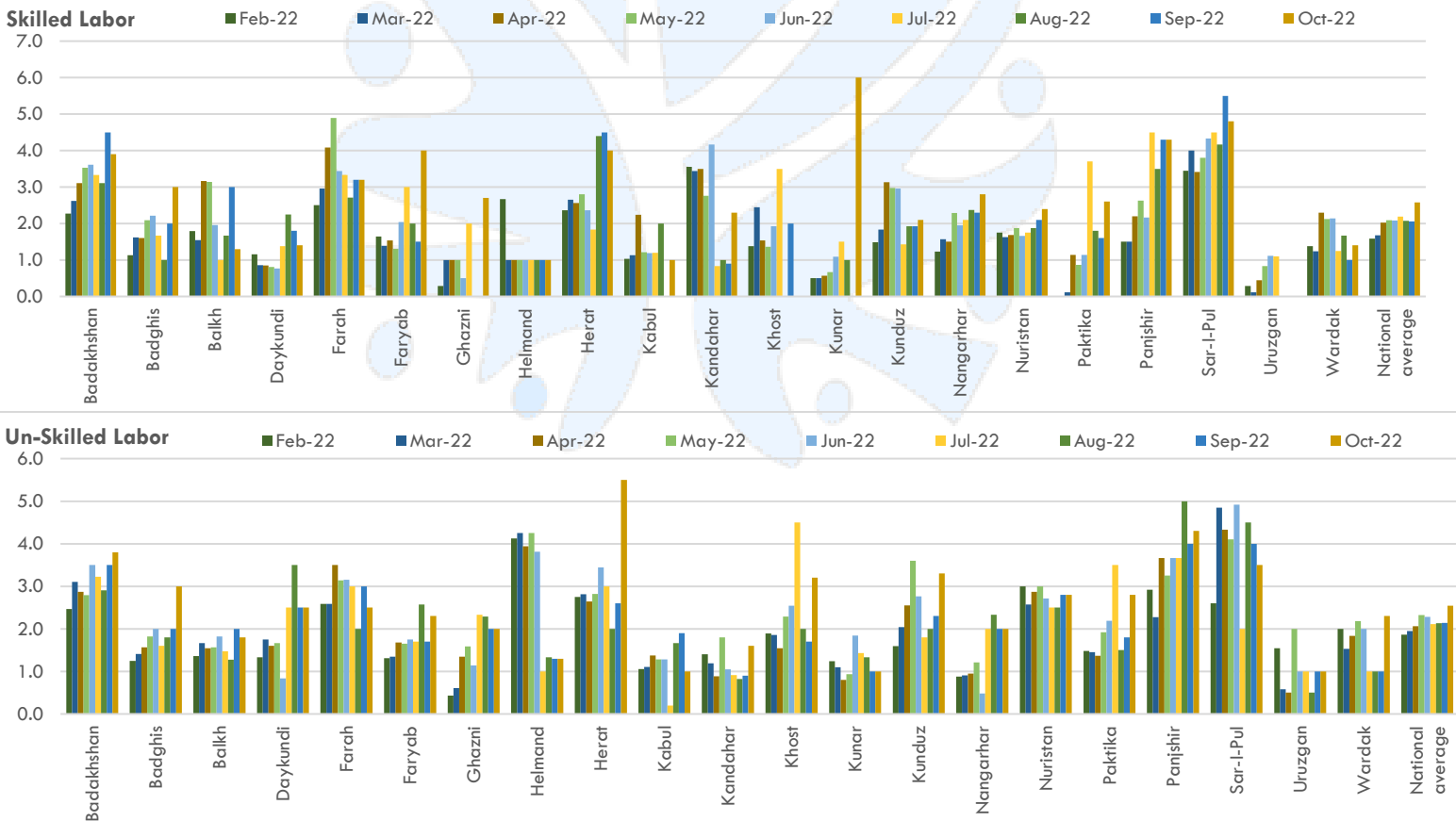
2.2. NOMINAL AND REAL WAGES (AFN)



Source: Wage data from WFP, World Bank staff elaboration. Real wages are calculated using price data from the NSIA. Inflation data for June is projected.
 Note: Real wages to January 2022 are calculated based on CPI inflation reported by NSIA.

Demand for labor, particularly skilled labor, has improved, likely due to improvement in private employment, in line with other indicators showing that the economy is settling to a new low equilibrium.

2.3. LABOR DEMAND FOR SKILLED AND NON-SKILLED WORKERS BETWEEN February 2022 AND October 2022

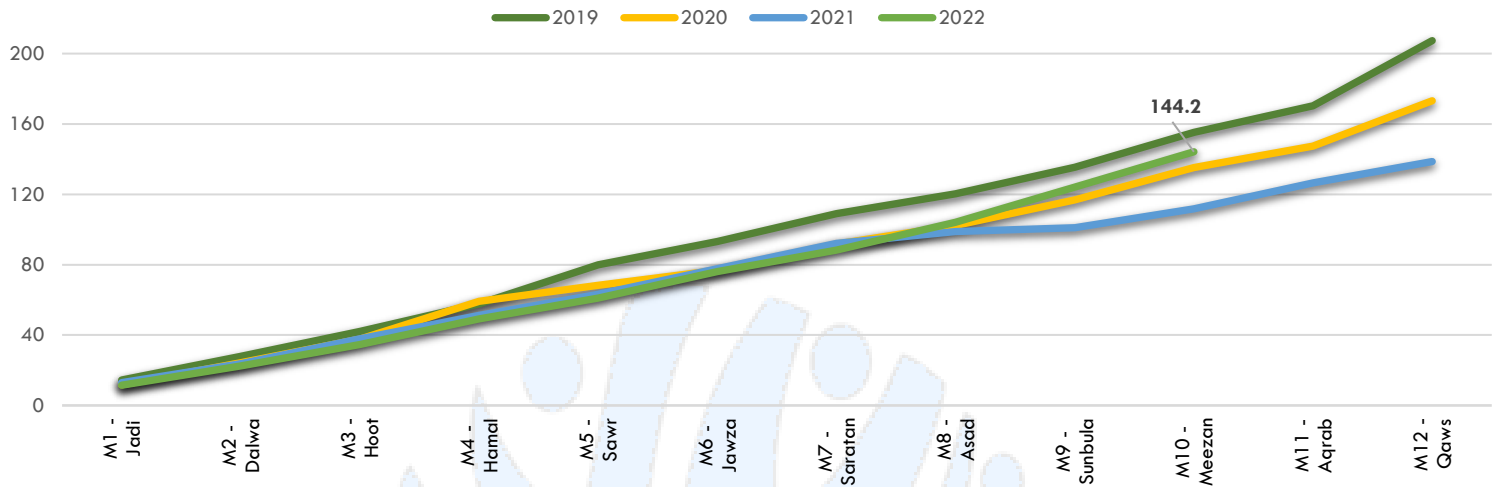


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.
 Note: Data reflect the number of available workdays reported by skilled and unskilled casual workers seeking work. Skilled workers include (i) carpenters, (ii) electricians, (iii) masons, (iv) painters, (v) plumbers, and (vi) tile workers.

3. REVENUES

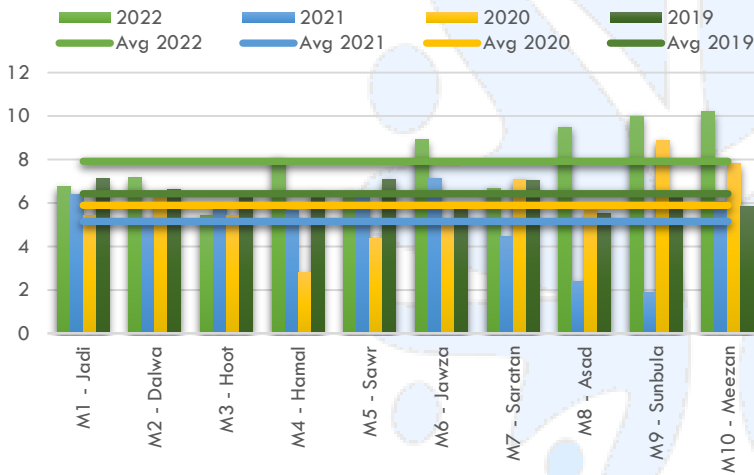
The ITA collected AFN144.2 billion in the first ten months of 2022. Overall revenue collection significantly improved from last year's collections, with a higher concentration on trade and non-tax sources.

3.1. TOTAL REVENUE COLLECTION—CUMULATIVE (AFN BILLIONS)

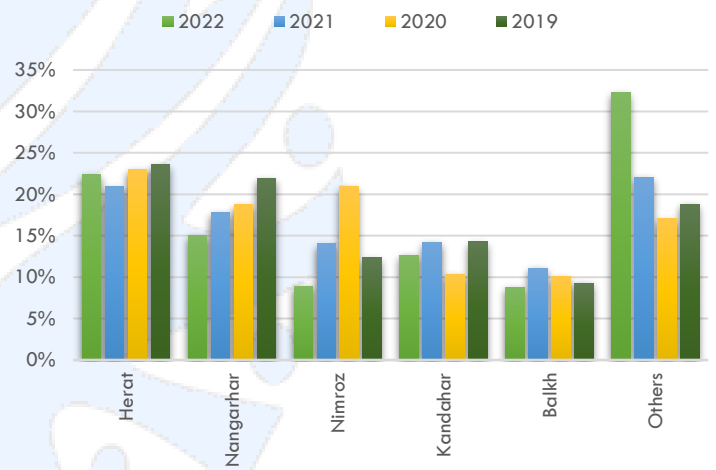


Source: Ministry of Finance., Note: The Afghan solar calendar month, Jadi, runs from December 21-January 20.

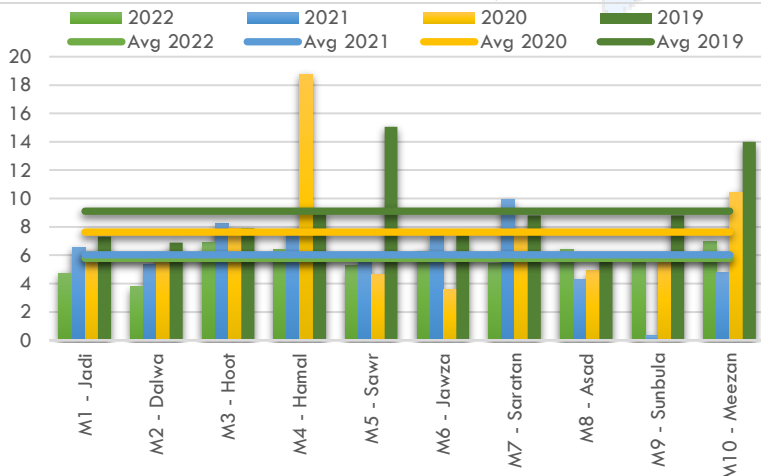
3.2. TEN-MONTHLY REVENUE COLLECTED AT THE BORDER (AFN BILLIONS)



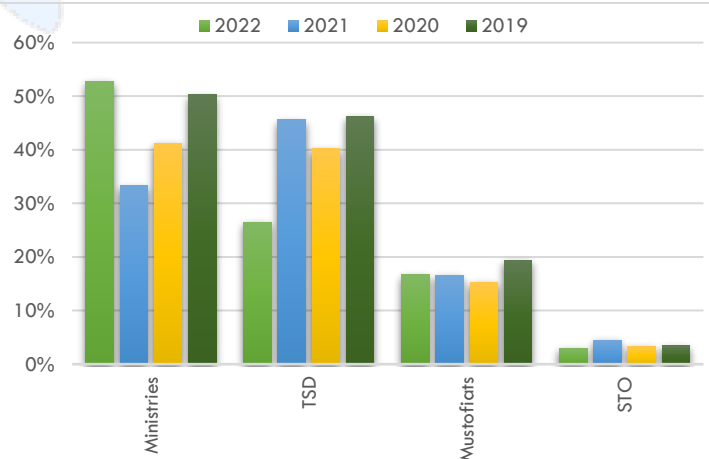
3.3. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



3.4. TEN-MONTHLY INLAND REVENUE COLLECTION (AFN BILLIONS)



3.5. PERCENT SHARE OF ARD COLLECTIONS FROM SOURCES

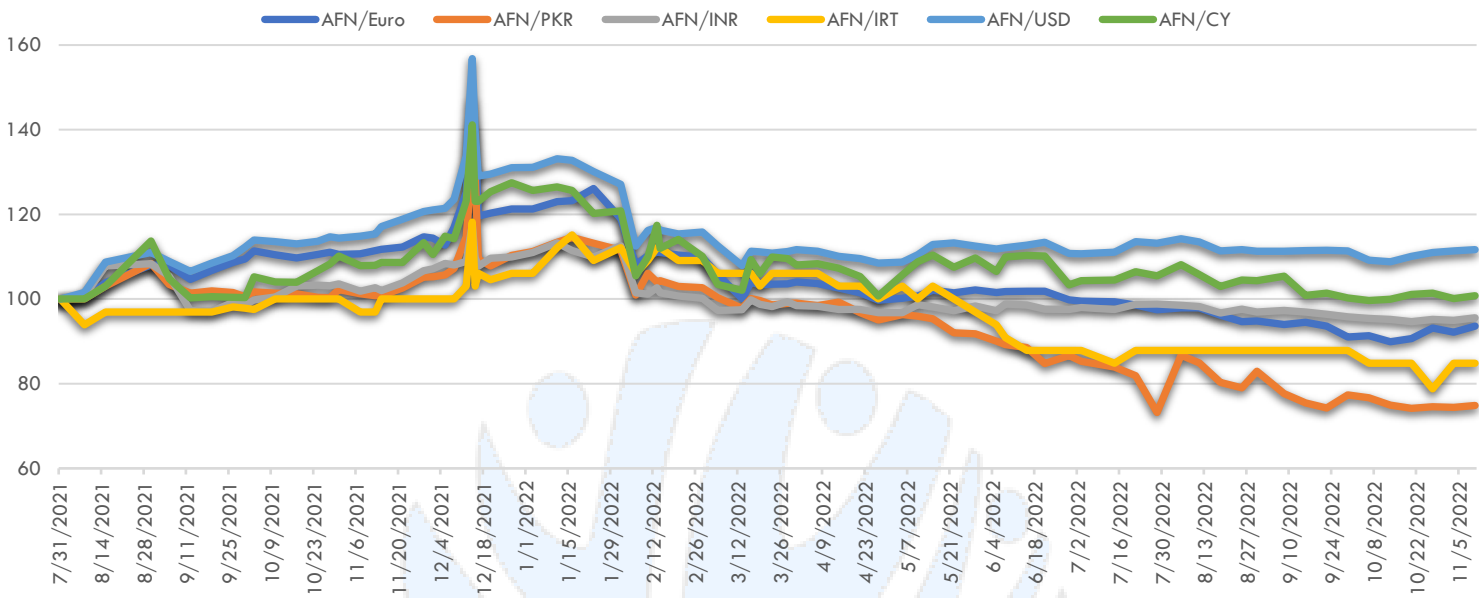


Source: Ministry of Finance.

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

Exchange rate volatility has lessened in Afghanistan in the recent months of 2022.

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



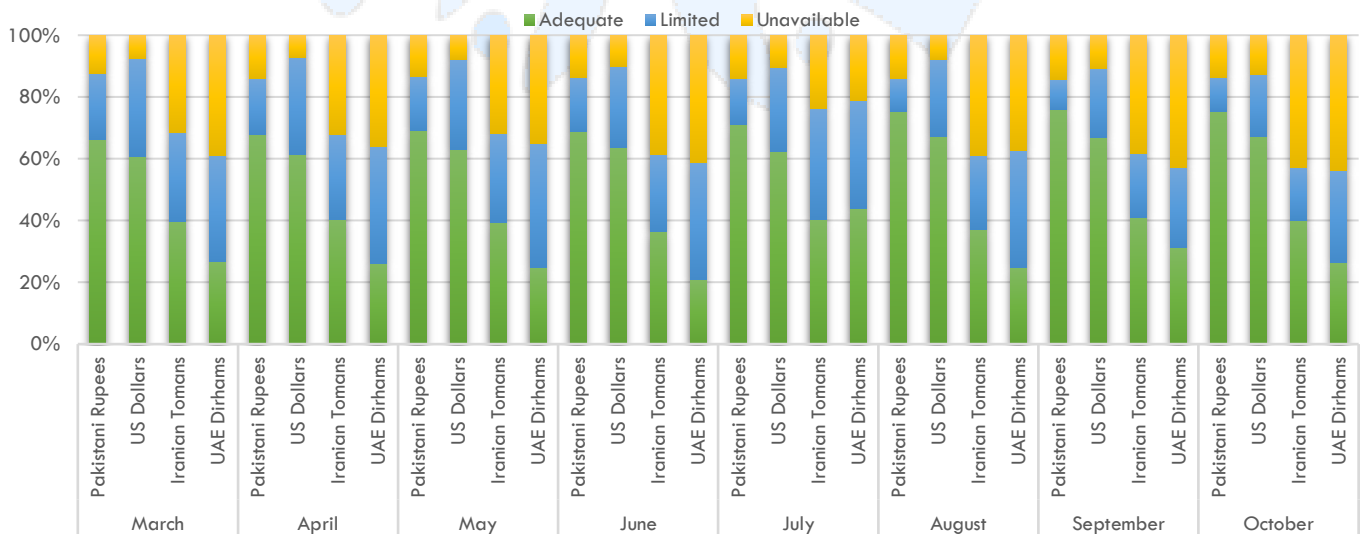
Source: Data from DAB, World Bank staff elaboration.

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

	28-Oct-21	28-Nov-21	27-Dec-21	1-Feb-22	28-Feb-22	31-Mar-22	27-Apr-22	29-May-22	29-Jun-22	28-Jul-22	30-Aug-22	29-Sep-22	27-Oct-22
AFN/Euro	-6.42	-9.39	-14.31	-12.66	-5.41	-0.14	4.17	1.71	4.16	6.65	9.62	14.13	11.61
AFN/PKR	2.72	-2.04	-6.62	-7.62	0.35	3.98	8.38	12.28	18.88	40.73	24.25	33.15	38.25
AFN/INR	4.55	1.07	-1.92	-4.25	7.63	9.53	11.41	9.55	10.55	9.05	11.23	12.50	13.26
AFN/IRT	-3.03	-3.03	-8.57	-13.51	-11.11	-8.57	-3.03	0.00	10.34	10.34	10.34	10.34	23.08
AFN/USD	-5.25	-9.92	-17.04	-14.45	-6.16	-2.68	0.22	-3.38	-1.87	-3.98	-2.35	-2.36	-2.03
AFN/CY	-4.86	-9.10	-19.16	-14.72	-6.38	-4.59	2.33	-6.06	-0.32	-2.33	-1.22	2.80	1.65

Money service providers 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 by visiting 144 MSPs in 48 markets in the country.

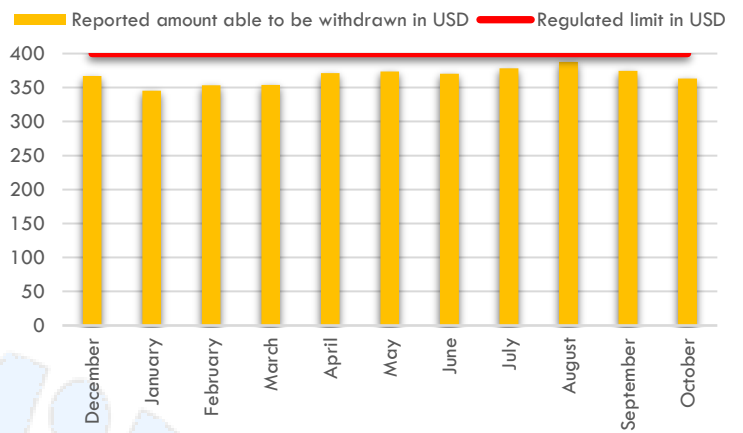
Note: Includes banks, hawala operators, and informal currency exchangers.

The ability to withdraw funds in AFN and US\$ from bank accounts remained constrained in October, more for firms but less for individuals, as most banks could service their individual clients.

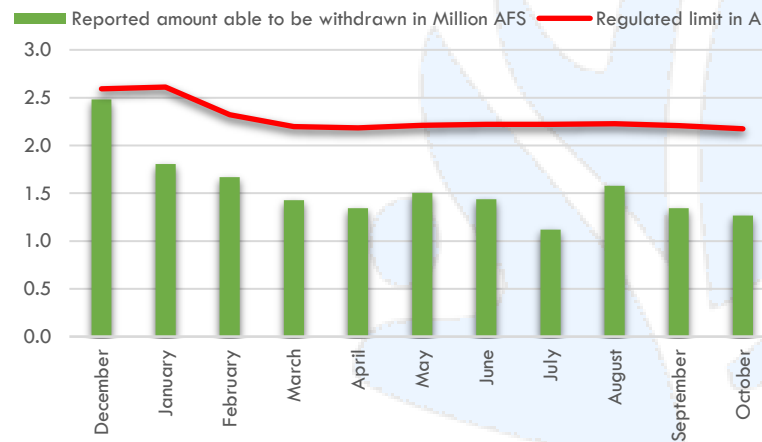
4.4. WEEKLY WITHDRAWALS - INDIVIDUALS (AFN)



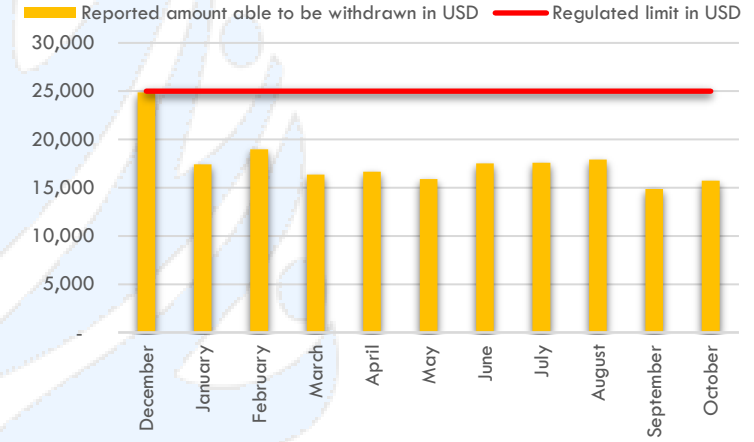
4.5. WEEKLY WITHDRAWALS – INDIVIDUALS (USD)



4.6. MONTHLY WITHDRAWALS - FIRMS (AFN MILLIONS)



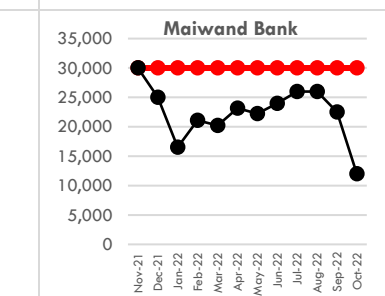
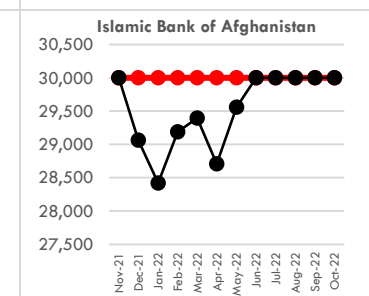
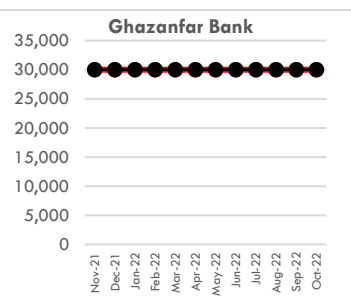
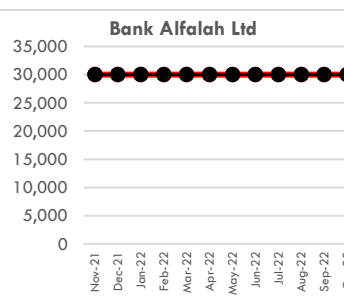
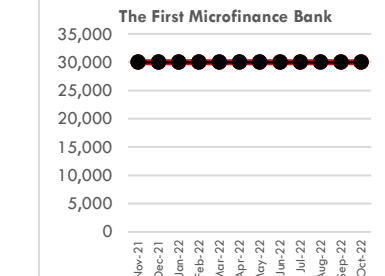
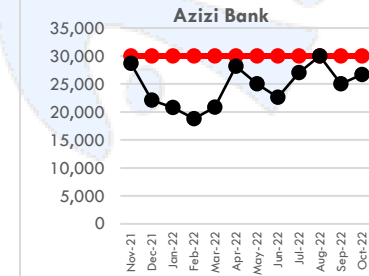
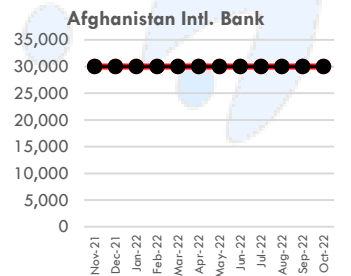
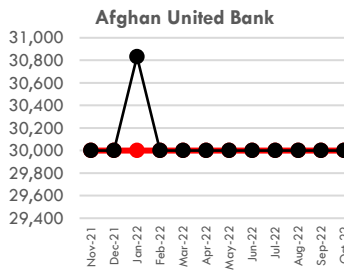
4.7. MONTHLY WITHDRAWALS – FIRMS (USD)

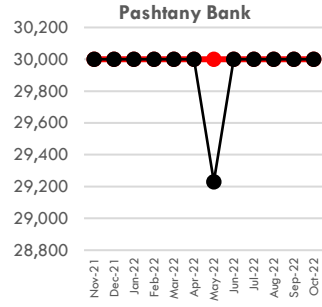
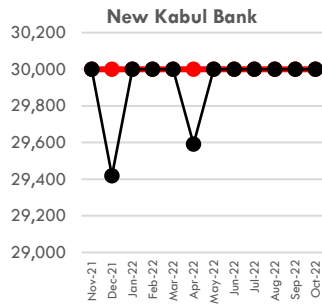
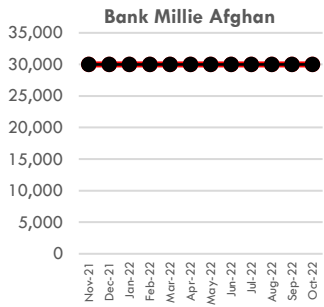


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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

4.8. AVERAGE MONTHLY WITHDRAWAL – INDIVIDUAL (AFS)





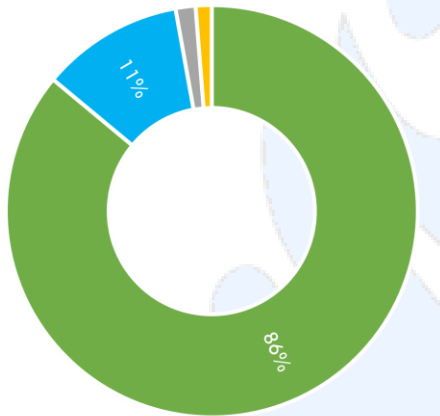
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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

The key challenges when withdrawing salaries are crowding in bank branches and the liquidity shortage.

4.9. MODE OF SALARY PAYMENT (1659 respondents)

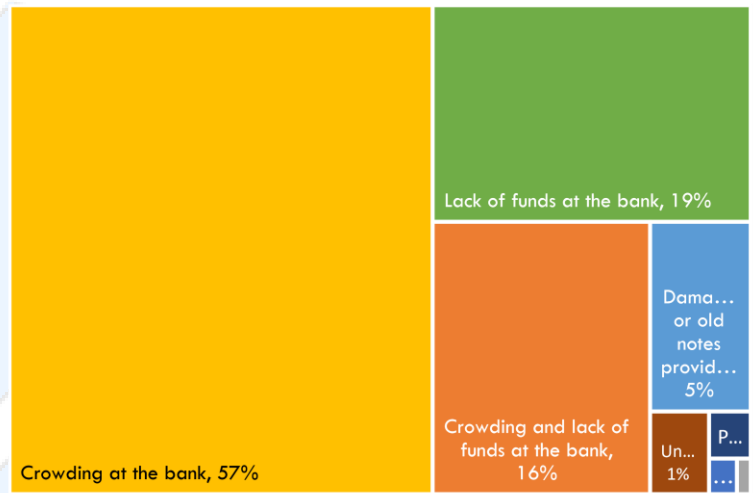
Bank account In cash In cash & Bank account Hawala



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

Note: Data for civil servants for June 2022 is not available.

4.10. CHALLENGES FACED FOR WITHDRAWING SALARIES (741 Responses)



5. TRADE DEVELOPMENTS

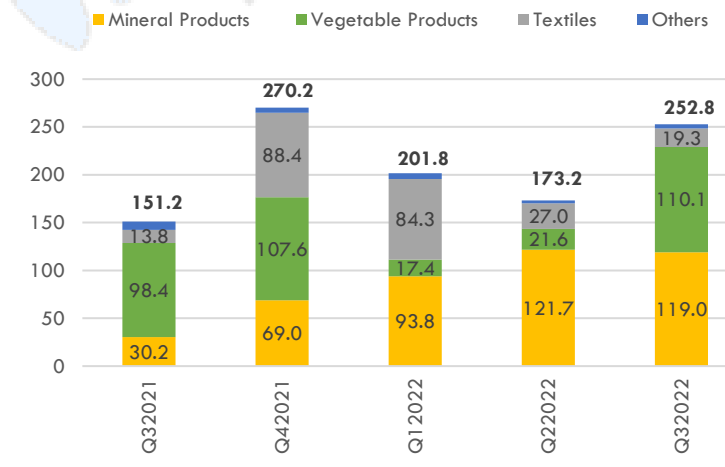
The imports and exports rebounded since Q4-2021 and continued to grow in H1-2022, with the growth in exports outpacing the growth in imports. As a result, the merchandized trade deficit has narrowed.

5.1 AFGHANISTAN MERCHANDIZED TRADE (US\$ MILLION)



Source: NSIA.

AFGHANISTAN EXPORTS TO PAKISTAN JULY 2021 – SEP 2022 (US\$ MILLION)



Source: Mirror trade data from the Pakistan Authorities

Data notes: The Afghanistan Economic Monitor is produced by World Bank staff, drawing from a range of 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 Third Party Monitoring Agent; (iv) data on exchange rates collected and reported by DAB; and (v) data on trade from the NSIA.

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

