

HIGHLIGHTS:

SUMMARY: The economy remains fragile and exposed to the global commodity shock. After appreciating for two months, the exchange rate depreciated in the first two weeks of May 2022 against all major currencies. Increasing food prices have resulted in a 4.5 percentage point increase in y-o-y basic household goods inflation following relatively stable inflation during February and March 2022. Labor demand and nominal wages have improved slightly in March and April 2022 after falling for many months. Real wages also increased slightly during March and April 2022. The ITA's revenue collection in AFN during the first four months of 2022, mostly from trade taxes, has remained healthy and is eight percent higher than in Jan-April 2020.

After strengthening in March and April, the Afghani has depreciated against all major currencies during the first two weeks of May 2022. Between February 28 to April 28, 2022, the AFN appreciated by (i) 6.8 percent against the USD, (ii) 10.1 percent against the Euro, (iii) 8.0 percent against the Pakistani Rupee, (iv) 3.5 percent against Indian Rupee, (v) 9.3 percent against Chinese Yuan, and (vi) 9.1 percent against Iranian Toman. However, since end-April 2022, the local currency has been under pressure and has depreciated against all major currencies. Between end-April to May 15, 2022, the AFN has depreciated by (i) 3.9 percent against the USD, (ii) 2.3 percent against the Euro, (iii) 0.3 percent against the Pakistani Rupee, (iv) 1.4 percent against Indian Rupee, (v) 8.8 percent against Chinese Yuan, and (vi) 2.9 percent against Iranian Toman. As of May 15, the Afghani is trading at around 4 percent below its August 15, 2021, value relative to the USD. Anecdotal reports suggest that the recent exchange rate depreciation may reflect the disruption in the market due to seemingly unpopular efforts by the Interim Taliban Administration (ITA) to bring the exchange market under a new licensing regime.

After remaining stable at around 32 percent in February and March 2022, the y-o-y basic household goods inflation spiked by 4.5 percentage points during April 2022 as increasing global food prices have started to seep into domestic food prices. Between March and April 2022, the prices have increased by (i) 5.4 percent for wheat, (ii) 8.4 percent for wheat flour, (iii) 2.4 percent for bread, (iv) 3.6 percent for cooking oil, and (v) 1.2 percent for the sugar, while the price of diesel fuel declined by 8.9 percent. The NSIA has not issued April data so far; however, for March 2022, the headline inflation was recorded at 15.1 percent, driven mainly by the food segment.

Labor demand has slightly improved in March and April after falling consistently over previous months. Anecdotal reports attribute this improvement in labor demand, particularly unskilled, to wheat and poppy cultivation season. Real wages of skilled and unskilled workers slightly increased, reflecting an improvement in nominal wages.

Firms and households continue to face difficulties in accessing cash. AFN liquidity within the banking sector appears to remain constrained. While households saw some improvement in April compared to the previous month in reported access to cash in bank accounts, they are still unable to access it even to the statutory limit imposed by the DAB. On the other hand, firms reportedly saw no improvement in accessing cash from bank accounts.

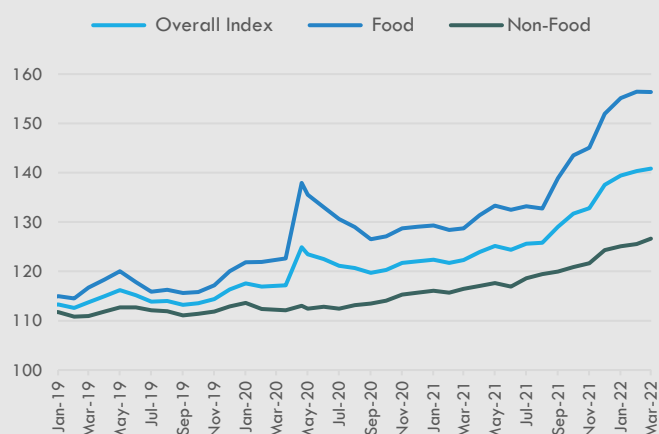
The ITA's revenue collection from January-April 2022 remained healthy. ITA collected an estimated AFN55.5 billion, which is 8 percent higher than the AFN51.3 billion collected over January-April 2021. In USD terms, however, total receipts were significantly lower (by around 9 percent) due to the depreciation of Afghani. Taxes collected at the border and non-tax revenues accounted for most collections.

ITA has approved the national budget for the solar year 1401. However, the budget document is not made public. According to the news reports, the size of the approved budget is AFN231 billion, including a deficit of AFN44 billion. AFN203 billion is earmarked for recurrent expenditures, and AFN27.9 billion is for development outlays. The Bank plans to do a detailed analysis of the budget once it is available.

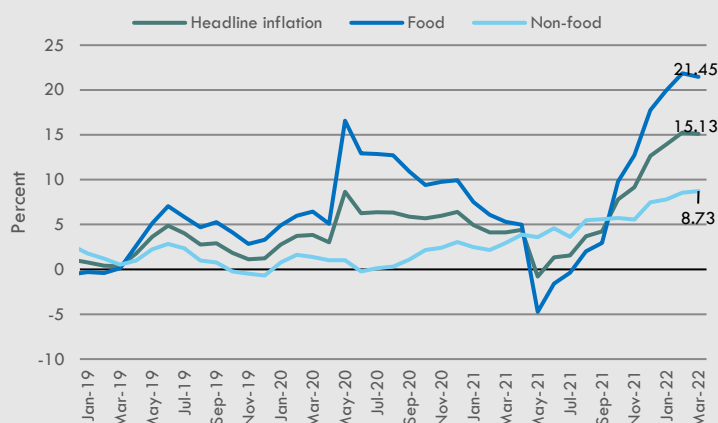
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

Increased food prices, especially for staples and edible oil, are driving headline and basic household goods inflation.

1.1. OVERALL CONSUMER PRICE INDEX

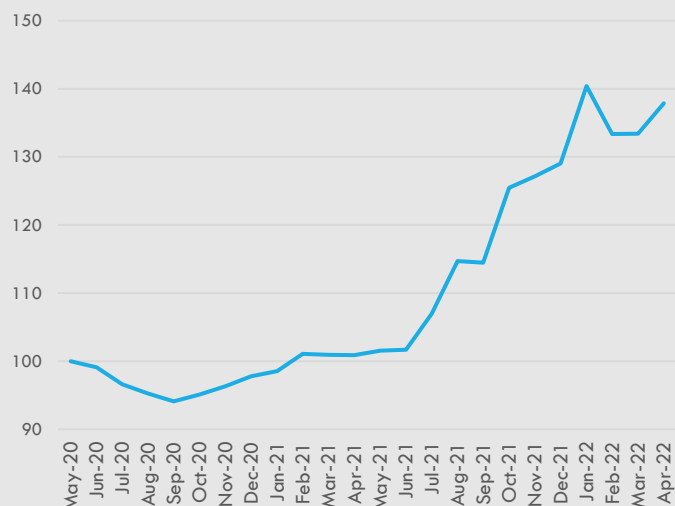


1.2. INFLATION Y-O-Y

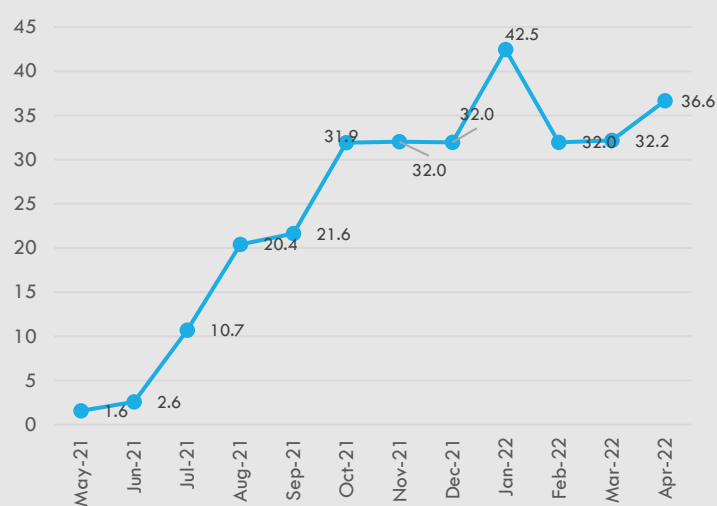


Source: National Statistics and Information Authority (NSIA)

1.3. COUNTRYWIDE BASIC HOUSEHOLD GOODS PRICE INDEX



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



Source: Price data from WFP weekly report, Index constructed by the Bank staff.

Note: This Index uses World Food Program (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 overall price trends.

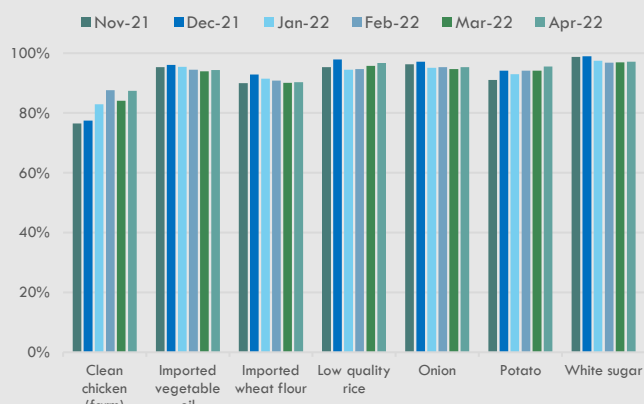
1.5. BASIC HOUSEHOLD GOODS – Y-O-Y INFLATION

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	22-Mar	22-Apr
Bread	2.0	1.7	3.8	7.5	6.2	7.8	8.6	8.7	10.2	11.6	12.0	14.9
Fuel (diesel)	27.4	32.8	52.3	86.7	48.8	79.4	94.2	97.9	95.1	68.8	73.2	57.3
Oil (cooking)	28.2	26.8	39.1	51.8	58.5	70.1	64.5	55.5	62.3	47.3	43.9	46.4
Pulses	-2.2	-1.7	-0.9	4.6	3.8	9.4	13.3	14.8	28.7	27.6	24.1	23.8
Rice (high quality)	0.6	1.7	3.4	7.2	8.5	6.6	7.6	9.4	18.8	21.9	19.8	19.3
Rice (low quality)	-3.4	-2.5	3.3	9.6	9.5	5.8	4.8	8.1	14.3	10.1	9.6	7.9
Salt	-1.8	9.4	11.6	12.5	12.2	8.4	13.4	14.1	30.2	25.2	23.4	18.9
Sugar	3.1	-0.6	2.1	7.5	12.5	21.2	24.2	25.7	35.3	27.1	24.7	24.4
Wheat	1.9	3.5	6.6	11.6	14.2	26.6	27.3	26.7	40.2	31.0	27.8	35.5
Wheat flour (high quality)	-9.6	-8.5	1.1	10.2	15.6	28.3	26.7	27.7	42.2	27.6	31.6	44.0
Wheat flour (low quality)	-10.1	-8.1	0.9	10.7	14.4	30.2	29.0	29.6	45.1	32.3	32.1	44.7
Basic Household Goods Price Inflation	1.6	2.6	10.7	20.4	21.6	31.9	32.0	32.0	42.5	32.0	32.2	36.6

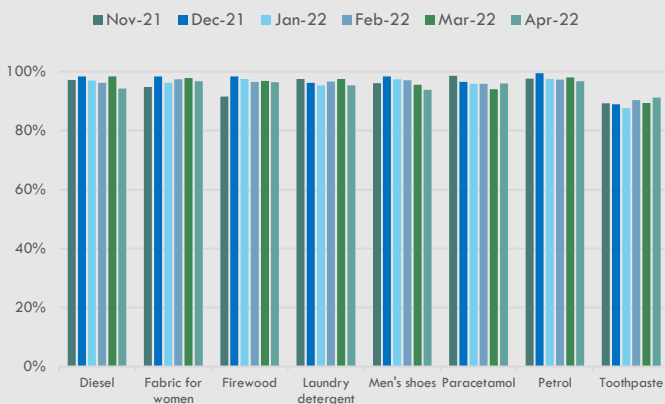
Source: Price data from WFP weekly report, Index constructed by Bank staff.

Most basic food and non-food items remain available.

1.6. REPORTED FOOD ITEMS AVAILABILITY



1.7. REPORTED NON-FOOD ITEMS AVAILABILITY

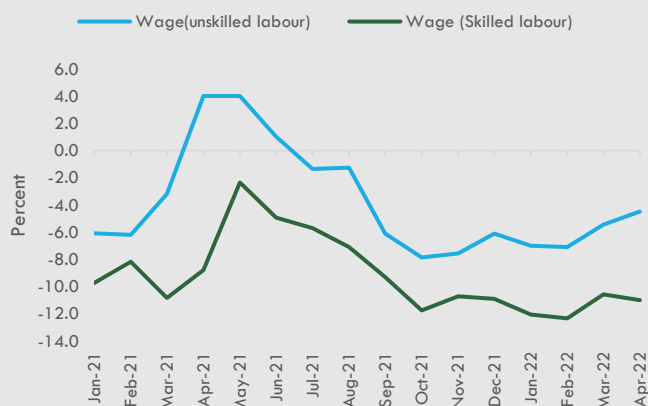


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

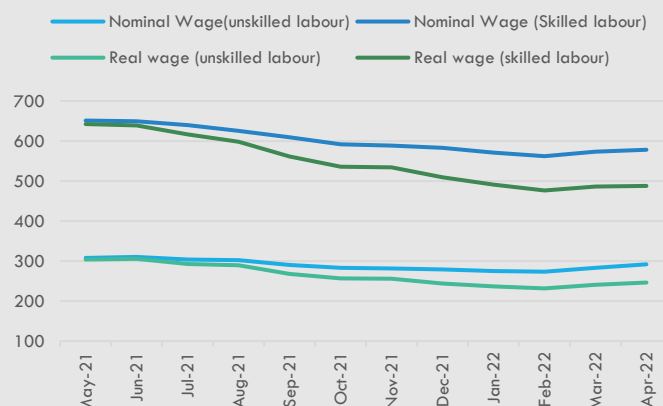
2. LABOR MARKET CONDITIONS

Nominal and real wages are recovering slightly since March after consistently falling since June 2021.

2.1. WAGES (YEARLY CHANGE)



2.2. NOMINAL AND REAL WAGES (IN AFN)

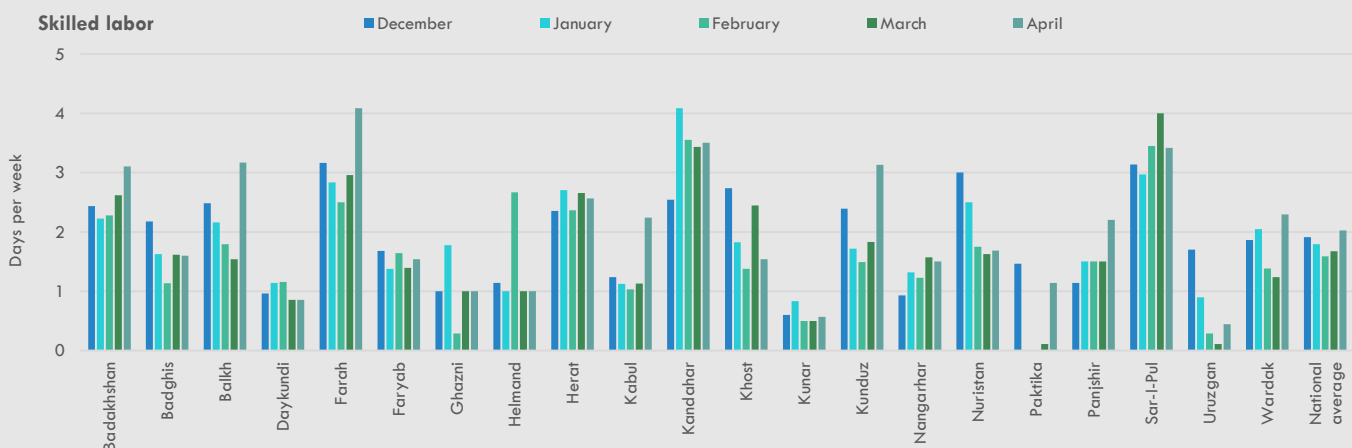


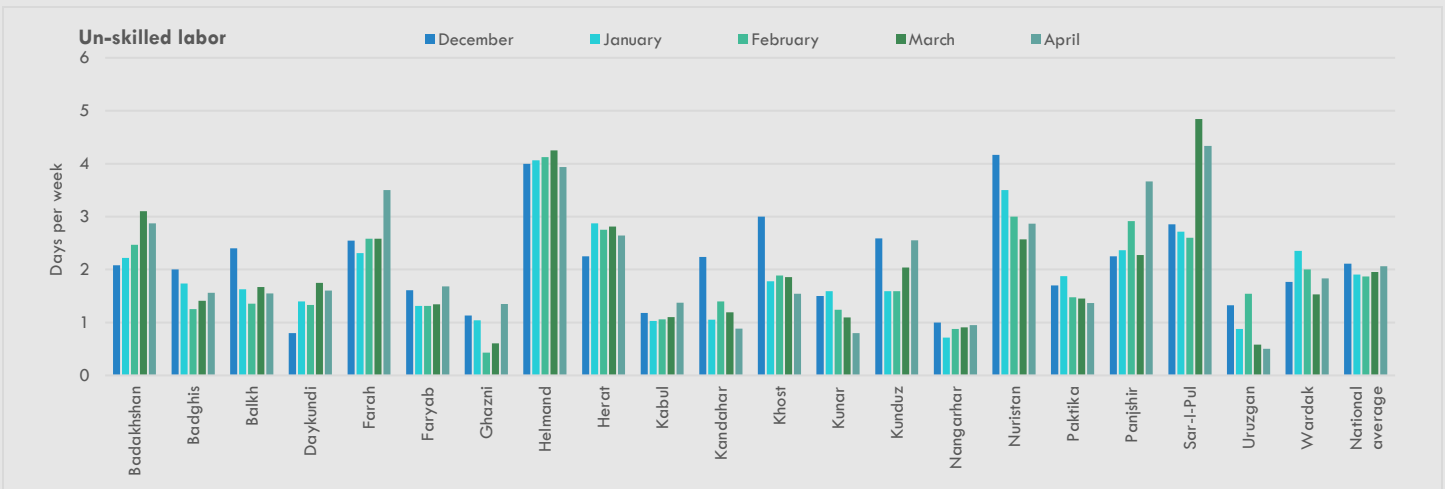
Source: Data from WFP and World Bank Staff elaboration; Real wages are calculated using price data from the NSIA.

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 and unskilled workers has been recovering marginally since February 2022, coinciding with harvesting season.

2.1. CHANGE IN LABOUR DEMAND FOR SKILLED AND NON-SKILLED WORKERS BETWEEN DECEMBER 2021 TO April 2022





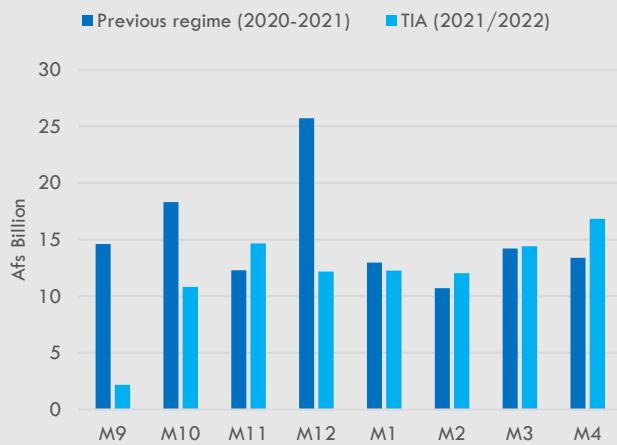
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

Note: Data reflects 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

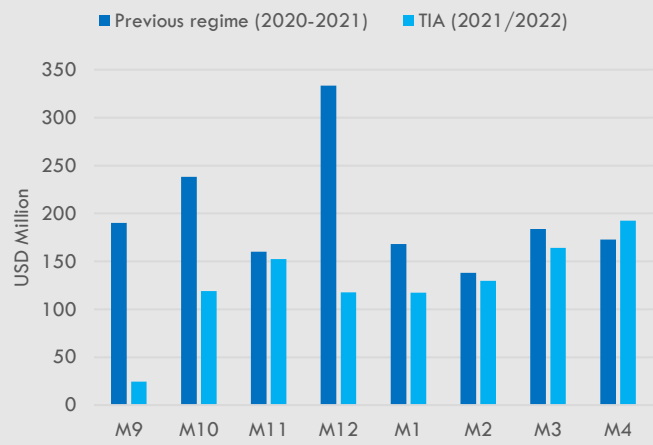
The ITA's revenue collection in AFN over the January-April 2022 period surpassed the performance in January-April 2021 by eight percent.

3.1. MONTHLY DOMESTIC REVENUE COLLECTION (IN AFN BILLION)



Source: World Bank staff estimates

3.2. MONTHLY DOMESTIC REVENUE COLLECTION (IN USD MILLION)

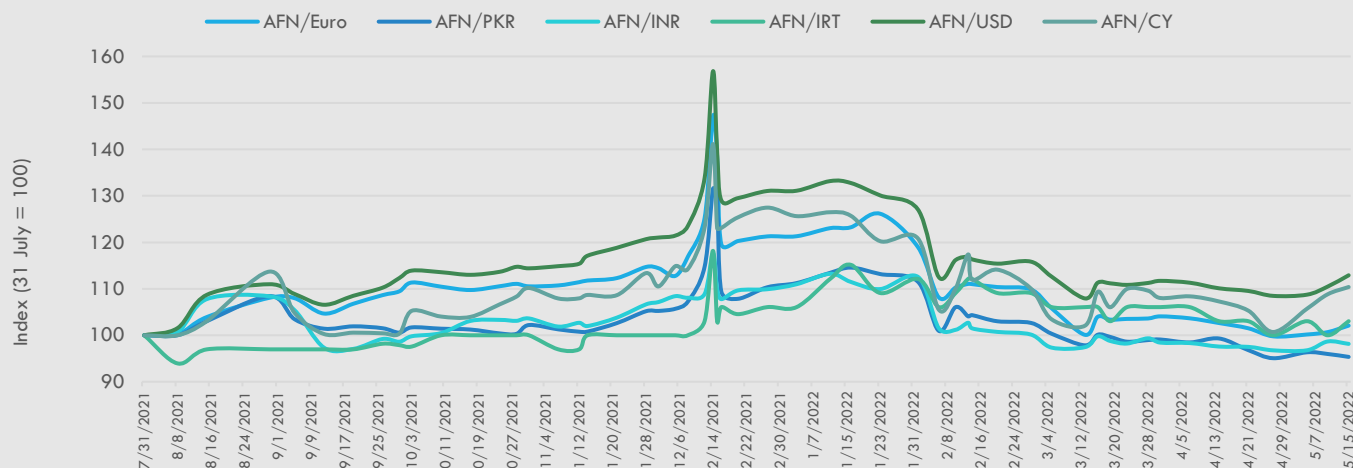


* The USD equivalents are calculated using the respective months' average ER
Source: World Bank staff estimates

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

After strengthening against all major currencies in March and April 2022, the AFN is weakening against USD, EURO, and CY during the first two weeks of May 2022.

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



Source: Data from DAB and World Bank Staff elaboration.

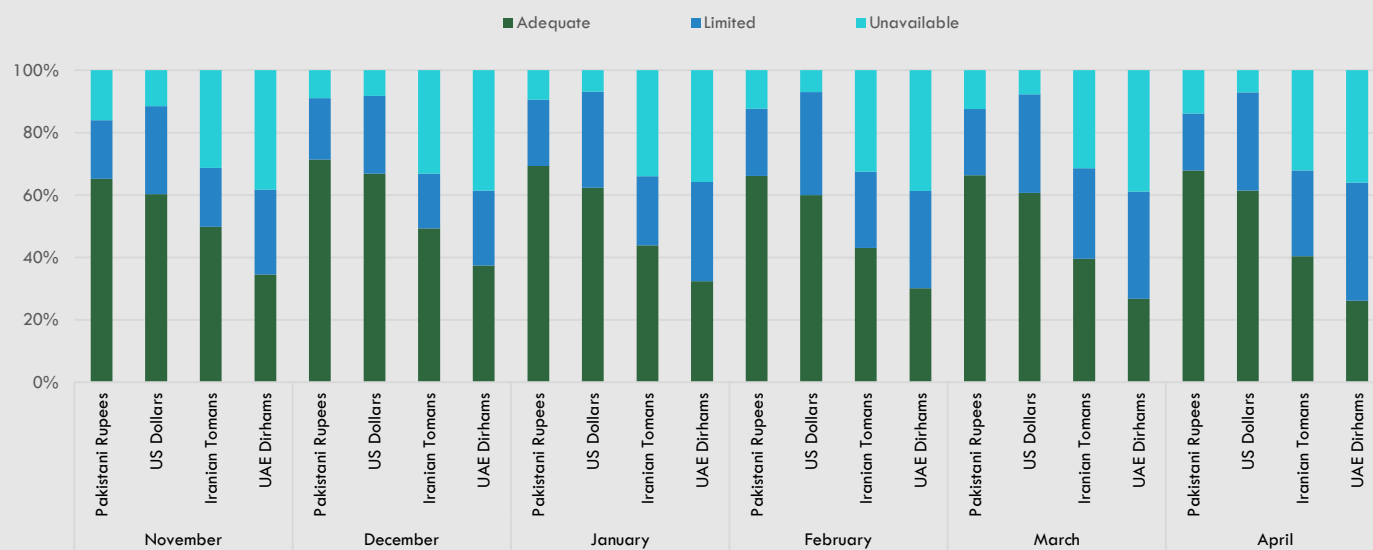
4.2. EXCHANGE RATE – DEPRECIATION BY CURRENCY SINCE END-JULY, 2021

	EXCHANGE RATE DEPRECIATION – Since END July 2021										
	15-Aug-22	30-Aug-22	30-Sep-22	28-Oct-22	28-Nov-22	27-Dec-22	1-Feb-22	28-Feb-22	31-Mar-22	27-Apr-22	15-May-22
AFN/Euro	-3.78	-7.48	-8.64	-9.96	-12.82	-17.54	-15.96	-8.99	-3.91	0.24	-2.04
AFN/PKR	-2.95	-7.78	-0.56	-0.30	-4.92	-9.37	-10.34	-2.60	0.92	5.19	4.88
AFN/INR	-7.23	-7.73	1.41	-3.01	-6.24	-9.01	-11.17	-0.16	1.61	3.36	1.89
AFN/IRT	3.13	3.13	2.17	0.00	0.00	-5.71	-10.81	-8.33	-5.71	0.00	-2.94
AFN/USD	-8.02	-9.90	-10.96	-12.84	-17.14	-23.69	-21.31	-13.68	-10.48	-7.81	-11.44
AFN/CY	-2.96	-12.05	-0.34	-7.67	-11.80	-21.55	-17.25	-9.15	-7.42	-0.70	-9.41

Source: Data from DAB and World Bank Staff calculations.

Despite the increasing supply of USD, many traders continue to report foreign currency shortages.

4.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS



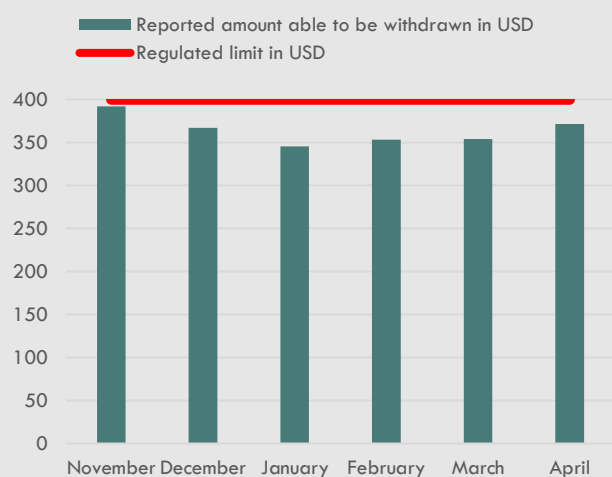
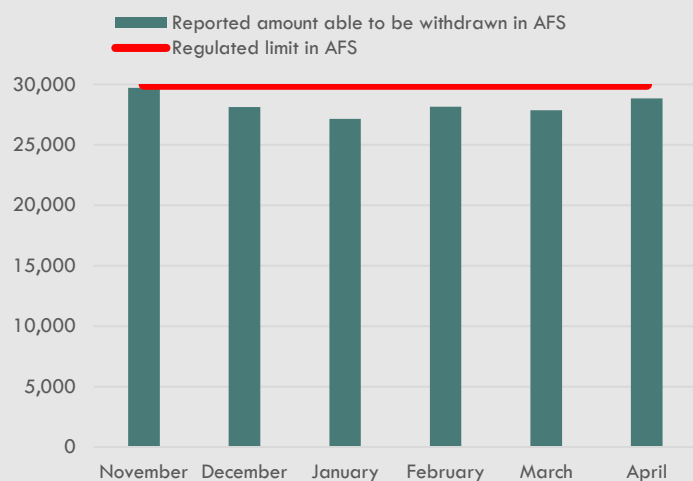
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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

4.4. WEEKLY WITHDRAWAL - INDIVIDUALS (IN AFN)

4.5. WEEKLY WITHDRAWAL- INDIVIDUALS (IN USD)

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

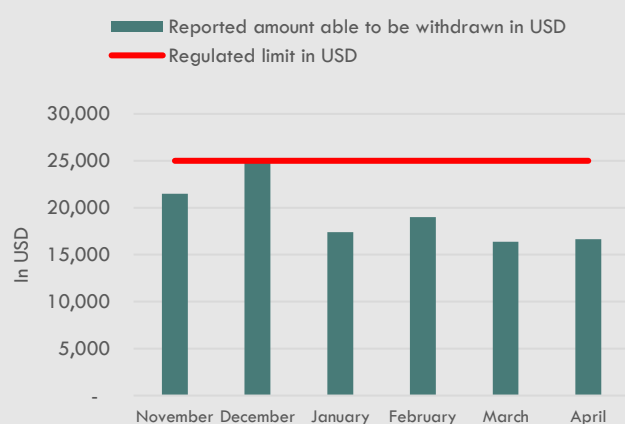


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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

4.6. MONTHLY WITHDRAWAL - FIRMS (IN MILLION AFN)

4.7. MONTHLY WITHDRAWAL- FIRMS (IN USD)



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

Note: Da Afghanistan Bank stipulates the regulated limit as the lower of US\$25,000 per month (or equivalent in AFN) or five percent of the total account balance. Firm respondents report the reported amount able to be withdrawn to the Third Party Monitoring Agent survey.

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