

SUMMARY: Increasing global food and energy prices are seeping into the domestic economy, resulting in high inflation. Labor demand has improved slightly in some parts of the country since February, with a somewhat positive impact on wages in June. However, real wages have declined as a result of inflation. Total revenues collection is in part with pre-transition levels, but with a greater reliance on trade-related taxes and non-tax revenue sources. Since end-May, the Afghani has appreciated against all major currencies; as of July 14, 2022, it is trading close to 88 AFN per USD, 2.1 percent below its August 15, 2021 value. Afghan exports in the first quarter of 2022 were more than double those in the first quarter of 2021, as coal and agriculture exports to Pakistan have picked up. Imports fell in line with depressed domestic economic activity.

Prices of basic food and fuel items rose significantly in June 2022. Data suggest that most basic food and non-food items remain available.¹ However, increasing global energy and food prices (about half of the country's imports), combined with the drought's impact on agriculture, continue to drive inflation in Afghanistan. In June 2022, prices increased for: (i) diesel (22.6 percent), (ii) wheat flour (9.5 percent), (iii) high-quality rice (8.4 percent), (iv) sugar (5.6 percent), and (v) bread (5.6 percent) resulting in 50 percent year-on-year (y-o-y) inflation for basic household goods²—a ten percentage point increase from May. The National Statistics and Information Authority (NSIA) has not yet issued official June 2022 price statistics, but data from May 2022 show headline y-o-y inflation in the consumer price index (CPI) at 15.4 percent, driven mainly by y-o-y food inflation of 23.2 percent.

The Afghani (AFN) strengthened against major currencies in recent weeks. Data issued by the Da Afghanistan Bank (DAB) show that, between the end-May and mid-July, the AFN appreciated against all major currencies (1.3 percent against the United States dollar (USD) despite its global strengthening, 2.8 percent against the Euro, 5.0 percent against the Chinese yuan, 14.3 percent against Iranian toman, and 9.3 percent against Pakistani rupee). 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 stronger controls in the foreign exchange market, including by regulating the MSP sector³ and prohibiting the use of foreign currency (for example, to buy or sell a house, apartment, or other commodities and in housing rental transactions).

Access to liquidity from banks remained regulated for both firms and individuals. Individuals report slightly higher access to cash from banks over the last quarter, although still below statutory limits (both in USD and AFN). Firms, which are subject to higher statutory limits, reported accessibility to be much lower than the allowed limit.

Labor demand was relatively stagnant during June 2022, despite some regional variations. In a relatively unchanged environment, employment opportunities are mostly seasonal and related to agriculture. For instance, labor demand increased in Baghlan and Kunduz provinces due to the rice seedling cultivation season. A similar pattern is observed in Farah, Badakhshan, and Kandahar provinces. Increased extractive sector activity has supported some improvement in labor demand in Sari Pul and Badakhshan provinces. In recent months, coal exports to Pakistan have increased and may boost employment opportunities in the mining and related services, such as transport.

Revenue collection was strong. The ITA collected a total of AFN 75.6 billion (USD 0.84 billion) between December 22, 2021, and June 21, 2022, a large share of which (56 percent) was collected at the border by the Afghanistan Customs Department (ACD). Among the inland revenues collected by the Afghanistan Revenue Department (ARD), non-tax sources contributed the greatest share. Domestic tax receipts have been cut by over half compared to the same period last year, reflecting a compressed economy. In addition, the ITA has started levying duties on the export of coal, although no disaggregated data are available to assess actual coal-related revenues.

Goods imports declined in 2021, with the trend continuing in the first quarter of 2022. Goods import fell by 47 percent over the second half of 2021 relative to the same period in 2020, in line with shrinking domestic demand. The contraction in imports was broad-based, covering all categories of goods. In the first quarter of 2022, while imports of fuel and petroleum products increased by 57 percent, imports of other categories of goods declined significantly, resulting in an overall decline in total imports of 11.3 percent y-o-y. Goods exports, on the other hand, have picked up since the fourth quarter of 2021, and the momentum continued into the first quarter of 2022 (with US\$408.7 million in goods exports compared to US\$200.2 million in the first quarter of 2021), reflecting a surge in export of coal and fruits.

¹ Data collected by the Third Party Monitoring Agent (TPMA) from 48 markets in 21 provinces.

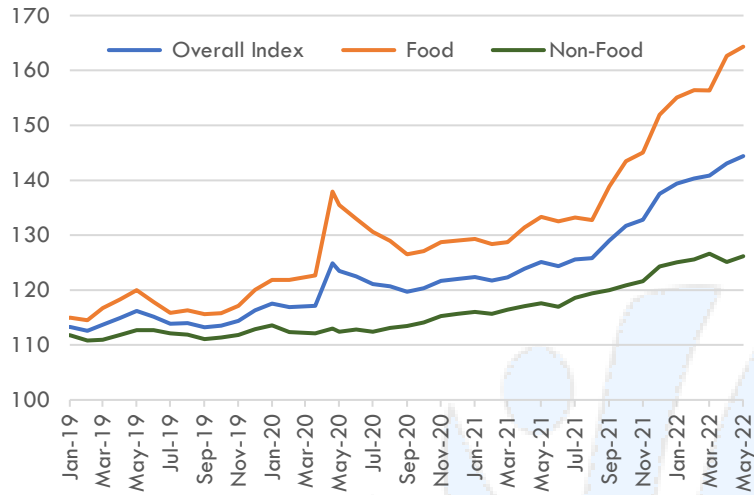
² Index constructed by the World Bank, using the weekly prices of 11 basic food and fuel items collected by the World Food Program (WFP).

³ 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.

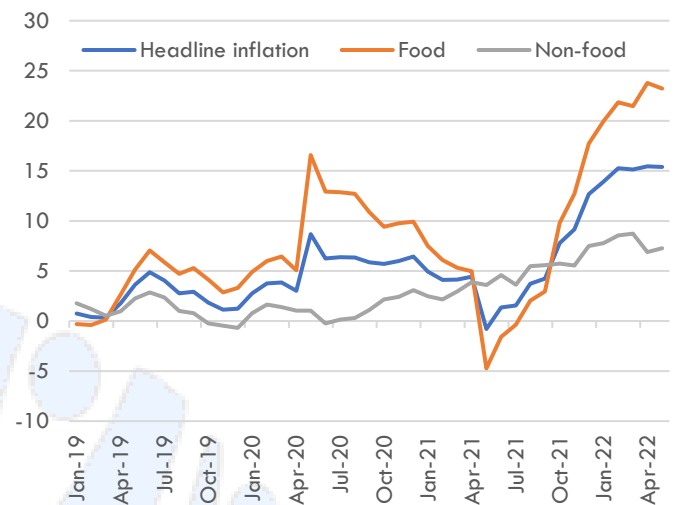
1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

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

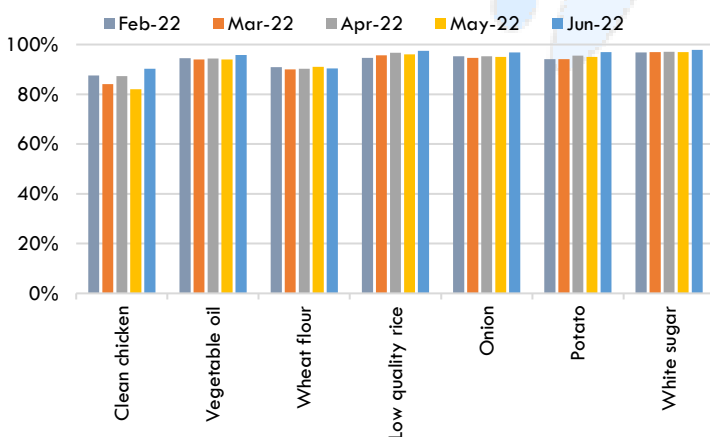
	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Bread	3.8	7.5	6.2	7.8	8.6	8.7	10.2	11.6	12.0	14.9	18.1	22.0
Fuel (diesel)	52.3	86.7	48.8	79.4	94.2	97.9	95.1	68.8	73.2	57.3	66.3	95.3
Oil (cooking)	39.1	51.8	58.5	70.1	64.5	55.5	62.3	47.3	43.9	46.4	50.3	51.3
Pulses	-0.9	4.6	3.8	9.4	13.3	14.8	28.7	27.6	24.1	23.8	22.9	23.7
Rice (high quality)	3.4	7.2	8.5	6.6	7.6	9.4	18.8	21.9	19.8	19.3	24.0	34.2
Rice (low quality)	3.3	9.6	9.5	5.8	4.8	8.1	14.3	10.1	9.6	7.9	9.6	14.6
Salt	11.6	12.5	12.2	8.4	13.4	14.1	30.2	25.2	23.4	18.9	21.3	22.9
Sugar	2.1	7.5	12.5	21.2	24.2	25.7	35.3	27.1	24.7	24.4	26.0	33.9
Wheat	6.6	11.6	14.2	26.6	27.3	26.7	40.2	31.0	27.8	35.5	40.3	58.1
Wheat flour (high quality)	1.1	10.2	15.6	28.3	26.7	27.7	42.2	27.6	31.6	44.0	50.5	65.1
Wheat flour (low quality)	0.9	10.7	14.4	30.2	29.0	29.6	45.1	32.3	32.1	44.7	52.7	68.2
Basic Household Goods Price Inflation	10.7	20.4	21.6	31.9	32.0	32.0	42.5	32.0	32.2	36.6	41.6	51.7

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

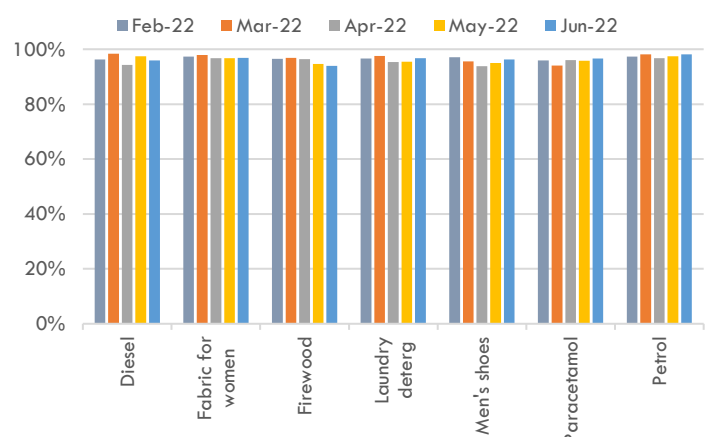
Note: This Index uses WFP price data for ten critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of basic household inflation trends.

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

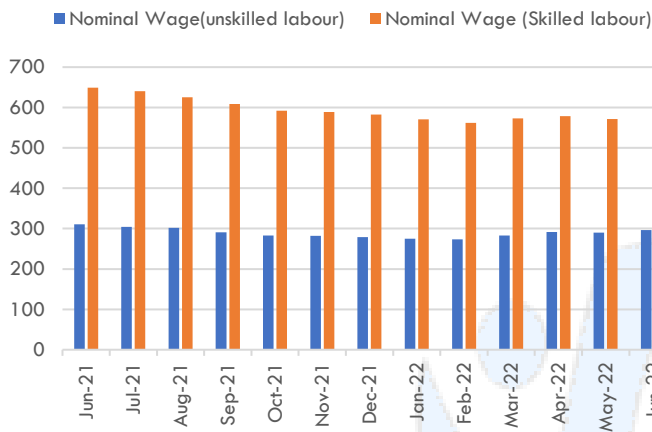


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

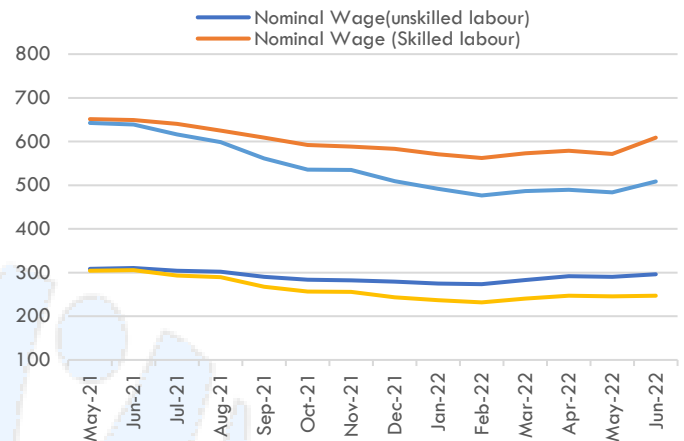
2. LABOR MARKET CONDITIONS

Nominal wages are recovering gradually to pre-August 2021 levels, but 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)

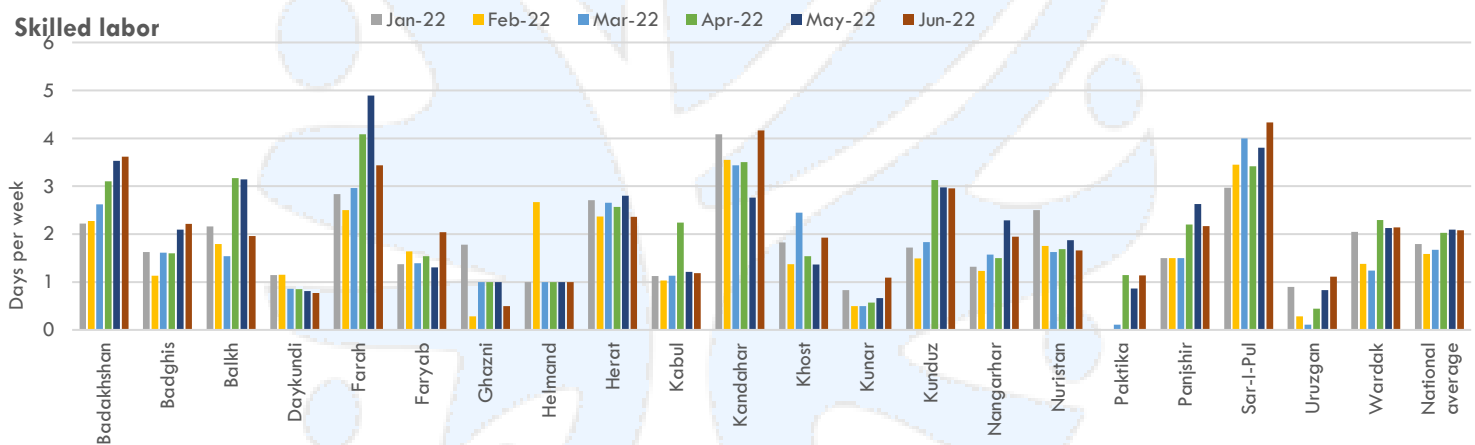


Source: Wage data from WFP, World Bank Staff elaboration. Real wages are calculated using price data from the NSIA. The inflation date for June is projected.
 Note: Real wages to January 2022 are calculated based on CPI inflation reported by NSIA. Real wages for February and March are calculated based on CPI estimates prepared by the World Bank.

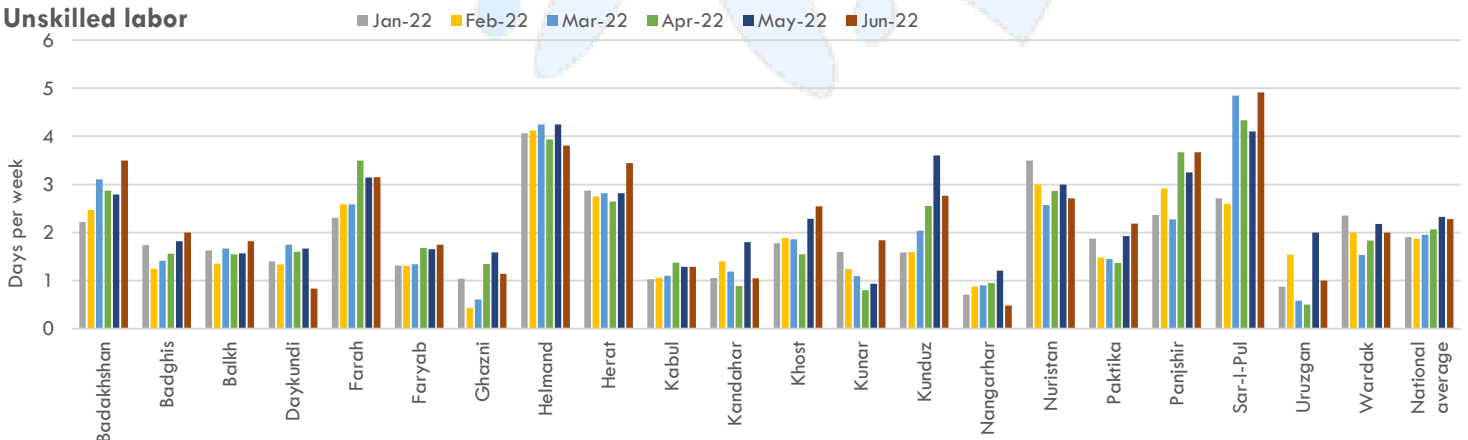
Demand for labor has improved slightly in recent months. However, employment opportunities are mostly seasonal and related to agriculture and mining, while large-scale underemployment persists.

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

Skilled labor



Unskilled labor

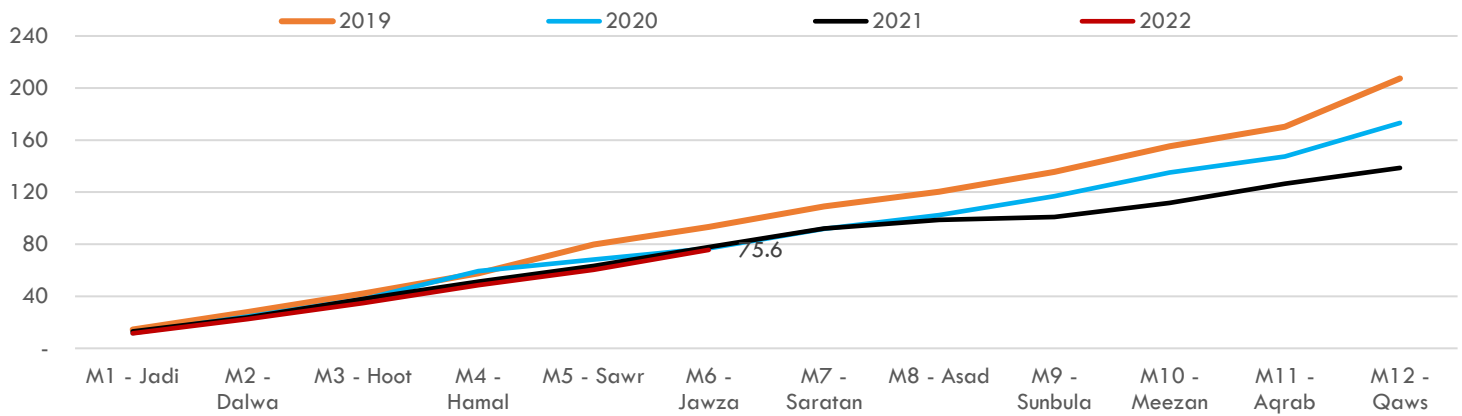


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.
 Note: Data reflect the number of available workdays reported by skilled and unskilled casual workers seeking work. Skilled workers are: (i) carpenters, (ii) electricians, (iii) masons, (iv) painters, (v) plumbers, and (vi)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

3. REVENUES

ITA collected AFN 75.6 billion as of June 21, 2022. While similar to the overall receipts of the Republic government during a comparable period, reliance on customs and non-tax sources has increased.

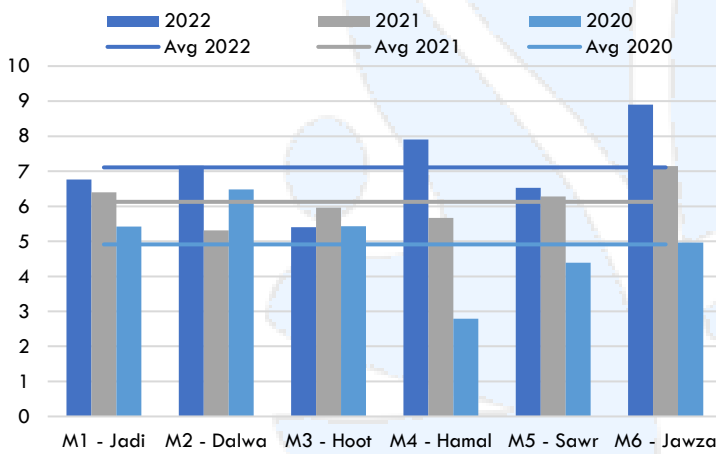
3.1. TOTAL REVENUE COLLECTION—CUMULATIVE (AFN BILLIONS)



Source: Ministry of Finance.

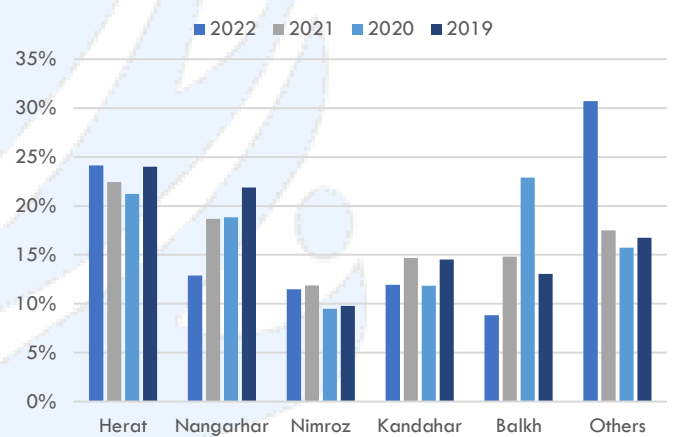
Note: The Afghan solar calendar month, Jadi, runs from December 21-January 20.

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



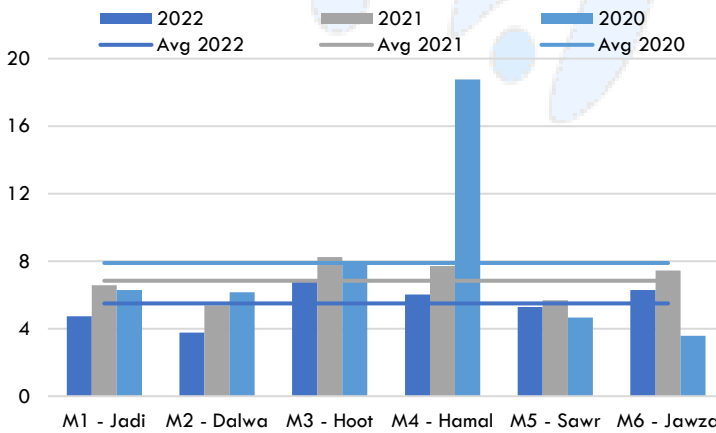
Source: Ministry of Finance.

3.3. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS



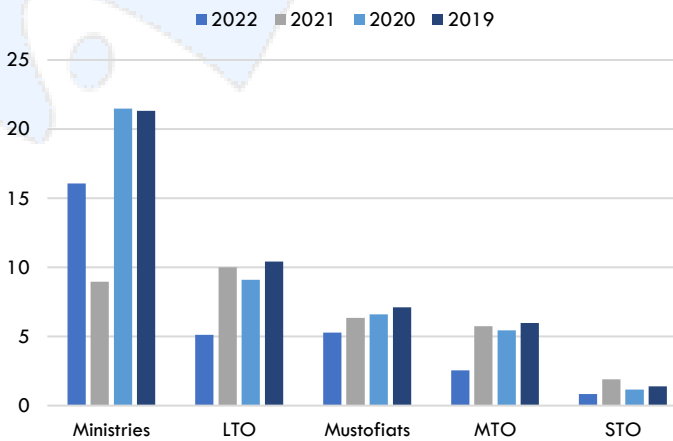
Source: Ministry of Finance.

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



Source: Ministry of Finance.

3.5. PERCENT SHARE OF ARD COLLECTIONS FROM SOURCES

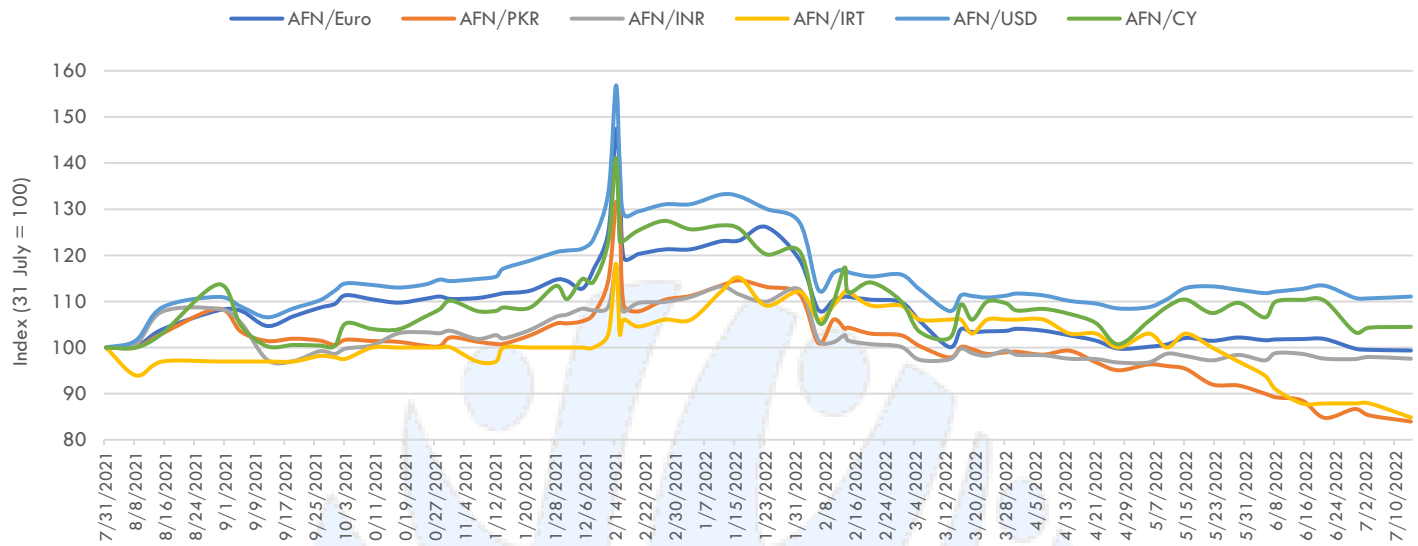


Source: Ministry of Finance.

4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

Since the end-May 2022, the AFN has strengthened against major currencies.

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



Source: Data from DAB, World Bank staff elaboration.

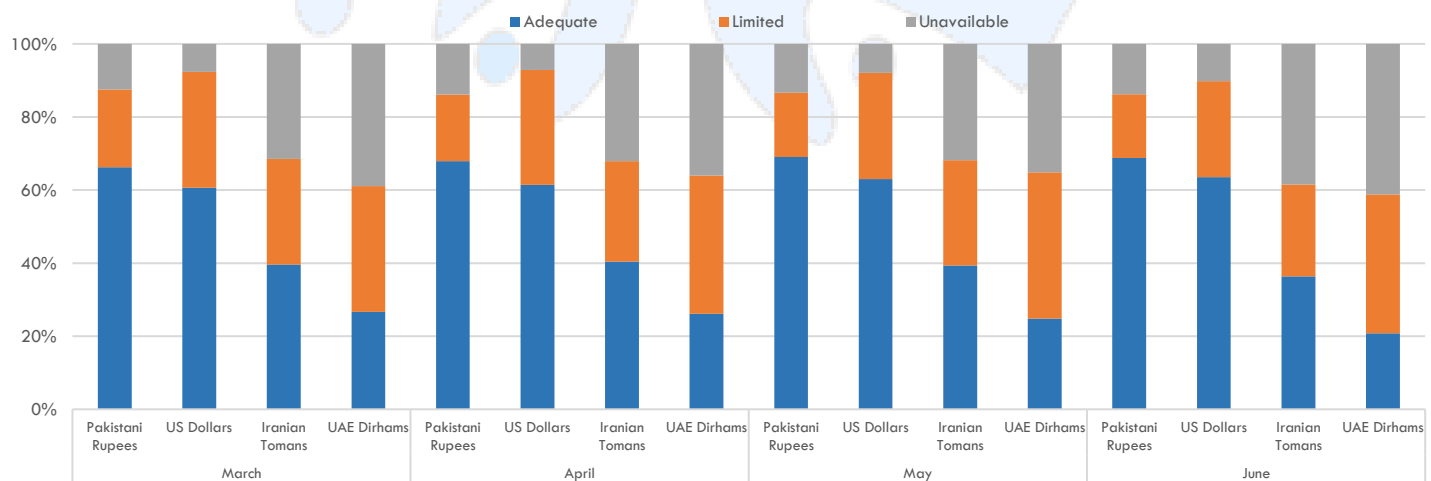
4.2. EXCHANGE RATE – DEPRECIATION BY CURRENCY SINCE END-JULY 2021

	EXCHANGE RATE DEPRECIATION – Since END July 2021												
	15-Aug-21	30-Aug-21	30-Sep-21	28-Oct-21	28-Nov-21	27-Dec-21	01-Feb-22	28-Feb-22	31-Mar-22	27-Apr-22	29-May-22	29-Jun-22	14-Jul-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	4.60
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	22.72
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	10.48
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	14.29
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	-2.11
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	-1.36

Source: Data from DAB, World Bank staff calculations.

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

4.3. AVAILABILITY OF FOREIGN EXCHANGE ACCORDING TO MONEY SERVICE PROVIDERS

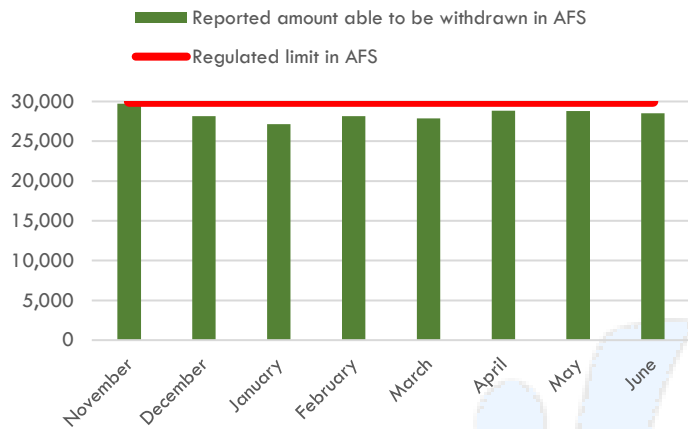


Source: Survey data collected by the World Bank's Third Party Monitoring Agent by visiting 144 MSPs in 48 markets in the country.

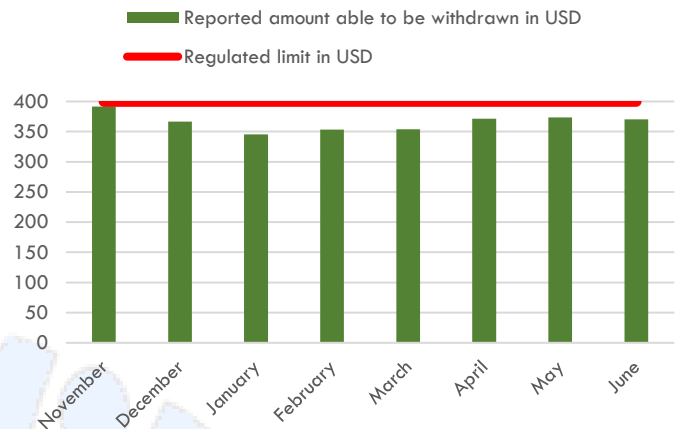
Note: Includes banks, hawala operators, and informal currency exchangers.

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)



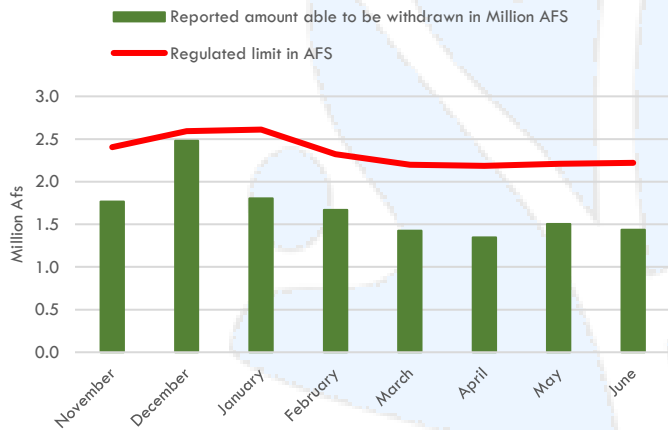
4.5. WEEKLY WITHDRAWALS – INDIVIDUALS (USD)



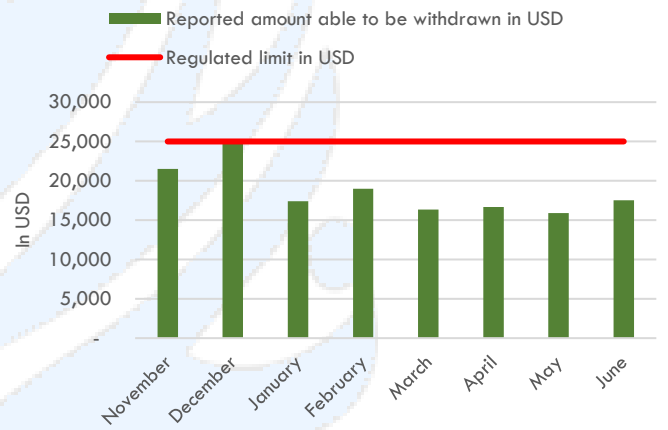
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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)



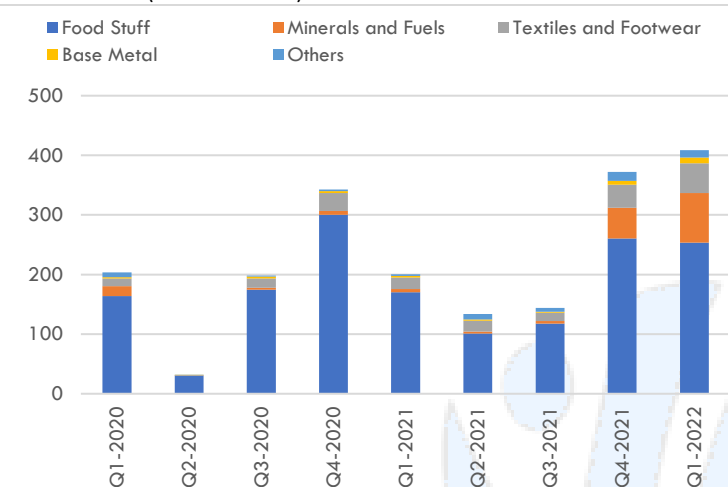
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

Note: DAB 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.

5. TRADE DEVELOPMENTS

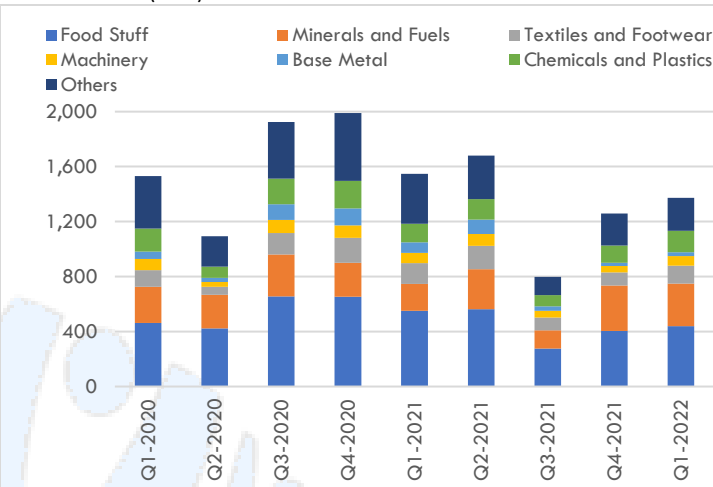
Trade data issued by the Afghan authorities show that exports in the first quarter of 2022 were double those in the first quarter of 2021 due to increased exports of coal and fruits to Pakistan.

5.1. EXPORTS (USD MILLIONS)



Source: NSIA.

5.2: IMPORTS (USD)



Source: NSIA.

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>.