

# AFGHANISTAN ECONOMIC MONITOR

April 18, 2022

## HIGHLIGHTS:

**SUMMARY:** Ongoing humanitarian support continues to support some economic stabilization. The exchange rate has appreciated slightly largely due to USD cash shipments. Increased food supply through humanitarian channels and exchange rate appreciation have helped dampen inflationary pressures in March 2022. Labor demand and nominal wages have improved slightly in March 2022 after falling for many months. Real wages also increased slightly in March 2022 due to stable inflation and higher nominal wages. Imports continue to fall. According to Pakistan's trade statistics, Afghanistan's imports from Pakistan declined by 54 percent in Q1-2022 compared to the same quarter of 2021 and decreased by 32 percent compared to Q4-2021.

**The USD shipments for humanitarian purposes have improved the availability of USD in the economy, and the Afghani has strengthened against all major currencies since end-February 2022.** Between February 28 to March 31, 2022, the AFN appreciated by (i) 3.7 percent against the USD, (ii) 5.6 percent against the Euro, (iii) 3.6 percent against the Pakistani Rupee, (iv) 1.8 percent against Indian Rupee, (v) 1.9 percent against Chinese Yuan, and (vi) 2.9 percent against Iranian Toman. After recent appreciation, the Afghani is trading at around 2.7 percent below its August 15, 2021, value relative to the USD. The continued inflows of USD into the economy have increased the availability of USD and allowed the central bank to continue currency auctions—with around US\$33.4 million auctioned since mid-February. Anecdotal reports suggest exchange rate appreciation may also reflect efforts by the Interim Taliban Administration (ITA) to influence rates in currency markets, including by preventing alleged manipulation of rates and hoarding of USD by currency traders.

**In-kind humanitarian aid and exchange rate appreciation have helped stabilize basic household goods inflation, albeit at an elevated level.** Inflation remained stable, at around 32 percent for basic household goods. Despite increasing global prices, prices of wheat, wheat flour, pulses, sugar, and rice slightly declined compared with last month, reflecting increasing food supplies through humanitarian channels. Prices increased for diesel, cooking oil, and bread.

**Labor demand in March has slightly improved after falling consistently over previous months.** Real wages of skilled and unskilled workers slightly increased, reflecting a marginal improvement in nominal wages and stabilized prices.

**Firms and households continue to face difficulties in accessing cash.** Afghani liquidity within the banking sector appears to remain constrained. Firms reported reduced capacity to access cash from bank accounts. Households also saw no improvement in reported access to cash in bank accounts.

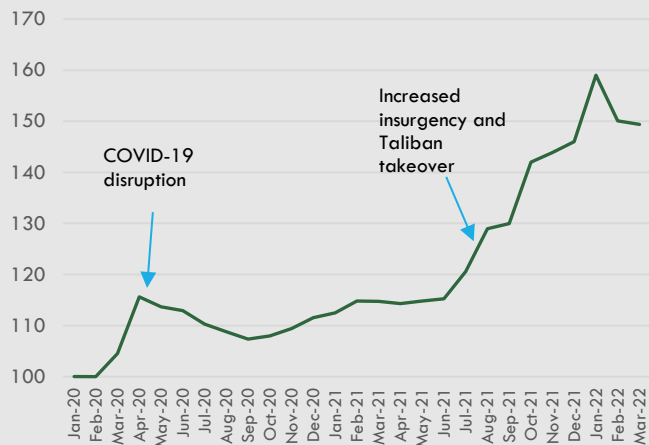
**The ITA's revenue collection from January 1 to March 20, 2022, remained strong.** During this period, ITA collected an estimated AFN34.6 billion, which is slightly higher than the AFN33.6 billion collected over the same period of 2021. In USD terms, however, total receipts were significantly lower (by around 16 percent) due to the depreciation of Afghani. Border taxes and non-tax revenues continued to account for the majority of collections. On current trends, ITA revenues will fall approximately 20 percent short of interim budget revenue targets of AFN 47.5 billion for the first quarter of 2022.

**Imports continue to decline despite limited broader economic recovery.** Data from Pakistani authorities show that Afghanistan's imports from Pakistan over January-March declined by 54 percent relative to the same period in 2021. Afghanistan's exports to Pakistan over the first quarter of 2022 declined by around 26 percent relative to the previous quarter. Exports, however, were more than double during the same period in the previous year (USD 90.9 million in Q1-2021 to USD 202.9 million in Q1-2022).

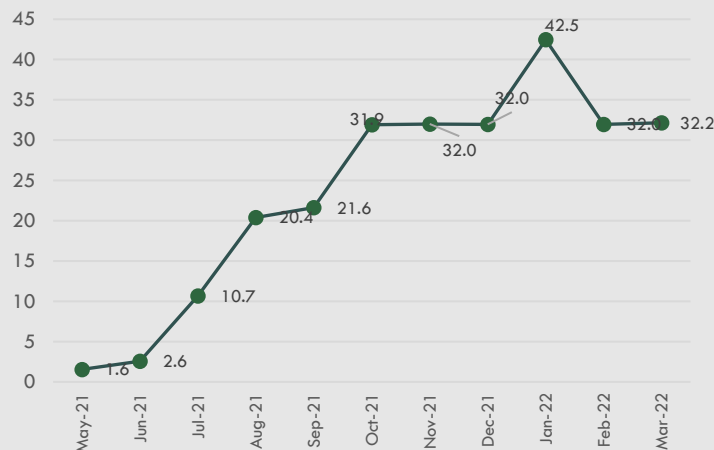
# 1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

In-kind humanitarian food aid and exchange rate appreciation helped stabilize basic household goods inflation at an elevated level.

## 1.1. COUNTRYWIDE BASIC HOUSEHOLD GOODS PRICE INDEX



## 1.2. 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.

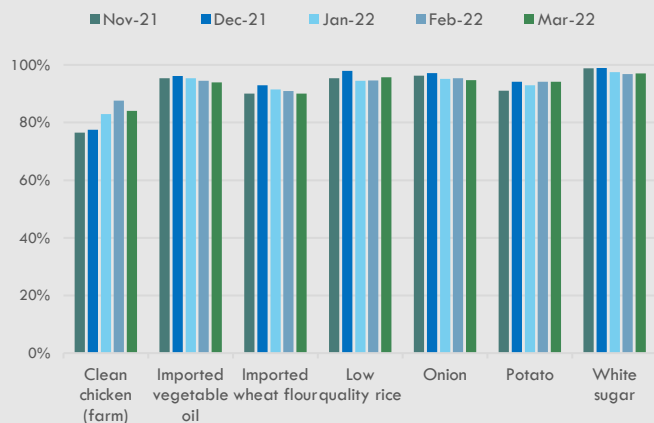
## 1.3. BASIC HOUSEHOLD GOODS – Y-O-Y INFLATION

	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Bread	2.0	1.7	3.8	7.5	6.2	7.8	8.6	8.7	10.2	11.6	12.0
Fuel (diesel)	27.4	32.8	52.3	86.7	48.8	79.4	94.2	97.9	95.1	68.8	73.2
Oil (cooking)	28.2	26.8	39.1	51.8	58.5	70.1	64.5	55.5	62.3	47.3	43.9
Pulses	-2.2	-1.7	-0.9	4.6	3.8	9.4	13.3	14.8	28.7	27.6	24.1
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
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
Salt	-1.8	9.4	11.6	12.5	12.2	8.4	13.4	14.1	30.2	25.2	23.4
Sugar	3.1	-0.6	2.1	7.5	12.5	21.2	24.2	25.7	35.3	27.1	24.7
Wheat	1.9	3.5	6.6	11.6	14.2	26.6	27.3	26.7	40.2	31.0	27.8
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
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
<b>Basic Household Goods Price Inflation</b>	<b>1.6</b>	<b>2.6</b>	<b>10.7</b>	<b>20.4</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>

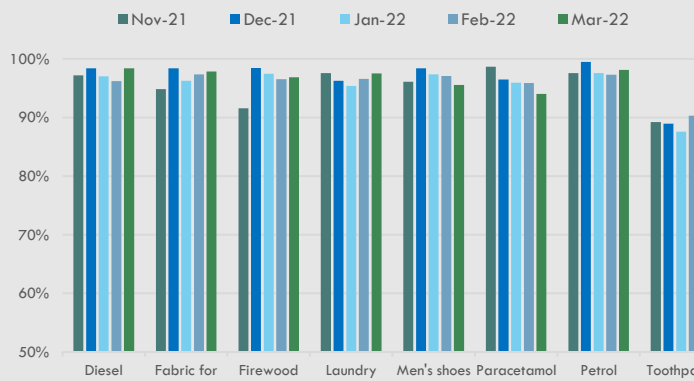
Source: Price data from WFP weekly report, Index constructed by Bank staff.

Most basic food and non-food items remain available.

## 1.4. REPORTED FOOD ITEMS AVAILABILITY



## 1.5. REPORTED NON-FOOD ITEMS AVAILABILITY

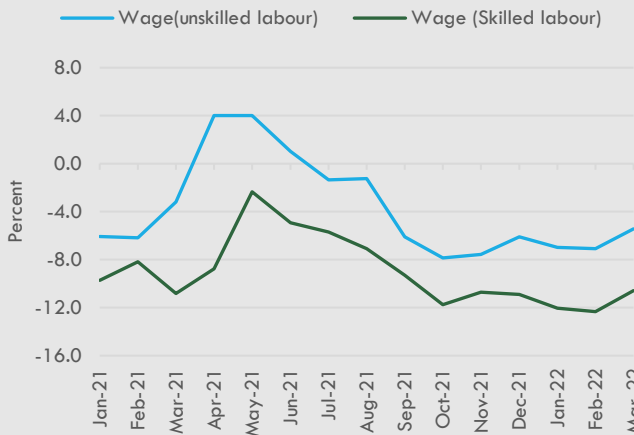


Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

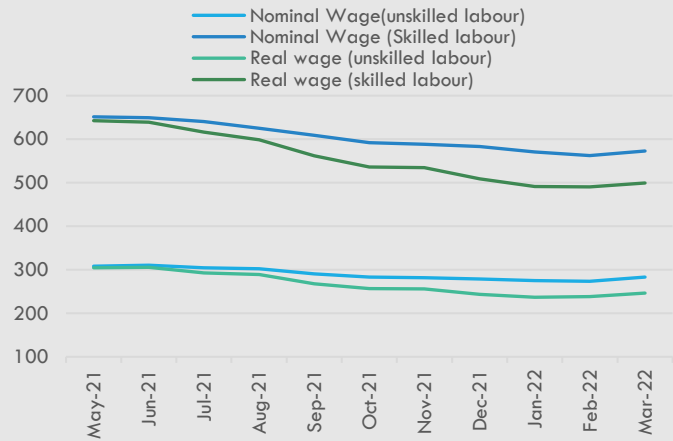
## 2. LABOR MARKET CONDITIONS:

Nominal and real wages have recovered slightly in March after consistently falling since June 2021.

### 2.1. WAGES (YEARLY CHANGE)



### 2.2. NOMINAL AND REAL WAGES (IN AFN)

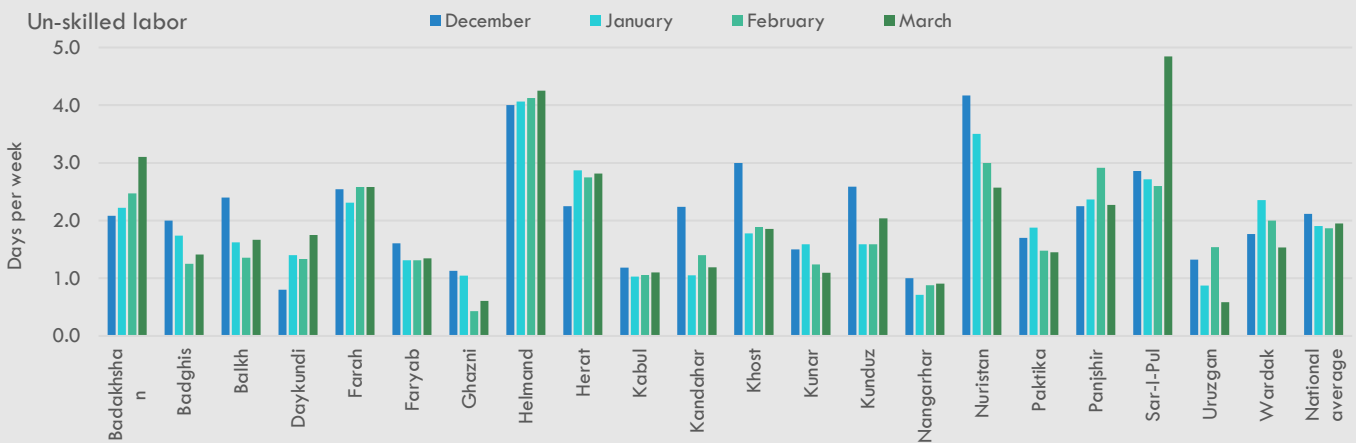
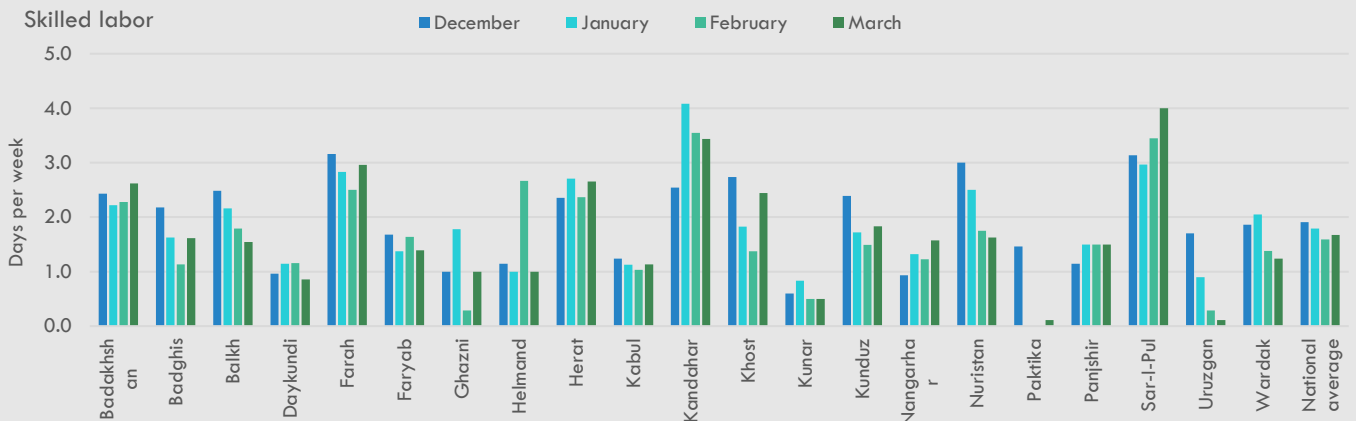


Source: Data from WFP and World Bank Staff elaboration; Real wages are calculated using price data from the NSIA.

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.

During March, demand for skilled and unskilled workers has improved marginally compared to the previous month.

### 2.1. CHANGE IN LABOUR DEMAND FOR SKILLED AND NON-SKILLED WORKERS BETWEEN DECEMBER 2021 TO MARCH 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. TRADE DEVELOPMENTS:

Trade data produced by the Pakistani authorities show a sharp decline in imports and a considerable increase in exports.

#### 3.1. PAKISTAN'S TRADE WITH AFGHANISTAN IN MILLIONS US\$

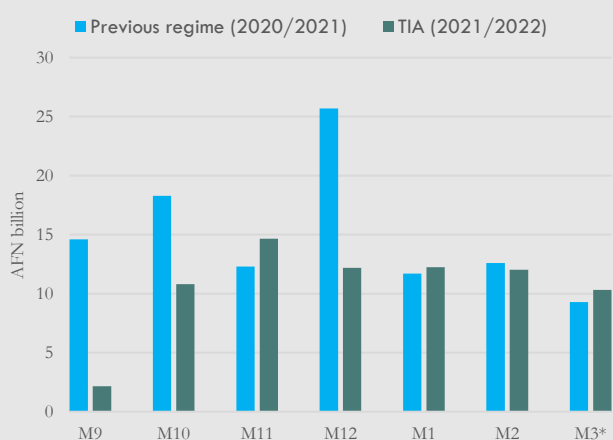
	Imports from AFG			Exports to AFG		
	FY21	FY22	Growth	FY21	FY22	Growth
Q1 (Jul-Aug)	160.8	151.2	-6%	255.0	147.9	-42%
Q2 (Sep-Dec)	226.3	274.1	21%	262.2	180.9	-31%
Q3 (Jan-Mar)	90.9	202.9	123%	265.8	122.7	-54%
<b>Total (Jul-Mar)</b>	<b>478.1</b>	<b>628.2</b>	<b>31%</b>	<b>783.1</b>	<b>451.5</b>	<b>-42%</b>

Source: Pakistan Bureau of Statistics, Pakistan's fiscal year runs from July 1 to June 30.

### 4. REVENUES:

The ITA's revenue collection in AFN over the January 1-March 20 period remained strong, surpassing the performance in the same period of 2021.

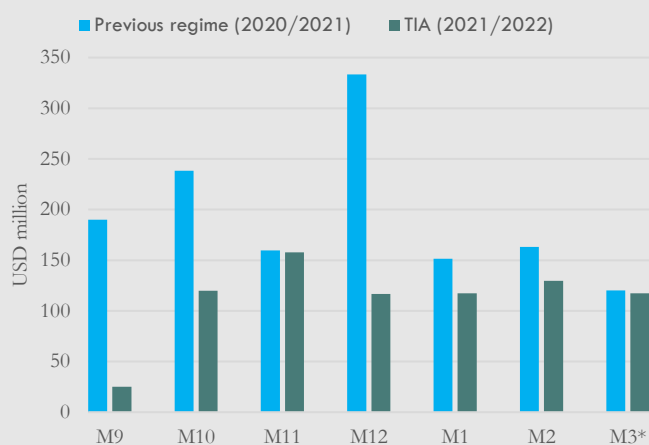
#### 4.1. MONTHLY DOMESTIC REVENUE COLLECTION (IN AFN BILLION)



\* The data covers till March 20

Source: World Bank staff estimates

#### 4.2. MONTHLY DOMESTIC REVENUE COLLECTION (IN USD MILLION)



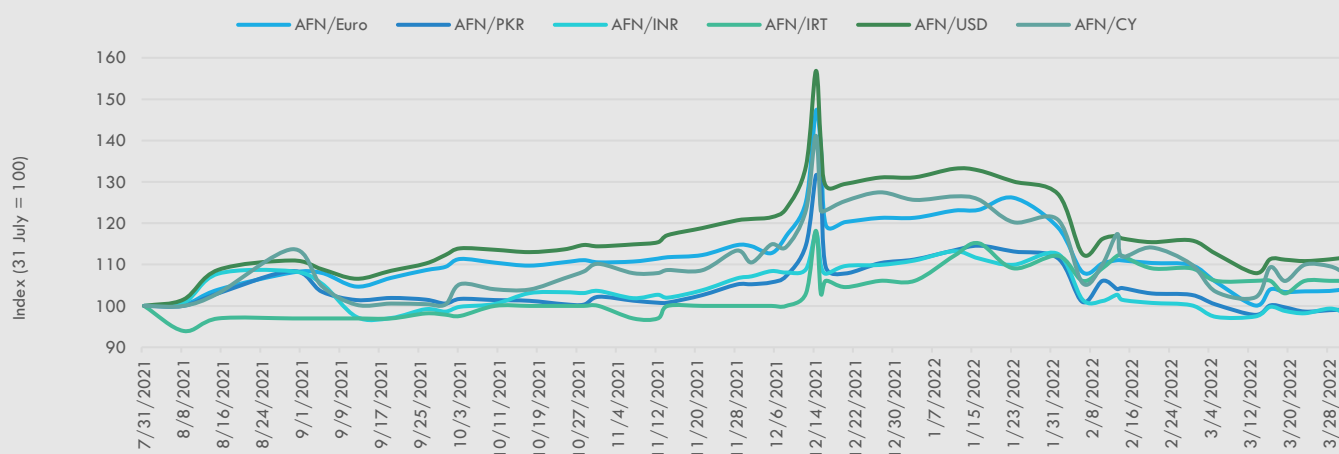
\* The data covers till March 20

Source: World Bank staff estimates

### 5. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS:

The USD shipments for humanitarian purposes supported the value of the Afghani against major currencies during March 2022.

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



Source: Data from DAB and World Bank Staff elaboration.

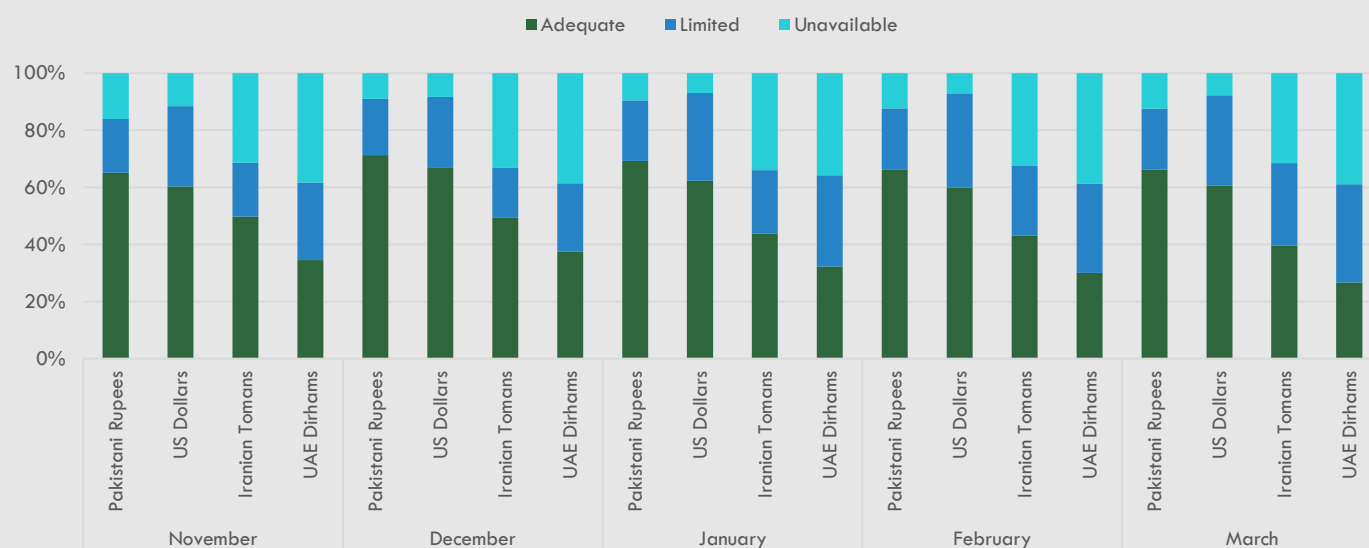
## 5.2. EXCHANGE RATE – DEPRECIATION BY CURRENCY SINCE END-JULY, 2021

	15-Aug-22	30-Aug-22	30-Sep-22	28-Oct-22	28-Nov-22	27-Dec-22	1-Feb-22	14-Feb-22	28-Feb-22	5-Mar-22	16-Mar-22	31-Mar-22
AFN/Euro	-3.78	-7.48	-8.64	-9.96	-12.82	-17.54	-15.96	-9.91	-8.99	-5.48	-3.83	-3.91
AFN/PKR	-2.95	-7.78	-0.56	-0.30	-4.92	-9.37	-10.34	-4.15	-2.60	-0.32	-0.12	0.92
AFN/INR	-7.23	-7.73	1.41	-3.01	-6.24	-9.01	-11.17	-1.46	-0.16	2.73	0.22	1.61
AFN/IRT	3.13	3.13	2.17	0.00	0.00	-5.71	-10.81	-10.81	-8.33	-5.71	-5.71	-5.71
AFN/USD	-8.02	-9.90	-10.96	-12.84	-17.14	-23.69	-21.31	-14.03	-13.68	-11.19	-10.17	-10.48
AFN/CY	-2.96	-12.05	-0.34	-7.67	-11.80	-21.55	-17.25	-10.67	-9.15	-3.30	-8.55	-7.42

Source: Data from DAB and World Bank Staff calculations.

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

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



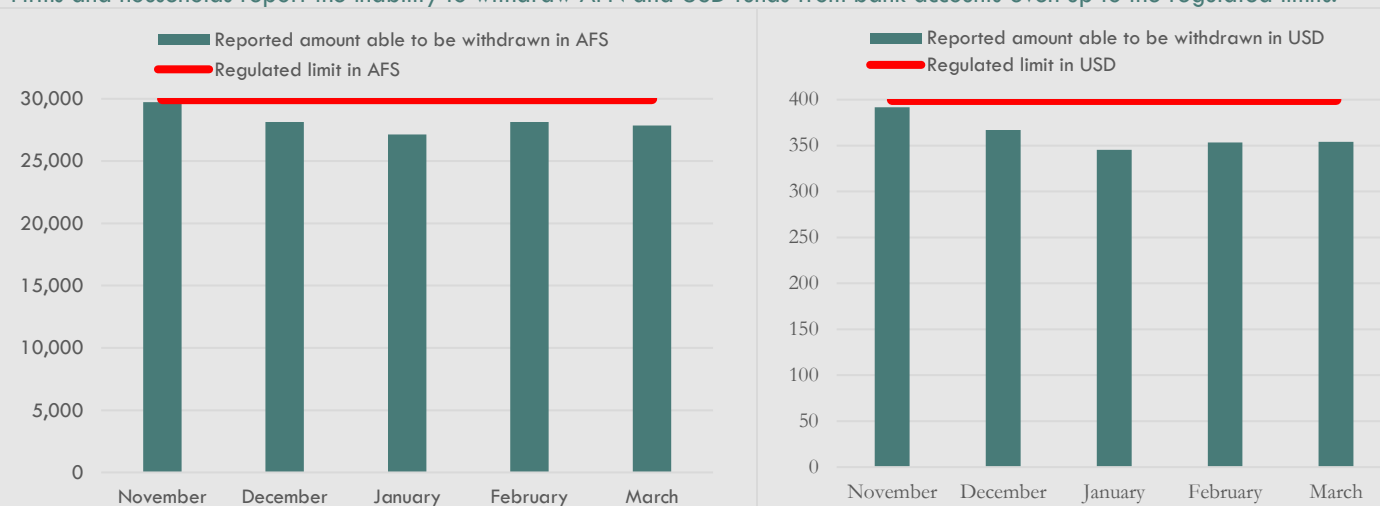
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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

## 5.4. MONTHLY WITHDRAWAL - INDIVIDUALS (IN AFN)

## 5.5. MONTHLY WITHDRAWAL- INDIVIDUALS (IN USD)

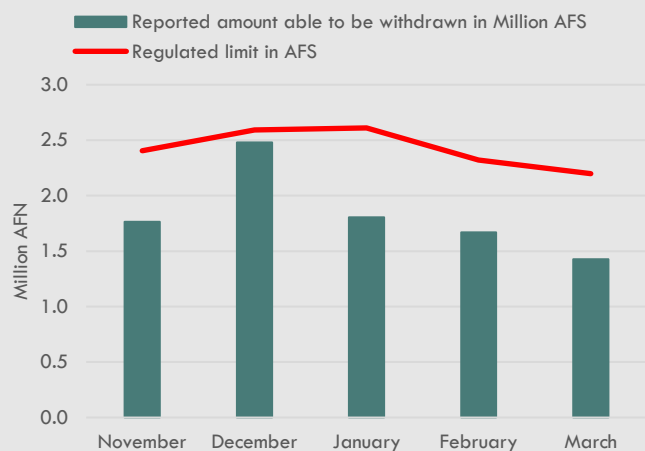
Firms and households report the inability to withdraw AFN and USD funds from bank accounts even up to the regulated limits.



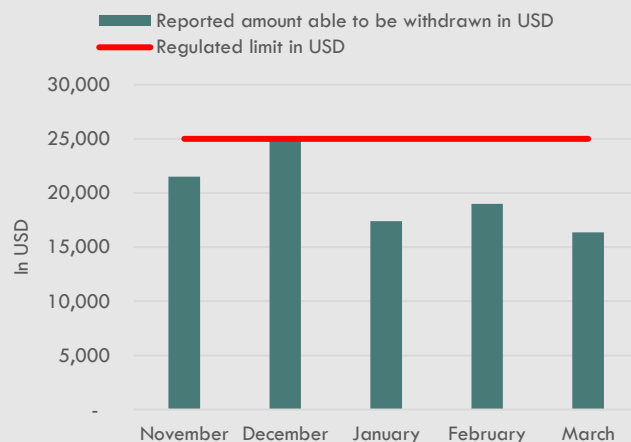
Source: Survey data collected by the World Bank's Third Party Monitoring Agent.

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.

### 5.6. MONTHLY WITHDRAWAL - FIRMS (IN MILLION AFN)



### 5.7. MONTHLY WITHDRAWAL- FIRMS (IN USD)



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

Note: The regulated limit is stipulated by Da Afghanistan Bank as the lower of US\$25,000 per month (or equivalent in AFN) or five percent of the total account balance. The reported amount able to be withdrawn is reported by firm respondents 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.