

# AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

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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 remained adequate. Nonetheless, preliminary data from a household survey also suggest that households still face substantial pressure to sustain their livelihoods.

Inflation in July 2022 was at 18.3 percent and, since then, has been on a downward trend. According to official statistics, the year-on-year (YoY) headline inflation eased further in March 2023 to 1.94 percent (compared to 3.5 percent in February 2023). This deceleration in inflation can be attributed to (i) stabilized the exchange rate and reduced inflation pass-through into the domestic economy, (ii) a significant easing in international food and fuel prices in recent months, (iii) a likely compression of aggregate demand during winter months; and (iv) improved food production in the country. Basic household goods inflation calculated using the data on prices of basic household items collected by the World Food Program (WFP) indicates -9.8 percent deflation on a y-o-y basis. The essential food and non-food commodities remain widely available in major markets across the country, as reported by the Third-Party Monitoring Agent (TPMA).

After strengthening in the Feb-March period, Afghani (AFN) has slightly depreciated against major currencies since mid-April 2023.

The AFN has slightly depreciated against major currencies since mid – April 2023. Between April 18 – May 22, 2023, the AFN depreciated by (i) 2.6 percent against the US dollar, (ii) 1.6 percent against the Chinese yuan, and (iii) 1.3 percent against the Euro. In contrast, AFN appreciated by (i) 2.4 percent against the Pakistani rupee and (ii) 5.9 percent against the Iranian toman. On May 22, 2023, the AFN exchange rate against the US dollar stood at 87.5, reflecting a depreciation of only 1.6 percent compared to its value on August 15, 2021. Tight controls on currency export, constrained domestic money supply, and the US\$ availability in the domestic market due to United Nations (UN) cash shipments have helped sustain the local currency. During Jan-May of 2023, ~ US\$ 760 million (~US\$ 150 million/month) was flown into the country, in line with the 2022 data (a cumulative ~ US\$ 1.8 billion in 2022).

Firms continue to report difficulty withdrawing cash from banks.

No withdrawal limits exist on bank deposits made after August 15, 2021, while cash withdrawals for pre-August 15 deposits continue to be regulated for both firms and individuals. Data collected by the TPMA indicates that individual depositors can access their existing deposits above the statutory limits set by DAB. Firms' access to deposits remains below the permitted limits; however, in April 2023, a slight improvement has been observed for AFN deposits. Since May 2023, the cash withdrawal limit for individuals will be raised to AFN 50,000 per week from AFN 30,000 earlier, and the new limit will be monitored in future reports.

Civil servants' salaries continue to be paid on time.

According to TPMA data gathered through telephone interviews with ~ 244 civil servants (Males 239, Females 5), nearly all civil servants regularly receive salary payments. Banks have been reported as the most prevalent mode for salary withdrawals.<sup>1</sup> However, crowding in bank branches remains the most critical challenge to withdrawing salaries, but the deteriorating quality of banknotes has been increasingly reported as a crucial issue in recent months.<sup>2</sup> Furthermore, some respondents have expressed dissatisfaction with the lack of funds available in bank branches when receiving their salaries.

Employment for skilled and unskilled labor has improved since March 2023.

Both skilled and unskilled employment increased in April 2023, following a continuous decline since the beginning of the winter. This improvement can be attributed to the harvesting and spring seasons. However, the overall employment level remains lower than in October 2022. In addition, nominal and real wages have not seen any visible improvement since November 2022.

Revenue collection during the first two months of fiscal year 2023 is healthy.

As discussed in the previous monitor, during the fiscal year 2022 (between March 22, 2022, and March 21, 2023), the total revenue receipts were AFN 193.9 billion (US\$ 2.2 billion)—98 percent of the fiscal year's revised budget target of AFN 198.7 billion. The trend continues in the first two months of the fiscal year 2023 with the collection of AFN 33 billion, a 21

<sup>1</sup> Of the total respondents receiving salaries, 93 percent received salaries through banks during March 2023.

<sup>2</sup> Of the total who receive salaries through bank accounts, 37 percent face challenges in March 2023.s

percent increase over the same period of last year). This improvement is more visible in the taxes collected at the border, which is 35 percent higher than the revenue collection in the first two months of 2022. In addition, inland revenue collection also saw a marginal improvement of 3 percent during the period under review.

Merchandise exports show moderate growth during the first four months of 2023.

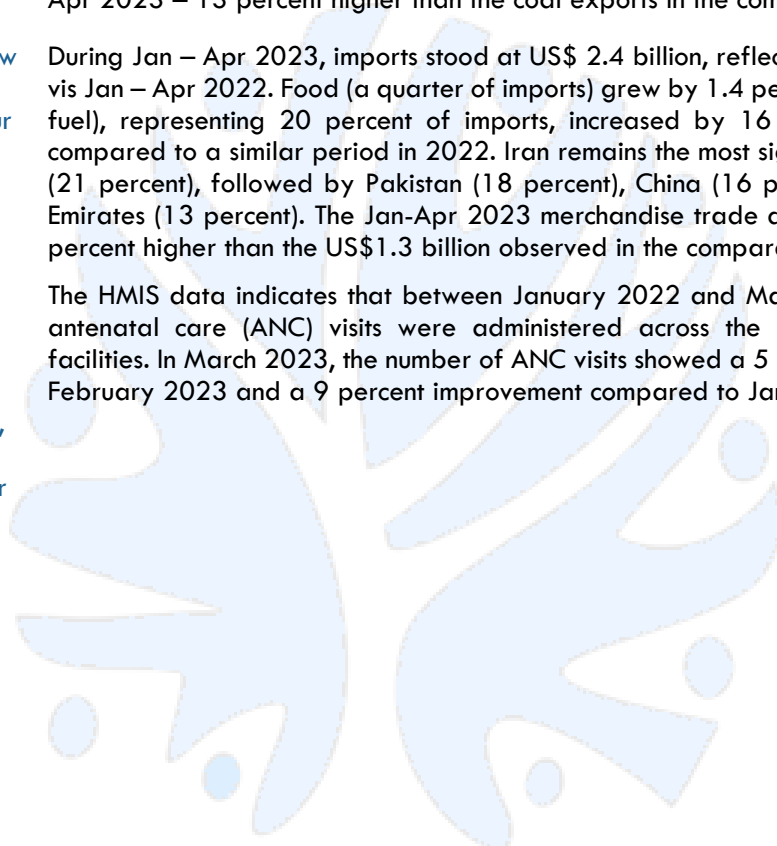
The latest unofficial Jan-Apr 2023 data from Afghanistan's customs show that total exports reached US\$ 0.6 billion — a 4 percent rise compared to the same period in 2022. The export growth during Jan-Apr 2023 can primarily be attributed to an increase in the exports of (i) coal by 13 percent (23 percent share) and (ii) textiles by 14 percent (14 percent share). In contrast, vegetable exports (53 percent share) declined by 0.2 percent during the period under review compared to Jan-Apr 2022 – primarily explained by the slight reduction of vegetable exports to Pakistan. Pakistan remains Afghanistan's largest export market (accounting for 63 percent of total exports), followed by India (26 percent). Exports to Pakistan are mainly food and coal, contributing around 70 percent of total exports to Pakistan in Jan-Apr 2023. Coal exports to Pakistan amounted to US\$140.7 million in Jan-Apr 2023 – 13 percent higher than the coal exports in the comparable period last year.

Merchandise imports show a significant growth momentum in the first four months of 2023.

During Jan – Apr 2023, imports stood at US\$ 2.4 billion, reflecting 27 percent growth vis-à-vis Jan – Apr 2022. Food (a quarter of imports) grew by 1.4 percent while minerals (including fuel), representing 20 percent of imports, increased by 16 percent in Jan – Apr 2023 compared to a similar period in 2022. Iran remains the most significant import origin country (21 percent), followed by Pakistan (18 percent), China (16 percent), and the United Arab Emirates (13 percent). The Jan-Apr 2023 merchandise trade deficit at US\$ 1.8 billion is 38 percent higher than the US\$1.3 billion observed in the comparable period of 2022.

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

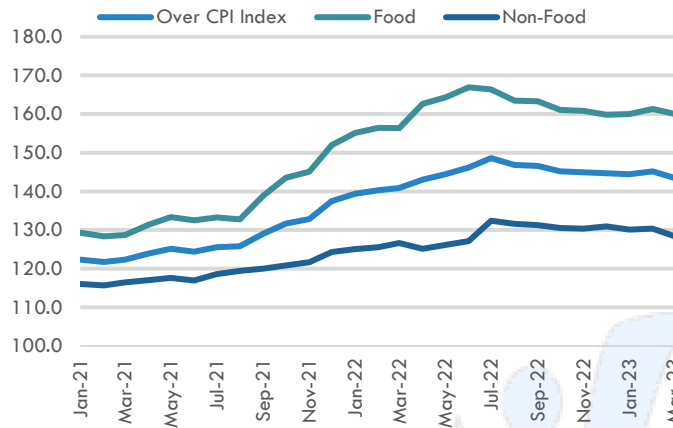
The HMIS data indicates that between January 2022 and March 2023, around 4.2 million antenatal care (ANC) visits were administered across the 2,300 HER-supported health facilities. In March 2023, the number of ANC visits showed a 5 percent increase compared to February 2023 and a 9 percent improvement compared to January 2022.



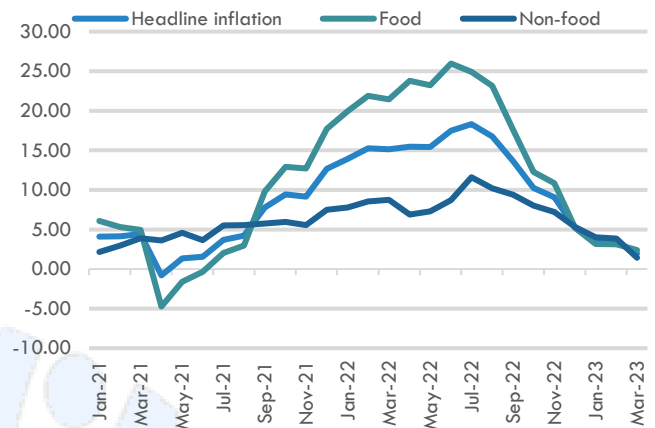
## 1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

Inflation has declined substantially since July 2022, owing primarily to a decline in global prices, a stable exchange rate, and winter-induced demand compression.

### 1.1. HEADLINE PRICE INDEX



### 1.2. HEADLINE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

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

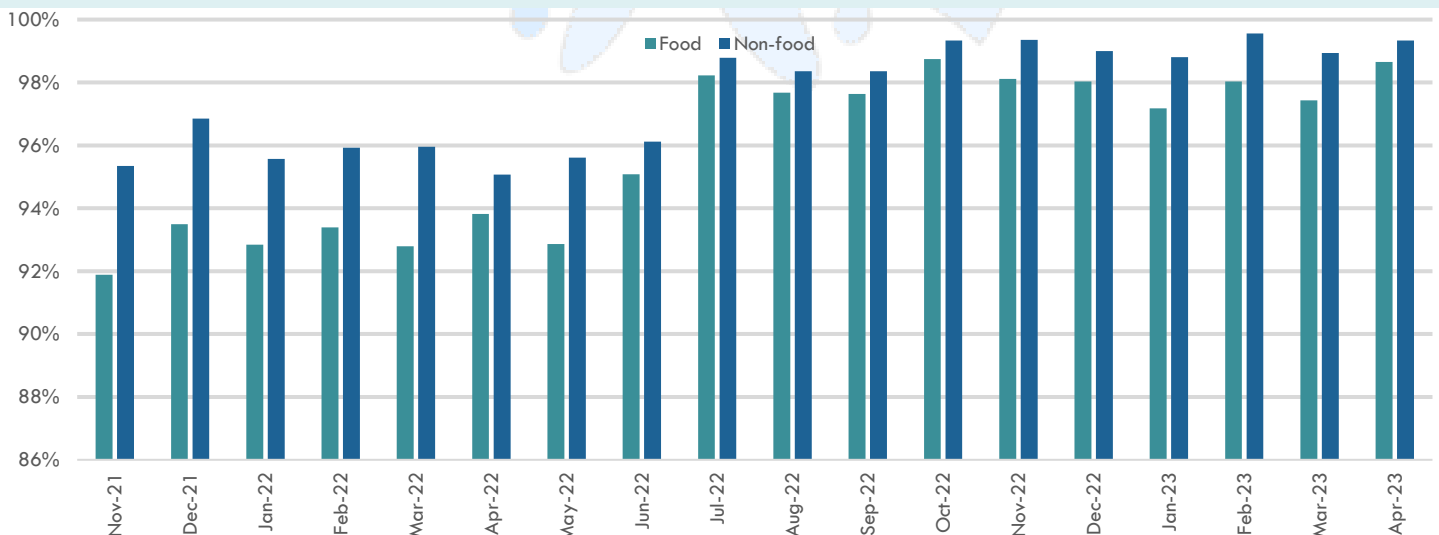
	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
Bread	18.1	22.0	23.2	23.3	21.6	19.1	18.1	16.6	15.2	14.2	13.5	10.7
Fuel (diesel)	66.3	95.3	112.5	54.5	87.4	49.1	34.1	26.3	22.3	14.8	-5.4	-2.2
Oil (cooking)	50.3	51.3	32.3	16.1	0.8	-13.3	-12.2	-14.4	-21.7	-17.0	-21.3	-26.3
Pulses	22.9	23.7	23.3	17.7	16.1	11.6	10.6	10.6	-2.4	0.0	1.7	0.3
Rice (high quality)	24.0	34.2	37.8	32.9	32.0	28.9	27.2	26.4	19.8	17.9	19.1	16.7
Rice (low quality)	9.6	14.6	13.1	10.9	14.1	12.5	18.5	21.9	18.9	28.3	27.9	26.3
Salt	21.3	22.9	19.0	18.0	16.0	17.8	10.8	20.0	2.5	-0.1	4.0	8.2
Sugar	26.0	33.9	37.0	30.9	20.5	8.7	3.9	1.2	-7.5	-3.5	0.1	2.3
Wheat	40.3	58.1	49.8	43.5	37.9	19.1	16.8	11.8	-2.7	5.3	0.0	-10.5
Wheat flour (high quality)	50.5	65.1	49.4	41.7	31.9	12.3	12.1	5.8	-6.3	-0.6	-7.9	-18.7
Wheat flour (low quality)	52.7	68.2	50.8	41.5	36.0	14.3	13.4	6.5	-6.6	-1.4	-6.3	-16.0
Basic Household Goods Price Inflation	<b>41.6</b>	<b>51.7</b>	<b>43.4</b>	<b>31.5</b>	<b>26.4</b>	<b>11.1</b>	<b>9.9</b>	<b>6.1</b>	<b>-3.3</b>	<b>0.7</b>	<b>-4.1</b>	<b>-9.8</b>

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

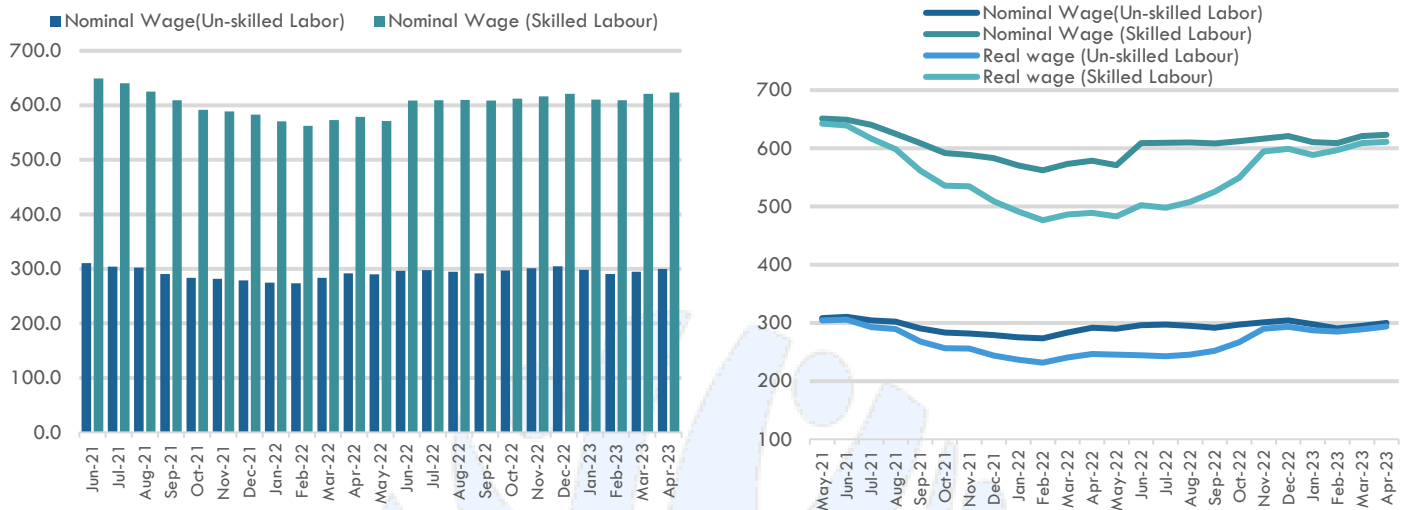


Source: Data collected by the World Bank's TPMA, based on a survey of 48 markets across 21 provinces.

## 2. LABOR MARKET CONDITIONS

Nominal and real wages have not seen any visible improvement since November 2022.

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

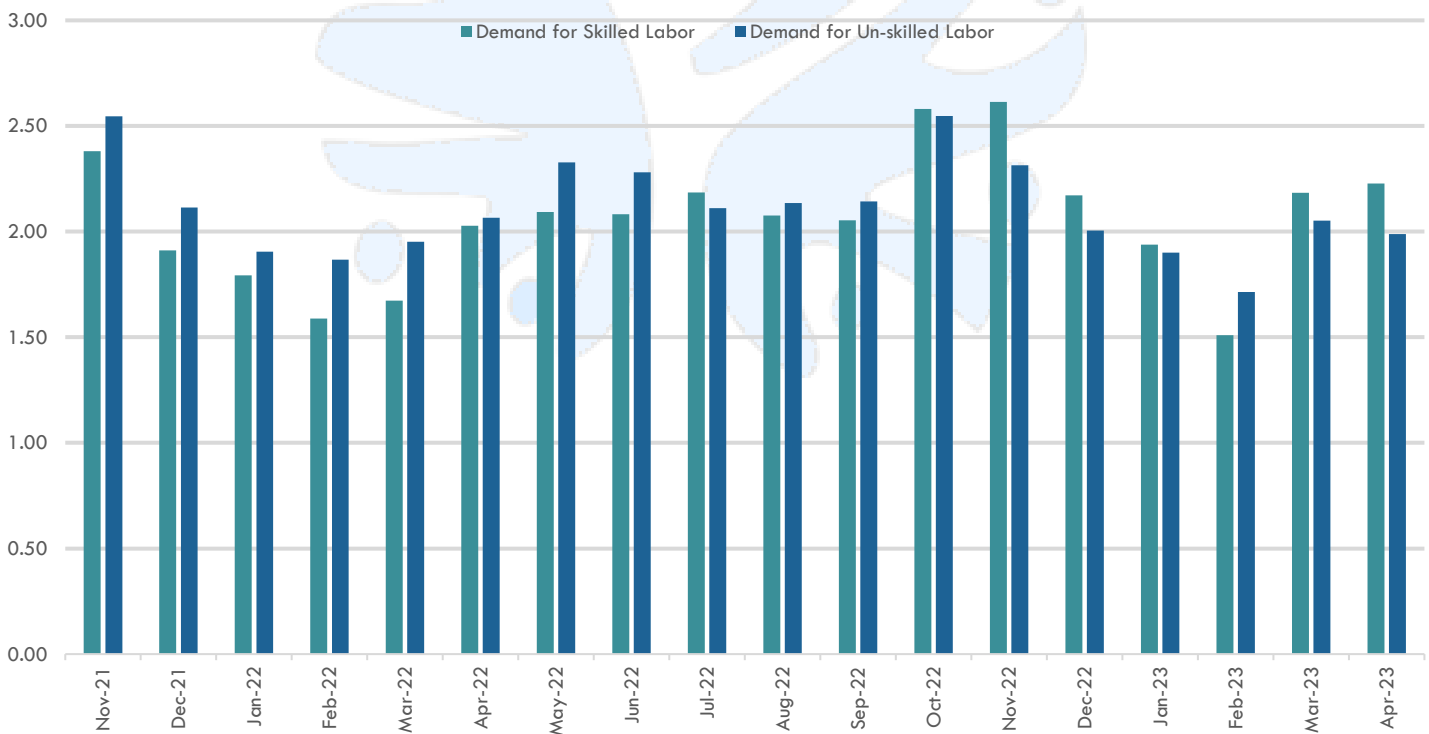


**Source:** Wage data from WFP, World Bank staff elaboration.

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

After a seasonal decline since the beginning of the winter, data indicates a slight improvement in employment for both skilled and unskilled workers since March 2023—coinciding with the start of the harvesting and spring seasons increased. However, it is still lower than Oct 2022.

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



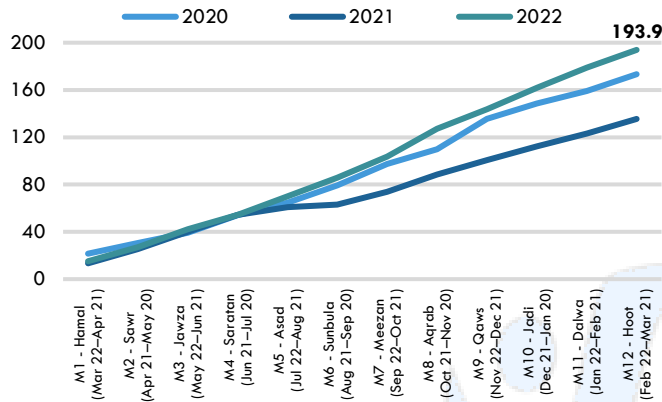
**Source:** Survey data collected by the World Bank's TPMA.

**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.

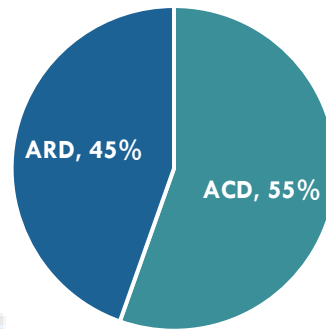
## 3. REVENUES

The total ITA revenue collections in 2022 amounted to AFN 193.9 billion. These revenues derive mainly from border taxes and non-tax sources. The commencement of the fiscal year 2023 also witnessed a substantial revenue collection (AFN 33 billion in the first two months of 2023).

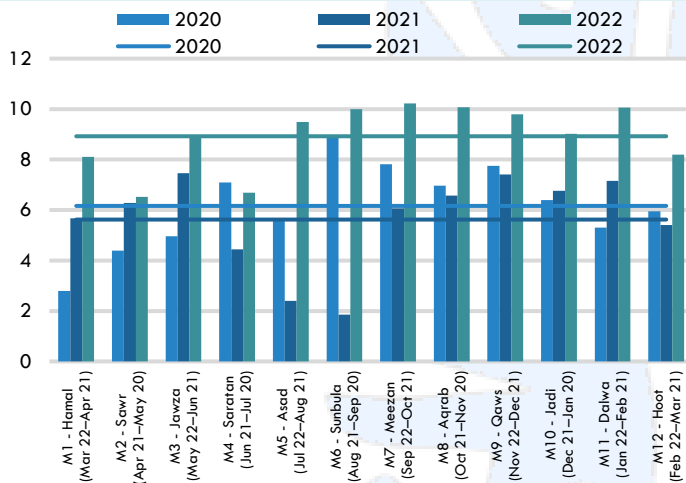
3.1. TOTAL REVENUE COLLECTION – CUMULATIVE (AFN BILLIONS)



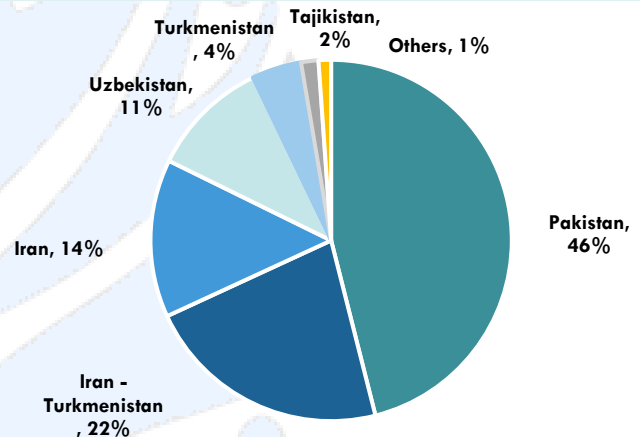
3.2. SHARE OF INLAND (ARD) AND CUSTOMS (ACD) REVENUES IN TOTAL COLLECTIONS



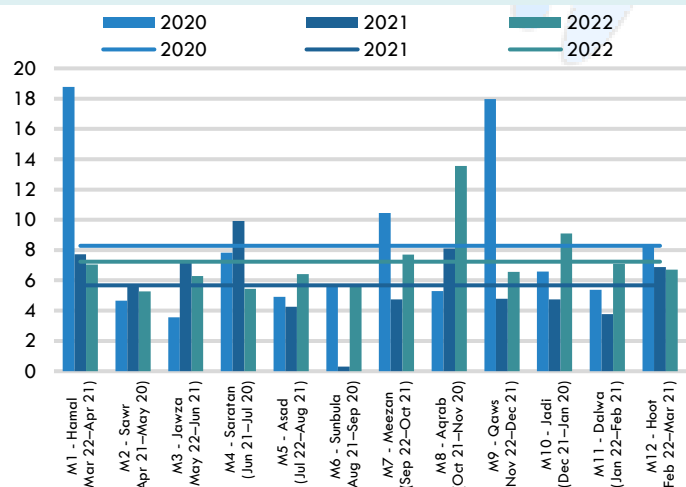
3.3. REVENUES COLLECTED AT THE BORDER (AFN BILLIONS)



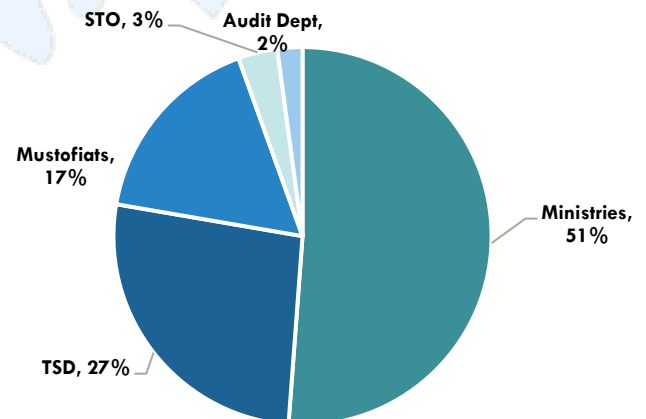
3.4. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



3.5. INLAND REVENUE COLLECTION (AFN BILLIONS)



3.6. PERCENT SHARE OF ARD COLLECTIONS BY SOURCE



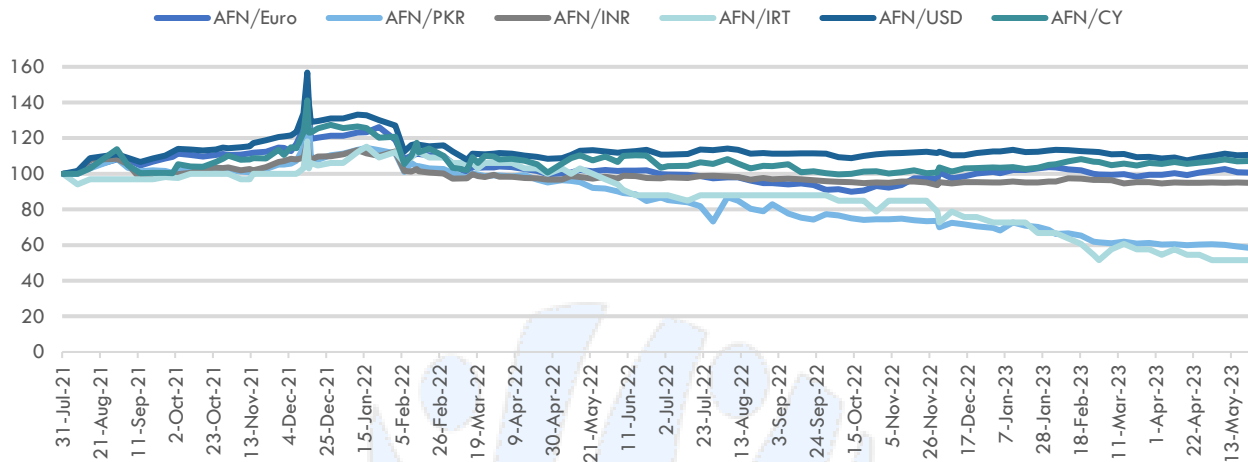
Source: Ministry of Finance.

Note: The Afghan fiscal calendar month, Hamal, runs from March 22–April 21.

## 4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

UN cash shipments, tighter controls by the ITA, and constrained domestic money supply have helped stabilize Afghani against major currencies.

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



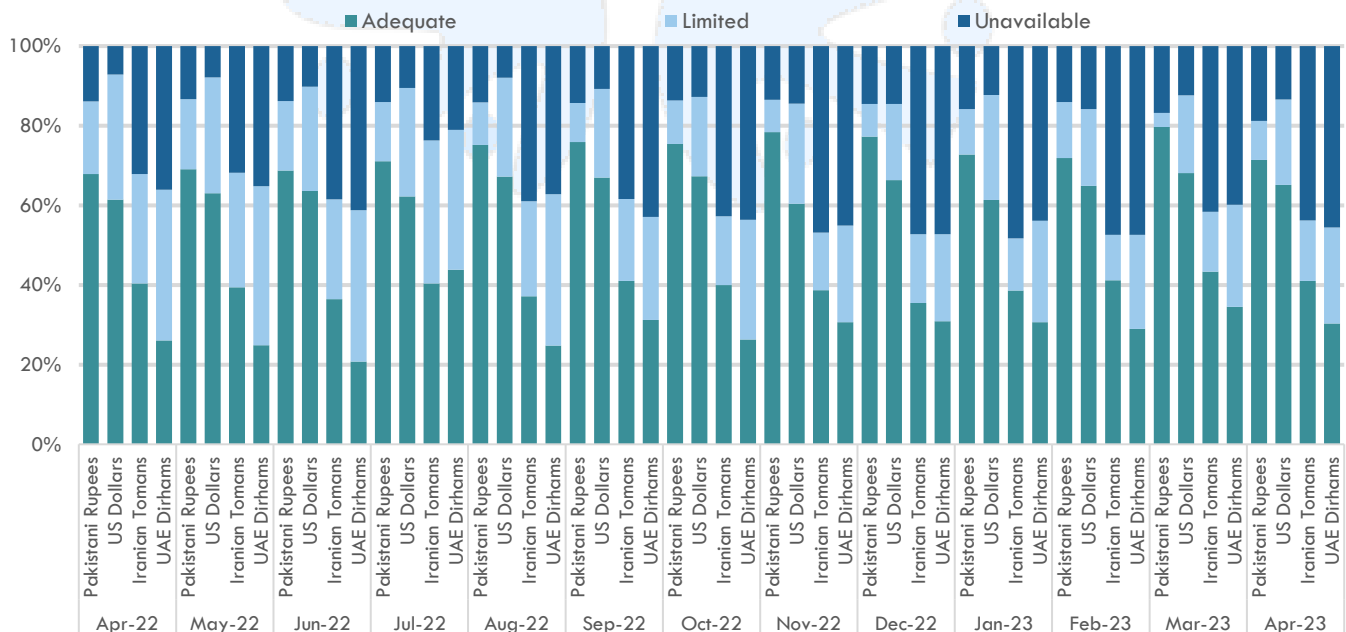
### 4.2. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

	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	28-Mar-23	25-Apr-23	22-May-23
AFN/Euro	4.16	6.65	9.62	14.13	11.61	7.22	2.95	0.28	4.28	4.56	3.30	3.27
AFN/PKR	18.88	40.73	24.25	33.15	38.25	40.19	48.18	50.19	67.42	68.53	70.85	76.17
AFN/INR	10.55	9.05	11.23	12.50	13.26	15.18	13.41	12.69	11.73	13.04	13.62	13.45
AFN/IRT	10.34	10.34	10.34	10.34	23.08	23.08	33.33	45.45	88.24	68.42	77.78	88.24
AFN/US\$D	-1.87	-3.98	-2.35	-2.36	-2.03	-2.61	-3.37	-3.87	-3.14	-0.74	-0.22	-1.60
AFN/CY	-0.32	-2.33	-1.22	2.80	1.65	2.40	-0.50	-1.90	-3.30	-2.86	-2.96	-3.83

Source: Data from DAB, World Bank staff elaboration.

In April 2023, other than US\$, the availability of other foreign currencies deteriorated further.

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

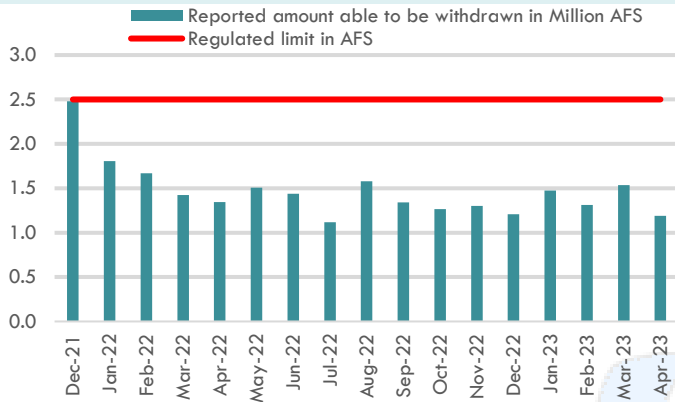


Source: Survey data collected by the World Bank's TPMA by visiting 144 money service providers in 48 markets in the country.

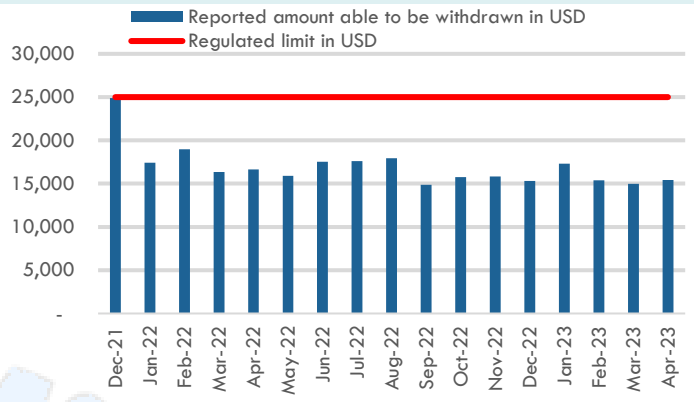
Note: Includes banks, Hawala operators, and informal currency exchangers.

In April 2023, individual depositors' ability to withdraw funds in AFN and US\$ from bank accounts improved - above the limit set by the DAB. However, firms remain constrained in withdrawing AFN and US\$ deposits.

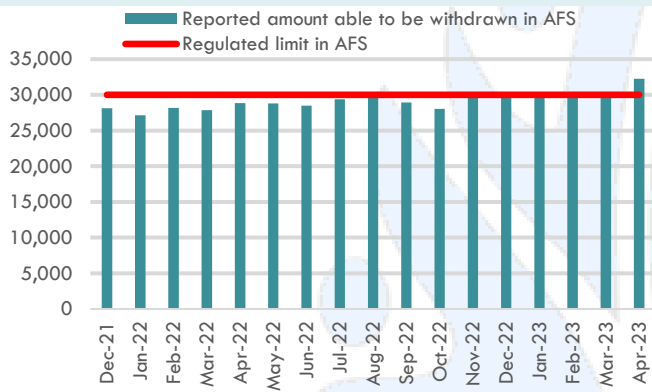
#### 4.4. MONTHLY WITHDRAWALS – FIRMS (AFN MILLIONS)



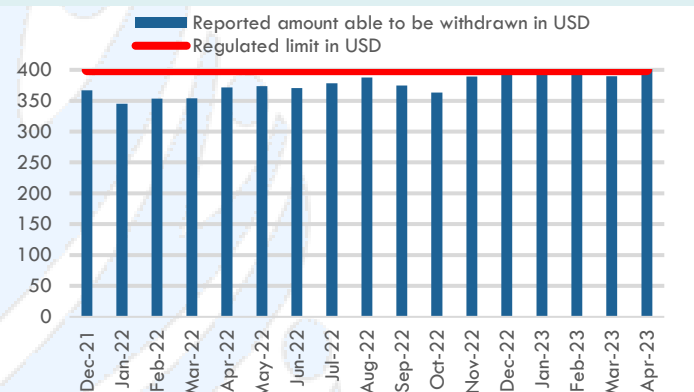
#### 4.5. MONTHLY WITHDRAWALS – FIRMS (US\$)



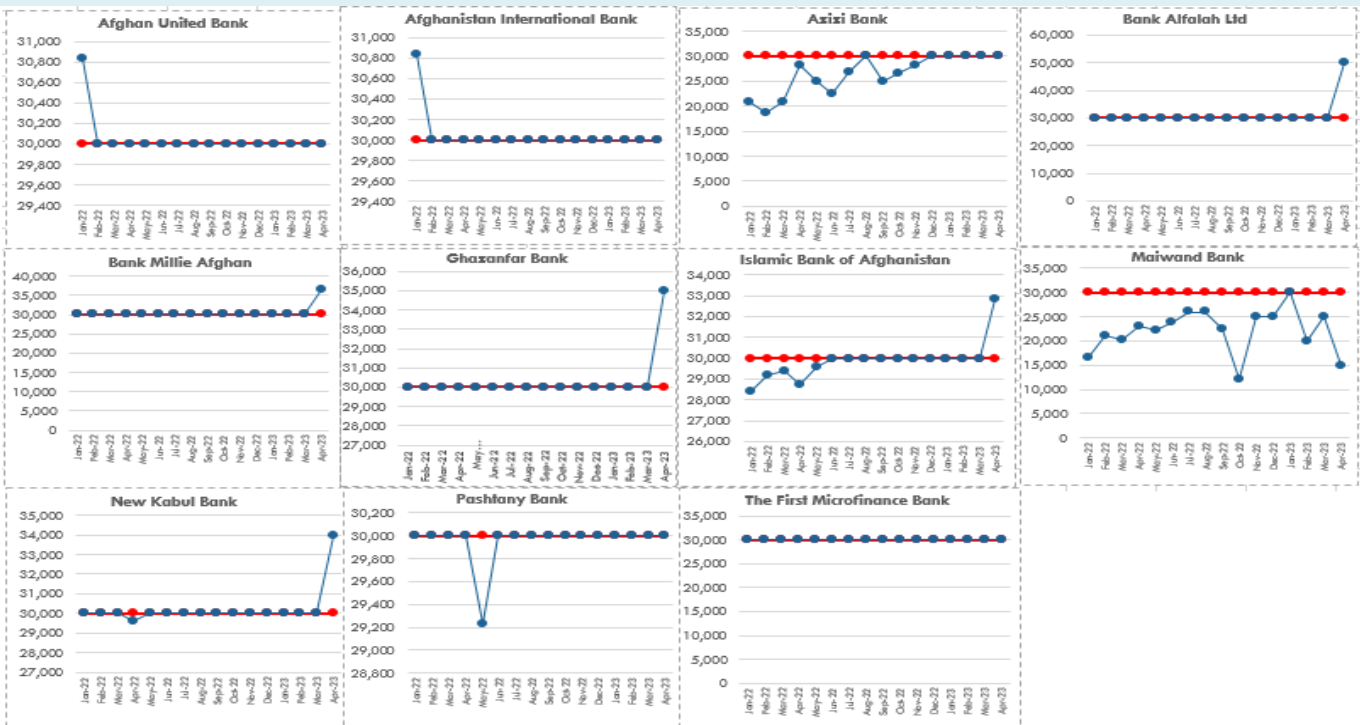
#### 4.6. MONTHLY WITHDRAWALS – INDIVIDUALS (AFN)



#### 4.7. MONTHLY WITHDRAWALS – INDIVIDUALS (US\$)



#### 4.8. AVERAGE MONTHLY WITHDRAWAL – INDIVIDUAL (AFN)



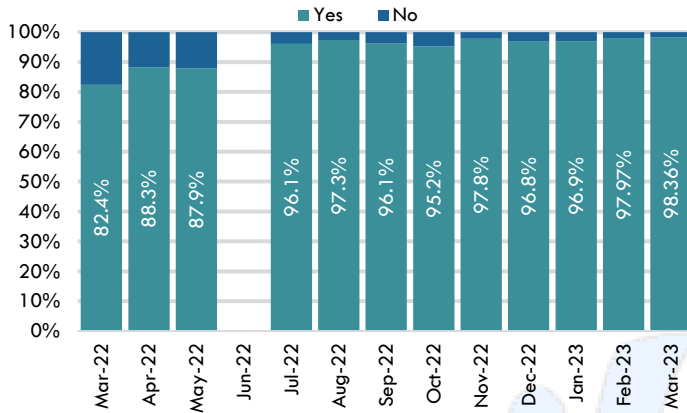
Source: Survey data collected by the World Bank's TPMA.

Note: Regulated limit as stipulated by DAB, and amounts depositors could withdraw as reported by individual respondents to the TPMA survey.

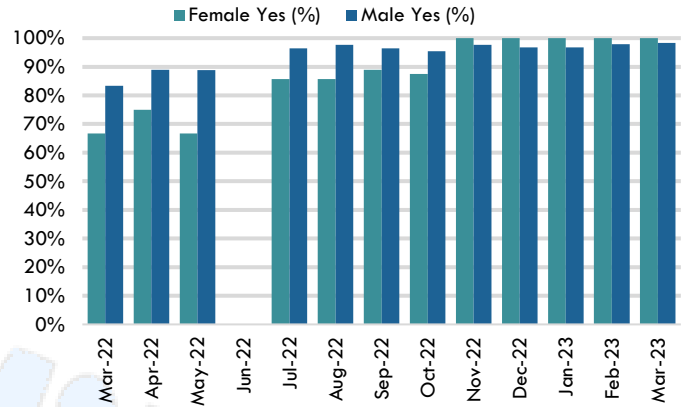


Over the past few months, civil servants have regularly received salaries.

4.9. CIVIL SERVANTS RECEIVED SALARIES DURING THE LAST THREE MONTHS

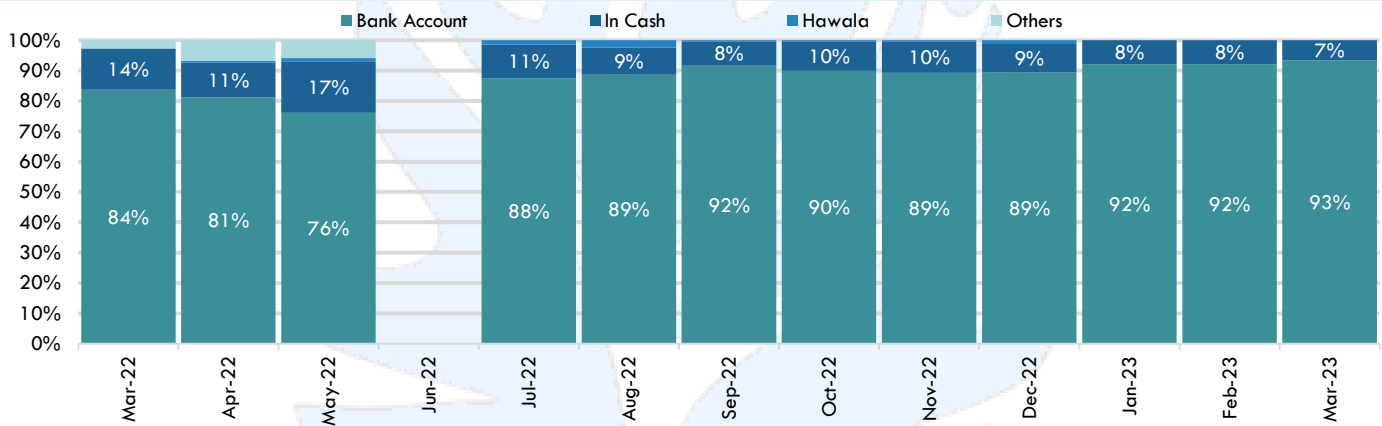


4.10. MALE VS. FEMALE RESPONDENTS RECEIVING SALARIES IN THE LAST THREE MONTHS



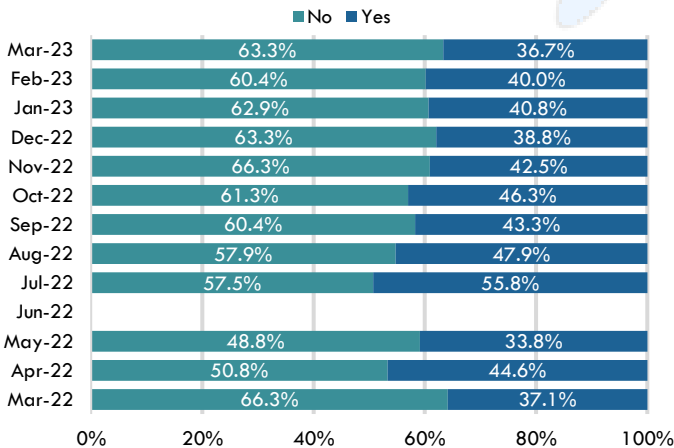
Cash and bank accounts are reported to be the two most common means of receiving salaries.

4.11. MODE OF SALARY PAYMENT (FOR THOSE WHO HAVE RECEIVED SALARIES DURING THE LAST THREE MONTHS)

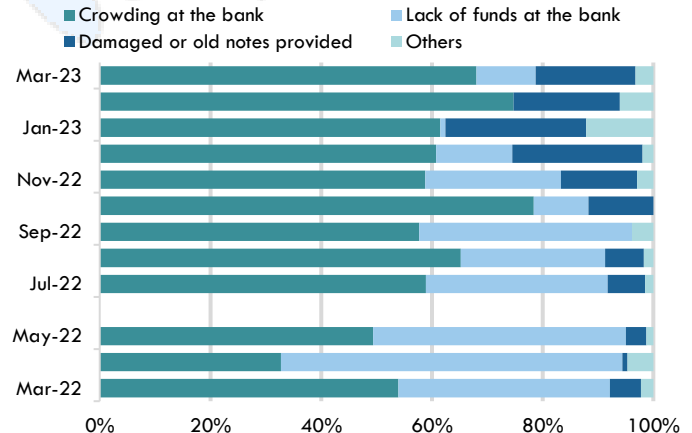


Crowding in bank branches and damaged currency notes are consistently the main problems faced in withdrawing salaries.

4.12. CIVIL SERVANTS FACE CHALLENGES WHEN WITHDRAWING SALARIES THROUGH BANKS



4.13. CHALLENGES FACED BY CIVIL SERVANTS WHEN WITHDRAWING SALARIES THROUGH BANKS



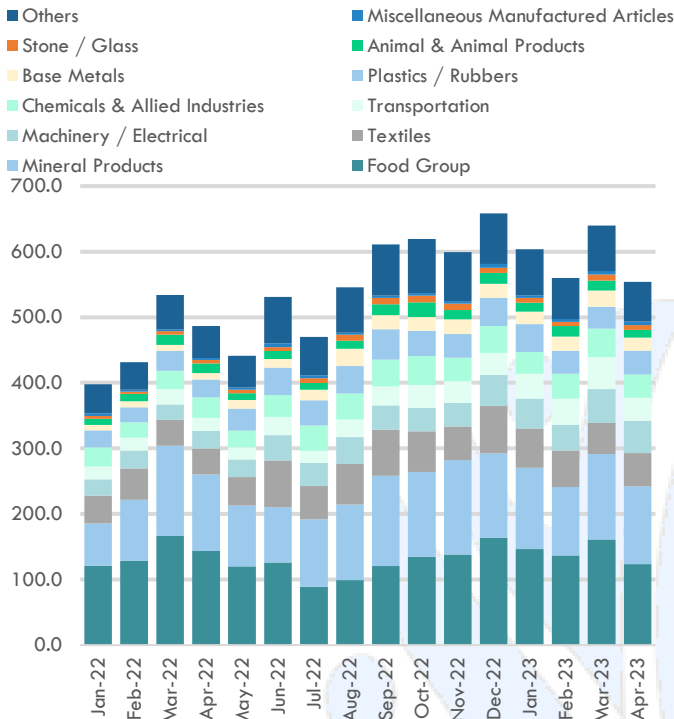
Source: Survey data collected by the World Bank's TPM from 244 civil servants (Males 239, Females 5)

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

## 5. TRADE DEVELOPMENTS

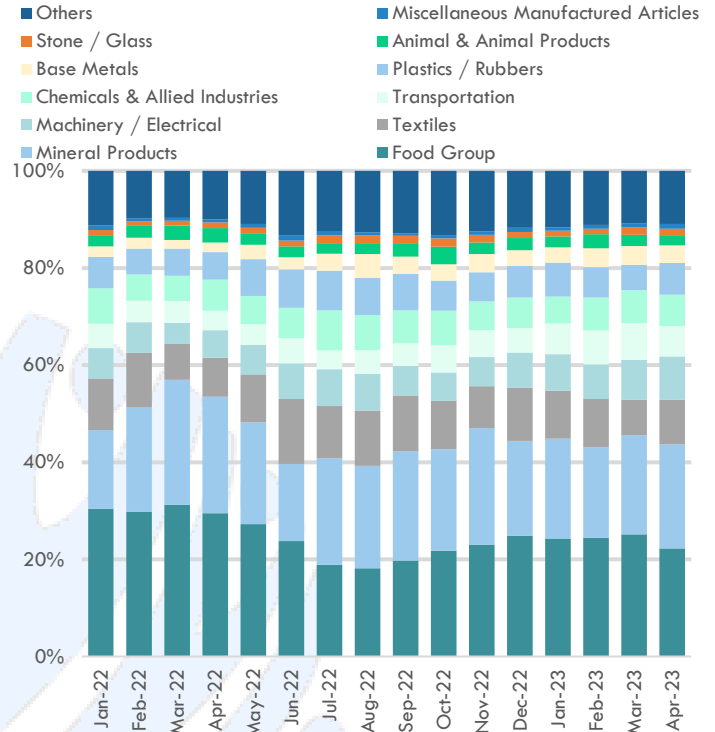
Merchandise imports in the first four months of 2023 are substantial. Exports grew moderately during the period under review. Coal and textiles to Pakistan remain the main driver of Afghanistan's exports.

5.1. AFGHANISTAN IMPORTS (US\$ MILLIONS), JAN 2022 – APR 2023



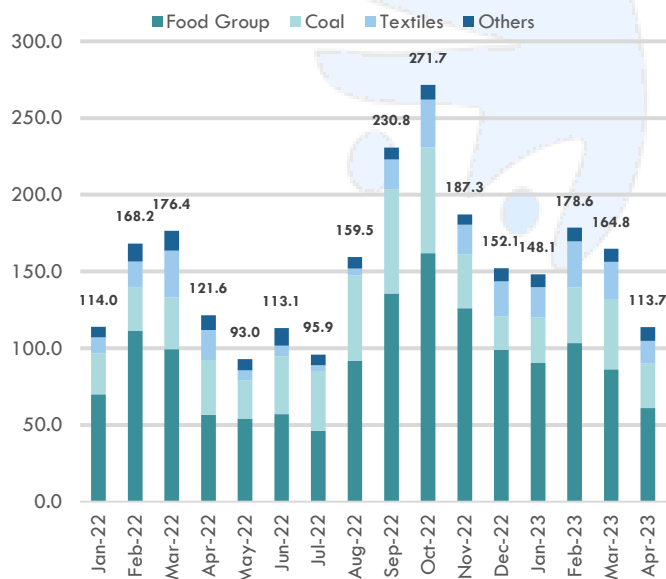
Source: ASYCUDA

5.2. SHARE IN AFGHANISTAN IMPORTS (%), JAN 2022 – APR 2023



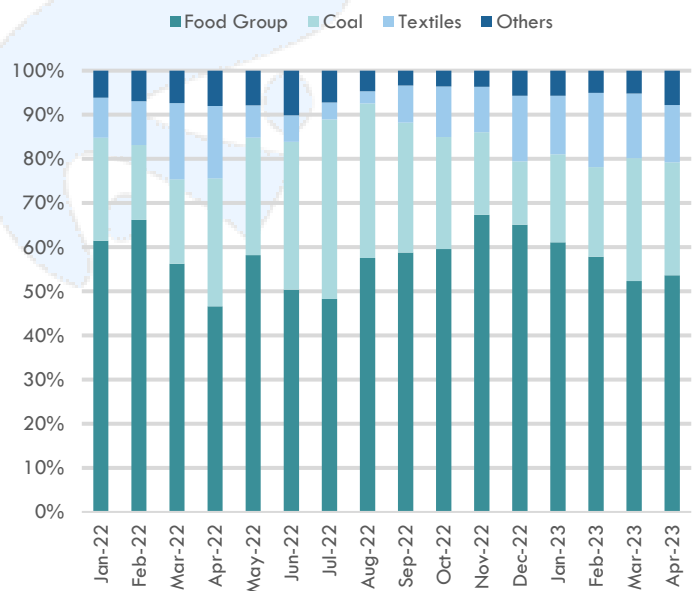
Source: ASYCUDA

5.3. AFGHANISTAN EXPORTS (US\$ MILLIONS), JAN 2022 – APR 2023



Source: ASYCUDA

5.4. SHARE IN AFGHANISTAN EXPORTS (%), JAN 2022 – APR 2023

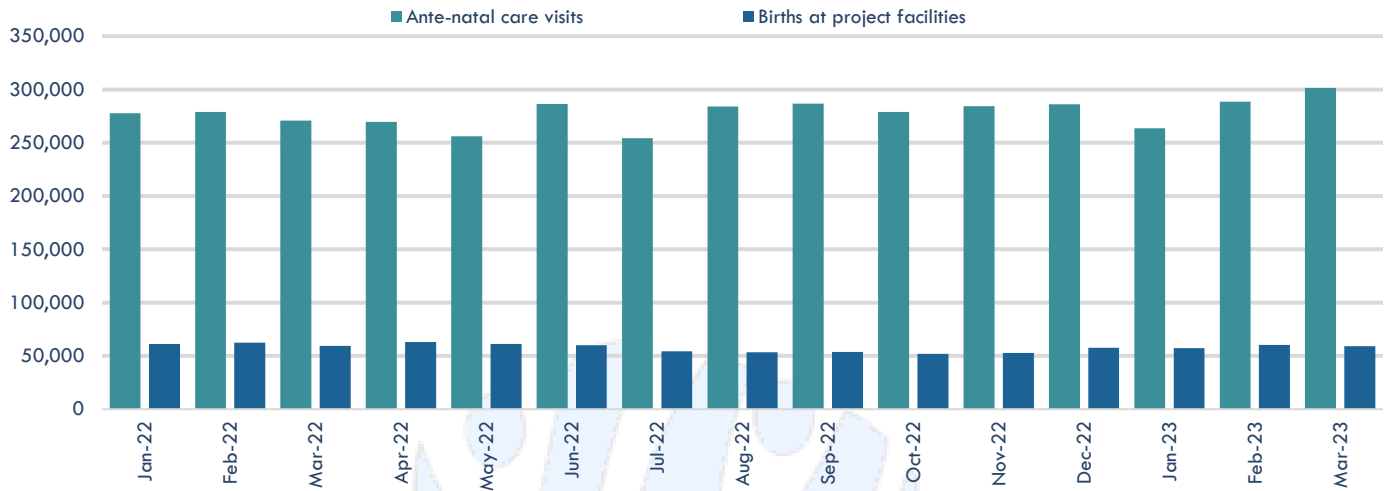


Source: ASYCUDA

## 6. PROVISION OF HEALTH SERVICES

Health Emergency Response (HER) Project has slightly improved ANC visits since February 2023.

### 6.1. SERVICES DELIVERED AT HER-FINANCED HEALTH FACILITIES



Source: Health Management Information System.

*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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