

The headline CPI inflation continues its downward trend while food and non-food items remain widely available. According to the official statistics, headline year-on-year (YoY) inflation in November 2022 decelerated to 9.1 percent from its peak of 18.3 percent in July 2022. Both food and non-food segments contributed to this positive outcome. The 3.9 percentage point Y-o-Y decline between November 2022 and December 2022 can be explained by a drop in inflation of fuel (8 percentage points), wheat (5.1 percentage points), sugar (2.7 percentage points), cooking oil (2.2 percentage points), bread (1.5 percentage points), etc. According to the latest data collected by the Third-Party Monitoring Agent (TPMA), most basic food and non-food commodities remain in the market.

The exchange rate remains substantially stable against major currencies. The AFN has slightly depreciated against the USD (by 1.5 percent), Euro (by 1.2 percent), and Chinese yuan (by 0.2 percent) between end-June and to end of December 2022 but appreciated against the Pakistan rupee (24.8 percent) and Indian rupee (2.6 percent). The central bank (DAB) is undertaking occasional auctions in the forex market. However, no data is available on the central bank website to confirm the frequency and auctioned amount. In the absence of regular market interventions, the ITA continues to exert controls in the foreign exchange market to manage parity and liquidity, such as regulating the MSP sector and prohibiting foreign currency-denominated domestic transactions. In parallel, the money service providers (MSPs) report some foreign exchange shortages in the open market.

Cash withdrawals of pre-August 2021 deposits from banks continue to be regulated. While most individual depositors can access their deposits within the allowed limits, selected financial institutions face difficulties honoring withdrawals. Firms, on the other hand, not only report accessibility lower than allowed limits, but access to deposits declined further recently. Accordingly, no statutory withdrawal limit is imposed on deposits made after August 28, 2021.

Civil servants' salaries are reported to be paid on time for both men and women. Data collected by TPMA also shows that most civil servants have reported receiving salaries regularly (as reported by 97 percent of the respondents). Moreover, females are reported to be paid more regularly than males over the last two months. However, they reported the liquidity shortage as one of the significant challenges in withdrawing salaries and crowding in the branches. Poor staff behavior is another key issue – particularly for female public servants when they draw their salaries.

Demand for both skilled and unskilled labor has been declining since the beginning of the winter. Heavy snow and cold weather result in a decline in agriculture, construction, and allied activities in most parts of the country. In parallel, data show a marginal increase in nominal wages, which, coped with the decrease in inflation, results in a stronger increase in real wages.

Revenue collection in the first nine months of the fiscal year 2022 remains strong. Overall revenue collection reached AFN135.9 billion (US\$ 1.54 billion) between March 22, 2022, and December 21, 2022, in line with 2020 results. Afghanistan continued to rely relatively heavily on revenue collected at the border — as opposed to inland revenue collection. For example, for the period under discussion, the taxes at borders reached 58 percent of the total revenue. Revenue from inland sources reached AFN61 billion (US\$ 0.7 billion) from March 21 till the end of December 2022, of which non-tax sources contributed the most. Non-tax revenue, comprising mainly revenues from ministries in administration fees and royalties, contributes 54 percent of total inland revenues, compared to 45 percent in 2021. A rise in coal mining royalties and fees likely drives the increase in ministries' revenue.

Export performance remains strong: during Jan – Nov 2022, Afghanistan exported US\$1.7 billion worth of goods, compared to US\$ 0.9 billion and US\$ 0.8 billion for the full years 2021 and 2020. Data from customs authorities show that Pakistan (65 percent) and India (20 percent) are the two main export destinations. Major exports include vegetable products (56 percent), mineral products (28 percent), and textiles (10 percent) – collectively contributing 94 percent of total exports. Unfortunately, up-to-date import data is unavailable. However, the Jan-June 2022 data shows that Afghanistan imported USD 2.9 billion of goods. Of the total imports, Iran (23 percent), Pakistan (16 percent), and China (14 percent) were the main import origins. Major imports include mineral products (24 percent), vegetable products (20 percent), and textiles (9 percent) – collectively contributing 54 percent of total imports.

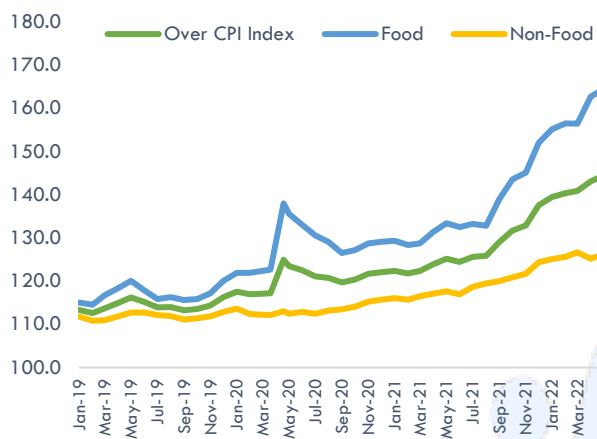
New addition – Health Service Delivery indicators

The Bank financed Health Emergency Response project provides critical mother & child related health services. The data collected by the TPMA shows that the twenty-three hundred supported facilities received around 3.3 million antenatal visits and provided 691,234 assisted births in 2022. Also, according to third-party monitoring data, 98% of health facilities had a female health worker present during verification visits between July and October 2022.

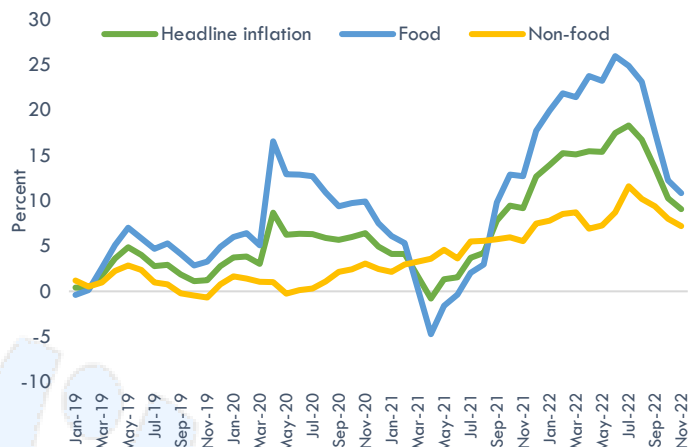
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

The headline inflation has been easing since July 2022, helped by lower global oil and food prices and a stable exchange rate.

1.1. CONSUMER PRICE INDEX



1.2. HEADLINE INFLATION Y-O-Y INFLATION



Source: NSIA.

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

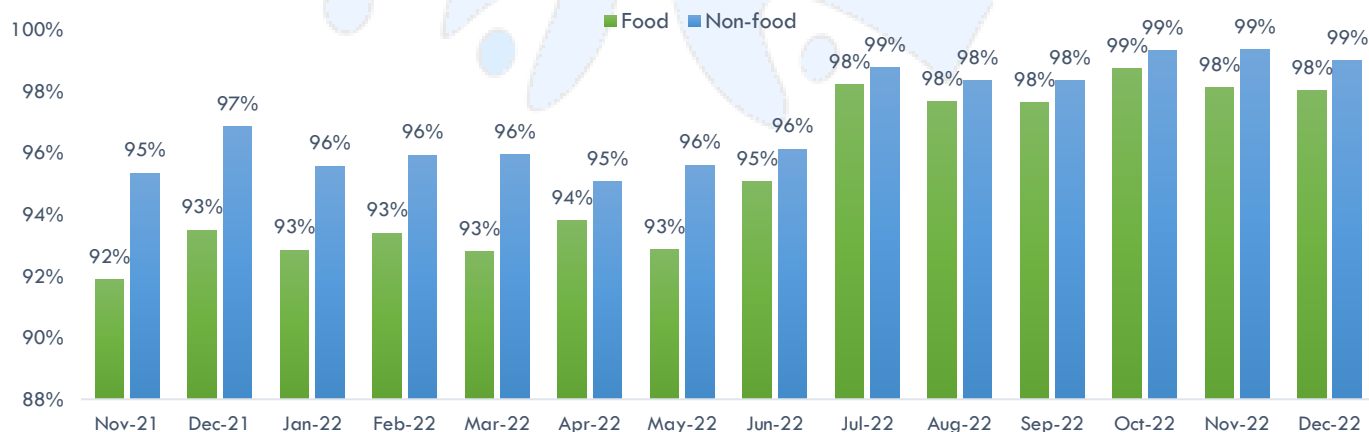
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Bread	10.2	11.6	12.0	14.9	18.1	22.0	23.2	23.3	21.6	19.1	18.1	16.6
Fuel (diesel)	95.1	68.8	73.2	57.3	66.3	95.3	112.5	54.5	87.4	49.1	34.1	26.3
Oil (cooking)	62.3	47.3	43.9	46.4	50.3	51.3	32.3	16.1	0.8	-13.3	-12.2	-14.4
Pulses	28.7	27.6	24.1	23.8	22.9	23.7	23.3	17.7	16.1	11.6	10.6	10.6
Rice (high quality)	18.8	21.9	19.8	19.3	24.0	34.2	37.8	32.9	32.0	28.9	27.2	26.4
Rice (low quality)	14.3	10.1	9.6	7.9	9.6	14.6	13.1	10.9	14.1	12.5	18.5	21.9
Salt	30.2	25.2	23.4	18.9	21.3	22.9	19.0	18.0	16.0	17.8	10.8	20.0
Sugar	35.3	27.1	24.7	24.4	26.0	33.9	37.0	30.9	20.5	8.7	3.9	1.2
Wheat	40.2	31.0	27.8	35.5	40.3	58.1	49.8	43.5	37.9	19.1	16.8	11.8
Wheat flour (high quality)	42.2	27.6	31.6	44.0	50.5	65.1	49.4	41.7	31.9	12.3	12.1	5.8
Wheat flour (low quality)	45.1	32.3	32.1	44.7	52.7	68.2	50.8	41.5	36.0	14.3	13.4	6.5
Basic Household Goods Price Inflation	42.5	32.0	32.2	36.6	41.6	51.7	43.4	31.5	26.4	11.1	9.9	6.1

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 & NON-FOOD ITEMS

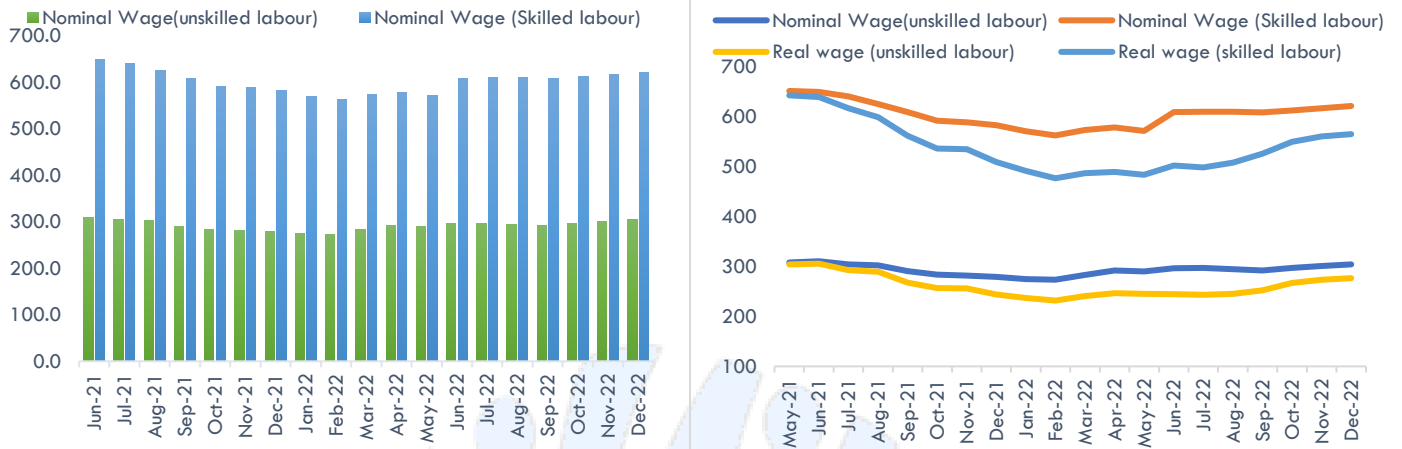


Source: Survey data collected by the World Bank's Third-Party Monitoring Agent.

2. LABOR MARKET CONDITIONS

Nominal and real wages slightly increased in December 2022.

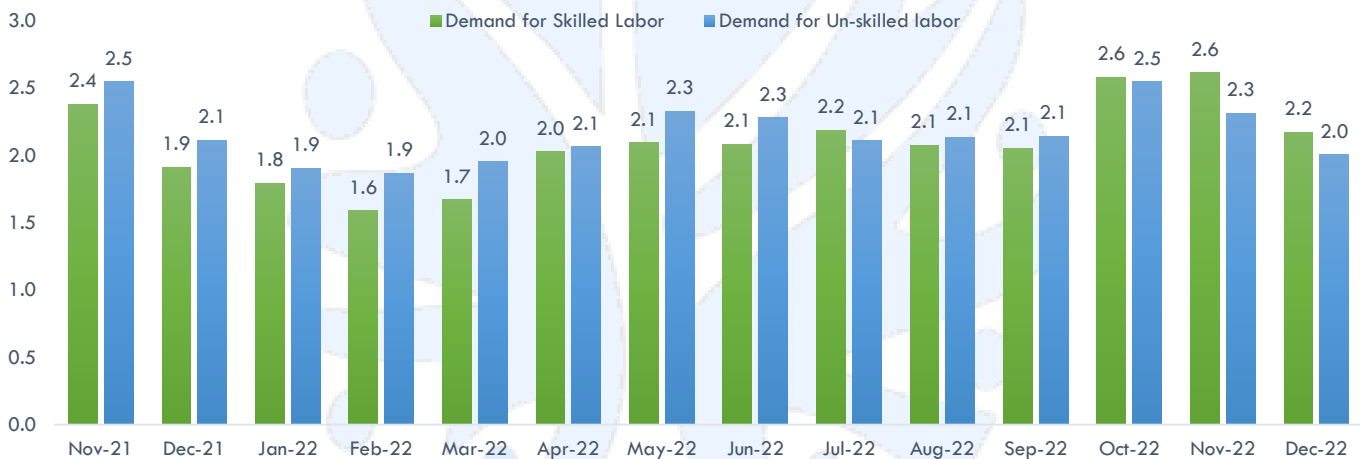
2.1. NOMINAL AND REAL WAGES (AFN) FOR SKILLED AND UNSKILLED WORKERS



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

Demand for skilled and unskilled labor declined as construction and other allied activities slowed down due to the winter.

2.2. LABOR DEMAND FOR SKILLED AND NON-SKILLED WORKERS BETWEEN NOVEMBER 2021 AND DECEMBER 2022



Source: Survey data collected by the World Bank's Third-Party Monitoring Agent. Data for June 2022 was not collected.

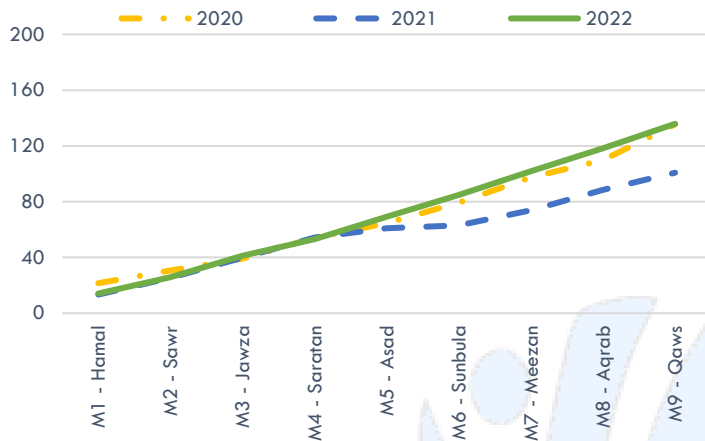
Note: Data for June 22 is not available.

Note: Data reflects 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. Data for June 2022 was not collected.

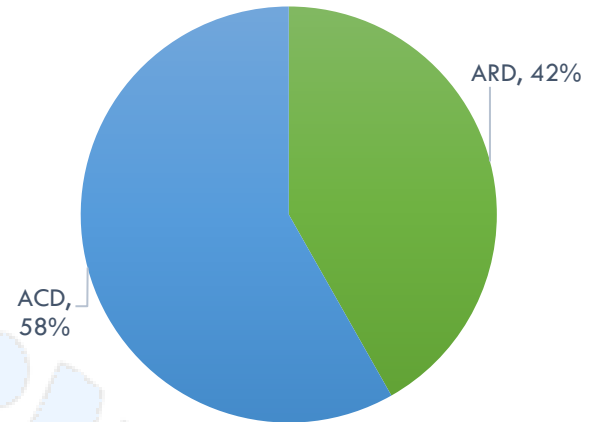
3. REVENUES

The ITA collected AFN135.9 billion in the first nine months of the fiscal year 2022—with a higher share coming from taxes collected at borders and non-tax sources.

3.1. TOTAL REVENUE COLLECTION—CUMULATIVE (AFN BILLIONS)

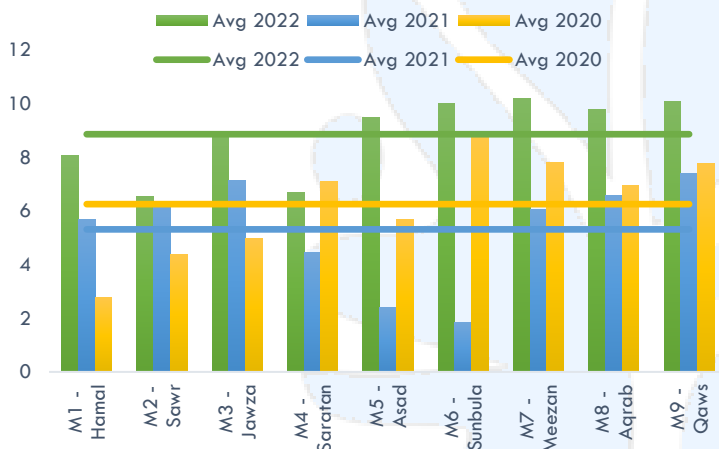


3.2 SHARE OF INLAND & CUSTOMS REVENUES IN TOTAL COLLECTIONS

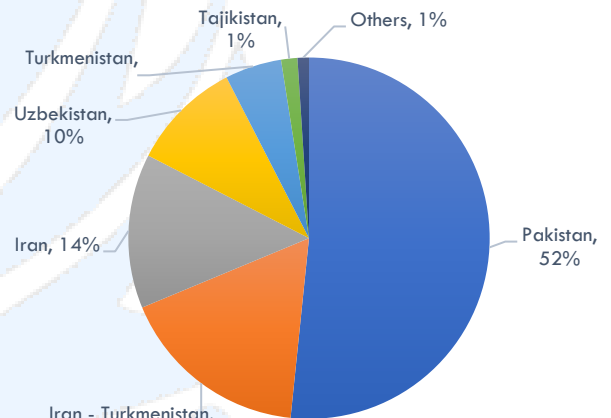


Source: Ministry of Finance., Note: The Afghan fiscal calendar month, Hamal, runs from March 21-April 20.

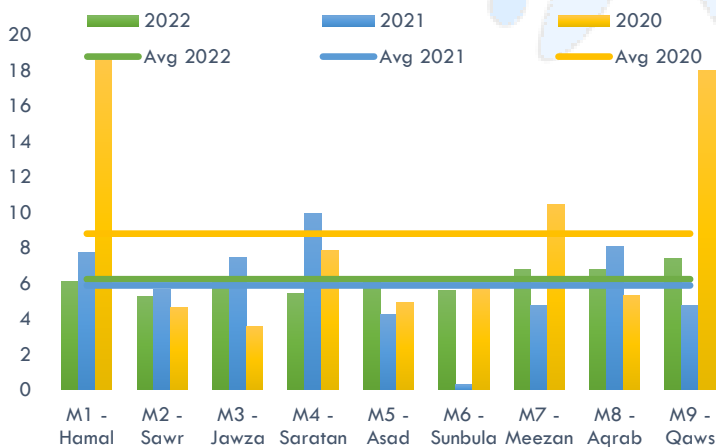
3.2. REVENUE COLLECTED AT THE BORDER (AFN BILLION)



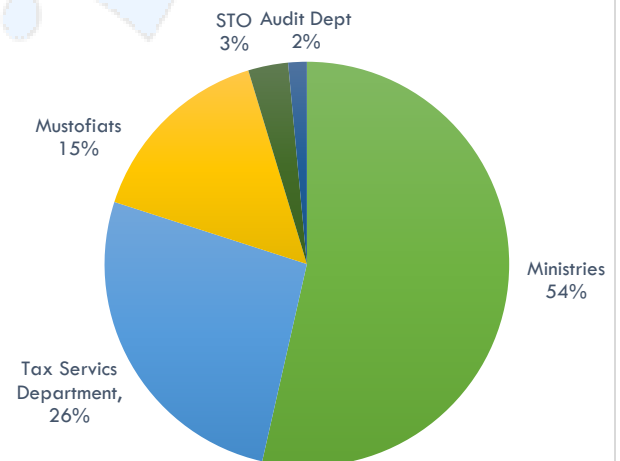
3.3 PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



3.4 INLAND REVENUE COLLECTION (AFN BILLIONS)



3.5 PERCENT SHARE OF ARD COLLECTIONS FROM SOURCES

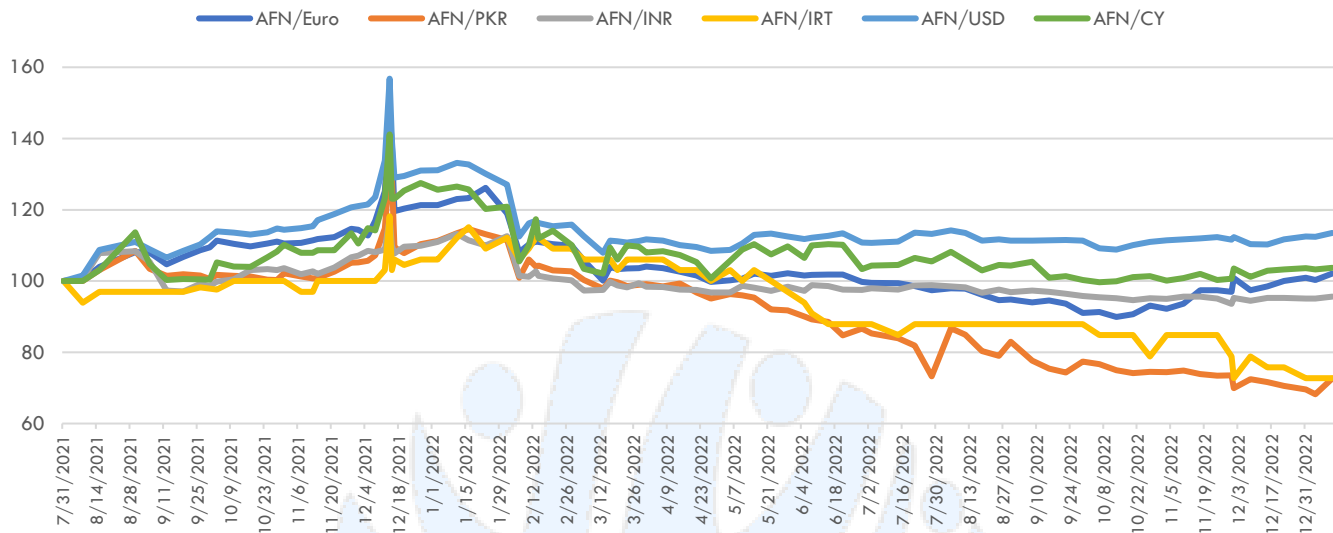


Source: Ministry of Finance.

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

The average exchange rate AFN/USD for 2022 was 89.9, compared to 84.5 in 2021—a 6 percent depreciation on average.

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



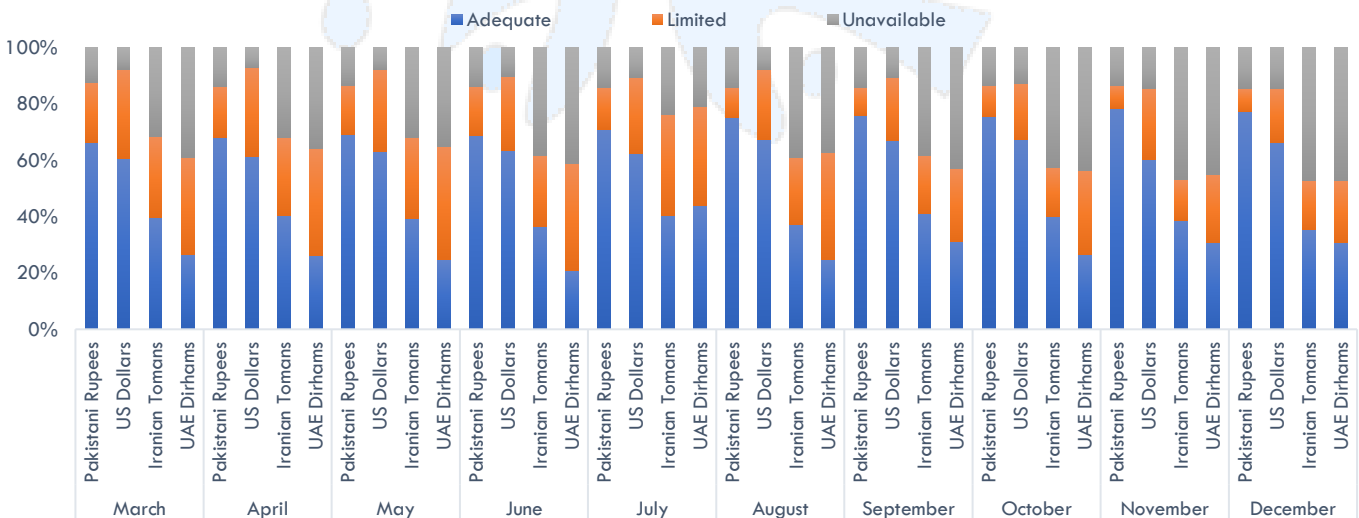
4.2. EXCHANGE RATE – DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

	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	30-Nov-22	31-Dec-22
AFN/Eur	-12.66	-5.41	-0.14	4.17	1.71	4.16	6.65	9.62	14.13	11.61	7.22	2.95
AFN/PKR	-7.62	0.35	3.98	8.38	12.28	18.88	40.73	24.25	33.15	38.25	40.19	48.18
AFN/INR	-4.25	7.63	9.53	11.41	9.55	10.55	9.05	11.23	12.50	13.26	15.18	13.41
AFN/IRT	-13.51	-11.11	-8.57	-3.03	0.00	10.34	10.34	10.34	10.34	23.08	23.08	33.33
AFN/US\$	-14.45	-6.16	-2.68	0.22	-3.38	-1.87	-3.98	-2.35	-2.36	-2.03	-2.61	-3.37
AFN/CY	-14.72	-6.38	-4.59	2.33	-6.06	-0.32	-2.33	-1.22	2.80	1.65	2.40	-0.50

Source: Data from DAB, World Bank staff elaboration.

Money service providers continue to report some foreign currency shortages.

4.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS



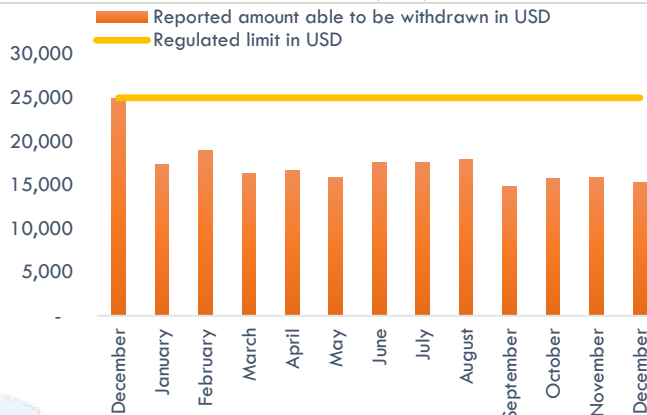
Source: Survey data collected by the World Bank's Third-Party Monitoring Agent by visiting 144 MSPs in 48 markets in the country.
Note: Includes banks, hawala operators, and informal currency exchangers.

Firms still cannot withdraw AFN and US\$ from pre-August bank deposits. However, the situation is much better for individuals, as most banks can service their clients.

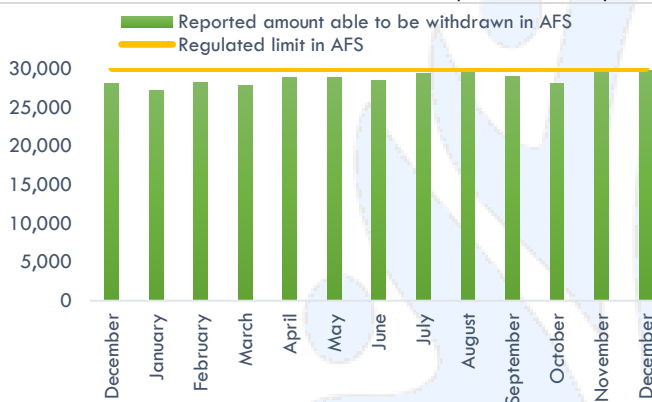
4.4. WEEKLY WITHDRAWALS - FIRMS (AFN MILLIONS)



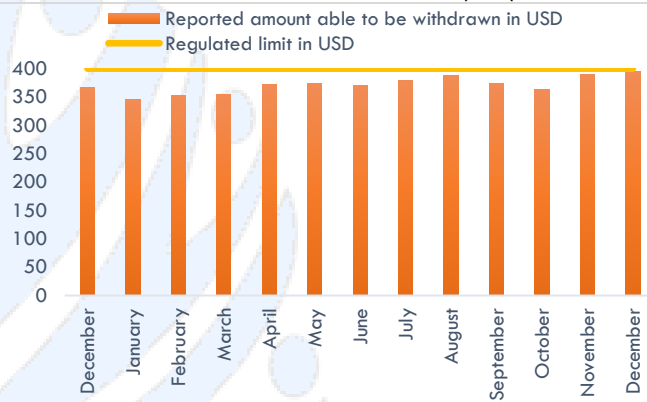
4.5. WEEKLY WITHDRAWALS – FIRMS (USD)



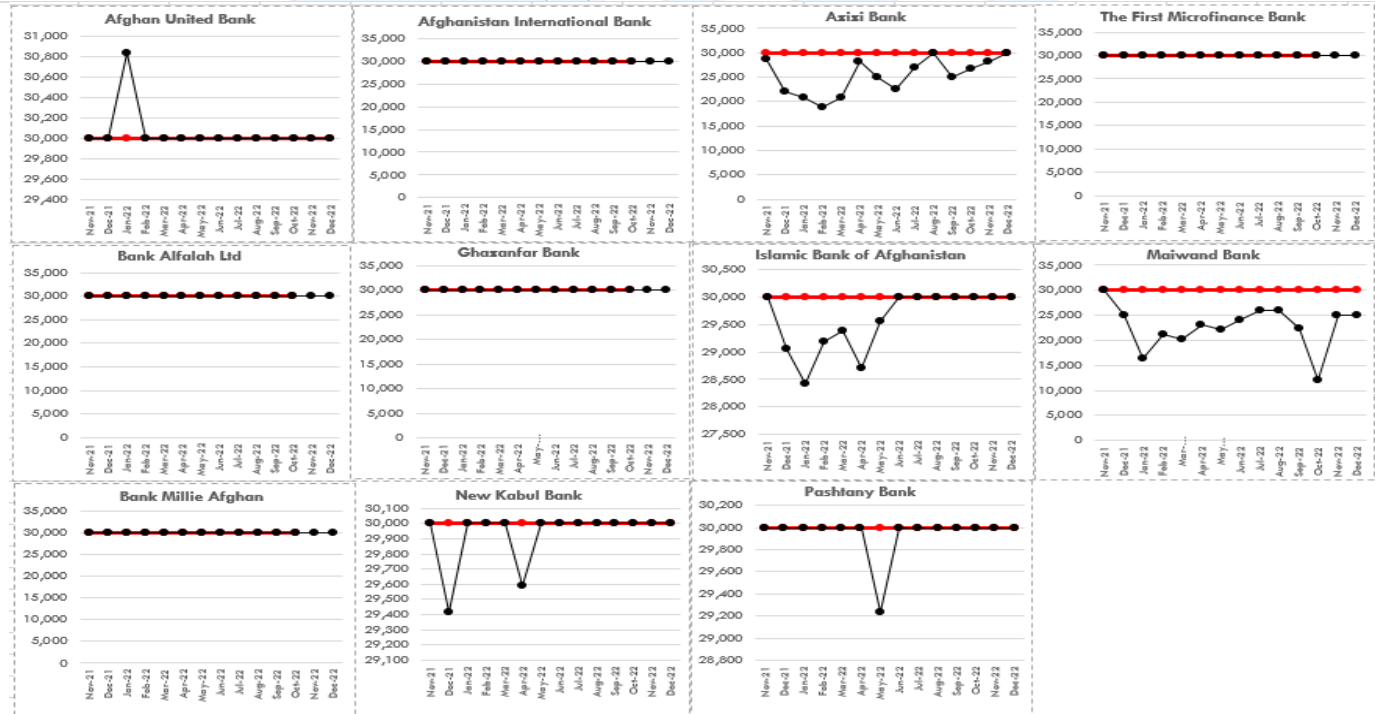
4.6. MONTHLY WITHDRAWALS - INDIVIDUALS (AFN MILLIONS)



4.7. MONTHLY WITHDRAWALS – INDIVIDUALS (USD)



4.8. AVERAGE MONTHLY WITHDRAWAL – INDIVIDUAL (AFS)

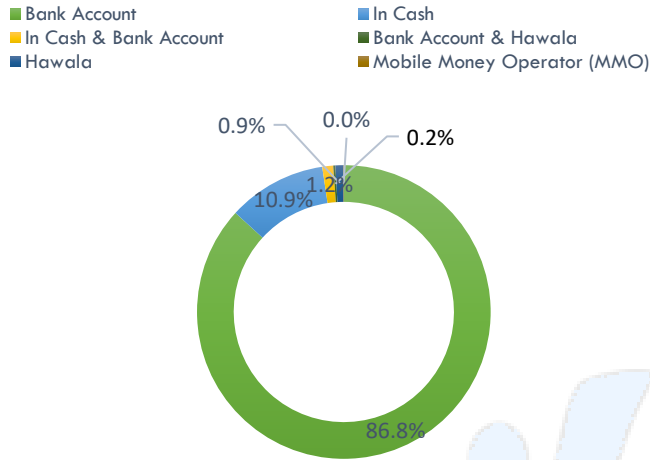


Source: Survey data collected by the World Bank's Third-Party Monitoring Agent.

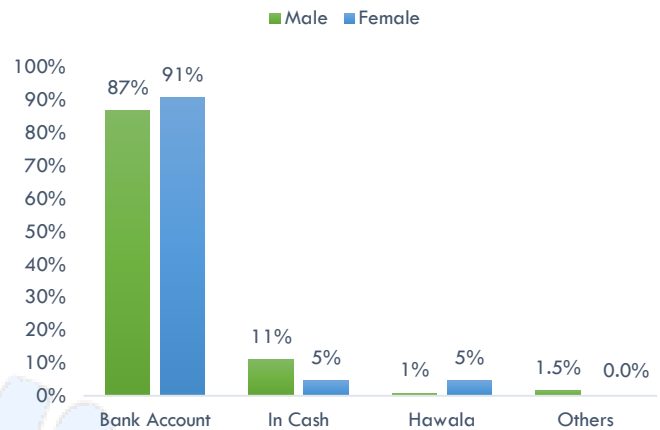
Note: Regulated limit as stipulated by DAB. Reported amount able to be withdrawn as reported by individual respondents to the Third-Party Monitoring Agent survey.

Cash and bank accounts are the two most common means to receive salary payments. However, female civil servants also mentioned Hawala as a key mode of salary payment.

4.9. MODE OF SALARY PAYMENT (2165 RESPONDENTS)

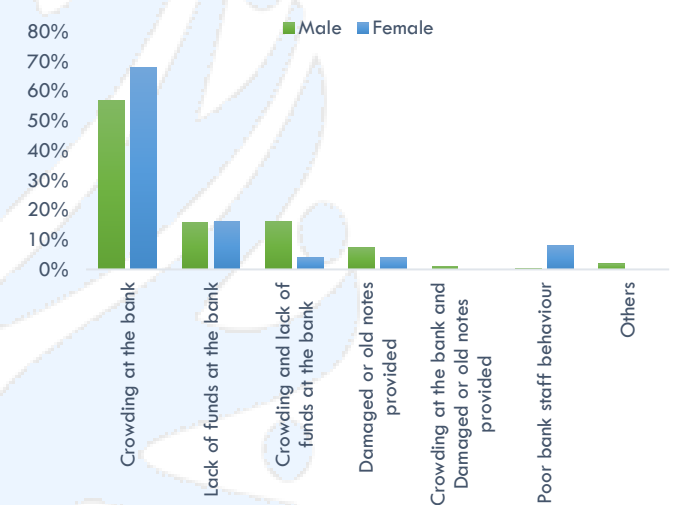
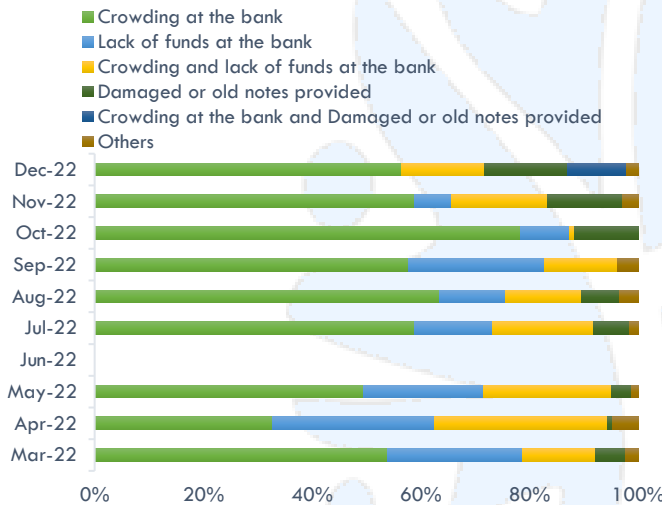


4.10. COMPOSITION OF MODE OF PAYMENT (BY GENDER)



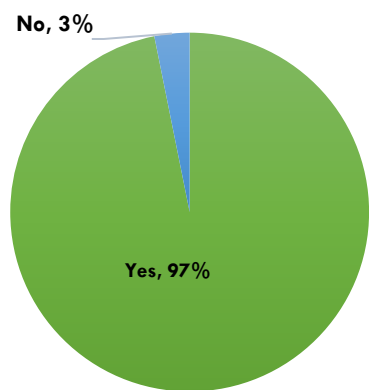
The key challenges when withdrawing salaries are crowding in branches and the liquidity shortage. Poor staff behavior is another key issue – particularly in the case of females.

4.11. CHALLENGES FACED WHEN WITHDRAWING SALARIES

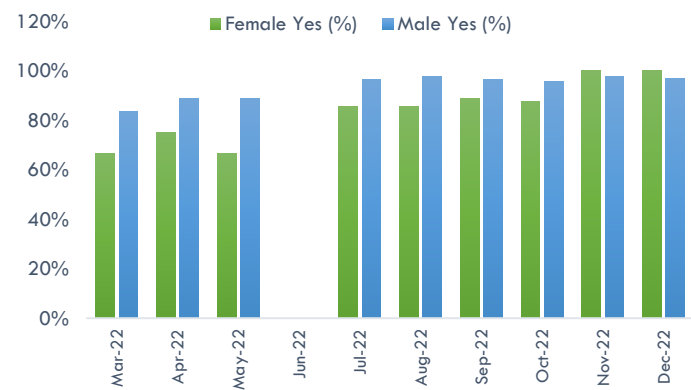


Since the beginning of 2022, salaries for all civil servants have been paid regularly and in most cases. Moreover, females are reported to be paid more regularly than males over the last two months.

4.12. CIVIL SERVANTS RECEIVED SALARIES DURING THE LAST THREE MONTHS



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

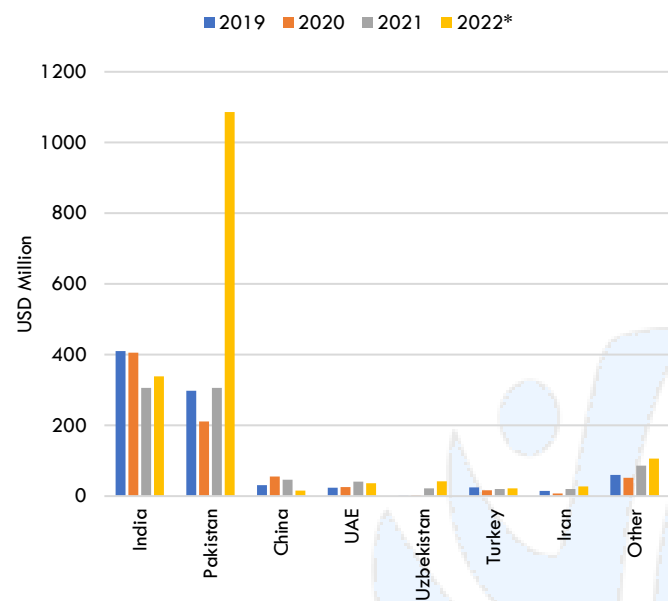


Source: Survey data collected by the World Bank's Third-Party Monitoring Agent.
Note: Data for civil servants for June 2022 is not available.

5. TRADE DEVELOPMENTS

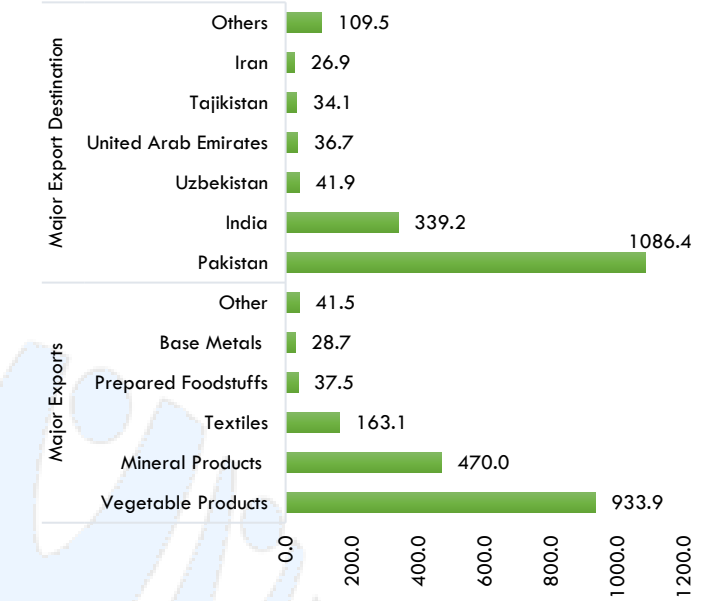
The imports and exports rebounded since Q4-2021 and remained on an upward trajectory in 2022. The country exhibited strong export performance during 2022.

5.1. AFGHANISTAN'S MAJOR EXPORT DESTINATIONS (2019 – 2022)



Source: NSIA data. The 2022 data is for 11 months and sourced from customs (ASYCUDA)

5.2. AFGHANISTAN EXPORTS (US\$ 1.7 BILLION) - JAN – NOV 2022

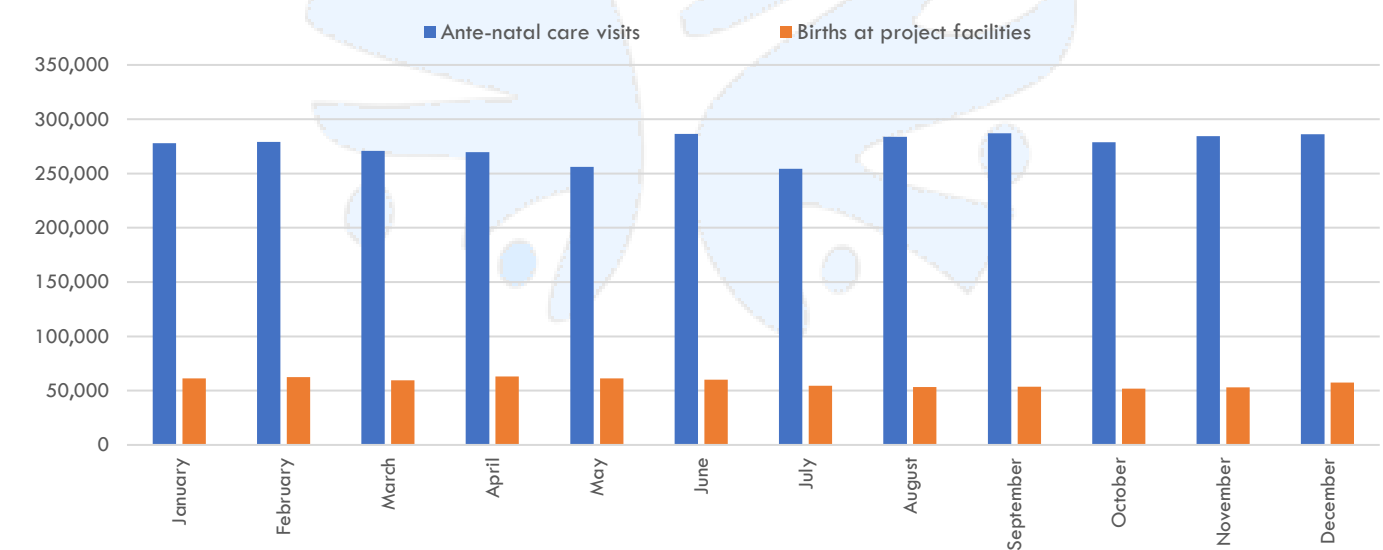


Source: ASYCUDA.

6. PROVISION OF HEALTH SERVICES

The Health Emergency Response (HER) project supports critical services at 2300 facilities.

6.1. SERVICES DELIVERED AT 2300 HER FINANCED HEALTH FACILITIES DURING 2022



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

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>.

