

**SUMMARY:** Global food and energy prices continue to impose upward pressure on basic household prices in Afghanistan. Work availability for skilled workers increased marginally in July; however, for unskilled workers, it has declined slightly from its peak in May 2022. Total revenue collection for the first eight months of the current fiscal year is at par with pre-August 2021 levels, however, with a greater reliance on trade-related taxes and non-tax revenue sources. Since end-June 2022, the Afghani has depreciated against major currencies; as of Aug 11, 2022, it is trading close to 89.91 AFN per USD, 4.2 percent below its August 15, 2021 value. Recent data (July 2021-June 2022) from Pakistani authorities shows that Afghanistan now has a trade surplus of US\$79 million.

**Prices of basic food and fuel items rose significantly in June 2022.** Increasing global energy and food prices (about half of the country's imports) and the impact of the drought on agriculture continue to drive inflation in Afghanistan. In July 2022, except for the price of high-quality wheat flour, which declined by around four percent, prices increased for: (i) diesel (26 percent), (ii) high-quality rice (3 percent), (iii) sugar (5.5 percent), and (iv) bread (3 percent) resulting in 43.4 percent year-on-year (y-o-y) inflation for basic household goods<sup>1</sup>—a slight decline in percentage point increase from 50 percent in June. Recently published National Statistics and Information Authority (NSIA) price statistics for June 2022 shows headline consumer price index inflation at 17.5 percent, mainly driven by 26 percent Y-o-Y inflation in the food segment. Non-Food segment Y-o-Y inflation for June 2022 was recorded at 8.7 percent. Survey data shows a general availability of basic food and non-food items in the markets<sup>2</sup>.

**The Afghani (AFN) depreciated against major currencies in the last six weeks.** Data issued by the Da Afghanistan Bank (DAB) show that, between the end-June and mid-Aug, the AFN depreciated by 2.4 percent against the United States dollar (USD), 2.3 percent against the Chinese yuan, and 0.7 percent against the Indian Rupee. However, AFN gained by 1.9 percent against Euro and 2.1 percent against the Pakistan Rupee. The last USD auction by DAB was held on March 23, 2022. In the absence of central bank liquidity management, the Money Service Providers (MSPs) continue to report some foreign exchange shortages in the open market as the Interim Taliban Authorities (ITA) are trying to exert more robust controls in the foreign exchange market, including by regulating the MSP sector<sup>3</sup> and prohibiting the use of foreign currency (for example, to buy or sell a house, apartment, or other commodities and in housing rental transactions).

**Cash withdrawals from banks remained regulated for both firms and individuals.** Individual withdrawal of both USD and AFN and businesses withdrawal of USD remains almost the same as last month, although still below statutory limits. However, AFN withdrawals by firms are reported to have declined by 22 percent in July compared to June 2022. Firms still report that the accessibility is much lower than the allowed limit.

**Work availability for unskilled workers declined slightly in July.** In a relatively unchanged environment, work opportunities are primarily seasonal and dependent on agriculture. With the end of the harvest season in most of the country, demand for non-skilled labor has declined. This includes some of the provinces in the southern and central regions of the country, such as Helmand, Kandahar, Wardak, etc. In some south-eastern provinces, unskilled labor demand increased in July 2022 compared to the previous month.

**Revenue collection surpassed last year's performance.** As of August 16, 2022, overall revenue collection reached AFN 100 billion since December 22, 2021, compared to AFN 98.8 billion last year. Taxes at borders continue to contribute higher than in-land revenues, reaching AFN 57 billion (or 57 percent of the total). Reflecting a compressed economy, revenue from in-land sources reached AFN43 billion (or 43 percent of the total), of which revenue from non-tax sources remains the highest. Revenue from ministries is AFN 22.7 billion, of which more than AFN 5.8 billion are from the Ministry of Mines and Petroleum, mainly from coal mining and exports. Revenues from provincial offices totaled AFN 7.4 billion in FY1401 compared to AFN 8.6 billion in FY1400. Revenues from tax sources continue to fall short of previous years. Total revenue from LTO, MTO, and STO reached AFN 13.6 bn as of August 06 compared to AFN 26 billion last year.

**Afghanistan registered a merchandise trade surplus with Pakistan.** The Q2-2022 trade data from Afghan Authorities is not available yet. However, mirror trade data for July 2021 to June 2022 from Pakistan authorities shows that Afghanistan has a trade surplus of more than US\$ 79 million. From July 2021 to June 2022, total imports to Pakistan from Afghanistan were US\$ 796.4 million, while Pakistan's exports to Afghanistan were US\$ 717 million. The exports are driven by mineral fuel, oils, and products, including the recent surge in coal exports. Other Afghan export items are textile and food items such as fruits and vegetables. Afghanistan's main imports from Pakistan are food products, followed by pharmaceutical products and wood.

<sup>1</sup> Index constructed by the World Bank, using the weekly prices of 11 basic food and fuel items collected by the World Food Program (WFP).

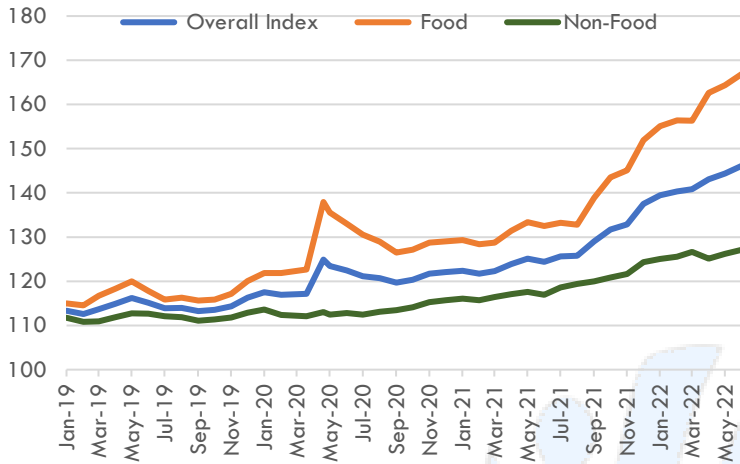
<sup>2</sup> Data collected by the Third Party Monitoring Agent (TPMA) from 48 markets in 21 provinces.

<sup>3</sup> MSPs in Kabul, Mazar Sharif, Herat, Kandahar, Kunduz, and Nangarhar are required to have AFN 30 million to obtain a license. In other areas of Afghanistan, the requirement is AFN 10 million.

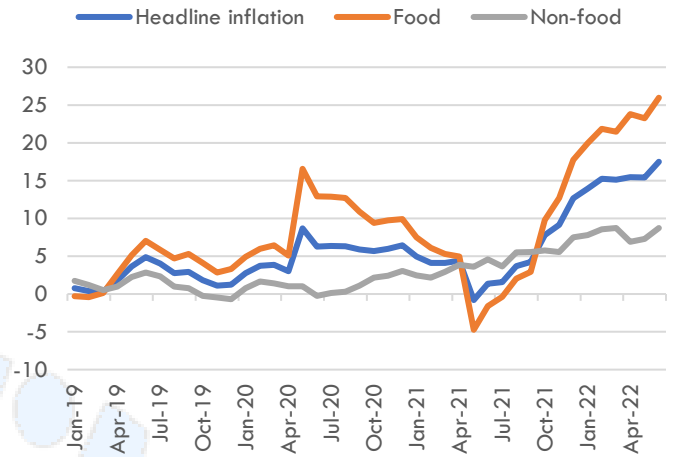
## 1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

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: NSIA.

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

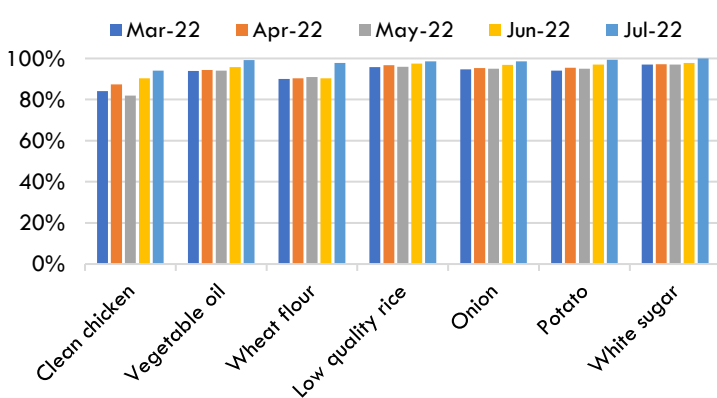
	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Bread	7.5	6.2	7.8	8.6	8.7	10.2	11.6	12.0	14.9	18.1	22.0	23.2
Fuel (diesel)	86.7	48.8	79.4	94.2	97.9	95.1	68.8	73.2	57.3	66.3	95.3	112.5
Oil (cooking)	51.8	58.5	70.1	64.5	55.5	62.3	47.3	43.9	46.4	50.3	51.3	32.3
Pulses	4.6	3.8	9.4	13.3	14.8	28.7	27.6	24.1	23.8	22.9	23.7	23.3
Rice (high quality)	7.2	8.5	6.6	7.6	9.4	18.8	21.9	19.8	19.3	24.0	34.2	37.8
Rice (low quality)	9.6	9.5	5.8	4.8	8.1	14.3	10.1	9.6	7.9	9.6	14.6	13.1
Salt	12.5	12.2	8.4	13.4	14.1	30.2	25.2	23.4	18.9	21.3	22.9	19.0
Sugar	7.5	12.5	21.2	24.2	25.7	35.3	27.1	24.7	24.4	26.0	33.9	37.0
Wheat	11.6	14.2	26.6	27.3	26.7	40.2	31.0	27.8	35.5	40.3	58.1	49.8
Wheat flour (high quality)	10.2	15.6	28.3	26.7	27.7	42.2	27.6	31.6	44.0	50.5	65.1	49.4
Wheat flour (low quality)	10.7	14.4	30.2	29.0	29.6	45.1	32.3	32.1	44.7	52.7	68.2	50.8
<b>Basic Household Goods Price Inflation</b>	<b>20.4</b>	<b>21.6</b>	<b>31.9</b>	<b>32.0</b>	<b>32.0</b>	<b>42.5</b>	<b>32.0</b>	<b>32.2</b>	<b>36.6</b>	<b>41.6</b>	<b>51.7</b>	<b>43.4</b>

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

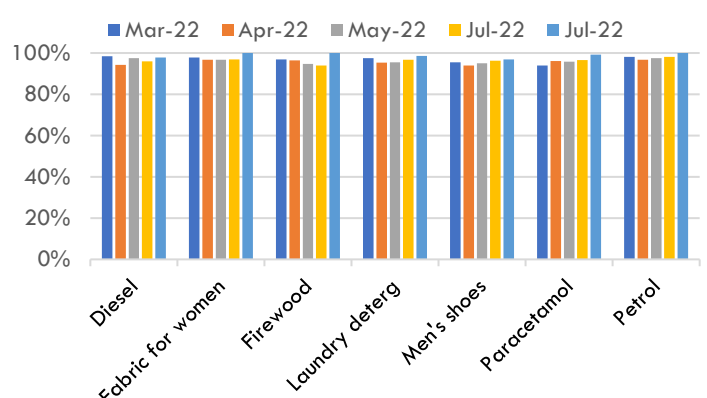
Note: This Index uses WFP price data for ten critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of basic household inflation trends.

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

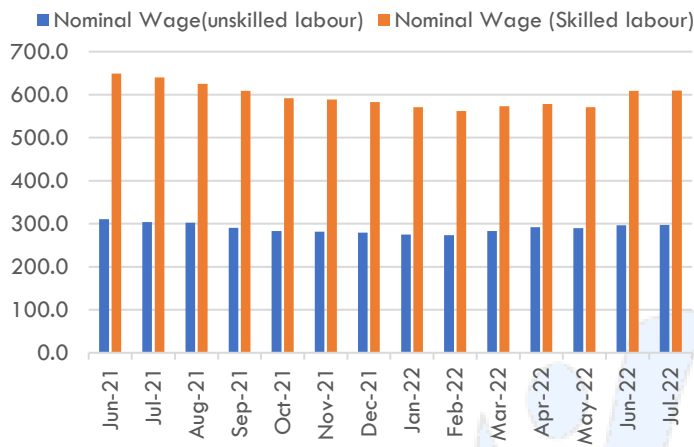


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

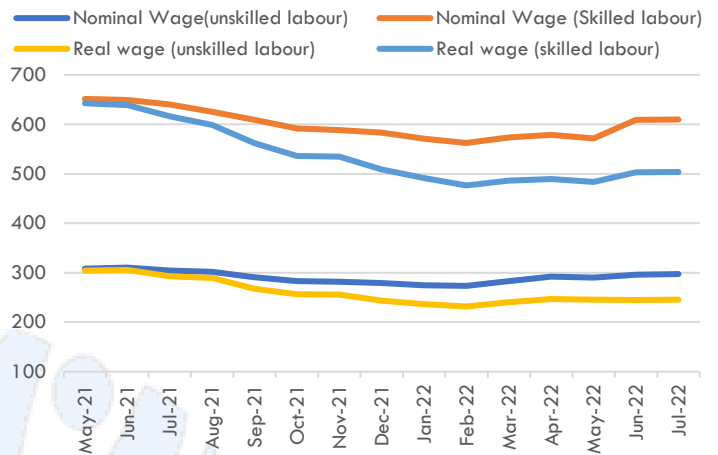
## 2. LABOR MARKET CONDITIONS

Nominal wages are slowly recovering but still lower than the pre-August 2021 levels. However, real wages have declined due to high inflation.

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



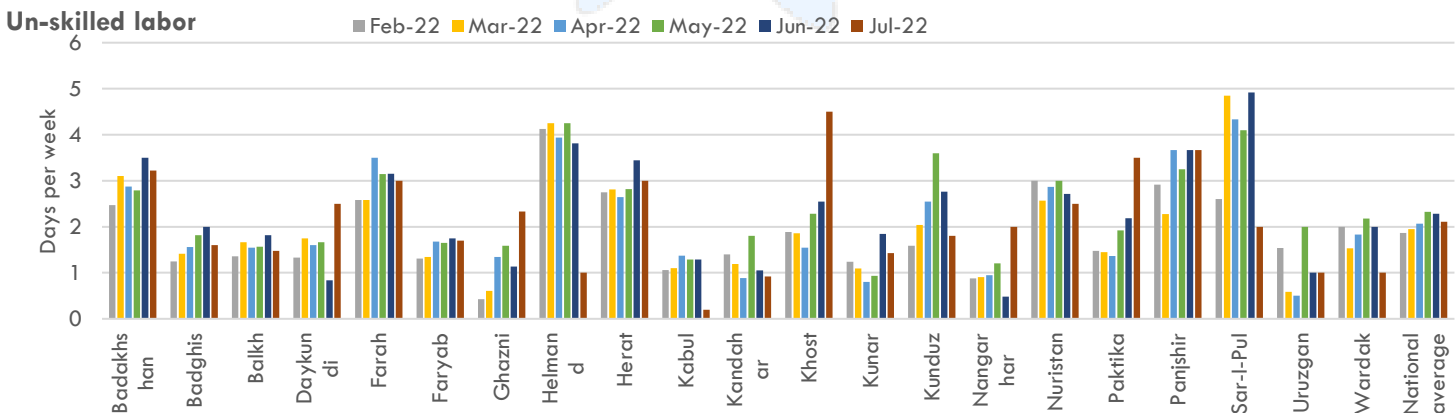
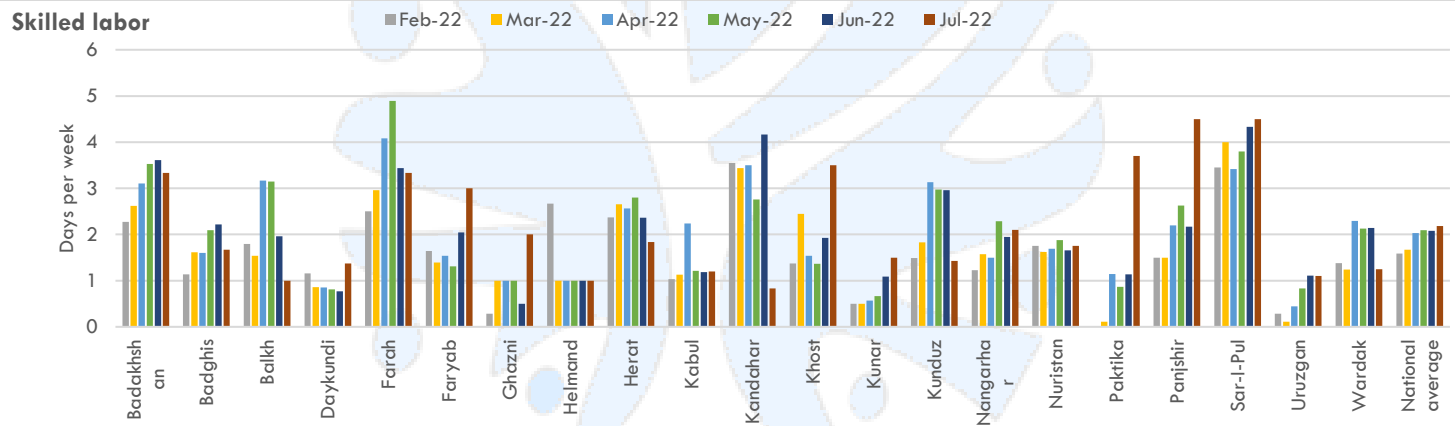
### 2.2. NOMINAL AND REAL WAGES (AFN)



Source: Wage data from WFP, World Bank Staff elaboration. Real wages are calculated using price data from the NSIA. The inflation date for June is projected.  
 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 labor has marginally improved in July following three months of stagnation while that for un-skilled declined. This is likely due to the completion of the agriculture harvest season.

### 2.3. LABOR DEMAND FOR SKILLED AND NON-SKILLED WORKERS BETWEEN JANUARY 2022 AND JULY 2022

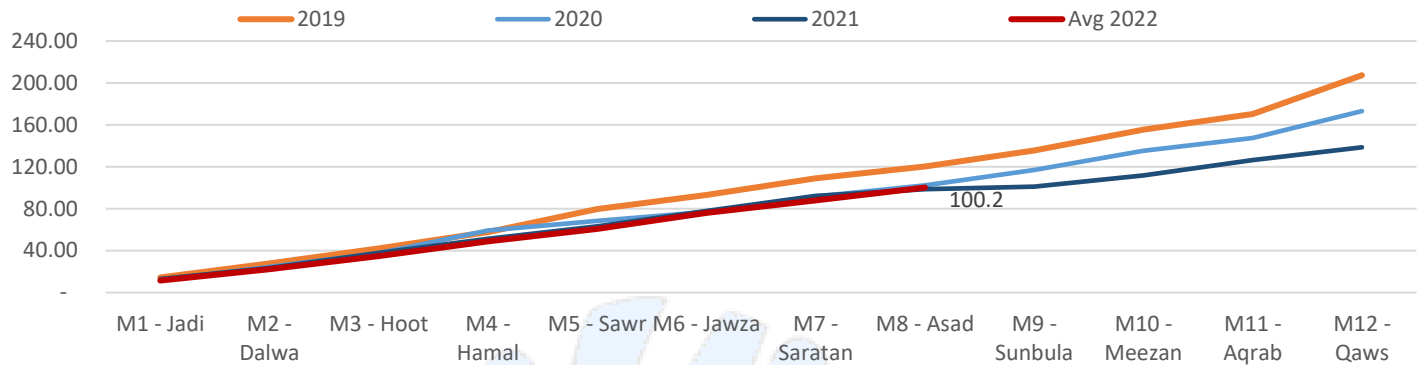


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.  
 Note: Data reflect the number of available workdays reported by skilled and unskilled casual workers seeking work. Skilled workers are: (i) carpenters, (ii) electricians, (iii) masons, (iv) painters, (v) plumbers, and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

## 3. REVENUES

ITA collected AFN 100 billion as of Aug 16, 2022. Overall revenue collection exceeded what was collected last year, however, falling short of the year before during the same period, with a higher concentration on trade and non-taxes sources now.

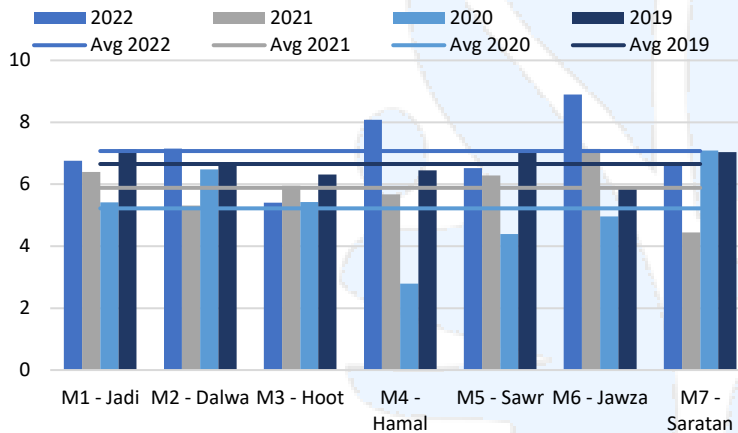
### 3.1. TOTAL REVENUE COLLECTION—CUMULATIVE (AFN BILLIONS)



Source: Ministry of Finance.

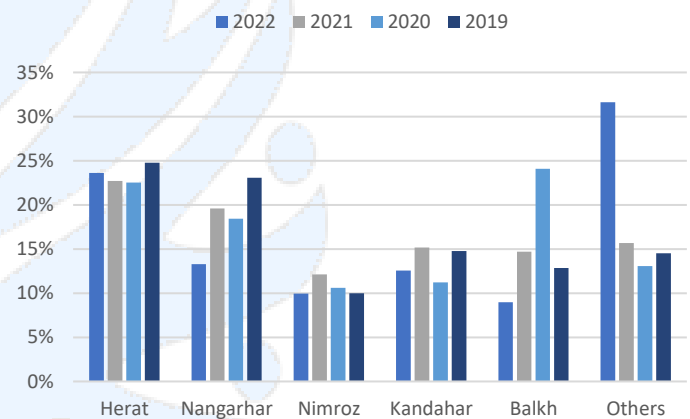
Note: The Afghan solar calendar month, Jadi, runs from December 21-January 20.

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



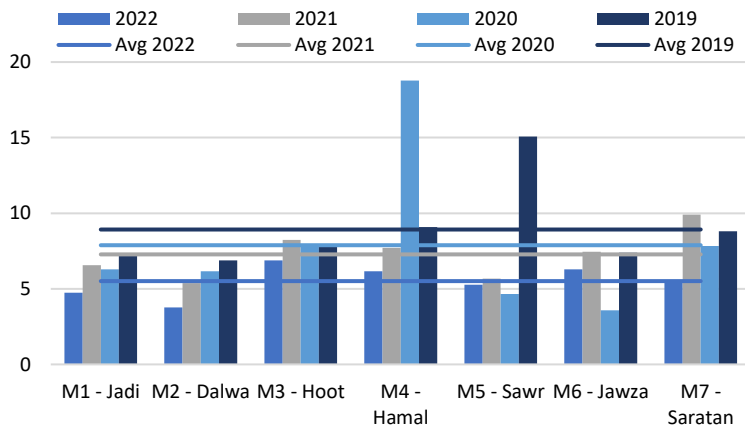
Source: Ministry of Finance.

### 3.3. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



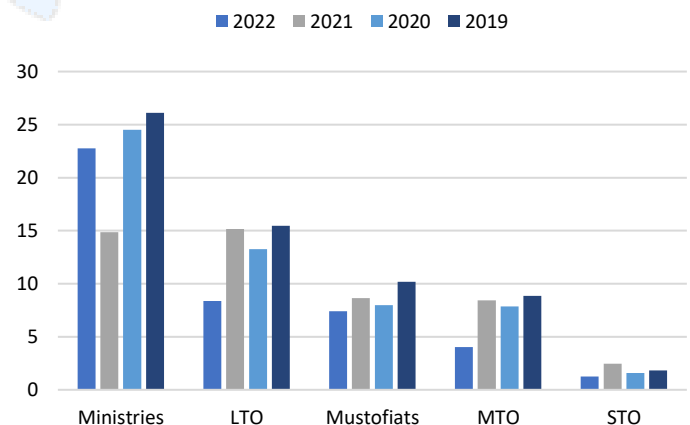
Source: Ministry of Finance.

### 3.4. SEVEN-MONTHLY INLAND REVENUE COLLECTION (AFN BILLIONS)



Source: Ministry of Finance.

### 3.5. PERCENT SHARE OF ARD COLLECTIONS FROM SOURCES

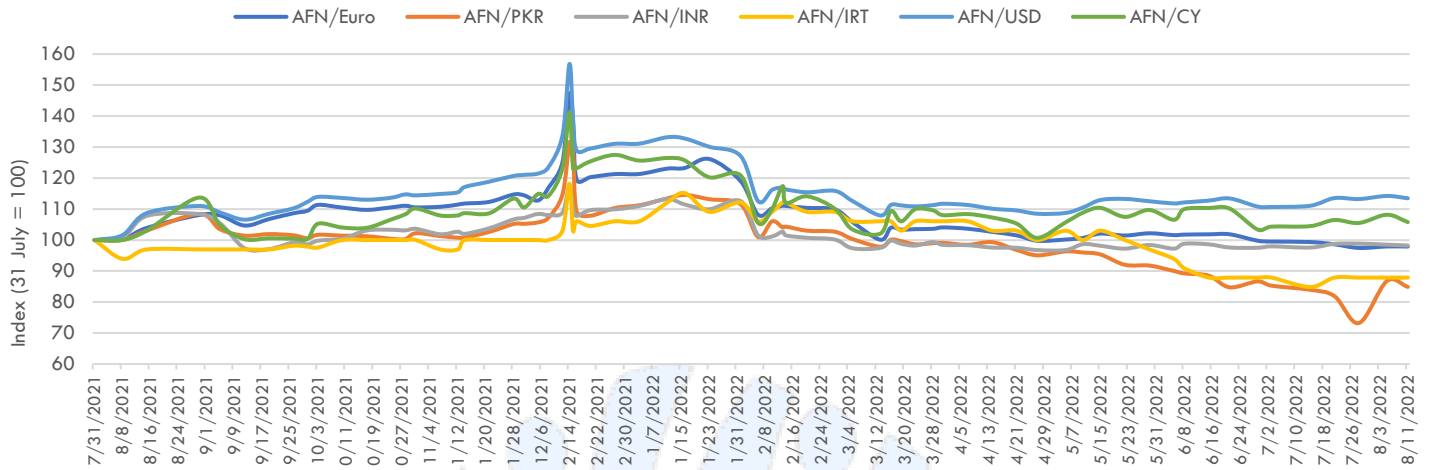


Source: Ministry of Finance.

## 4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

Since the end-June 2022, the AFN has depreciated against the USD, Chinese Yuan, and Indian Rupee.

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



Source: Data from Da Afghanistan Bank, World Bank staff elaboration.

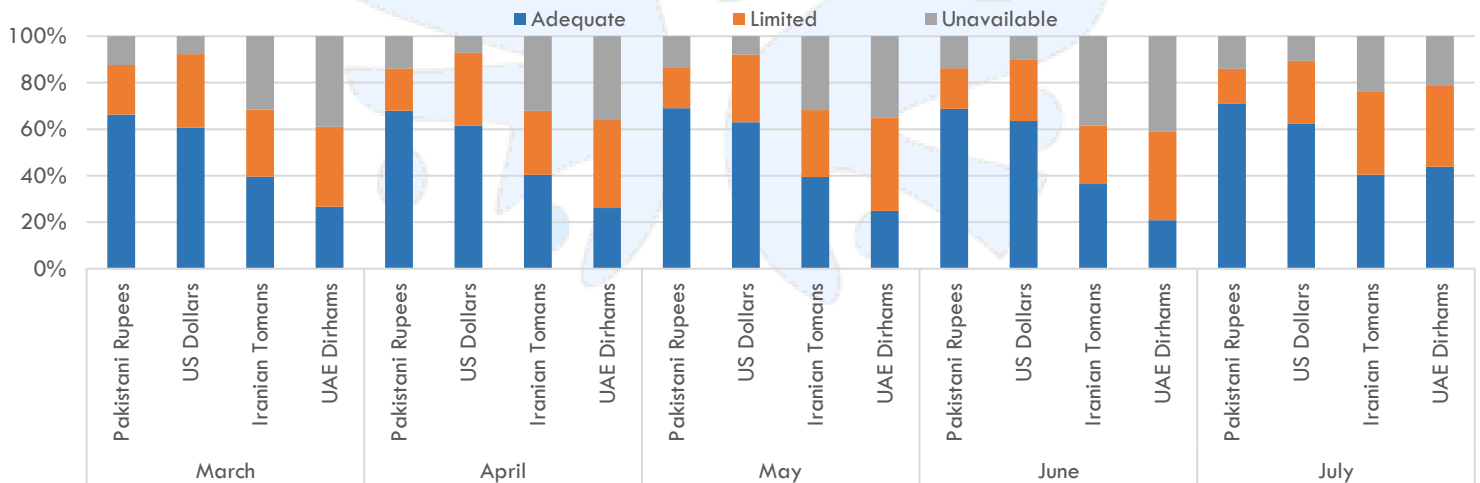
### 4.2. EXCHANGE RATE – DEPRECIATION BY CURRENCY SINCE END-JULY 2021

	15-Aug-21	30-Aug-21	30-Sep-21	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	11-Aug-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	4.16	6.65	6.15
AFN/PKR	-2.95	-7.78	-0.56	-0.30	-4.92	-9.37	-10.34	-2.60	0.92	5.19	8.97	18.88	40.73	21.38
AFN/INR	-7.23	-7.73	1.41	-3.01	-6.24	-9.01	-11.17	-0.16	1.61	3.36	1.63	10.55	9.05	9.74
AFN/IRT	3.13	3.13	2.17	0.00	0.00	-5.71	-10.81	-8.33	-5.71	0.00	3.13	10.34	10.34	10.34
AFN/USD	-8.02	-9.90	-10.96	-12.84	-17.14	-23.69	-21.31	-13.68	-10.48	-7.81	-11.13	-1.87	-3.98	-4.19
AFN/CY	-2.96	-12.05	-0.34	-7.67	-11.80	-21.55	-17.25	-9.15	-7.42	-0.70	-8.84	-0.32	-2.33	-2.58

Source: Data from DAB and World Bank Staff calculations.

Money Service Providers continue to report foreign currency shortages.

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

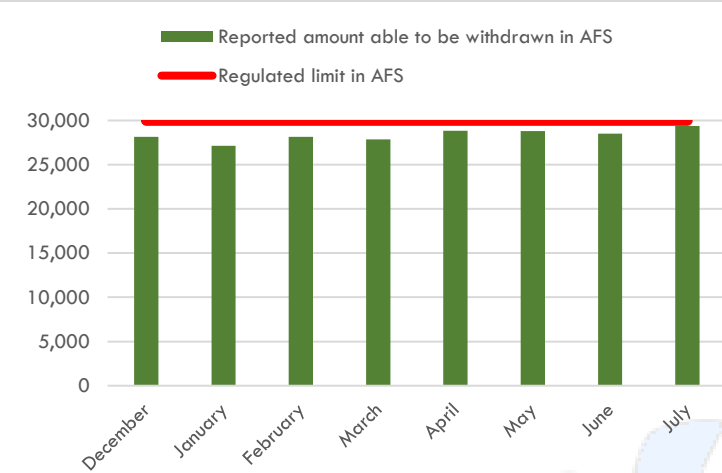


Source: Survey data collected by the World Bank's Third Party Monitoring Agent by visiting 144 MSPs in 48 markets in the country.

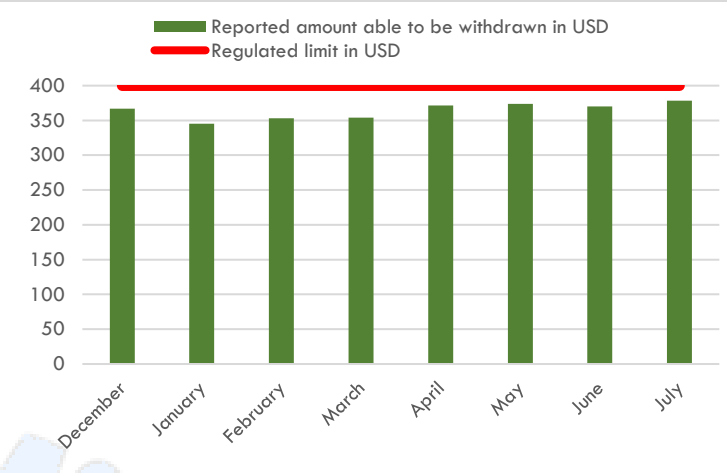
Note: Includes banks, hawala operators, and informal currency exchangers.

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

4.4. WEEKLY WITHDRAWALS - INDIVIDUALS (AFN)



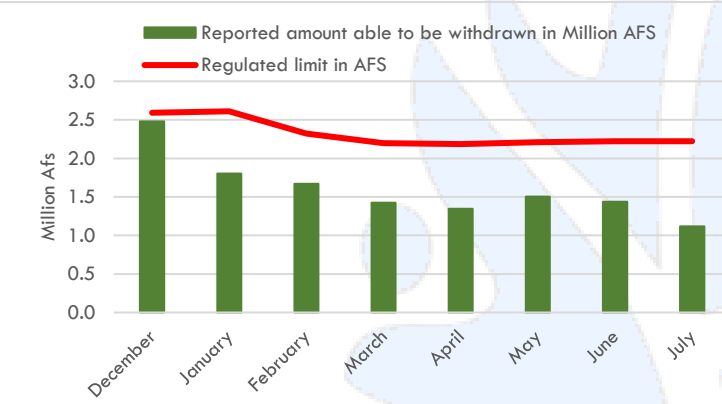
4.5. WEEKLY WITHDRAWALS – INDIVIDUALS (USD)



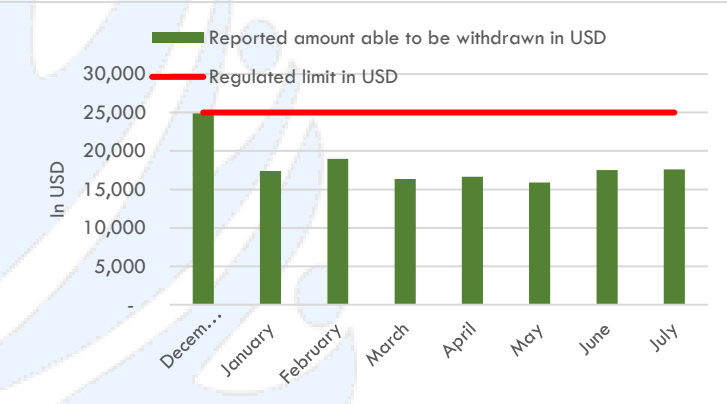
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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.

4.6. MONTHLY WITHDRAWALS - FIRMS (AFN MILLIONS)



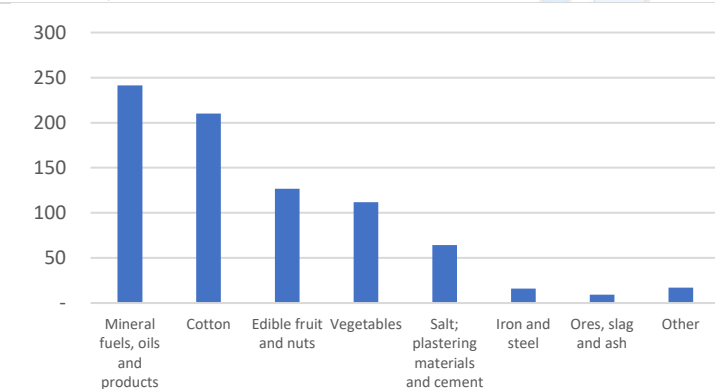
4.7. MONTHLY WITHDRAWALS – FIRMS (USD)



## 5. TRADE DEVELOPMENTS

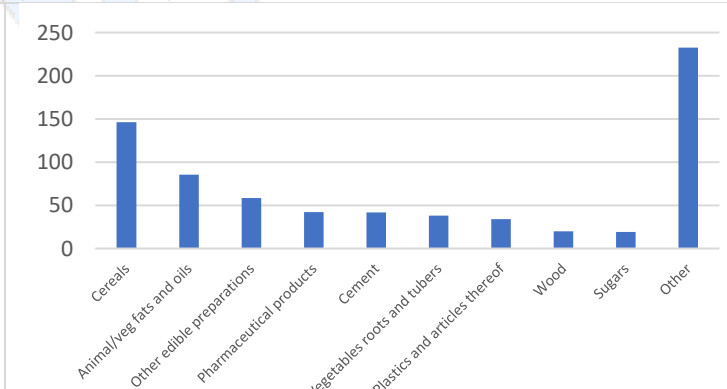
Pakistani authorities' data for July 2021-June 2022 shows that Afghanistan registered a trade surplus with Pakistan owing to strong coal, textile, and food exports.

5.1. AFGHANISTAN'S EXPORTS TO PAKISTAN –JULY 2021-JUNE 2022 (USD MILLIONS)



Source: Pakistan Authorities.

5.2. AFGHANISTAN'S IMPORTS FROM PAKISTAN –JULY 2021-JUNE 2022 (USD MILLIONS)



Source: Pakistan Authorities.

*Data notes:* The Afghanistan Economic Monitor is produced by World Bank staff, 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 Statistics 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; and (v) data on trade from the NSIA.

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

