

# AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

June 28, 2023



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

**The headline year-on-year (Y-o-Y) inflation continues to decline, and commodity availability has remained adequate. Nonetheless, more than half of Afghan families still face substantial pressure to sustain their livelihoods.**

**The Afghani (AFN) has appreciated against major currencies in H1-2023 as the country continues to receive significant US\$ cash shipments.**

**The DAB has eased statutory deposit withdrawal limits, but the banking sector's liquidity and payment system functionality remained problematic for the firms.**

**The telephonic interviews with ~ 1300 male and 350 female respondents indicate that the public servants continue to receive their salaries.**

**The availability of work for skilled and unskilled laborers has been improving since March 2023. Afghan households have responded to economic hardship by mobilizing**

Based on the most recent official statistics released by the National Statistics and Information Authority (NSIA) for April 2023, the year-on-year headline inflation has dropped to a negative 0.95 percent. This is mainly due to the negative 3.3 percent year-on-year food inflation. This decline can be attributed to the base effect, as the consumer price index (CPI) had increased during the first half of last year because of a global commodity price shock. However, international commodity prices have since decreased, and a strong AFN has helped reduce domestic prices, particularly in food and fuel.<sup>1</sup> Furthermore, the improvement in food production has also contributed to this trend. The Bank's Third-Party Monitoring Agent (TPMA) survey finds that essential food and non-food commodities are widely available in major markets nationwide. Nevertheless, the preliminary results from the data collected through the 3rd round of the upcoming Afghanistan Welfare Monitoring Survey (AWMS) show that Afghan families still face substantial pressure to sustain their livelihoods. An increasing share of households relies on international assistance and remittances.

During the first half of 2023, the AFN appreciated compared to major trading currencies. Specifically, between end-December 2022 to 26<sup>th</sup> of June 2023, the AFN appreciated by (i) 3.8 percent against the US dollar, (ii) 2.0 percent against the Euro, and (iii) 0.5 percent against the Indian rupee, (iv) 20.6 percent against Pakistan rupee, and (v) 41.2 percent against Iranian toman. It slightly depreciated against the Chinese yuan by 0.7 percent during that time. On June 26, 2023, the AFN exchange rate against the US dollar stood at 85.9, reflecting an appreciation of 0.3 percent compared to its value on August 15, 2021. Tight controls on currency export, constrained domestic money supply, significant personal remittance, and US\$ availability due to United Nations (UN) cash shipments have helped the local currency. From January to mid-June of 2023, ~ US\$ 880 million was flown into the country in addition to a cumulative ~ US\$ 1.8 billion in 2022.

The recent decision by the central bank to relax the weekly withdrawal limit on pre-August 2021 individual deposits has been implemented, allowing individuals to withdraw up to AFN 50K. Although there has been an improvement in the actual withdrawal amount reported by respondents in May 2023 compared to previous months, it is still below the new legal limits. Unfortunately, even though the monthly withdrawal limit for companies has been increased to AFN 4.0M, their ability to access deposits deteriorated in May 2023. Although the matter needs further investigation, this issue may be caused by people withdrawing large amounts of money, leading to a shortage of available funds in banks for businesses.

According to the data collected (from telephone interviews with ~ 1300 male and 350 female respondents), all the civil servants reported receiving salaries during May 2023. About 90 percent of the public servants received salaries through a Bank account during May 2023. Of the total who received salaries through banks, 44 percent faced difficulties withdrawing their salaries. The most common complaints have been the crowding at branches and the poor quality of bank notes. Furthermore, some respondents have expressed dissatisfaction with the lack of funds available in bank branches when withdrawing their salaries.

The availability of work for both skilled and unskilled laborers has been improving since March 2023, following a seasonal slump in the winter months. This positive trend is due to the harvesting season, which has had positive spillovers in the non-agriculture sector. Thanks to an improvement in labor demand and a decrease in inflation, nominal and real wages have slightly increased, pointing to an overall improvement in wage conditions. Preliminary results from the data collected through the 3<sup>rd</sup> round of the upcoming AWMS show that Afghan households have responded to economic hardship by mobilizing work by women and youth. The labor market is now characterized by structurally higher labor force participation and unemployment compared to 2020. Increased female employment is concentrated in small-

<sup>1</sup> The World Bank Global Commodity Prices Data reported a decline in energy prices by 26 percent since December 2022, led by coal (-58 percent) and natural gas (-61 percent). Similarly, Food Price Index declined by 3.0 percent since December 2022, mainly due to vegetable oil and cereals.

## **work by women and youth.**

**The revenue collection reached AFN 45 billion during the first three months of the fiscal year 2023.**

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

**Merchandise imports are maintaining their momentum in the first five months of 2023—contributing to the widening of the trade deficit.**

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

scale manufacturing (mostly home-based/micro businesses). Some improvement was shown in skilled and unskilled employment compared to spring 2022.

Revenue collection for the first quarter of fiscal year 2023 has been positive, with AFN 45 billion collected - an 8 percent increase from the same period in the previous year. Border taxes have contributed the most to this growth, with a 20 percent increase from the first three months of fiscal year 2022. However, in contrast, inland revenue collection has declined by 8 percent compared to the same period last year.

The latest unofficial Jan-May 2023 data from Afghanistan's customs show that total exports reached US\$ 0.73 billion — a 9 percent rise compared to the same period in 2022. The export growth during Jan-May 2023 can primarily be attributed to an increase in the exports of (i) textiles by 38.5 percent (16 percent share) and (ii) coal by 16.5 percent (24 percent share). In contrast, vegetable exports (54 percent share) only slightly increased by 1 percent during the period under review compared to Jan-May 2022 – primarily explained by the drop in vegetable exports to Pakistan by 19 percent. Afghanistan's largest export market is Pakistan (59 percent of total exports), followed by India (23 percent). Exports to Pakistan are mainly food and coal, contributing around 70 percent of total exports to Pakistan in Jan-May 2023. Coal exports to Pakistan amounted to US\$173.5 million in Jan-May 2023 – 16 percent higher than the coal exports in the comparable period last year.

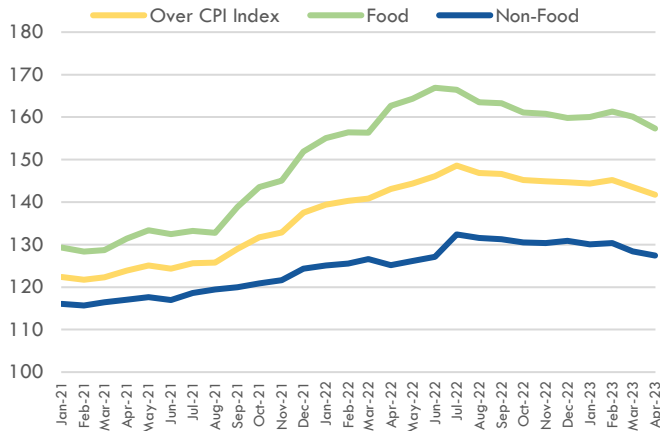
During Jan – May 2023, imports stood at US\$ 3.1 billion, reflecting 36 percent growth vis-à-vis Jan – May 2022. Food (about a quarter of imports) grew by 5.4 percent while minerals (including fuel), representing 20 percent of imports, increased by 25.6 percent in Jan – May 2023 compared to a similar period in 2022. Iran remains the most significant import origin country (21 percent), followed by Pakistan (18 percent), China (18 percent), and the United Arab Emirates (13 percent). During Jan – May 2023, the trade deficit widened to US\$ 2.4 billion from US\$ 1.5 billion in Jan-May 2022.

HMIS data shows that around 4.8 million antenatal care (ANC) visits were recorded at 2,300 HER-supported facilities between January 2022 and May 2023. Based on the data, the Health Emergency Response (HER) Project has improved ANC visits since February 2023 by 10 percent. May 2023 saw an increase in ANC visits of 7 percent. Moreover, around 1.0 million births were assisted in the HER-supported facilities since January 2022.

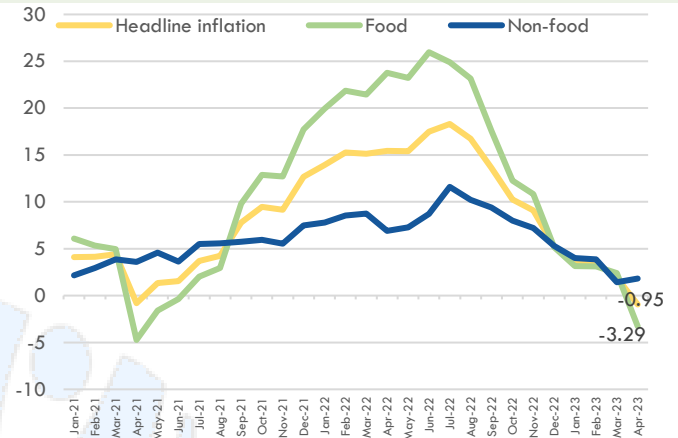
## 1. PRICE CHANGES AND AVAILABILITY OF BASIC HOUSEHOLD GOODS

The year-on-year inflation has dropped to a negative 0.95 percent, mainly due to the negative 3.3 percent year-on-year food inflation.

### 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

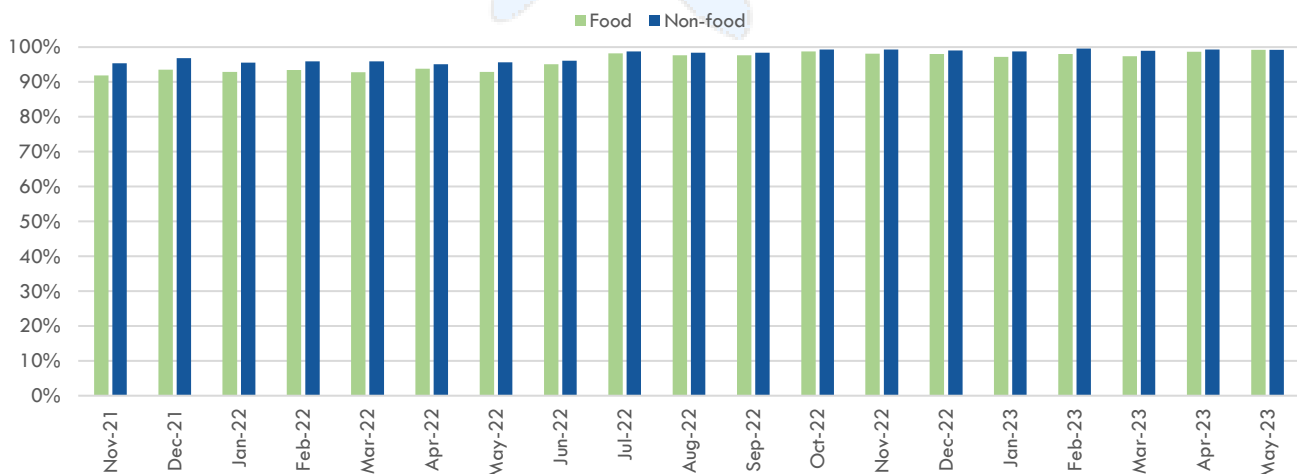
	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
<b>Bread</b>	22.0	23.2	23.3	21.6	19.1	18.1	16.6	15.2	14.2	13.5	10.7	7.7
<b>Fuel (diesel)</b>	95.3	112.5	54.5	87.4	49.1	34.1	26.3	22.3	14.8	-5.4	-2.2	-11.1
<b>Oil (cooking)</b>	51.3	32.3	16.1	0.8	-13.3	-12.2	-14.4	-21.7	-17.0	-21.3	-26.3	-38.3
<b>Pulses</b>	23.7	23.3	17.7	16.1	11.6	10.6	10.6	-2.4	0.0	1.7	0.3	-2.3
<b>Rice (high quality)</b>	34.2	37.8	32.9	32.0	28.9	27.2	26.4	19.8	17.9	19.1	16.7	9.1
<b>Rice (low quality)</b>	14.6	13.1	10.9	14.1	12.5	18.5	21.9	18.9	28.3	27.9	26.3	24.7
<b>Salt</b>	22.9	19.0	18.0	16.0	17.8	10.8	20.0	2.5	-0.1	4.0	8.2	2.9
<b>Sugar</b>	33.9	37.0	30.9	20.5	8.7	3.9	1.2	-7.5	-3.5	0.1	2.3	16.6
<b>Wheat</b>	58.1	49.8	43.5	37.9	19.1	16.8	11.8	-2.7	5.3	0.0	-10.5	-19.5
<b>Wheat flour (high quality)</b>	65.1	49.4	41.7	31.9	12.3	12.1	5.8	-6.3	-0.6	-7.9	-18.7	-26.3
<b>Wheat flour (low quality)</b>	68.2	50.8	41.5	36.0	14.3	13.4	6.5	-6.6	-1.4	-6.3	-16.0	-25.0
<b>Basic Household Goods Price Inflation</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>	<b>-16.8</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

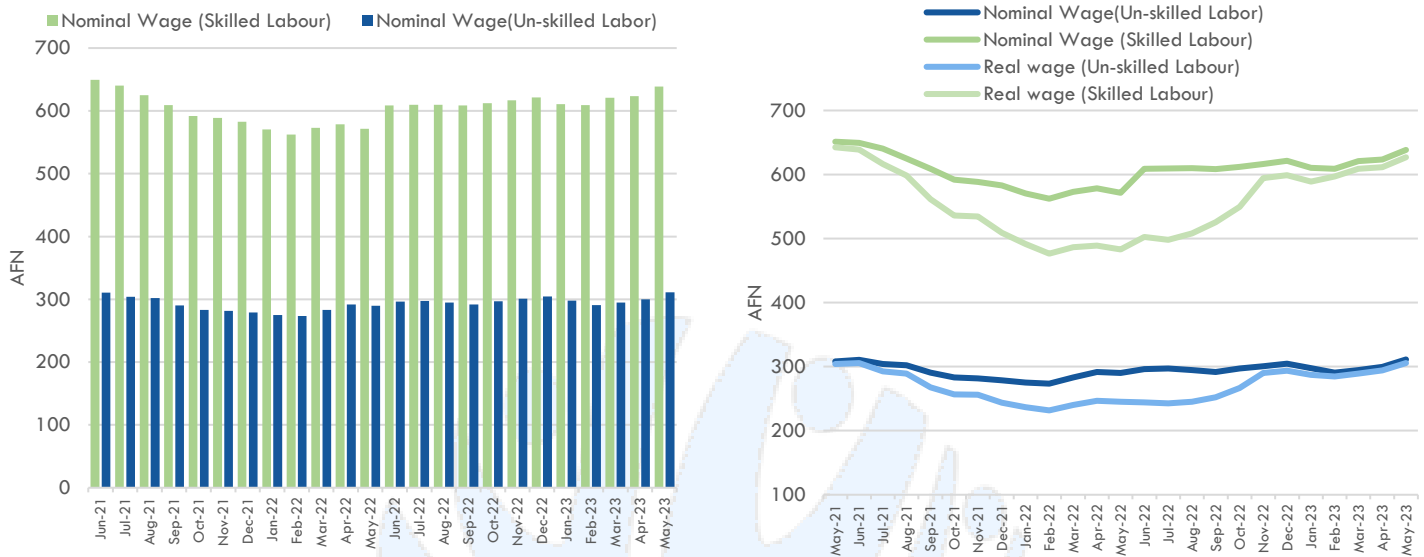


Source: Data collected by the World Bank's TPMA, based on a survey of 48 markets across 21 provinces.

## 2. LABOR MARKET CONDITIONS

Nominal and real wages have shown a slight improvement in May 2023.

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

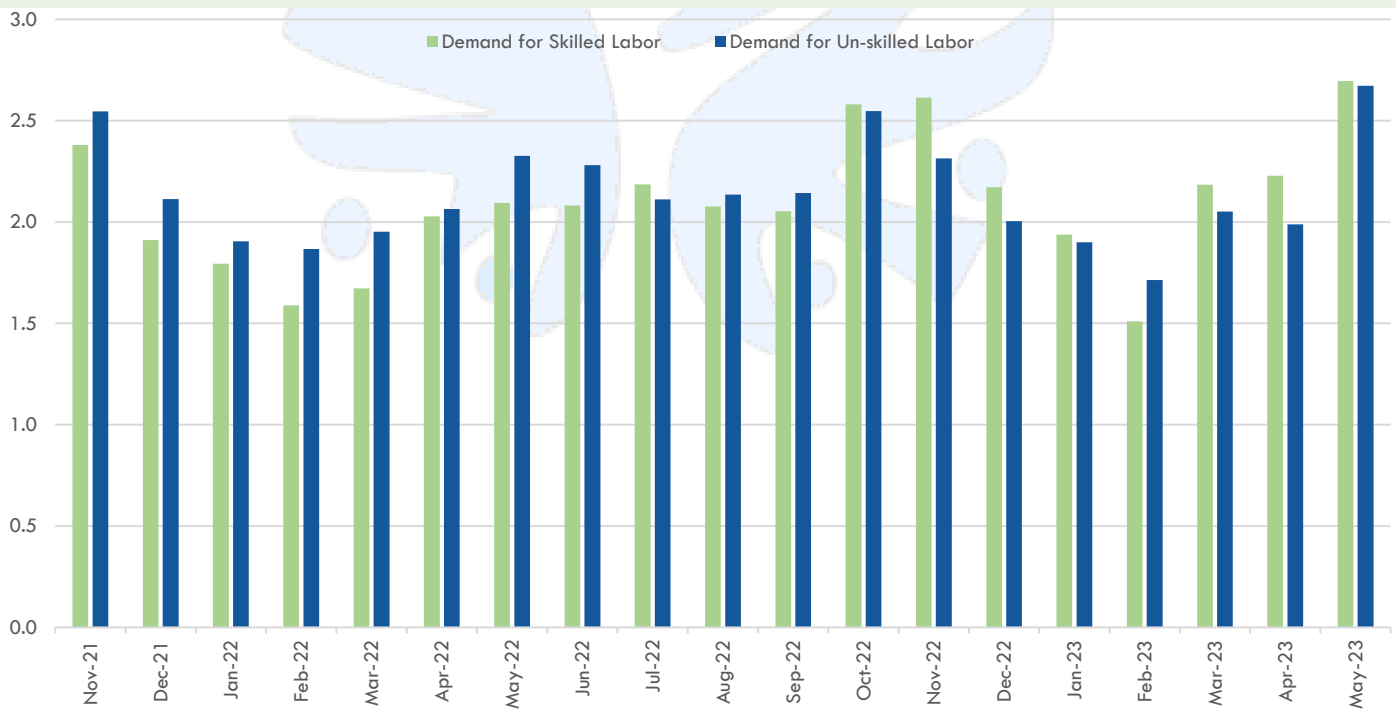


Source: Wage data from WFP, World Bank staff elaboration.

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

During May 2023, demand for both skilled and unskilled labor increased compared with April 2023. The improvement in employment for both skilled and unskilled workers coincided with the harvesting season.

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



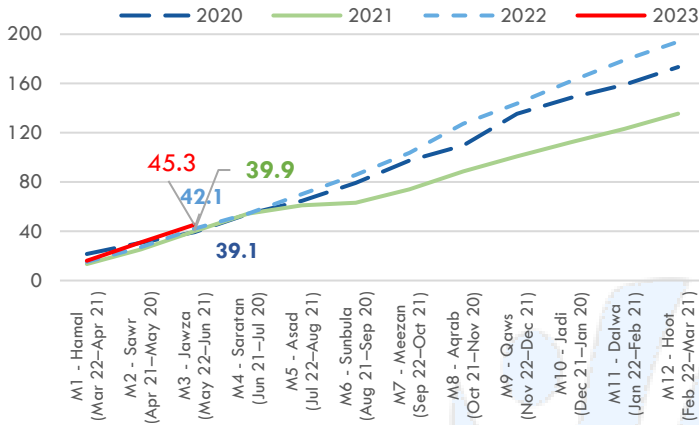
Source: Survey data collected by the World Bank's TPMA.

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.

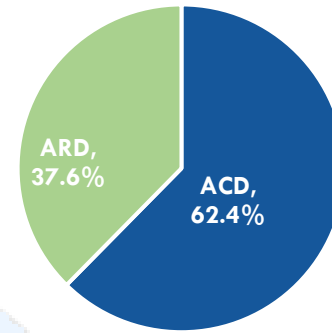
## 3. REVENUES

The revenue collection during the first three months of the fiscal year 2023 reached AFN 45.3 billion. The revenue collection remained heavily dependent on the taxes collected at the border.

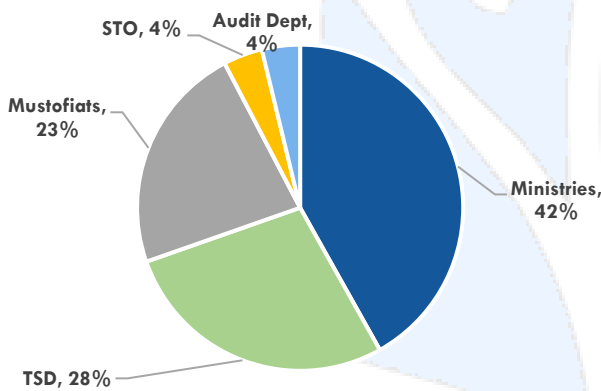
### 3.1. TOTAL REVENUE COLLECTION – CUMULATIVE (AFN BILLIONS)



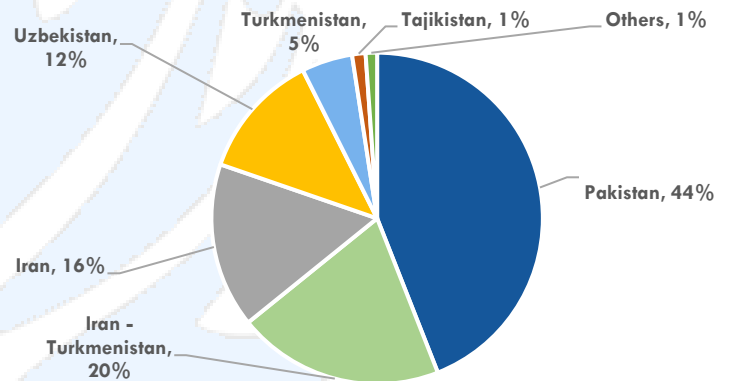
### 3.2. SHARE OF INLAND (ARD) AND CUSTOMS (ACD) REVENUES IN TOTAL COLLECTIONS (Q1-FY2023)



### 3.3. PERCENT SHARE OF ARD COLLECTIONS BY SOURCE (Q1-FY2023)



### 3.4. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS (Q1-FY2023)



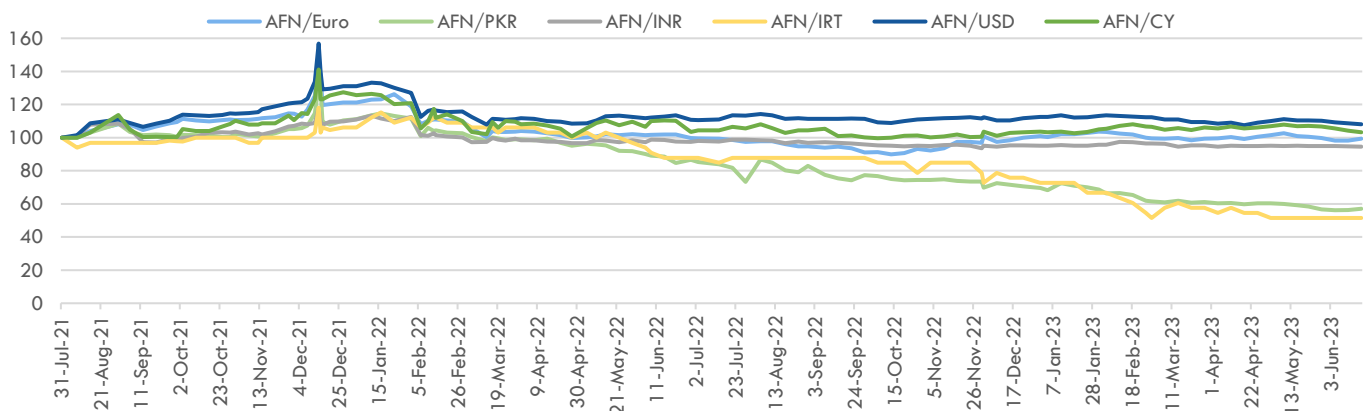
Source: Ministry of Finance.

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

## 4. FOREIGN EXCHANGE AND FINANCIAL MARKET OPERATIONS

Tighter controls by the ITA of the MSP sector and constrained domestic money supply coupled with the continued UN cash shipment (total US\$ 880 shipped during Jan – Jun 2023) have strengthened Afghani against major trading currencies.

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



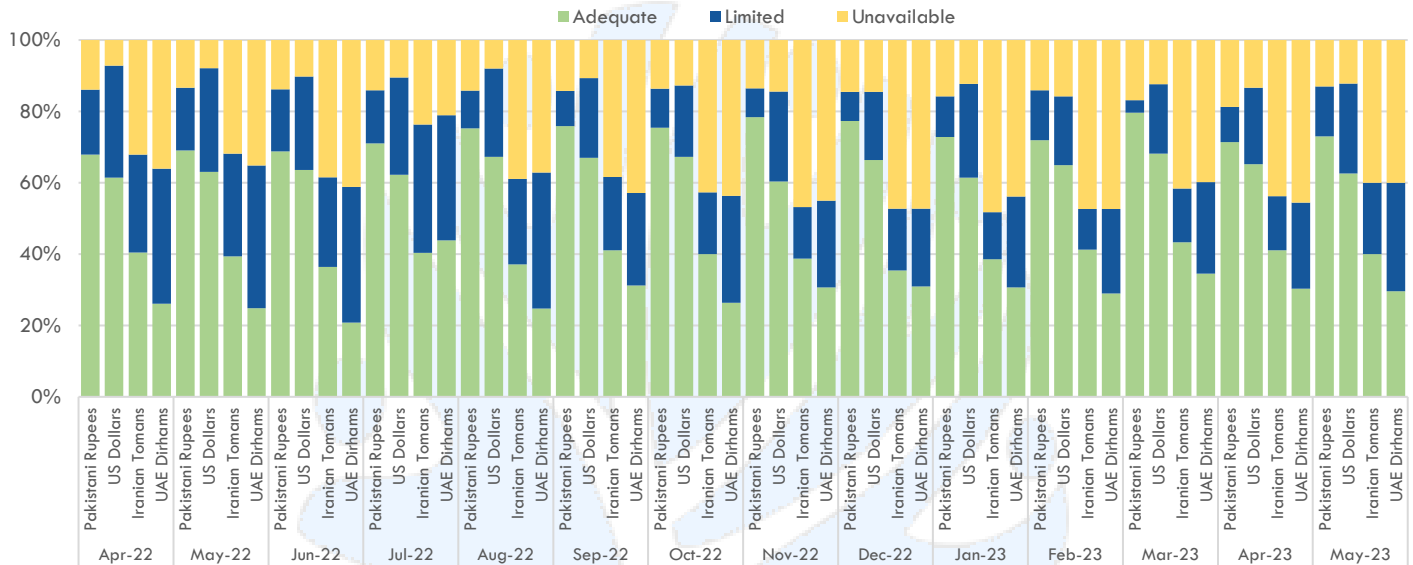
## 4.2. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

	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	29-May-23	26-Jun-23
AFN/Euro	6.65	9.62	14.13	11.61	7.22	2.95	0.28	4.28	4.56	3.30	4.20	4.99
AFN/PKR	40.73	24.25	33.15	38.25	40.19	48.18	50.19	67.42	68.53	70.85	82.02	78.76
AFN/INR	9.05	11.23	12.50	13.26	15.18	13.41	12.69	11.73	13.04	13.62	13.59	14.01
AFN/IRT	10.34	10.34	10.34	23.08	23.08	33.33	45.45	88.24	68.42	77.78	88.24	88.24
AFN/US\$D	-3.98	-2.35	-2.36	-2.03	-2.61	-3.37	-3.87	-3.14	-0.74	-0.22	-1.32	0.31
AFN/CY	-2.33	-1.22	2.80	1.65	2.40	-0.50	-1.90	-3.30	-2.86	-2.96	-3.48	-1.24

Source: Data from DAB, World Bank staff elaboration.

In May 2023, except for US\$, the availability of different foreign currencies slightly improved.

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

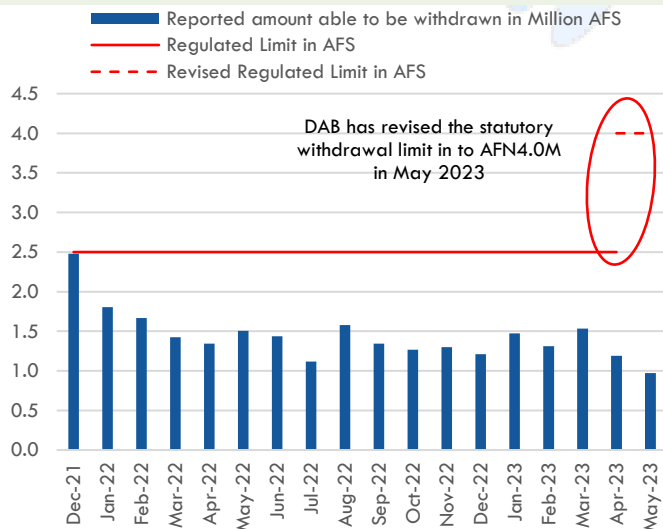


Source: Survey data collected by the World Bank's TPMA by visiting 144 money service providers in 48 markets in the country.

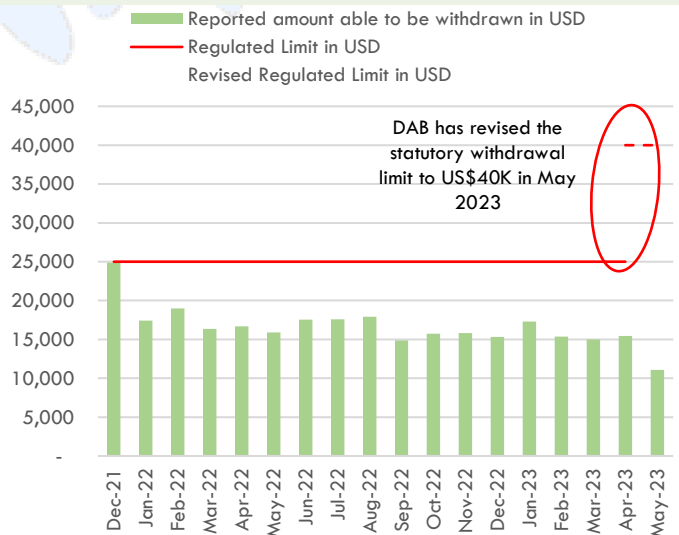
Note: Includes banks, Hawala operators, and informal currency exchangers.

While the DAB has eased the statutory withdrawal limit, the firms continue to report difficulty in withdrawing cash from banks.

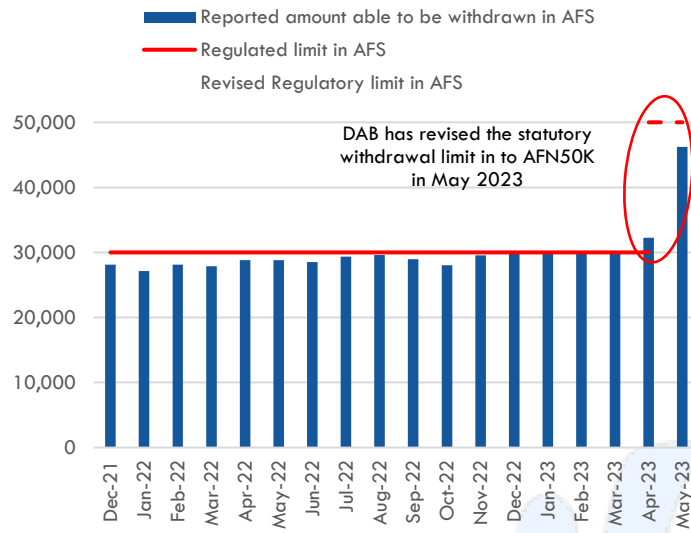
## 4.4. MONTHLY WITHDRAWALS – FIRMS (AFN MILLIONS)



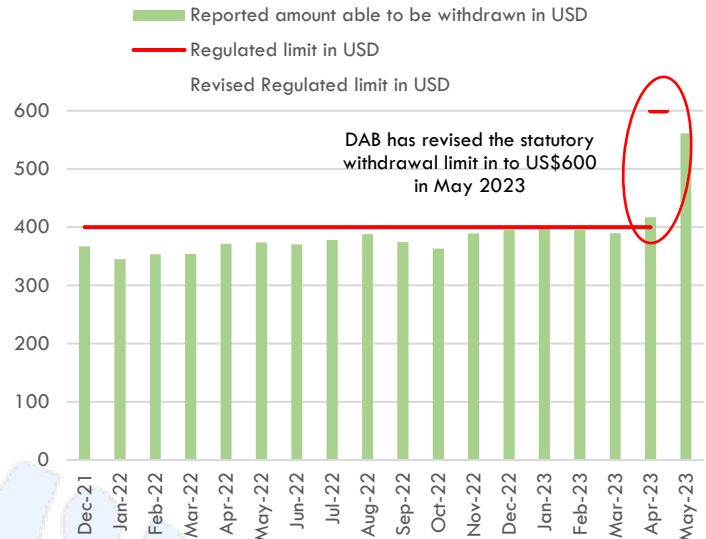
## 4.5. MONTHLY WITHDRAWALS – FIRMS (US\$)



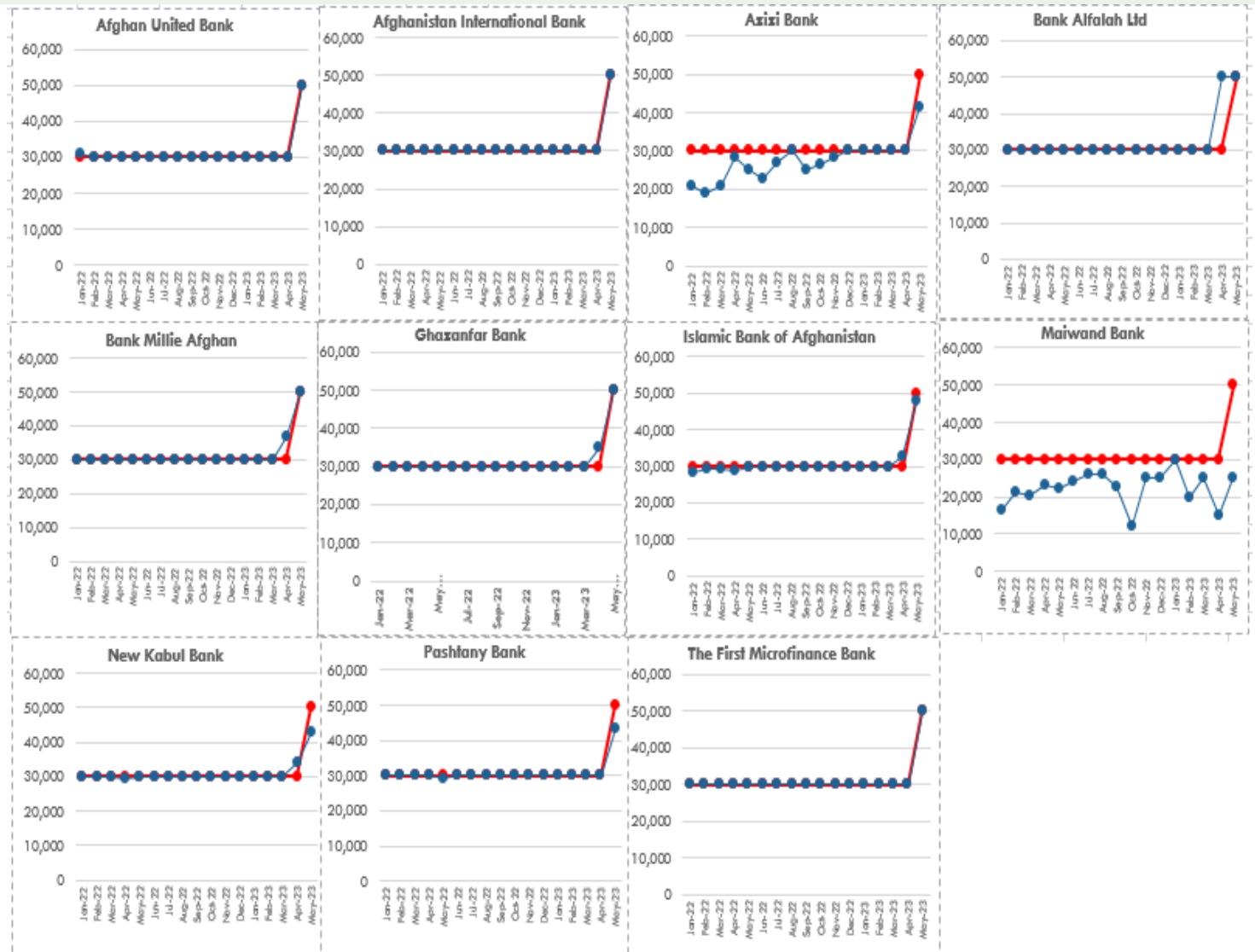
## 4.6. WEEKLY WITHDRAWALS – INDIVIDUALS (AFN)



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



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



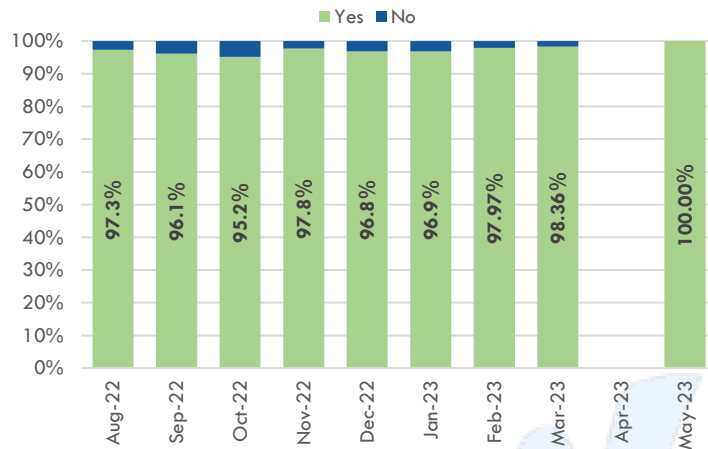
Source: Survey data collected by the World Bank's TPMA.

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

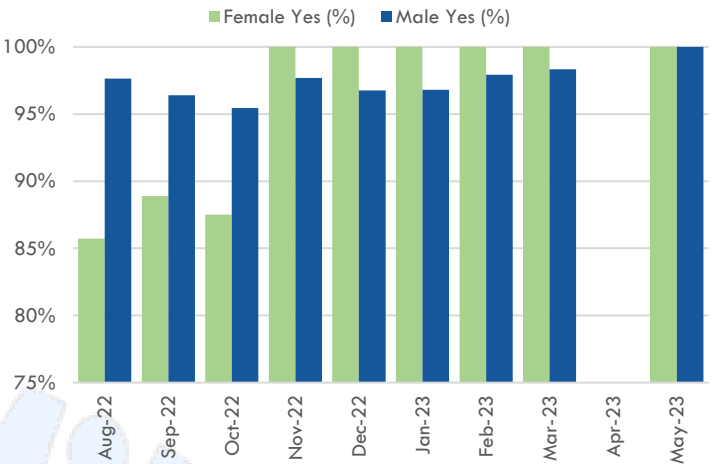


## Over the past few months, civil servants have regularly received salaries.

**4.9. CIVIL SERVANTS RECEIVED SALARIES DURING THE LAST THREE MONTHS**

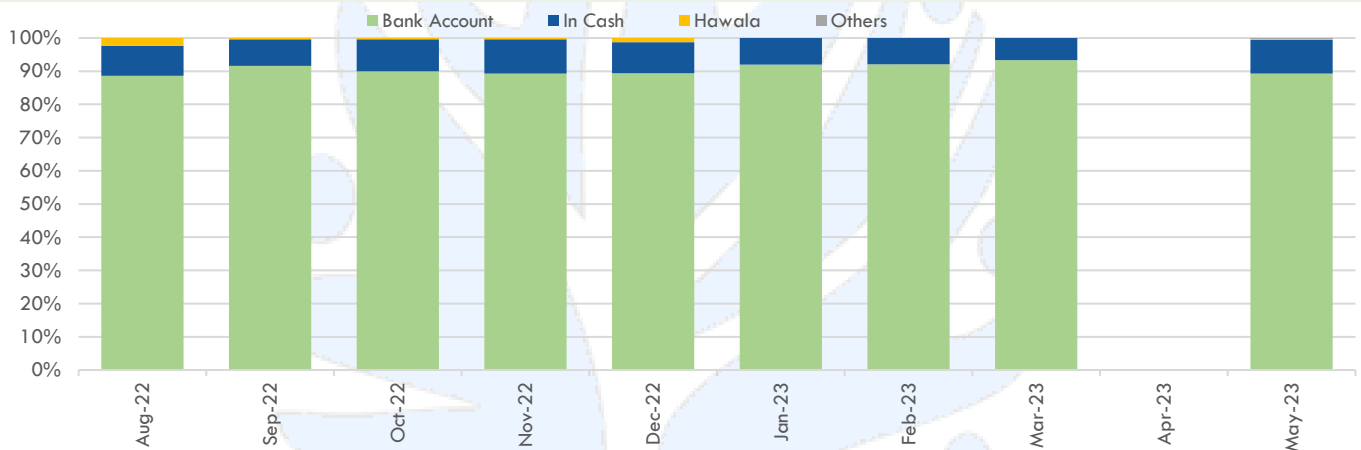


**4.10. MALE VS. FEMALE RESPONDENTS RECEIVING SALARIES IN THE LAST THREE MONTHS**



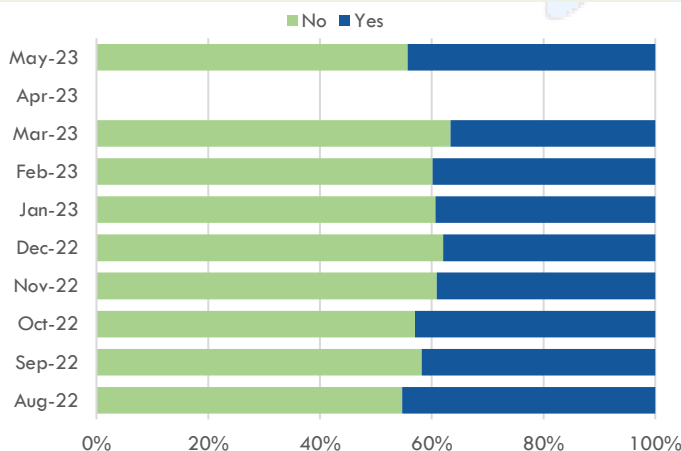
## Cash and bank accounts are reported to be the two most common means of receiving salaries.

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

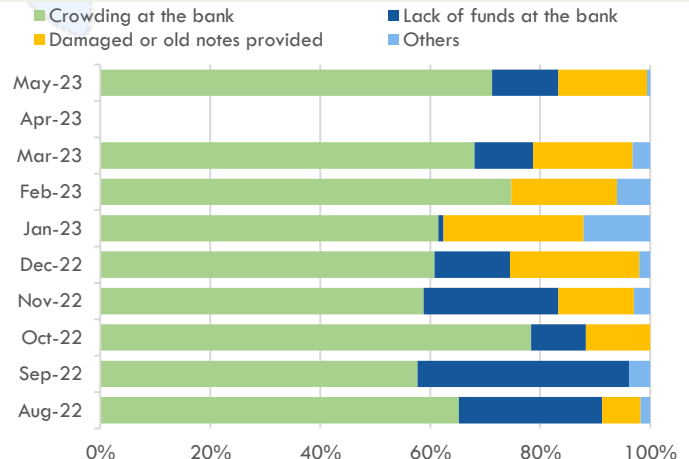


## Crowding in bank branches and damaged currency notes are consistently the main problems faced in withdrawing salaries.

**4.12. CIVIL SERVANTS FACE CHALLENGES WHEN WITHDRAWING SALARIES THROUGH BANKS**



**4.13. CHALLENGES FACED WHEN WITHDRAWING SALARIES THROUGH BANKS**



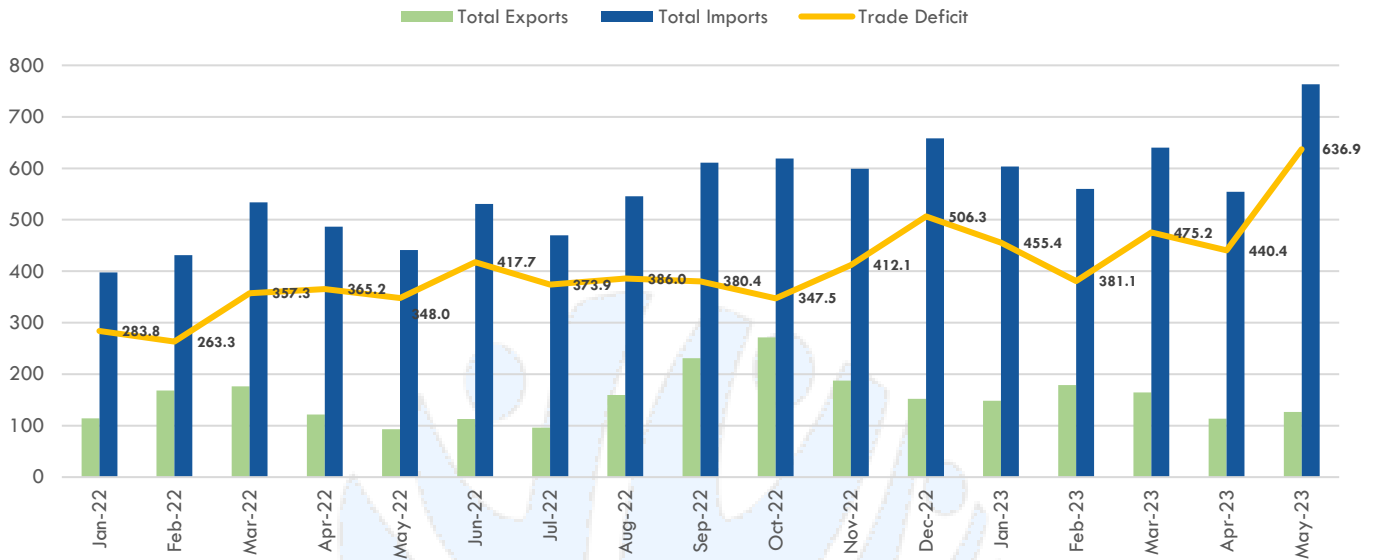
Source: Survey data collected by the World Bank's TPM from 1669 civil servants (Male 1312, Female 357)

Note: Data for civil servants for April 2023 are not available.

## 5. TRADE DEVELOPMENTS

Merchandise imports in the first five months of 2023 are substantial. Exports grew moderately during the period under review, mainly due to coal and textiles to Pakistan. However, the trade deficit has widened.

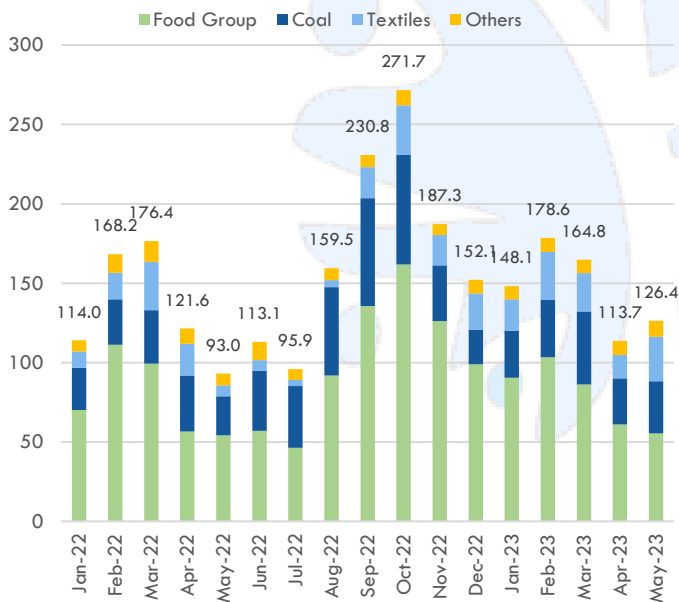
### 5.1. AFGHANISTAN TRADE (US\$ MILLIONS), JAN 2022 – MAY 2023



Source: ASYCUDA

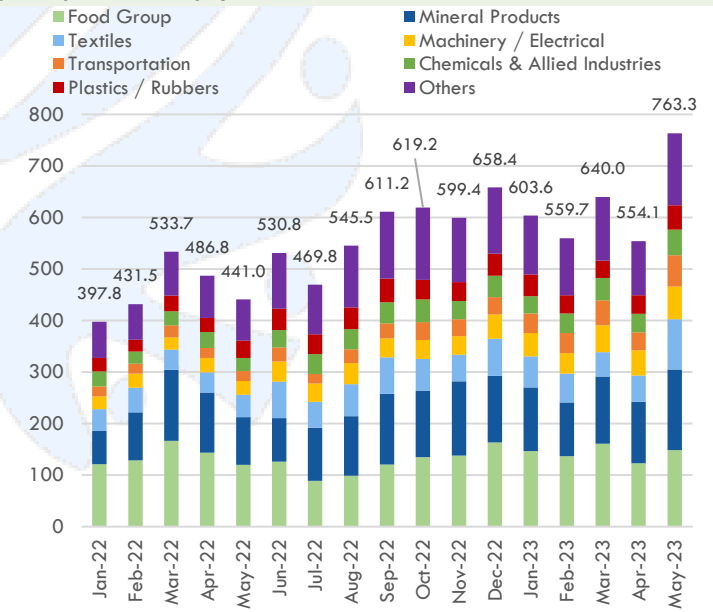
Source: ASYCUDA

### 5.2 AFGHANISTAN EXPORTS (US\$ MILLIONS), JAN 2022 – MAY 2023



Source: ASYCUDA

### 5.3 AFGHANISTAN IMPORTS (US\$ MILLIONS), JAN 2022 – MAY 2023

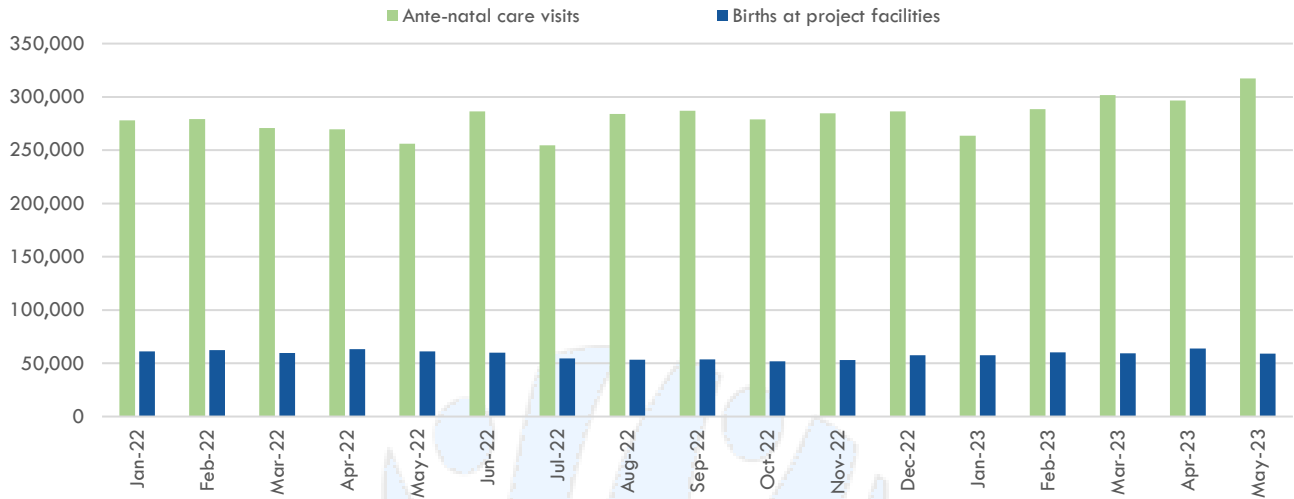


Source: ASYCUDA

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.



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*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.