

**Global food and energy prices continue to put pressure on basic household prices in Afghanistan: rising inflation and slow recovery in nominal wages have decreased the affordability of basic consumer goods for households. Demand for skilled workers decreased marginally in August and remained stagnant for unskilled workers, owing largely to the end of the harvest season. Total revenue collection for the first eight months of the current fiscal year is slightly better than pre-August 2021 levels (noting a greater reliance on trade-related taxes and non-tax revenue sources). Since end-June 2022, the AFN has depreciated slightly against the US\$ and Chinese yuan while gaining against Euro, Pakistan rupee, and Indian rupee.**

**Prices of basic food and fuel items continued to exhibit an upward trend in July 2022.** Increasing global prices for energy and food (encompassing about half of Afghanistan's imports) and the impact of the ongoing drought in some parts of the country on agricultural production continue to drive inflation. Data for July 2022, published by the National Statistics and Information Authority (NSIA), show headline consumer price index (CPI) inflation at 18.3 percent, driven mainly by 25 percent year-on-year (y-o-y) inflation in the food segment. Y-o-y inflation in the non-food segment was 11.6 percent. World Food Program data for August show significant y-o-y increases in the prices of basic food and fuel items: (i) diesel (55 percent); (ii) high-quality rice (33 percent); (iii) sugar (31 percent); (iv) wheat (42 percent); (v) pulses (16 percent); and (vi) bread (28 percent). For August 2022, y-o-y inflation for the Basic Household Goods Index (composed of 11 items) stood at 31.5 percent—a slight drop 43 percent in July 2022. Basic food and non-food commodities remain available in the market, per the latest World Bank survey.

**Despite the overall appreciation of the United States dollar (US\$) against major currencies, the Afghani (AFN) remained relatively stable.** The AFN has slightly depreciated against the US\$ and Chinese yuan (by 0.6 percent and 1.9 percent, respectively, between end-June and September 8, 2022), but appreciated against the Euro (6.1 percent), Pakistan rupee (PR, 11.6 percent), and Indian rupee (0.2 percent). However, in the absence of central bank liquidity management (the last reported US\$ auction by Da Afghanistan Bank (DAB) was held on March 23, 2022), money service providers (MSPs) continue to report some foreign exchange shortages in the open market. Nevertheless, the availability of US\$ and PR improved slightly in August 2022. The Interim Taliban Administration (ITA) continues to exert more robust controls in the foreign exchange market, including regulating the MSP sector and prohibiting foreign currency-denominated domestic transactions.

**Cash withdrawals of pre-August 2021 deposits from banks continue to be regulated for both firms and individuals.** During August, individual withdrawals of both US\$ and AFN and business withdrawals of US\$ remain at about the same level as last month, although still below statutory limits. However, firms' AFN withdrawals surged between July and August 2022. Firms still report that actual accessibility is much lower than allowed limits. It is important to note that there are no statutory withdrawal limits on deposits after August 28, 2021.

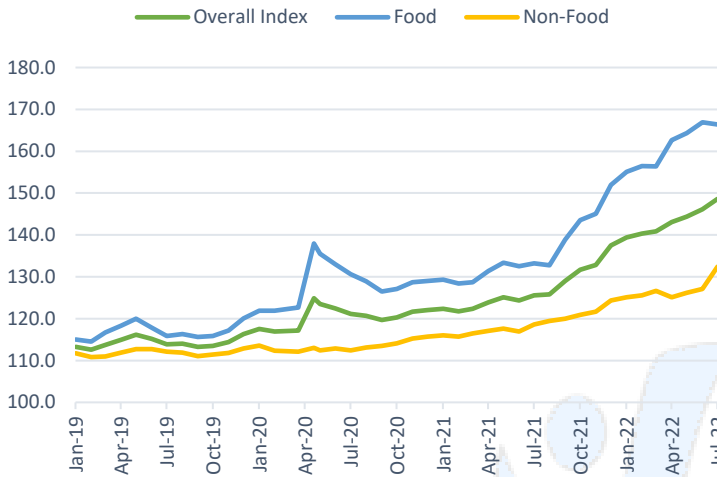
**Demand for unskilled workers remains stagnant at July 2022 levels.** In a relatively unchanged environment, seasonal work opportunities depend on agriculture. With the harvest season ending in most of the country, demand for non-skilled labor remained stagnant overall, with regional differences. While it declined in some provinces in the country's northern, southern, and central regions (including Badakhshan, Balkh, Farah, Herat, and Khost), it increased in some central-northern provinces. Nominal wages are slowly recovering but remain lower than pre-August 2021 levels. Real wages are declining, however, due to high inflation, thereby decreasing the affordability of basic household consumer goods.

**Revenue collection slightly surpassed last year's performance in the first eight months of 2022.** Overall revenue collection reached AFN104 billion between December 22, 2021 and end-August 2022, marginally exceeding collections over the same period in 2020 and 2021. Afghanistan continued to rely relatively heavily, however, on revenue collected at the border—as opposed to inland revenue collection. For example, taxes at borders reached 57 percent of the total revenue collected up to August 2022. Revenue from inland sources reached AFN43 billion (43 percent of the total), of which revenue from non-tax sources remained the highest. Non-tax revenue, comprising mainly revenues from ministries in administration fees and royalties, contributes 54 percent of total inland revenues, compared to 30 percent in 2021. The increase in ministries' revenue is likely driven by a rise in coal mining royalties and fees.

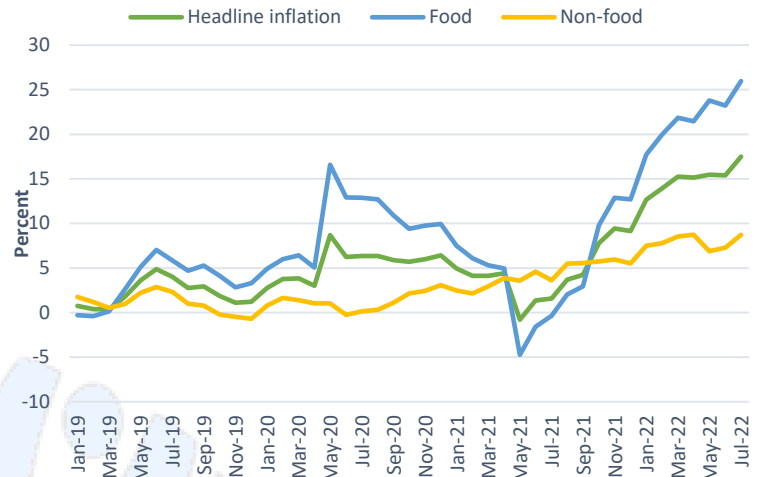
## 1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

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

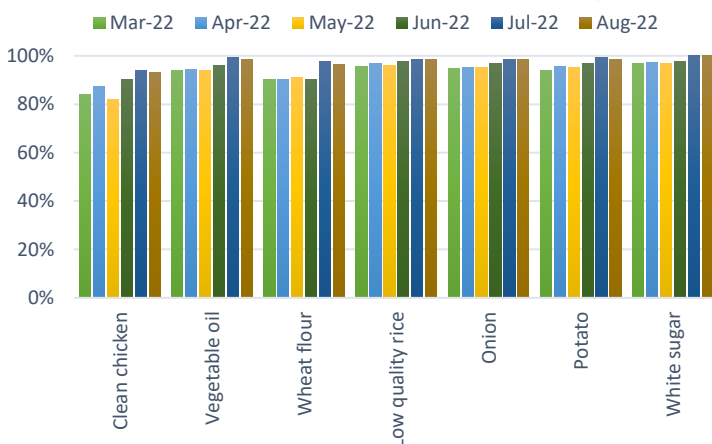
	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
Bread	6.2	7.8	8.6	8.7	10.2	11.6	12.0	14.9	18.1	22.0	23.2	23.3
Fuel (diesel)	48.8	79.4	94.2	97.9	95.1	68.8	73.2	57.3	66.3	95.3	112.5	54.5
Oil (cooking)	58.5	70.1	64.5	55.5	62.3	47.3	43.9	46.4	50.3	51.3	32.3	16.1
Pulses	3.8	9.4	13.3	14.8	28.7	27.6	24.1	23.8	22.9	23.7	23.3	17.7
Rice (high quality)	8.5	6.6	7.6	9.4	18.8	21.9	19.8	19.3	24.0	34.2	37.8	32.9
Rice (low quality)	9.5	5.8	4.8	8.1	14.3	10.1	9.6	7.9	9.6	14.6	13.1	10.9
Salt	12.2	8.4	13.4	14.1	30.2	25.2	23.4	18.9	21.3	22.9	19.0	18.0
Sugar	12.5	21.2	24.2	25.7	35.3	27.1	24.7	24.4	26.0	33.9	37.0	30.9
Wheat	14.2	26.6	27.3	26.7	40.2	31.0	27.8	35.5	40.3	58.1	49.8	43.5
Wheat flour (high quality)	15.6	28.3	26.7	27.7	42.2	27.6	31.6	44.0	50.5	65.1	49.4	41.7
Wheat flour (low quality)	14.4	30.2	29.0	29.6	45.1	32.3	32.1	44.7	52.7	68.2	50.8	41.5
<b>Basic Household Goods Price Inflation</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>	<b>31.5</b>

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

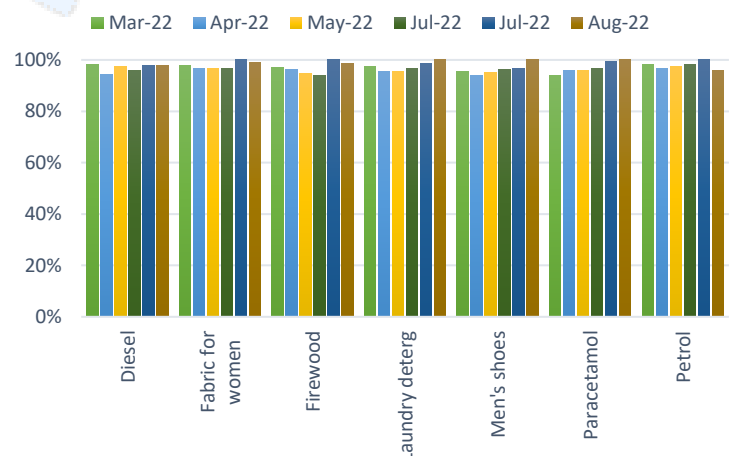
Note: This Index uses WFP price data for 10 critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of basic household inflation trends.

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

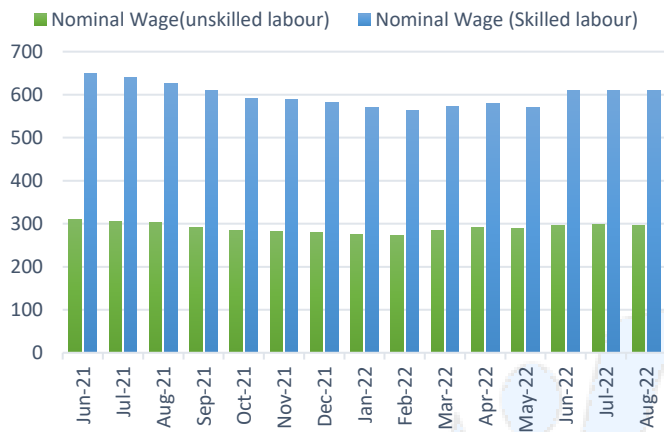


Source: Survey data collected by the World Bank's Third-Party Monitoring Agent.

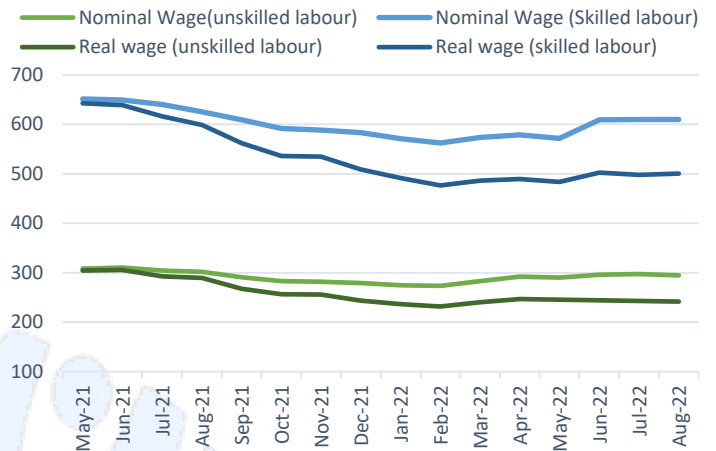
## 2. LABOR MARKET CONDITIONS

Nominal wages are slowly recovering, but remain below pre-August 2021 levels. 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)

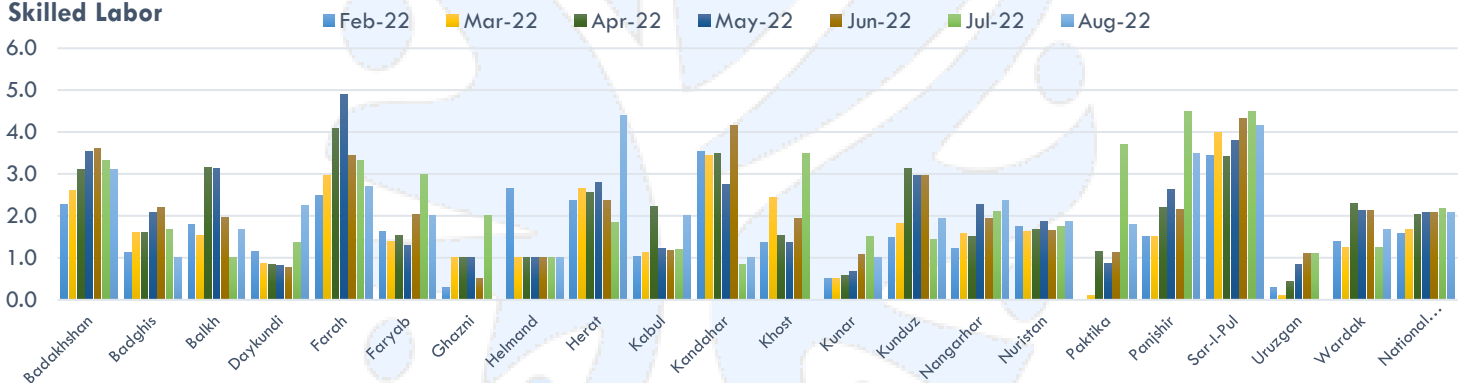


Source: Wage data from WFP, World Bank staff elaboration. Real wages are calculated using price data from the NSIA. Inflation data for June is projected.  
 Note: Real wages to January 2022 are calculated based on CPI inflation reported by NSIA.

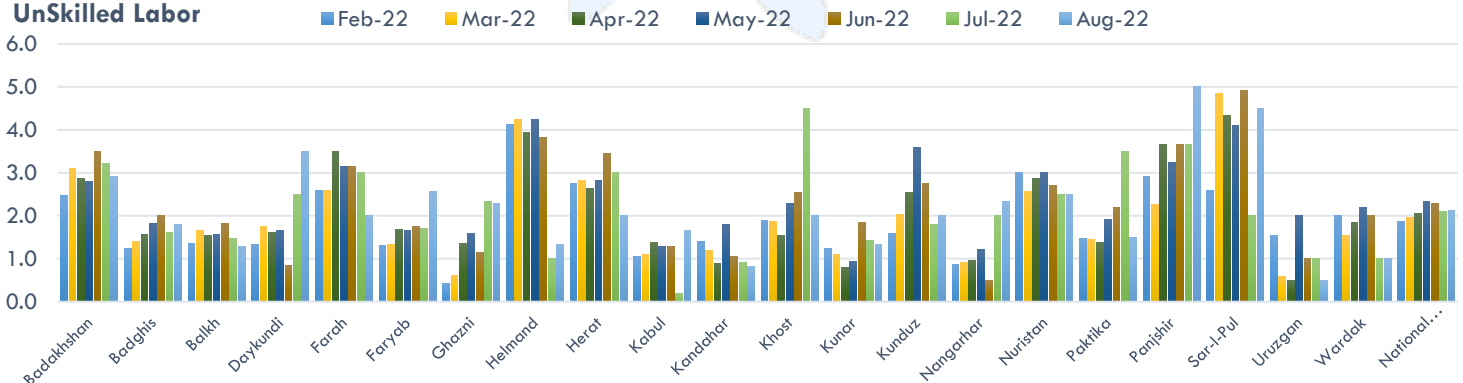
Demand for skilled labor dropped marginally in August following a slight improvement in July, and demand for unskilled labor remains stagnant, likely due to the completion of the agriculture harvest season.

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

#### Skilled Labor



#### UnSkilled Labor



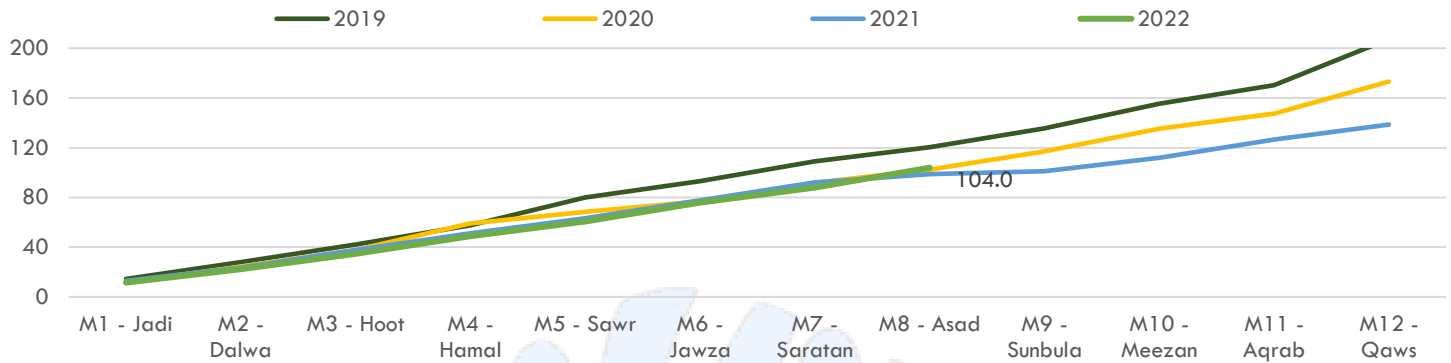
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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

The ITA collected AFN104 billion in the first eight months of 2022. Overall revenue collection slightly exceeded last year's collections, with a higher concentration on trade and non-tax sources.

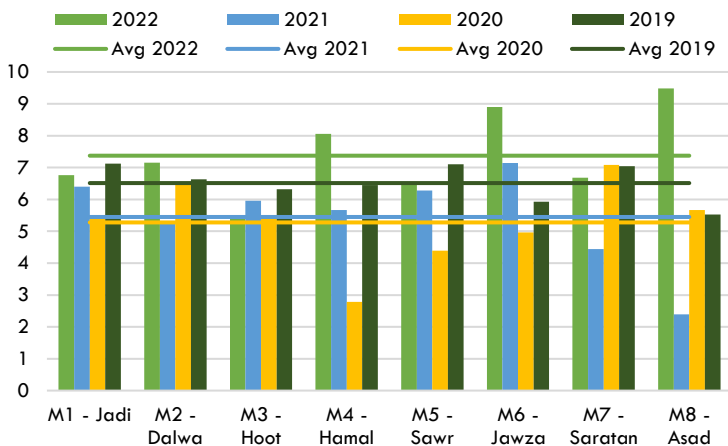
### 3.1. TOTAL REVENUE COLLECTION—CUMULATIVE (AFN BILLIONS)



Source: Ministry of Finance.

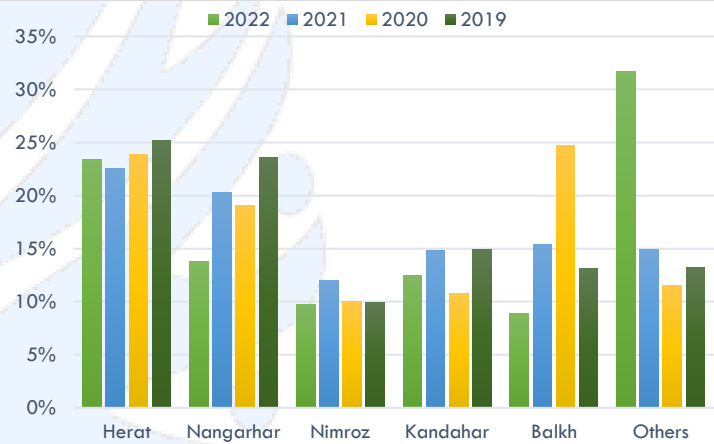
Note: The Afghan solar calendar month, Jadi, runs from December 21-January 20.

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



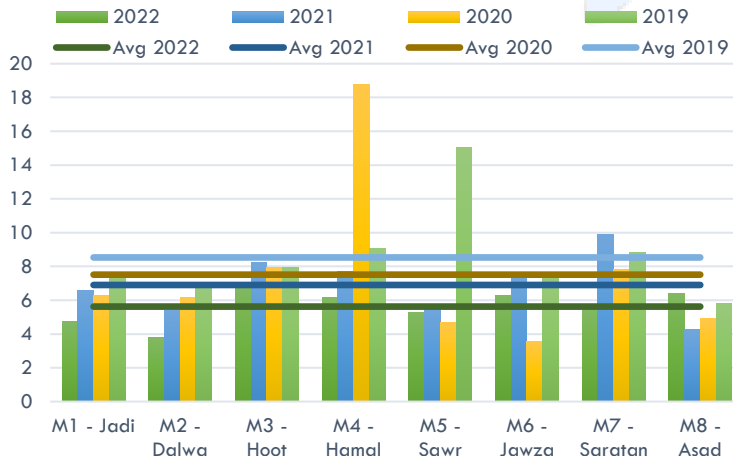
Source: Ministry of Finance.

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



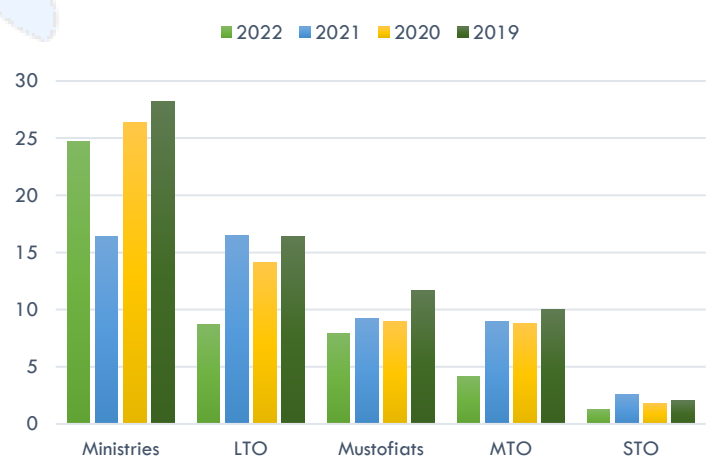
Source: Ministry of Finance.

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



Source: Ministry of Finance.

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

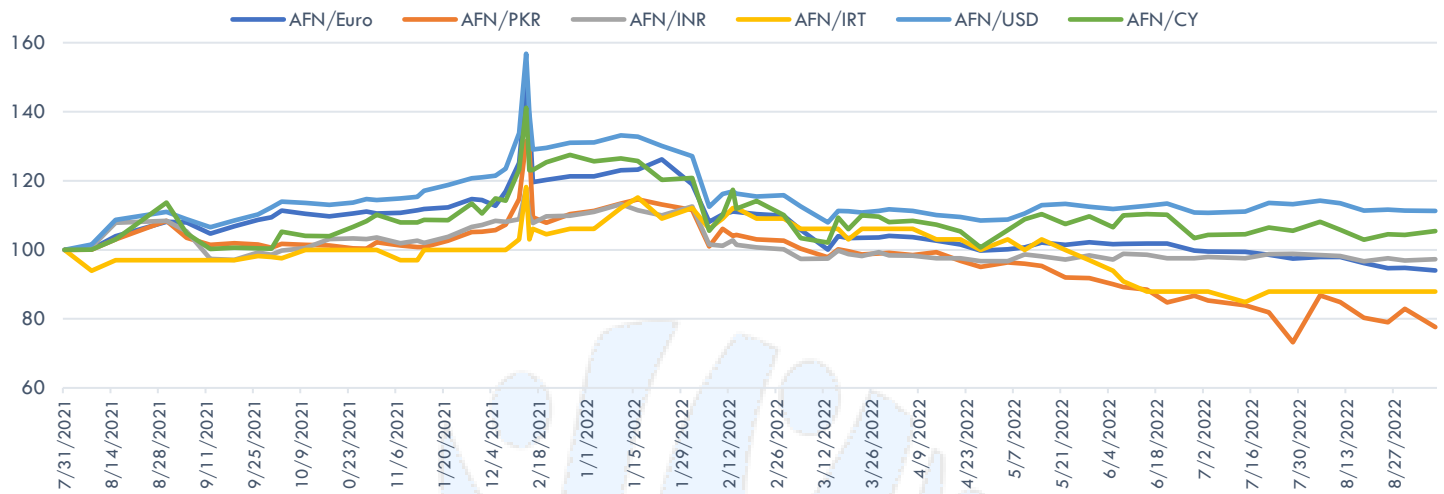


Source: Ministry of Finance.

## 4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

Since end-June 2022, the AFN has depreciated against the US dollar and Chinese yuan, while picking up against the Euro, Pakistan rupee, and Indian rupee.

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



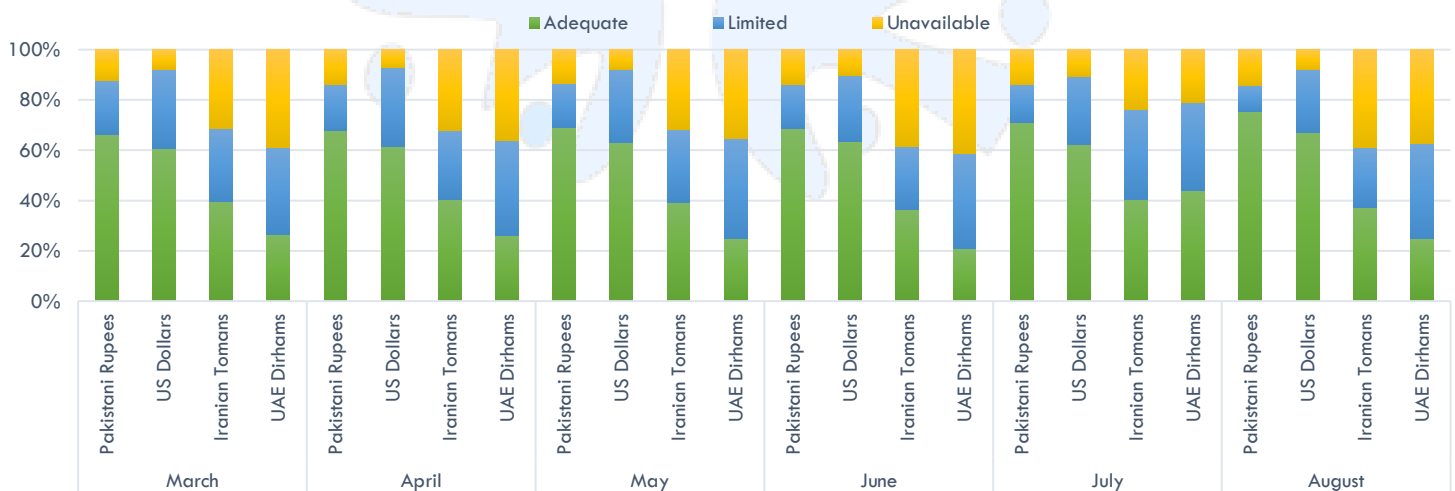
Source: Data from DAB, World Bank staff elaboration.

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

	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	30-Aug-22	8-Sep-22
AFN/Euro	-5.05	-6.42	-9.39	-14.31	-12.66	-5.41	-0.14	4.17	1.71	4.16	6.65	9.62	10.54
AFN/PKR	2.45	2.72	-2.04	-6.62	-7.62	0.35	3.98	8.38	12.28	18.88	40.73	24.25	32.73
AFN/INR	9.31	4.55	1.07	-1.92	-4.25	7.63	9.53	11.41	9.55	10.55	9.05	11.23	10.77
AFN/IRT	-0.93	-3.03	-3.03	-8.57	-13.51	-11.11	-8.57	-3.03	0.00	10.34	10.34	10.34	10.34
AFN/USD	-3.20	-5.25	-9.92	-17.04	-14.45	-6.16	-2.68	0.22	-3.38	-1.87	-3.98	-2.35	-2.33
AFN/CY	2.70	-4.86	-9.10	-19.16	-14.72	-6.38	-4.59	2.33	-6.06	-0.32	-2.33	-1.22	-2.21

Money service providers continue to report foreign currency shortages, although the availability of US dollars and Pakistan rupees improved slightly in August 2022.

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



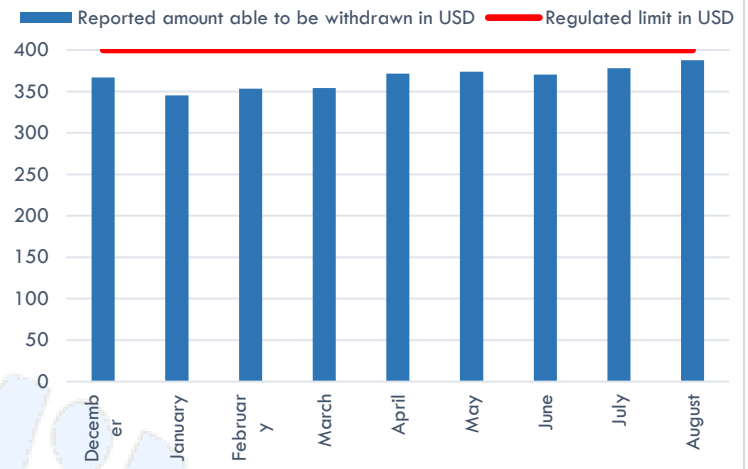
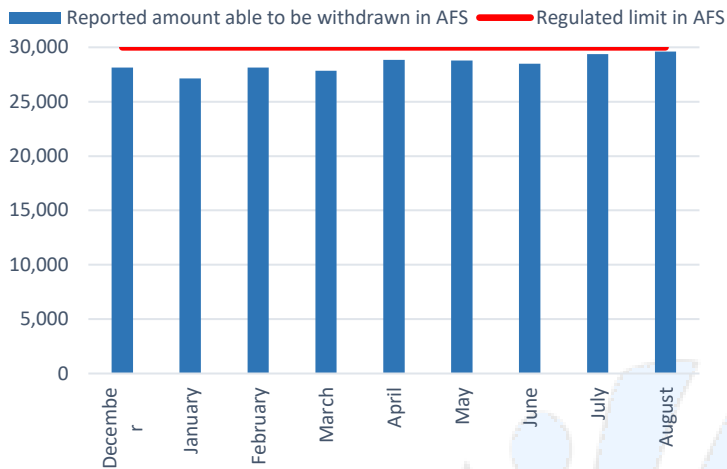
Source: Survey data collected by the World Bank's Third Party Monitoring Agent by visiting 144 MSPs in 48 markets in the country.

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

Firms still report the inability to withdraw funds in AFN and US\$ from bank accounts that were deposited before August 15, 2021, even up to regulated limits.

4.4. WEEKLY WITHDRAWALS - INDIVIDUALS (AFN)

4.5. WEEKLY WITHDRAWALS – INDIVIDUALS (USD)

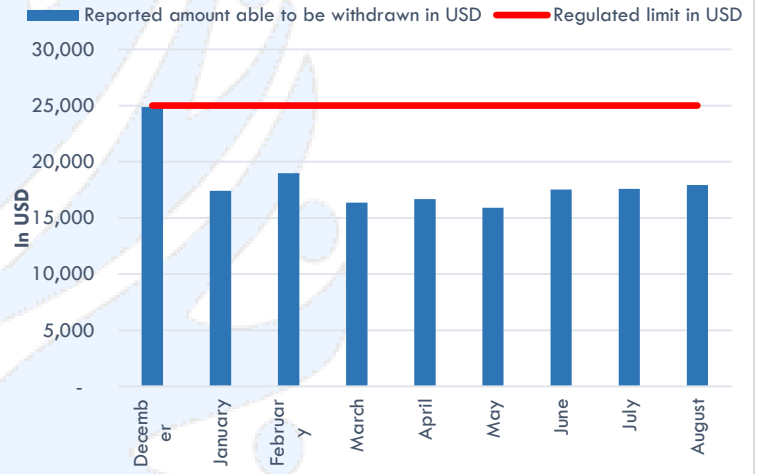
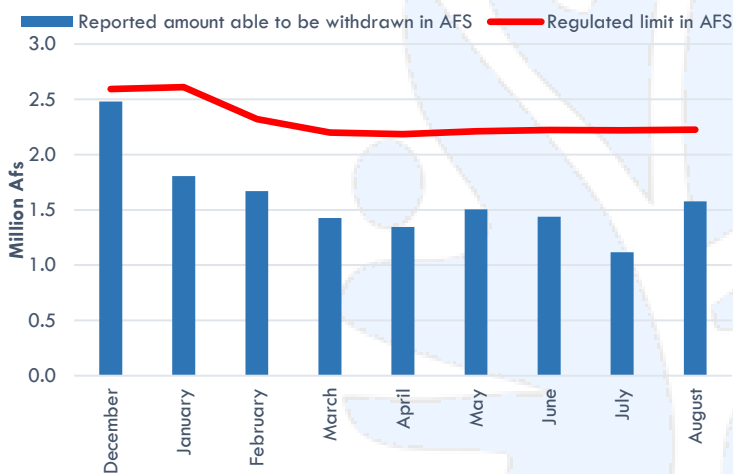


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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)



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>.