



Da Afghanistan Bank

Monetary Policy Department

Monthly Report

June 2021

## EXECUTIVE SUMMARY

This monthly report provides brief analysis, evaluation, and presenting the current progress of the macroeconomic indicators during the month of June 2021. In this report, we will first provide an insight into the key sectors of the Afghan economy including; monetary, real, external, and fiscal sectors. Let us begin by highlighting the performance of a few key indicators.

Reserve money registered as Af 329,094.63 million at the end of Jawza 1400, while at the end of Jawza 1399 it was recorded as Af 322,978.27 million. On the other hand, CiC was Af 293,826.22 million at the end of Jawza 1400, whereas at the end of Jawza 1399, it stood at Af 279,989.89 million. From the beginning of FY till end of Jawza 1400, total amount of USD 1,088.69 million auctioned by DAB and Af 84.40 billion withdrawn from the market, where, Af 73.31 billion withdrawn and USD 956.10 million auctioned by DAB from the beginning of FY till of Jawza 1399.

Capital Notes auction at the end of Jawza 1400 reached to Af 110.10, Af 98.29, and Af 80.27 billion for total announced, demanded, and awarded amount respectively. Meanwhile, at the end of Jawza 1399, Capital Notes amount announced, demanded, and awarded were each Af 108.10, Af 117.63, and Af 85.37 billion respectively. Meanwhile, through Wadia auction which started at 14<sup>th</sup> of Sawr 1400 (4<sup>th</sup> of May 2021), DAB announced total amount of Af 9.00 billion, where the demand was Af 4.55 billion and awarded amount was also Af 4.55 billion till end of Jawza 1400.

Core inflation (CPI excluding Food & Beverages, and Transportation) increased to 3.40% in the month of June 2021 from 1.10% recorded in the month of June 2020. Headline inflation decreased to 1.56% during the month of June 2021, from 6.36% recorded in the month of June 2020. The decrease was as a result of decline in food items inflation. Food items inflation which accounts for 47.78% weight of the overall index, went down to -0.37% in June 2021 from 12.88% in the month of June 2020, while Non-food items inflation accounting for 52.22% of the overall index weight, went up to 3.63% in the month of June 2021 from 0.13% recorded in June 2020. GDP growth rate was calculated as -1.93% for the year 2020, lower than the growth rate of 3.91% recorded in 2019. Unemployment rate calculated by NSIA for FY 2020, was 18.6%.

In Balance of Payments (BoP), the current account recorded a deficit of USD 1,047.43 million in the first quarter of 2021, where it was USD 959.35 million deficit in the same quarter of 2020. The deficit was contributed by decrease in earnings from merchandise export, investment income, services receipts, and on the other hand; increased payments for merchandise imports.

Total revenue registered for the month of June 2021 was Af 37.50 billion, while in the month of June 2020 it was Af 21.21 billion. Total revenue from the start of FY till end of June 2021 reached to Af 139.70 billion, which consists of, domestic revenue of Af 78.16 billion and Af 61.54 billion of Donor Contributions.

Domestic revenue of Af 14.47 billion collected during the month of June 2021 as against Af 8.39 billion domestic revenue collection in June 2020, also, donor contributions of Af 23.03 billion registered for the month of June 2021, however in June 2020, it was Af 12.82 billion. Total expenditures from the start of FY till end of June 2021 reached to Af 149.70 billion, including operating expenditures of Af 111.98 billion and development expenditures of Af 37.72 billion. Operating expenditures of Af 22.63 billion and development expenditures of Af 13.57 billion registered for the month of June 2021, where Af 17.02 and Af 8.94 were recorded in June 2020 for operating and development expenditures respectively.

In the overall headline fiscal balance, we witnessed surplus in the month of June 2021, indicating increase of Af 6 billion from Af 5 billion deficit in June 2020 to Af 1 billion surplus in June 2021.

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## 1. Monetary Sector

### 1.1. Reserve Money (RM) and Currency in Circulation (CiC) growth

Monetary Policy department formulate and implement monetary policy taking into account the country's economic situation, through the main and effective channels of money demand, government's fiscal program (Revenue and expenditure), economic growth outlook, and price stability in the country.

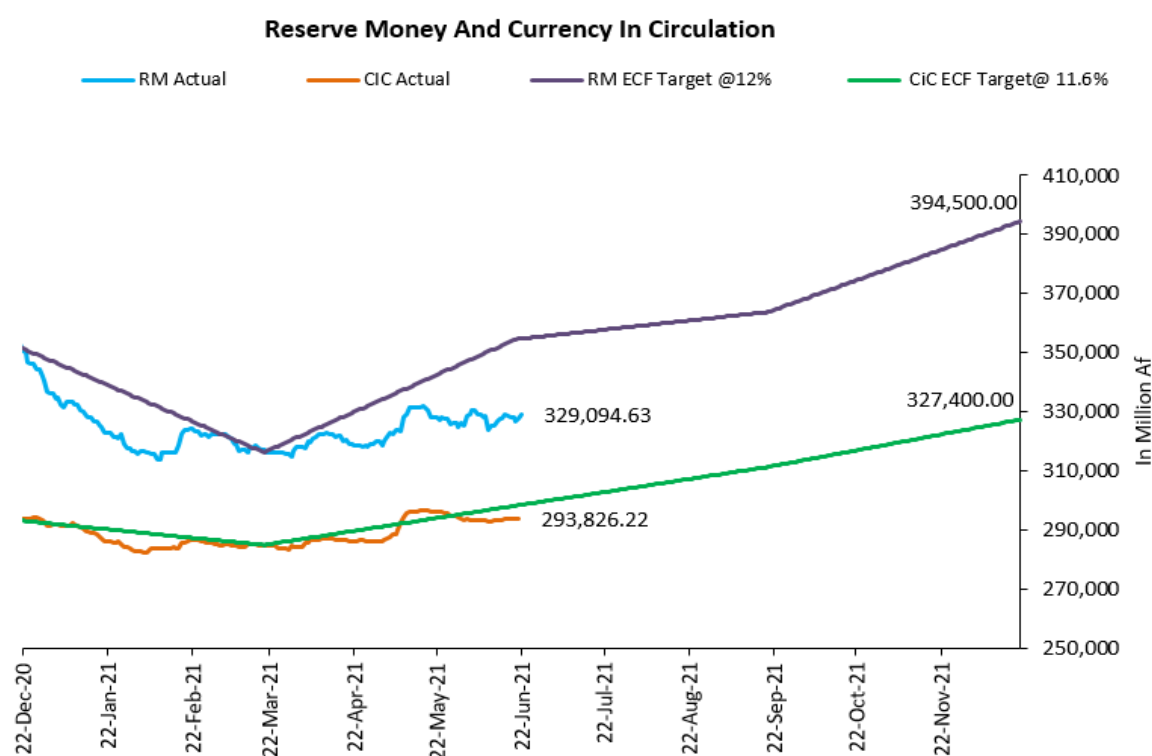
#### Reserve Money (RM) and Currency in Circulation (CiC):

Reserve Money is Performance Criteria (PC) in ECF program with IMF. RM stood at Af 352,255.99 million at the End of FY 1399.

At the end of Jawza 1400, it stood at Af 329,094.63 million below the target, indicating around 6.58 % negative growth, while at the end of Jawza 1399 RM stood at Af 322,978.27 million with 0.42 % growth.

Similarly, CiC stood at Af 293,341.38 million at the End of FY 1399, and recorded Af 293,826.22 million at the end of Jawza 1400, indicating 0.17 % growth. While at the end of Jawza 1399, CiC was recorded Af 279,989.89 million with 7.96% growth.

**Figure 1: RM and CiC during FY 1400 (2021)**



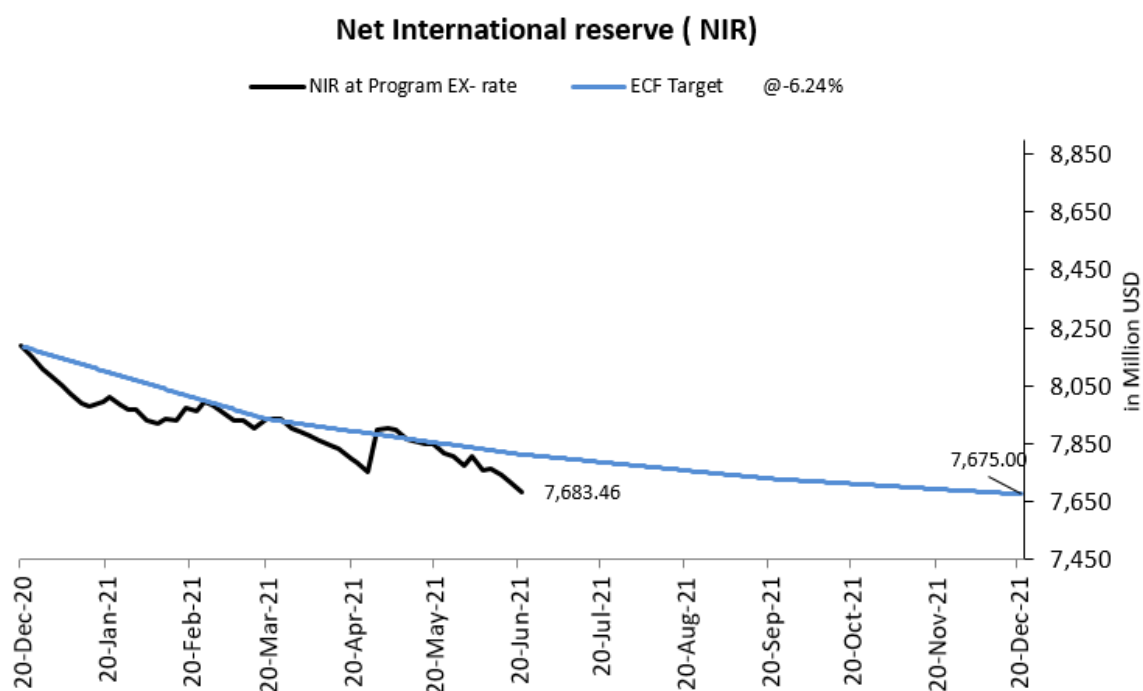
Source: Open Market Operations/Monetary Policy Department

### 1.2. Net International Reserves

Accumulation of Net International Reserves (NIR), which is known as a main macroeconomic indicator of the national economy, is one of the biggest achievements in the country's financial system. NIR accumulation, without doubt, has significant direct impacts on better implementation of monetary policy as well as, on managing macroeconomic indicators such as exchange rate, inflation and balance of payment stability.

NIR at ECF program rate stood at 8,186.21 million USD at the end of FY 1399, and reached to USD 7,683.46 million at the end of Jawza 1400, indicating a de-accumulation of USD 502.75 million while it had accumulation of 101.21 million USD at the end of Jawza 1399. The reason behind its decline is continuation of FX auction including sale of US dollar to Brishna, and lower inflow of grants than expected.

**Figure 2: Net International Reserve (NIR) during FY 1400**



Source: Open Market Operation/Monetary Policy Department

### Reserves Adequacy Measures<sup>1</sup>

DAB has approximately USD 9.4 billion in Gross Reserves. This is a high level using any reserve adequacy measure. We utilize three common measures of reserves adequacy:

**Table 1: Reserve Adequacy Ratio**

Indicator	Afghanistan	Comments
Percentage of GDP (End FY 2020)	49.05%	Afghanistan's reserve as a percentage of GDP is in very good position.
Import Coverage (End June 2021)	14.78 months	Common Import coverage ratios cite 3 months as the minimum (i.e. we hold almost 5 times as much)
Broad Money Ratio (End June 2021)	2.27	Afghanistan has multiples of reserves over our broad money indicator.

Source: Monetary Policy Department

### 1.3. Monetary Policy Tools

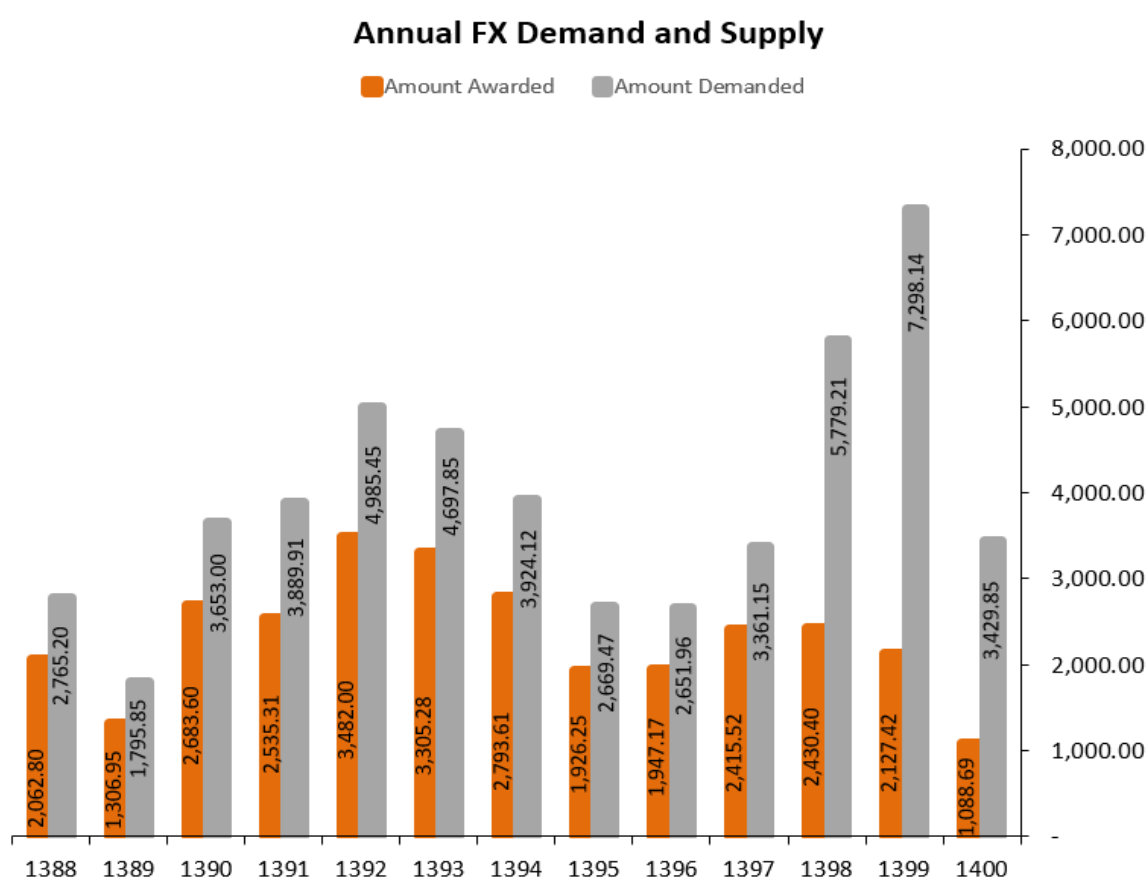
In order to smoothen Af exchange rate fluctuations and manage liquidity in the economy, DAB uses FX Auction, Capital Notes (CNs) auction and Wadia. FX auction is conducted three times in a week, while CNs Auction and Wadiah are conducted once a week, the details of which are discussed below.

<sup>1</sup> \*Note: given that Afghanistan does not hold much external debt, we did not use debt measures of reserve adequacy.

### 1.3.1. Foreign Exchange Auction

Since the beginning of fiscal year of 1400 (2021) till the end of Jawza, DAB has auctioned a total amount of USD 1088.69 million through open market operations and withdrawn Af 84.40 billion from the market, on the other hand, at the end of Jawza 1399, DAB sold 956.10 million USD and Af withdrawn amount was Af 73.31 billion from the market. Besides, DAB sold 139 million USD to Da Afghanistan Brishna Shirkat (DABs) through commercial banks to pay imported electricity bill, and has withdrawn Af 10.75 billion from the market at the end of Jawza 1400, meanwhile, 103 million USD sold to Brishna and withdrawn amount of Af 7.90 billion from the market at the end of Jawza in previous year. These operations have fulfilled 31.74 percent of the total demand for currency (especially the US dollar) in the market.

**Figure 3: Foreign exchange demand and supply during the last 13 years (amount in Million USD)**



Source: Market Operations/Monetary Policy Department

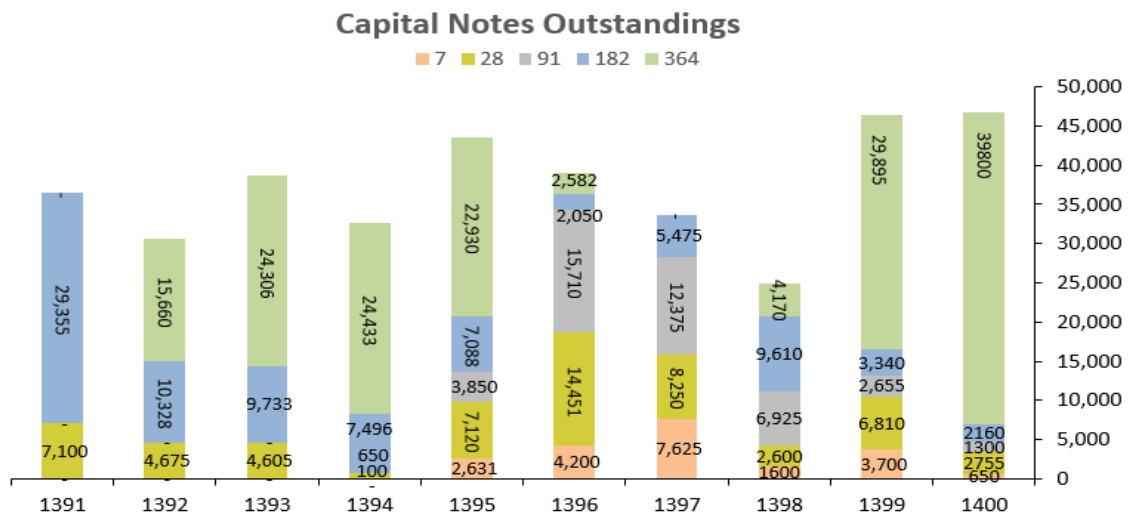
### 1.3.2. Capital Notes Auction

Capital Notes is one of the monetary policy tools used by DAB to manage liquidity in the market and mop up the excess liquidity from the banking sectors, establish and vindicate secondary markets for securities, maintain price stability, diversify monetary policy instruments, and motivate commercial banks to attract Afghani denominated deposits.

From the beginning of FY 1400 to the end of Jawza, total announced, demanded, and awarded amounts of Capital Notes were Af 110.10, Af 98.29, and Af 80.27 billion respectively, with outstanding amount of Af 46.66 billion. At the end of Jawza 1399, total announced, demanded, and awarded amounts of Capital Notes were Af 108.10, Af 117.63, and Af 85.37 billion with outstanding amount of Af 34.47 billion.

Total interest paid for CNs in FY 1400 was Af 194.06 million, while it was Af 90.55 million in previous year.

**Figure 4: Capital Notes Outstanding during 10 FYs till the end of Sawr of FY 1400 (in Billion Af)**

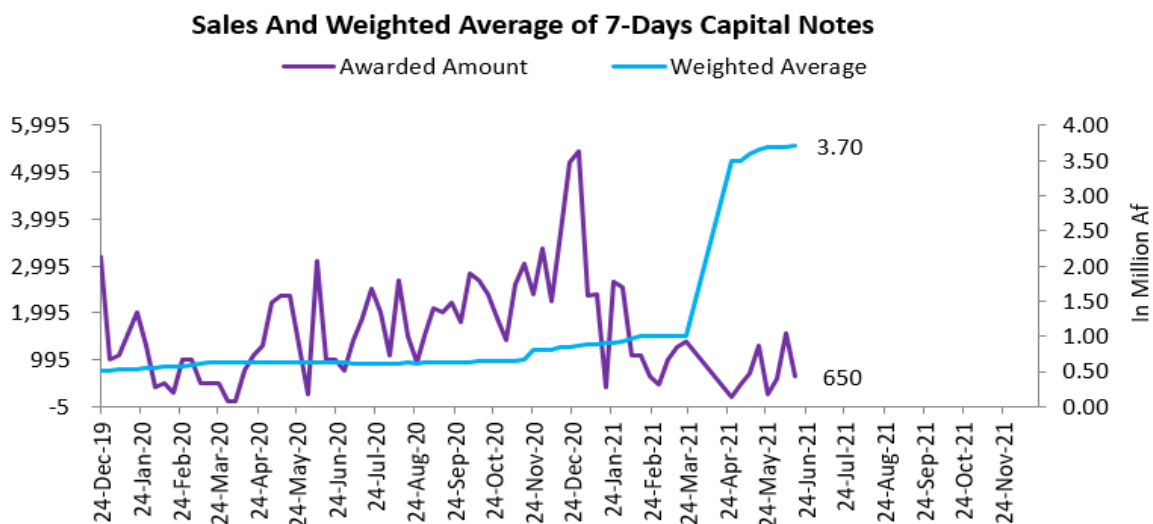


Source: Market Operations/Monetary Policy Departments

**7 -days Capital Notes**

The total announced, demanded and awarded amount of 7-days’ capital notes auction from the beginning of FY 1400 to the end of Jawza recorded Af 24.95, Af 41.62, and Af 33.62 billion with average interest rate of 1.92 percent and outstanding amount of Af 0.65 billion. These amounts were Af 25.60, Af 46.45, and Af 27.90 billion with the average interest rate of 0.59 percent and outstanding amount of Af 1.00 billion in the same period of previous year.

**Figure 5: Sale and weighted average of 7-Days Capital Notes in FY 1400**

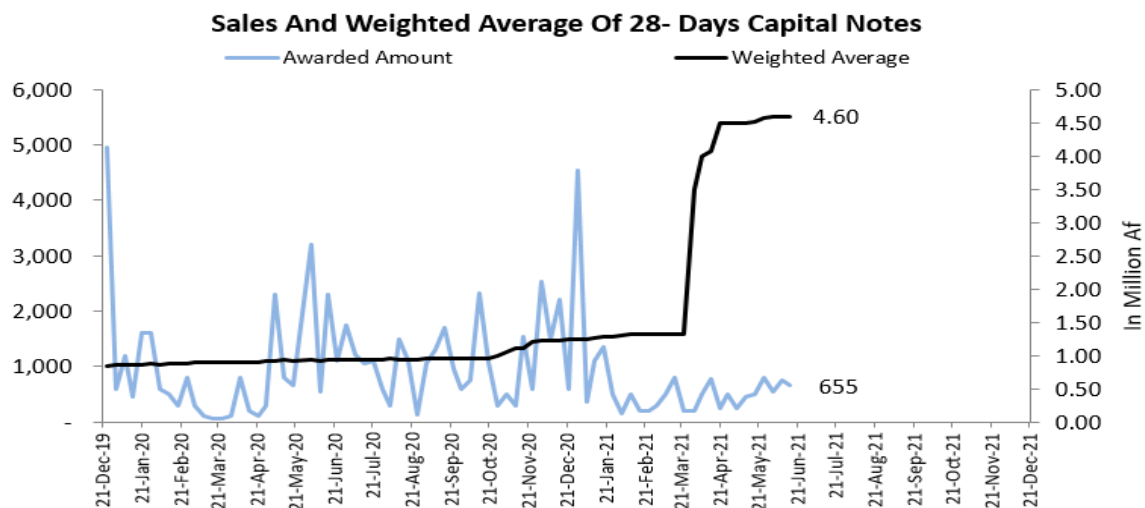


Source: Market Operations/Monetary Policy Departments

**28- days Capital Notes**

The total announced, demanded and awarded amount of 28-days’ capital notes auction from the beginning of FY 1400 to the end of Jawza recorded Af 21.25, Af 21.38, and Af 17.48 billion with average interest rate of 2.71 percent from the beginning of FY 1400 till end of Jawza and outstanding amount of at Af 2.75 billion. These amounts were Af 24.60, Af 29.97, and Af 24.40 billion with the average interest rate of 0.89 percent and outstanding amount of Af 6.05 billion at the end of Jawza 1399.

**Figure 6: Sale and weighted average of 28-Days Capital Notes in FY 1400**

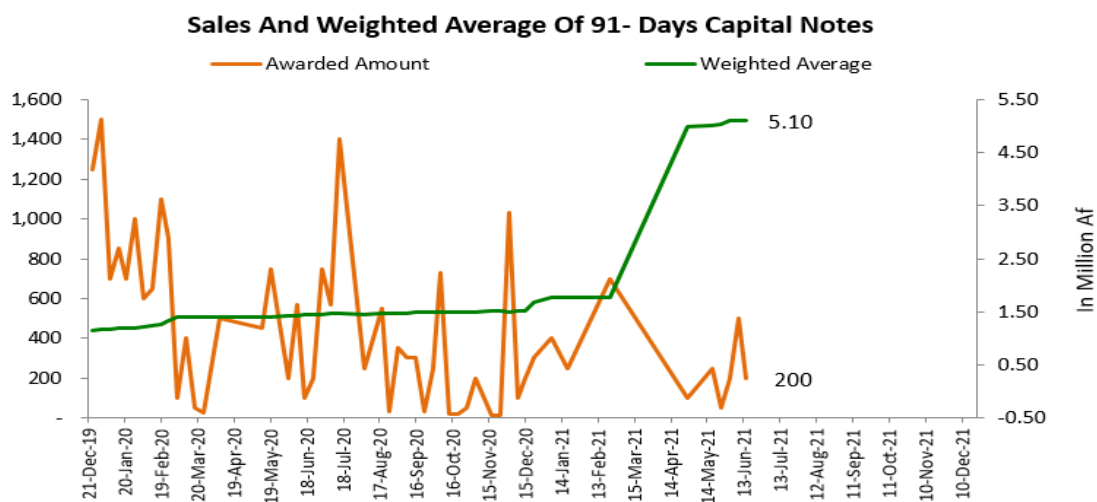


Source: Market Operations/Monetary Policy Departments

**91- days Capital Notes**

The total announced, demanded and awarded amount of 91-days’ capital notes auction from the beginning of FY 1400 to the end of Jawza recorded Af 18.60, Af 3.15, and Af 2.95 billion with average interest rate of 3.73 percent and outstanding amount of Af 1.30 billion from the beginning of FY 1400 till end of Jawza. Meanwhile, these amounts were Af 22.20, Af 15.17, and Af 12.39 billion with the average interest rate of 1.31 percent and outstanding amount of Af 2.59 billion at the end of Jawza 1399.

**Figure 7: Sale and Weighted Average of 91-Days Capital Notes in FY 1400**



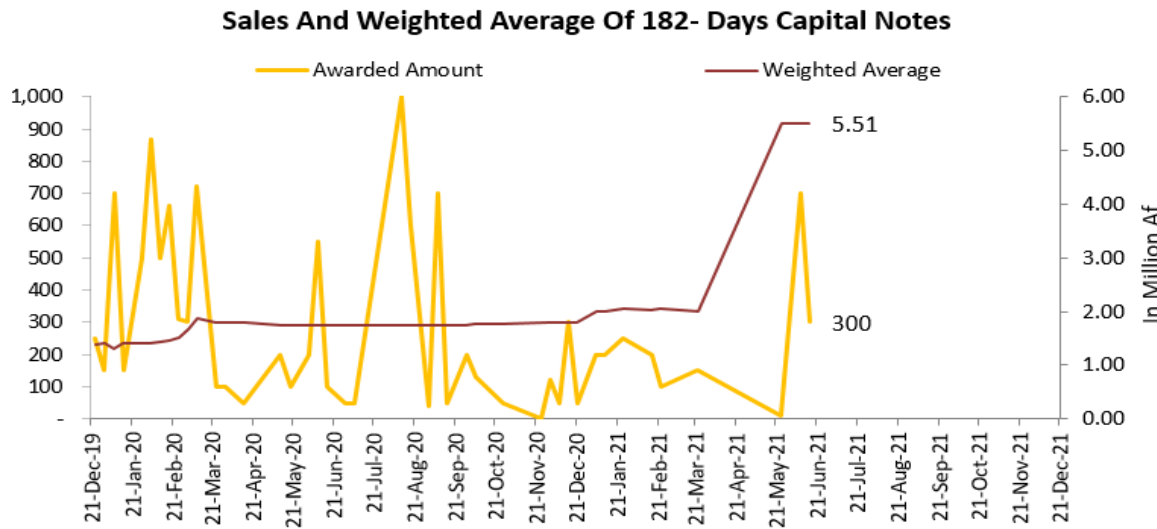
Source: Market Operations/Monetary Policy Departments

**182-days Capital Notes**

The total announced, demanded and awarded amount of 182-days’ capital notes auction from the beginning of FY 1400 to the end of Jawza recorded Af 19.00, Af 2.26, and Af 2.16 billion with average interest rate of 3.05 percent and outstanding amount of Af 2.16 billion. These amounts were Af 21.70, Af 6.71, and Af 6.51 billion with the average interest rate of 1.60 percent at the end of Jawza 1399, and the outstanding amount of this CNs stood at Af 6.51 billion.



**Figure 8: Sale and weighted average of 182-Days Capital Notes in FY 1400**

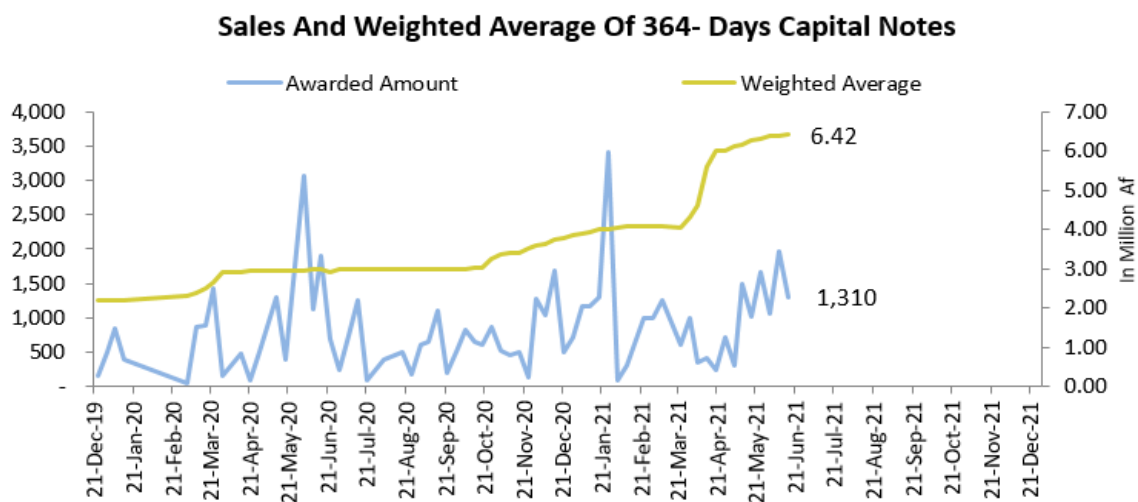


Source: Market Operations/Monetary Policy Departments

**364-Days Capital Notes**

The total announced, demanded and awarded amount of 364-days’ capital notes auction from the beginning of FY 1400 to the end of Jawza recorded Af 26.30, Af 29.87, and Af 24.05 billion with average interest rate of 4.99 percent and outstanding amount of Af 39.80 billion. These amounts were Af 14.00, Af 19.31, and Af 14.15 billion with the average interest rate of 2.65 percent and outstanding amount of Af 18.34 billion at the end of Jawza 1399.

**Figure 9: Sale and weighted average of 364-Days Capital Notes in FY 1400**



Source: Market Operations/Monetary Policy Departments

**1.3.3. Wadia Auction**

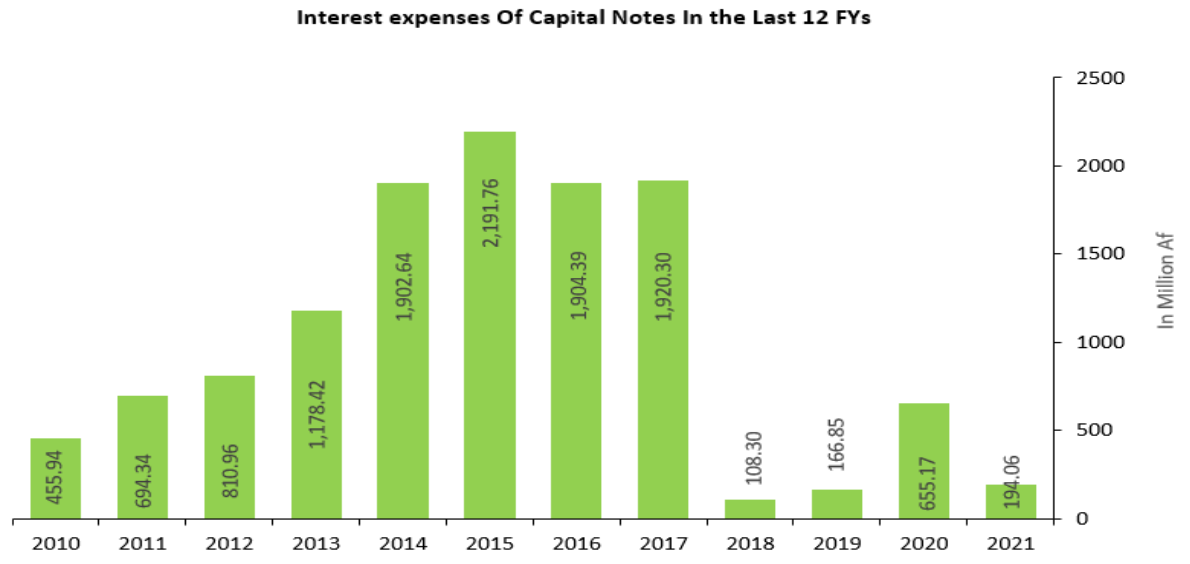
It is one of the Monetary Policy tools which is used to by DAB through Islamic Banking Window. This allows the banks to sell surplus liquidity of their Islamic Banking window which they can’t invest in the Capital Notes Auction. Wadia auction is started from 4<sup>th</sup> of May 2021.

Total announced, demanded and awarded amounts of Wadiah were Af 9.00, Af 4.55, and Af 4.55 billion till the end of Jawza, with outstanding amount of Af 2.59 billion, and has paid Af 2.10 billion Suhula expenses for the mentioned period.

### 1.4. Interest Expenses

Interest paid by DAB for Capital Notes during 12 fiscal years till the end of Jawza FY 1400 (2021) is illustrated in the figure of below.

**Figure 10: Interest Expenses of Capital Notes in the last 12 years**



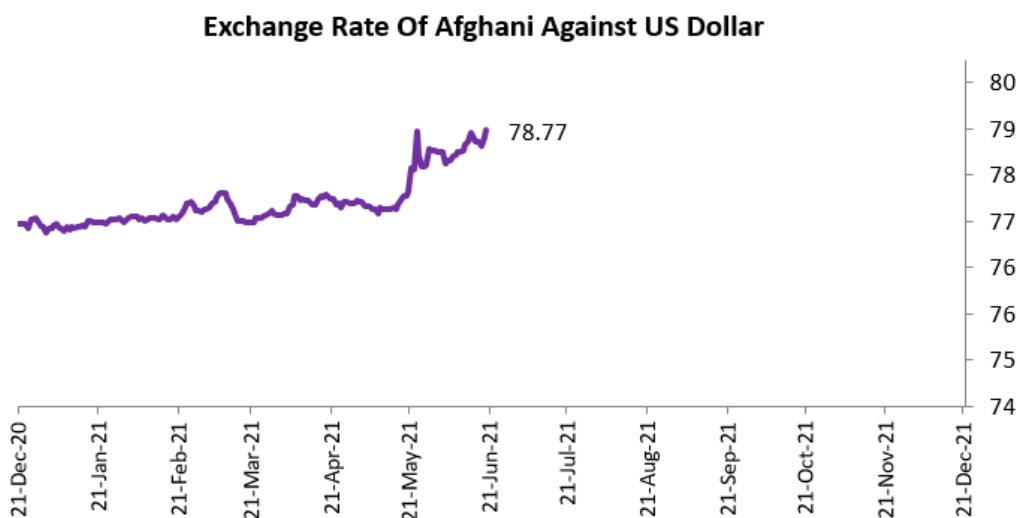
Source: Market Operations/Monetary Policy Departments

### 1.5. Exchange Rate

Central bank does not target the exchange rate in the market. However, considering its significant effects on other macroeconomic indicators, DAB closely monitors exchange rate behavior to smoothen its severe fluctuations. Observing the data, the Afghani exchange rate has recorded some fluctuations against major currencies of the world.

From the beginning of FY 1400 (2021), Afghani has depreciated by 2.12 percent and has been exchanged at 77.52 per USD on average, and the exchange rate recorded at Af 78.77 at the end of Jawza 1400. While Afghani had appreciated by 1.75 percent from the beginning of FY 1399 till end of Jawza and has been exchanged at Af 76.67 per USD on average, while Af exchanged with USD at 77.06 Af at the end of Jawza of the previous year.

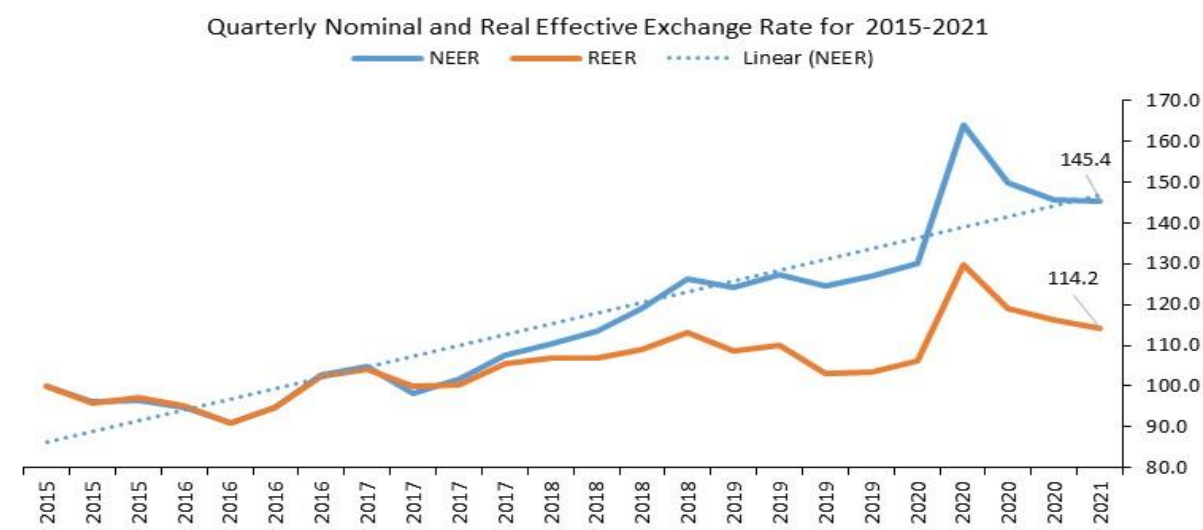
**Figure 11: Exchange Rate of Afghani against USD in FY 1400 (2021)**



Source: Market Operations/Monetary Policy Departments

## NOMINAL AND REAL EFFECTIVE EXCHANGE RATE FOR 2015-2021 (QUARTERLY BASIS):

**Figure 12: Quarterly NEER (Nominal Effective Exchange Rate) and REER (Real Effective Exchange Rate)**



Source: Monetary Policy Department

### Explanation of the above graph:

For the calculation of Monthly, Weekly and Daily NEER and REER, the following challenges and limitations are perceived:

- 1) first and foremost trade data is compiled quarter to quarter and this is the shortest period for data compilation.
- 2) Inflation data of the home country and as well as our trading partners is published on monthly basis, at most and consequently leaving no scope for the calculations of Real Effective Exchange Rate on weekly or on daily basis.
- 3) Taking assumptions in the calculations for these indices would hinder the productivity that these tools possess.

### Interpretation of NEER and REER numerals:

#### NEER=145.4

NEER Value of 145.4 speaks about the appreciation of Afghani against the currencies in the basket of major trading partners over past few years (April 2015 being base period and 100 being the base value). This figure suggests Afghani's strong position with respect to imports and weak position in relation to exports.

#### REER=114.2

REER is one step deep as it accounts for the inflation of our major trading partners with respect to the inflation in Afghanistan. A drag from 116.4 to 114.2 illustrates that Afghanistan has had a stable run of inflation with respect to its major trading partners. In absolute sense REER over 100 suggests that Afghanistan is less competitive in terms of exports and is more viable to imports from rest of the world and a value below 100 speaks of export competitiveness.

Note: Quarterly Inflation data for UAE and Iran has been revised for the year 2020. The reason behind revision is the updates by the IMF for the respective countries

### Note:

Exchange rate of some important countries and trading partners of Afghanistan are presented in graphs and are attached in Annex No.1.

Quarterly Real Effective Exchange Rate (REER) and Nominal Effective Exchange Rate (NEER) table is also presented in Annex No.1

**Table 2: Monetary Indicators**

items	FY 1399					FY 1400			
	Hoot	Sawr	Jawza	Sunbula	Qaws	Hoot	Hamal	Sawr	Jawza
Reserve Money Target (%)	12					11.8			
Actual Reserve Money (%)	-8	1.9	0.42	1.82	9.68	-10.19	-9.4	-6.8	-6.58
RM Actual	295224.52	327744.79	322978.27	327473.80	352755.78	316348.29	319148.54	328318.57	329094.63
RM Target	331039.94	337862.00	340873.85	350707.77	360867.72	362505.19	366230.74	369976.06	373391.35
CiC Actual	259302.12	282137.22	279989.89	283438.22	293341.38	285003.02	286463.25	296319.75	293826.22
CiC Target	266938.63	275122.01	274868.34	282798.06	297474.43	300574.46	304590.94	296319.75	310355.18
Actual NIR	7711.85	7919.73	8128.78	8334.40	8398.11	8147.68	7796.19	8115.82	7683.46
NIR Target	7846.07	7920.77	7919.41	7919.41	7819.00	8178.33	8017.21	7975.30	7930.61
Outstanding Amount	30455.00	30210.00	34495.00	39590.00	46400.00	44635.00	42635.00	45535.00	46665.00
Required Reserve (Af)	5928.75	6271.67	6271.67	6914.36	7314.98	8056.05	7394.30	7334.30	7628.80

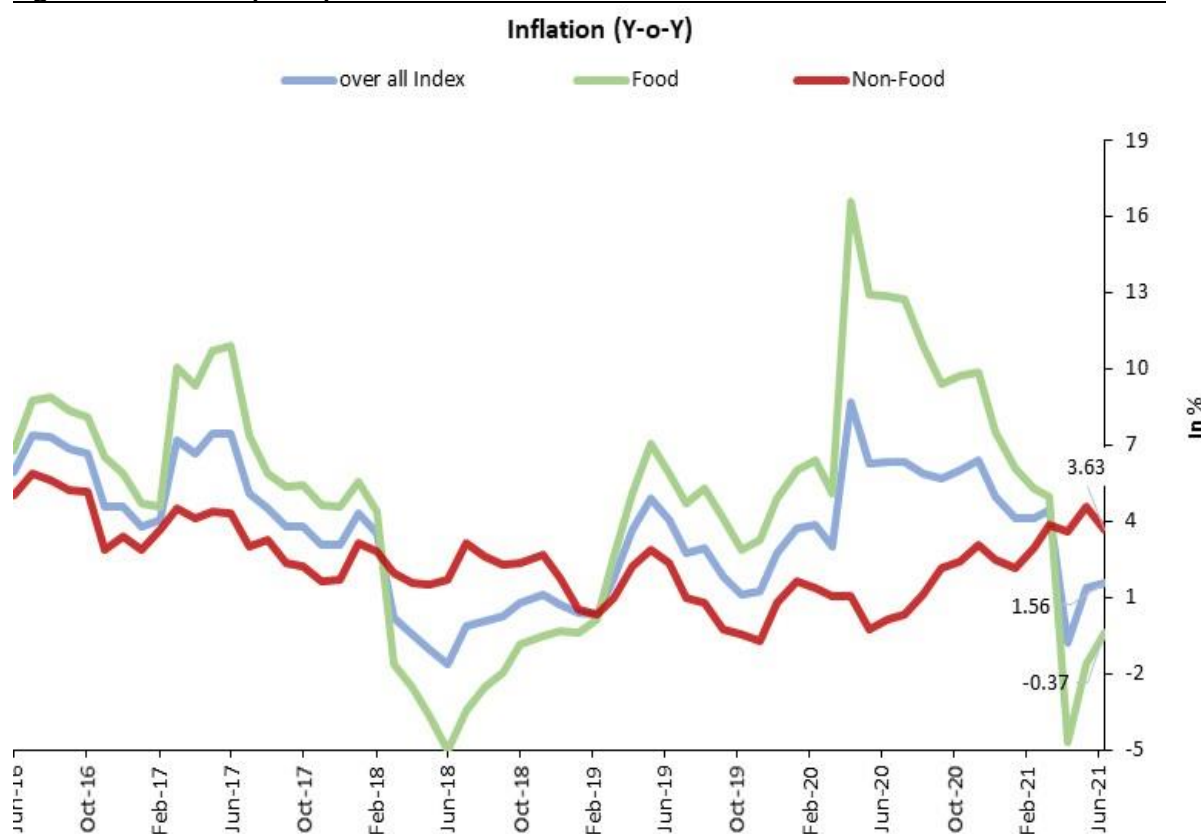
Source: Monetary Sector/Monetary Policy Departments

## 2. Real Sector

### 2.1. Headline Inflation

Headline inflation decreased in the month of June 2021 year over year basis. The year over year inflation decreased to 1.56 percent in June from 6.36 percent observed in the previous month. This decrease is caused by lower prices of food items while nonfood items increased during the period.

**Figure 13: Inflation (Y-o-Y)**



Source: National Statistics and Information Authority/Da Afghanistan Bank

**Table 3: National Headline Inflation (Y-o-Y, in %)**

	21-Jan	21-Feb	21-Mar	21-Apr	21-May	21-Jun
National Headline CPI	4.11	4.13	4.42	0.80	1.35	1.56
Food	6.10	5.32	4.96	-4.73	-1.60	-0.37
Non-Food	2.16	2.95	3.88	3.60	4.60	3.63

Source: National Statistics and Information Authority/Da Afghanistan Bank

### 2.2. Food Inflation

Food inflation decreased in month of June 2021. Food and beverages items are weighted for 47.78 percent of the overall index. When measure on year over year basis, food inflation decreased to -0.37 percent in the month of June from 12.88 percent calculated in previous month. All food items decreased during the period.

#### FRESH AND DRIED FRUITS

Fresh and dried fruits prices decreased in the month of June 2021. Observing the data, during the review period, this index which comprises of 5 percent of the whole index decreased to 3.63 percent (year over year) in the month of June 2021 from 10.88 percent recorded in the same month of previous

year. the main reasons behind decrease in the prices of this index are, increase in domestic production, production of fresh fruits increased in country especially production of peach notably increased in Kunar province, production of melon and water melon increased in Kunduz, Takhar and Helmand provinces, also production of strawberry increased in Heart province which increased domestic supply during the period.

#### **MEAT PRICE INDEX**

Meat price index weighted 7.5 percent of the CPI, decreased to 5.03 percent in the month of June 2021 from 12.49 percent observed in the corresponding month of previous year (year over year).

due to covid-19 same month last year, cities lock down, measurement and restrictions, number of poultry and fish farms had faced supply chain problems now with the eased of restriction and measurements and establishment of new poultry farms in country especially in province of Faryab, supply to the domestic market has been increased and prices returned to normal level.

**Table 4: Food and Non-Alcoholic Beverages (Y-o-Y, in %)**

Items	Weight	21-Jan	21-Feb	21-Mar	21-Apr	21-May	21-Jun
Food and Non-Alcoholic Beverages	47.78	6.10	5.32	4.96	-4.73	-1.60	-0.37
Bread and Cereals	14.61	8.69	8.92	8.96	-2.04	-3.70	-4.93
Meat	7.50	9.76	8.86	9.17	7.48	6.52	5.03
Milk, cheese and eggs	4.70	5.95	3.33	3.51	0.69	-2.78	-2.42
Oils and fats	4.58	14.87	16.16	18.78	15.87	13.72	15.80
Fresh and dried fruits	4.98	2.64	1.65	-0.27	-8.87	0.36	3.63
Vegetables	6.01	-3.73	-6.78	-9.69	-30.91	-16.55	-9.68
Sugar and sweets	2.74	5.60	6.25	7.08	3.69	3.19	2.44
Spices	1.29	-5.02	-6.85	-9.10	-21.35	-14.93	-12.75
Non-alcoholic beverages	1.36	3.05	2.17	2.14	2.36	1.75	2.22

Source: National Statistics and Information Authority/Da Afghanistan Bank

### **2.3. Non-Food Inflation**

inflation in non-food items exhibited upwards trend in the month of June 2021. On year over year basis, non-food inflation increased to 3.63 percent in the month of June 2021 from 0.13 percent observed in the corresponding month of previous year. This increase comes from higher prices of tobacco, housing, furnishing and household goods, transportation, and education.

#### **HOUSING, ELECTRICITY, WATER AND GAS**

Housing, electricity, water, and gas increased in the month of June 2021. When measure year over year basis, this index increased to 2.99 percent in the month of June 2021 from -4.02 percent observed in the corresponding month of previous year. This index is dedicated for more than 19 percent of the whole index; therefore, any changes in its price may significantly affect the overall CPI. Reason behind increase in the prices of this index is increase in the prices of natural gas in international market, natural gas price increased by almost 90 percent in international market during one-year period. also Brishna Sherkat has increased electricity prices during the period which caused increase in price of this index during the period.

## TRANSPORTATION PRICE INDEX

Transportation price index accounts for 4.32 percent of the whole index. Observing the data, transportation index year over year basis increased to 6.51 percent in the month of June 2021 from -10.44 percent recorded in the corresponding month of previous year. Main reason behind increase in the prices of this index is increase in oil prices, gasoline and crude oil prices in international market increased by 93 percent and 81 percent respectively during one-year period.

**Table 5: Non- Food Inflation (Y-o-Y, in %)**

Items	Weight	21-Jan	21-Feb	21-Mar	21-Apr	21-May	21-Jun
Non-Food	52.22	2.16	2.95	3.88	3.60	4.60	3.63
Tobacco	0.32	4.97	5.35	5.50	4.73	4.65	4.34
Clothing	4.56	6.93	5.51	6.16	6.72	6.01	6.53
Housing,	19.10	-0.28	2.16	2.51	2.53	4.78	2.99
Furnishing and household goods	11.93	6.08	5.40	6.62	6.13	5.40	5.96
Health	6.23	6.08	5.73	5.35	4.14	3.18	-0.76
Transportation	4.32	-11.81	-8.34	-2.42	-2.07	5.08	6.51
Communication	1.69	-0.66	-0.68	0.76	0.54	0.38	-0.03
Information and Culture	1.14	1.30	0.58	1.90	0.78	0.78	-0.18
Education	0.36	5.48	5.08	5.02	6.13	6.27	5.65
Restaurants and Hotels	1.13	-0.14	-0.39	0.30	-0.06	0.18	0.36
Miscellaneous	1.43	9.05	8.38	6.35	4.14	4.62	1.72

Source: National Statistics and Information Authority/Da Afghanistan Bank

## 2.4. Core Inflation

Core measure of inflation gives a more specific view of price changes. This method is used to analyze the inflationary developments cutting off the effects of eccentric factors, which may be seasonal or other specific cases. In this method, those components, which show abnormal changes in their price level, are ignored to put down their effects from the CPI.

One of the most common methods of core inflation is **TRIMMED MEAN**. This measure is defined for a particular part of the CPI, and is calculated by taking the simple average of the index after excluding the targeted components. During June 2021, trimmed mean (30 % of CPI) decreased to 2.21 percent (year over year) from 5.99 percent observed in the previous month.

**CPI ex. FOOD & BEVERAGES AND TRANSPORTATION** increased to 3.40 percent in June 2021 from 1.10 percent compared to same month of previous year.

**CPI ex. BREAD AND CEREALS, OILS AND FATS AND TRANSPORTATION** decreased to 1.78 percent compared to 4.61 percent observed in same month of previous year.

**CPI ex. HOUSING AND TRANSPORTATION** decreased to 1.05 percent in June 2021, compared to 9.68 percent observed in same month of previous year (year over year).

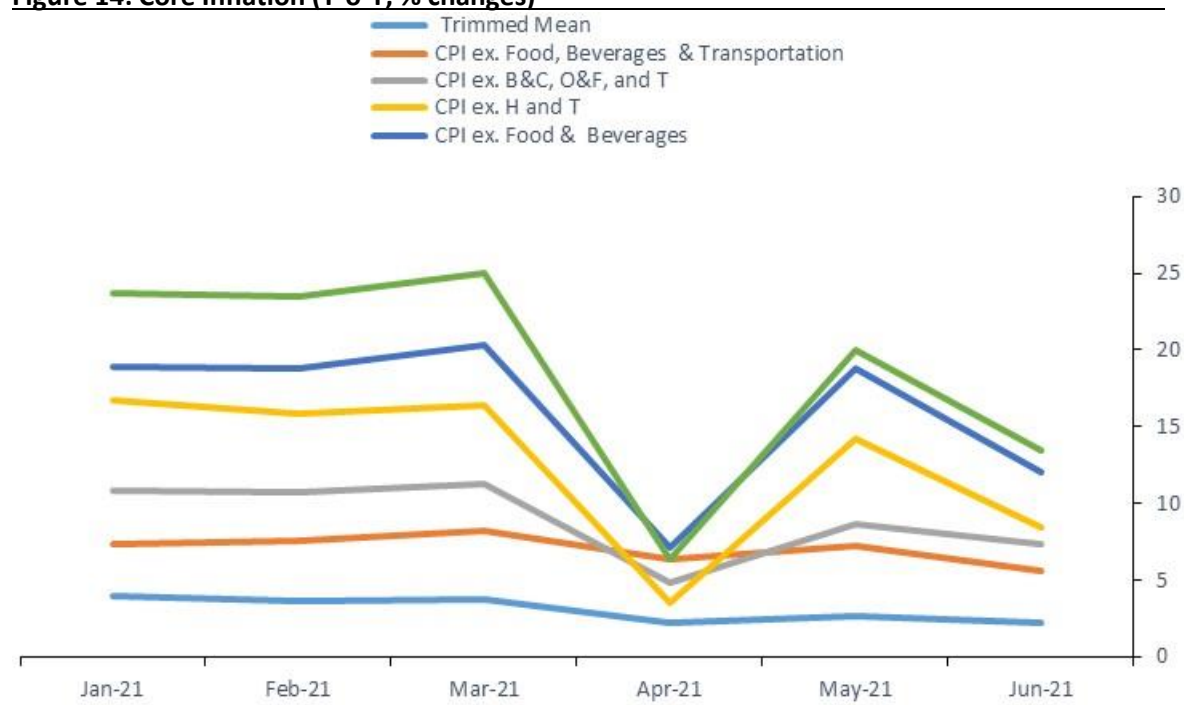
**CPI ex. FOOD AND BEVERAGES** increased to 3.63 percent in the month of June 2021 compared to 0.13 percent in the corresponding month of previous year (year over year).

**CPI ex. TRANSPORTATION** decreased to 1.37 percent in the month of June 2021 compared to 7.11 percent in the same month of previous year (year over year).

**Table 6: Core Inflation (Y-o-Y, in %)**

Items	21-Jan	21-Feb	21-Mar	21-Apr	21-May	21-Jun
Trimmed Mean	3.98	3.61	3.78	2.26	2.68	2.21
CPI ex. Food, Beverages & Transportation	3.40	3.94	4.42	4.09	4.56	3.40
CPI ex. B&C, O&F, and T	3.43	3.14	3.05	-1.46	1.45	1.78
CPI ex. H and T	5.94	5.20	5.18	-1.41	0.50	1.05
CPI ex. Food & Beverages	2.16	2.95	3.88	3.60	4.60	3.63
CPI ex. Transportation	4.79	4.65	4.71	-0.75	1.21	1.37

Source: National Statistics and Information Authority/Da Afghanistan Bank

**Figure 14: Core Inflation (Y-o-Y, % changes)**

Source: National Statistics and Information Authority/Da Afghanistan Bank

## 2.5. GDP and Unemployment Rate

Afghanistan GDP growth showed downward trend at the end of 2020 and economic growth was lower as compared to 2019. A downward trend in agriculture sector and also weak performance by services and industry sectors caused the economic growth to turn down to -1.93 percent in 2020 which shows significant decrease from 3.91 percent in 2019. The contribution of GDP sectors shares reached to, Agriculture 27.01%, Industry 12.47%, and Services 56.07%.

**Based on NSIA survey (2020), unemployment rate was calculated at 18.6%.**

**Table 7: GDP Growth (in %)**

Sectors	2017	2018	2019	2020
Agriculture sector	6.41	-4.42	17.46	5.31
Industry sector	9.21	11.07	4.85	-4.22
Services sector	-0.68	1.94	-1.39	-4.76
GDP	2.65	1.19	3.91	-1.93

Source: National Statistics and Information Authority/Da Afghanistan Bank

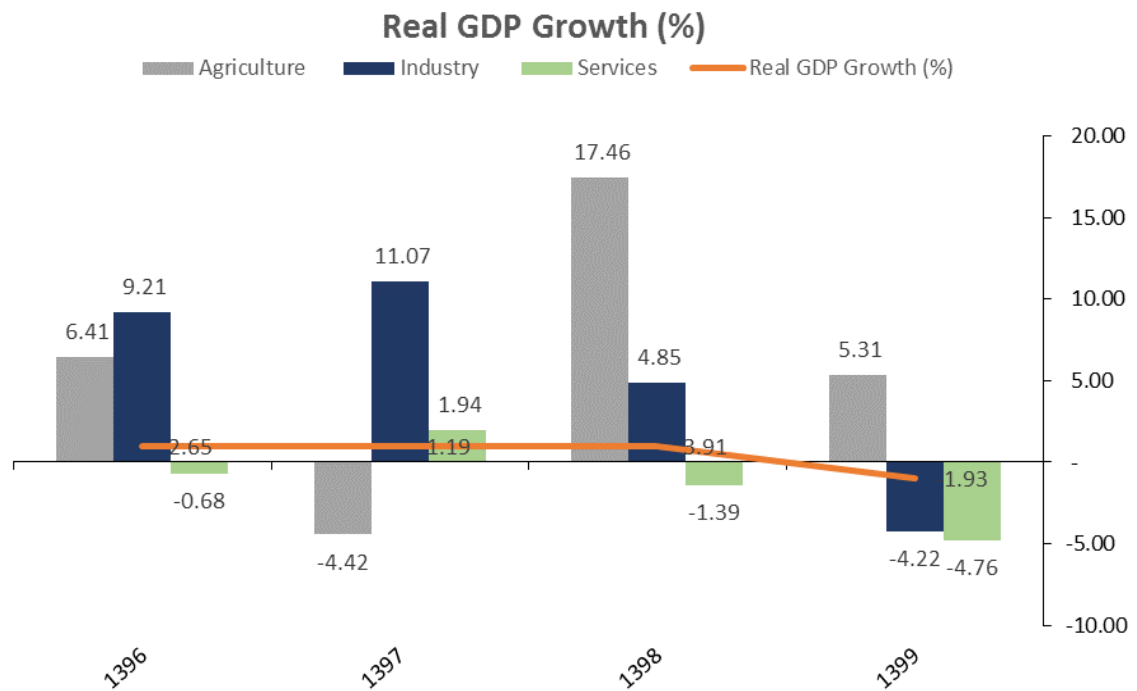


**Table 8: GDP Shares (in %)**

Sectors	2017	2018	2019	2020
Agriculture sector	26.42	22.04	25.77	27.01
Industry sector	10.05	13.39	14.06	12.47
Services sector	58.33	59.48	55.47	56.07

Source: National Statistics and Information Authority/Da Afghanistan Bank

**Figure 15: GDP Growth rate**



Source: National Statistics and Information Authority/Da Afghanistan Bank

### 3. External Sector

#### 3.1. Current Account Balance

Current account deficit (including official transfers) expanded by 9% and reached at a value of USD 1,047.43 million in the first quarter of the FY 1400 from a value of USD 959.35 million recorded in the first quarter of the FY 1399. This development was attributed to lower earnings from merchandise export, lower receipts in the form of services and investment income as well higher out-payments of merchandise imports during the quarter under review.

##### 3.1.1. Goods Account

The deficit of goods sub-account on BoP basis raised slightly by 3% and stood at a value of USD 1,213.43 million in the first quarter of the FY 1400 compared with a value of USD 1175.43 million recorded in the first quarter of the FY 1399.

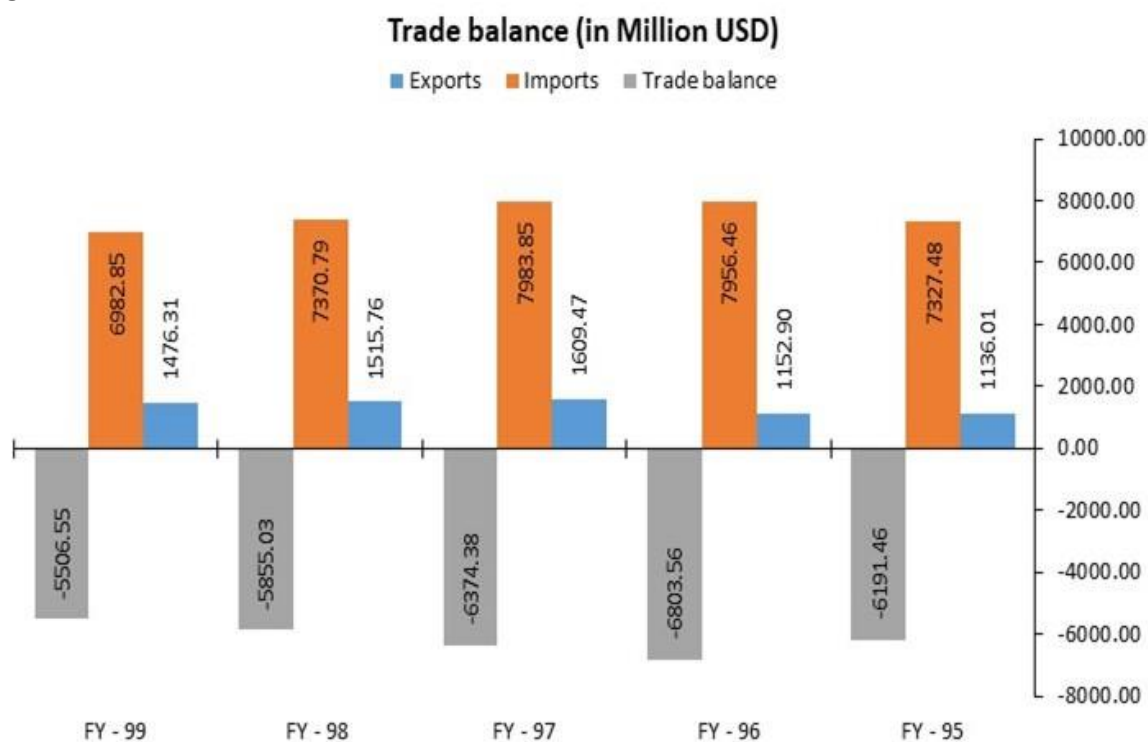
Aggregate merchandise exports declined slightly by 2% and reached at a value of USD 200.10 million in the first quarter of the FY 1400 compared with a value of USD 203.64 million recorded in the similar quarter of the FY 1399 mainly on account of medical seeds components during the first quarter of the FY 1400. While, Aggregate merchandise imports (fob) grew by 3% and reached at a value of USD 1,413.62 million in the first quarter of the FY 1400 above the level USD 1,379.07 million recorded in the preceding and corresponding quarter in FY 1399. The rise was accounted for imports of consumer goods components.

##### 3.1.2. Services Account

In the first quarter of the FY 1400, the deficit of services account increased significantly by 90% and reached at a value of USD 141.74 million from a record of USD 74.46 million in the first quarter of the FY 1399.

In general, the deficit of trade account (goods and services), expanded by about 8%, mainly due to a remarkable decrease in total receipts on respect of services account and a normal increase in out-payments goods during the quarter under review.

**Figure 16: Trade Balance**



Source: NSIA/Monetary Policy Department, DAB staff calculation

### 3.1.3. Primary Income Account

Considering the statistics, the surplus of the primary income account which reflected USD 63.23 million in the first quarter of the FY 1399, reached at a value of USD 24.39 million with sign of 61% decline in the first quarter of the FY 1400 largely due to contraction in investment income inflows associated with foreign investment.

### 3.1.4. Secondary Income Account

Inflows to the secondary income account expanded by 5% and reached at a value of USD 345.70 million in the first quarter of the FY 1400 from a value of USD 327.87 million recorded in the first quarter of the FY 1399. The main impact is related to the net official transfer to the government sector which is increased by 14% and stood at USD 187.7 million in the first quarter of the FY 1400 from a value of USD 164.38 million in the similar quarter of the last year.

Total inflows in the form of personal transfers dropped by 3% and reached at a value of USD 158 million in the first quarter of the FY 1400 from a value of USD 163.50 million recorded in the same quarter of the last year.

### 3.2. Capital Account Balance

Inflows in the form of capital transfers was USD 38.49 million in the first quarter of the FY 1400 which shows 4% reduction from the level USD 40.30 million recorded in the same quarter of the last year, as a result of lower net capital transfers for the account of "general government", While those in the financial and non-financial corporations, household and non-profit institution serving household were nil during the first quarter of the FY 1400.

### 3.3. Financial Account Balance

Under financial account of the Balance of Payments (BOPs), foreign investment is an important component which consisted of foreign direct investment (FDI), foreign portfolio investment (FPI) and Other Investments.

#### 3.3.1. Direct Investment

The record shows that USD 2.55 million reported as net assets during the first quarter of the FY 1400, while this figure was recorded USD 2.91 in the similar quarter of the last year. Foreign Direct Investment (FDI) abroad increased by 26% and reached to a value of USD 7.70 million in the first quarter of the FY 1400, compared with a value of USD 6.10 million recorded in the level a year ago. While FDI in the country reached at a value of USD 5.15 million in the first quarter of the FY 1400 from a value of USD 3.19 million recorded in the first quarter of the FY 1399.

#### 3.3.2. Portfolio Investment

Outward portfolio investment swung from a value of USD -18.20 million in the first quarter of the FY 1400, when compared with a value of USD -28.98 million recorded in the similar quarter of the last year. On the other hands other aggregated financial assets abroad increased at a value of USD 104.31 million in the first quarter of the FY 1400 from a value of USD 38.22 million recorded in the first quarter of the FY 1399. While Other aggregated financial liabilities, followed downward trend and stood at a value of USD 9.60 million in the first quarter of the FY 1400 from a value of USD -15.67 million recorded in the first quarter of the previous year.

**Note:**

Balance of Payments (BoP) table is provided in Annex No. 2.

#### 4. Fiscal Sector

The key objective in the fiscal area is to achieve sustained increase in revenue collection and to permit gradual takeover of externally financed operating & development spending. Moreover, to ensure an expenditure allocation consistent with Afghanistan National Peace and Development Framework (ANPDF). The other goals include improvements in public expenditure management, fiscal policy formulation and reformation, efficiency in public enterprises, tax and customs administration.

Like other emerging and under developing economies around the world, Afghanistan faces budget deficit, where total core expenditures exceed total revenue (excluding grants).

**The overall headline fiscal balance was surplus in the month of June 2021**, shows 1 billion Af surplus in June 2021. it was roughly Af 5 billion deficit in the June 2020 and there is an increase of Af 6 billion Af in revenue collection compare to expenditure in June 2021. This is the result of low expenditure and higher revenue collection in the month of June 2021 and revenue collection is higher compare to the same month in the fiscal year 2020.

At the beginning of fiscal year 2021, total core budget has been estimated Af 473.04 billion, showing 10% or Af 44.66 billion increase from Af 428.38 billion in FY 2020, in annual budget. The total budget Af 473.04 billion is combination of both operating and development budgets, that are estimated each Af 311.41 billion and Af 161.64 billion respectively.

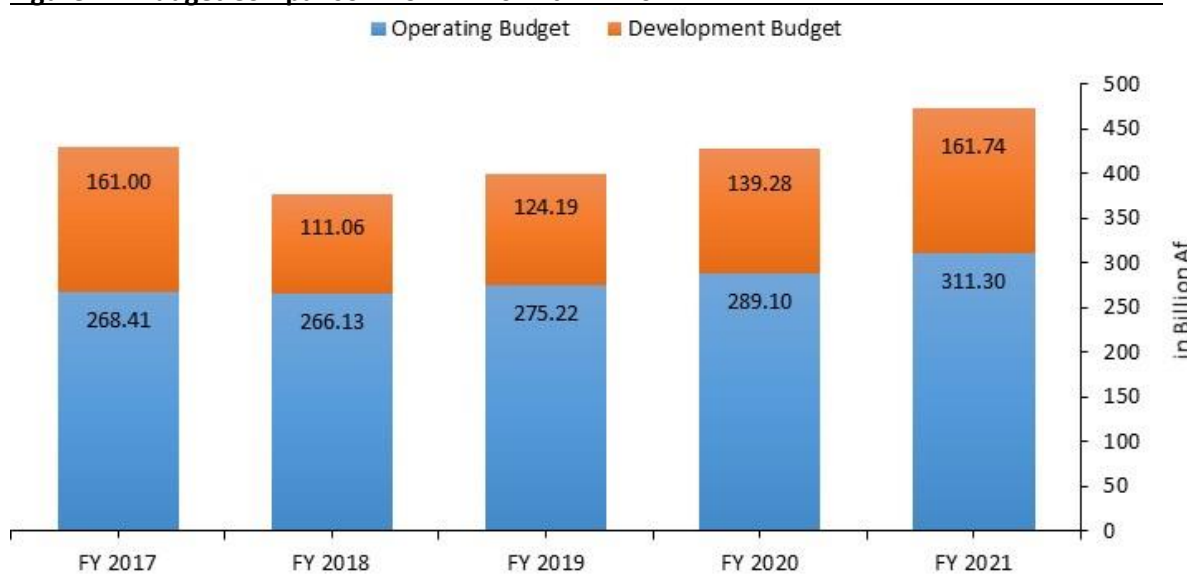
As below table shows, both operating and development budget is increasing since fiscal year 2017 and it was foreseen as a result of increase in domestic revenue collection and donor's contribution.

**Table 9: Budget comparison from FY 2017 till FY 2021 (in Billion Af)**

Date	Operating	Development	Total
FY 2021	311.30	161.74	473.04
FY 2020	289.10	139.28	428.38
FY 2019	275.22	124.19	399.42
FY 2018	266.13	111.06	377.19
FY 2017	268.41	161.00	429.41

Source: MoF Financial Reports/MPD Staffs Calculations

**Figure 17: Budget Comparison from FY 2017 till FY 2021**

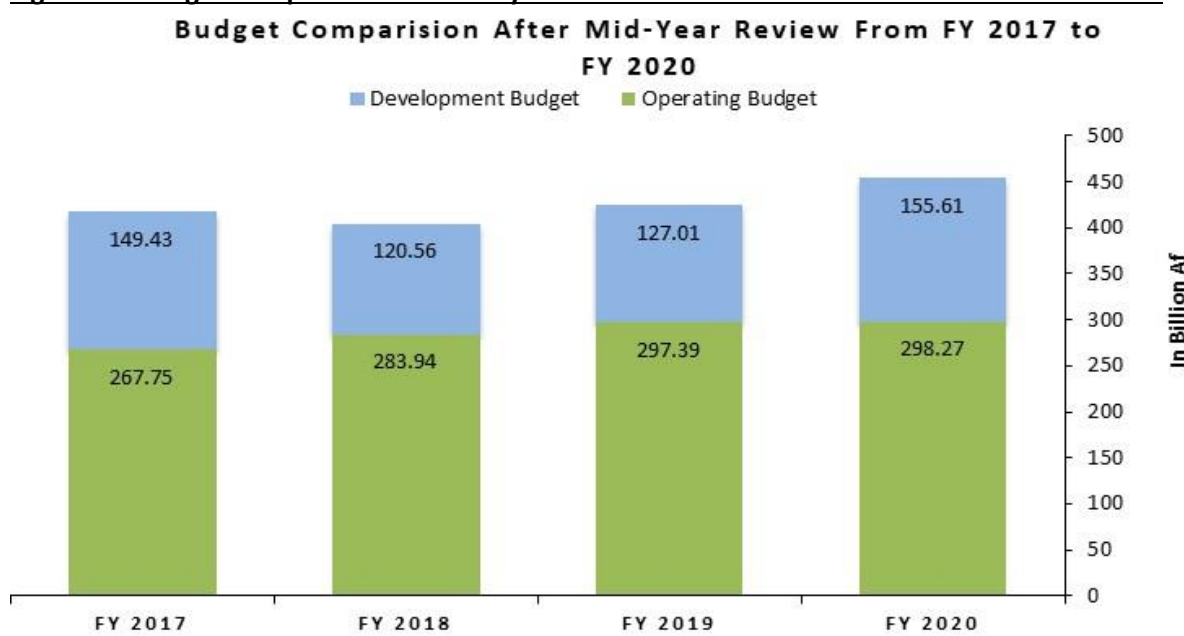


Source: MoF Financial Reports/MPD Staffs Calculations

**Table 10: Growth in Budget from FY 2018 till FY 2021 (in %)**

Date	Operating	Development	Total Core
FY 2021	7.7%	16.1%	10.4%
FY 2020	5.0%	12.1%	7.3%
FY 2019	3.4%	11.8%	5.9%
FY 2018	-0.8%	-31.0%	-12.2%

Source: MoF Financial Reports/MPD Staffs Calculations

**Figure 18: Budget Comparison after Mid-year review from FY 2017 till FY 2020**

Source: MoF Financial Reports/MPD Staffs Calculations

It has to be mentioned that the budget is always subject to change during the year at any time either due to non-discretionary expenses incurred by the donors, or by Ministry of Finance (MOF) through mid-year review of budget, which has to be approved by cabinet following the justification and documentation, provided the ministry of finance.

Total core budget estimation is increased to Af 453.88 billion after mid-year review including operating budget and development budget of Af 298.27 billion and Af 155.61 billion respectively. This shows an increase of 5.95% in total core budget from the start of FY 2020 indicating increase of amount Af 25.50 billion.

**Table 11: Budget Comparison after Mid-year review from FY 2017 till FY 2020 (in Billion Af)**

Date	Operating	Development	Total
FY 2020	298.27	155.61	453.88
FY 2019	297.39	127.01	424.40
FY 2018	283.94	120.56	404.51
FY 2017	267.75	149.43	417.18

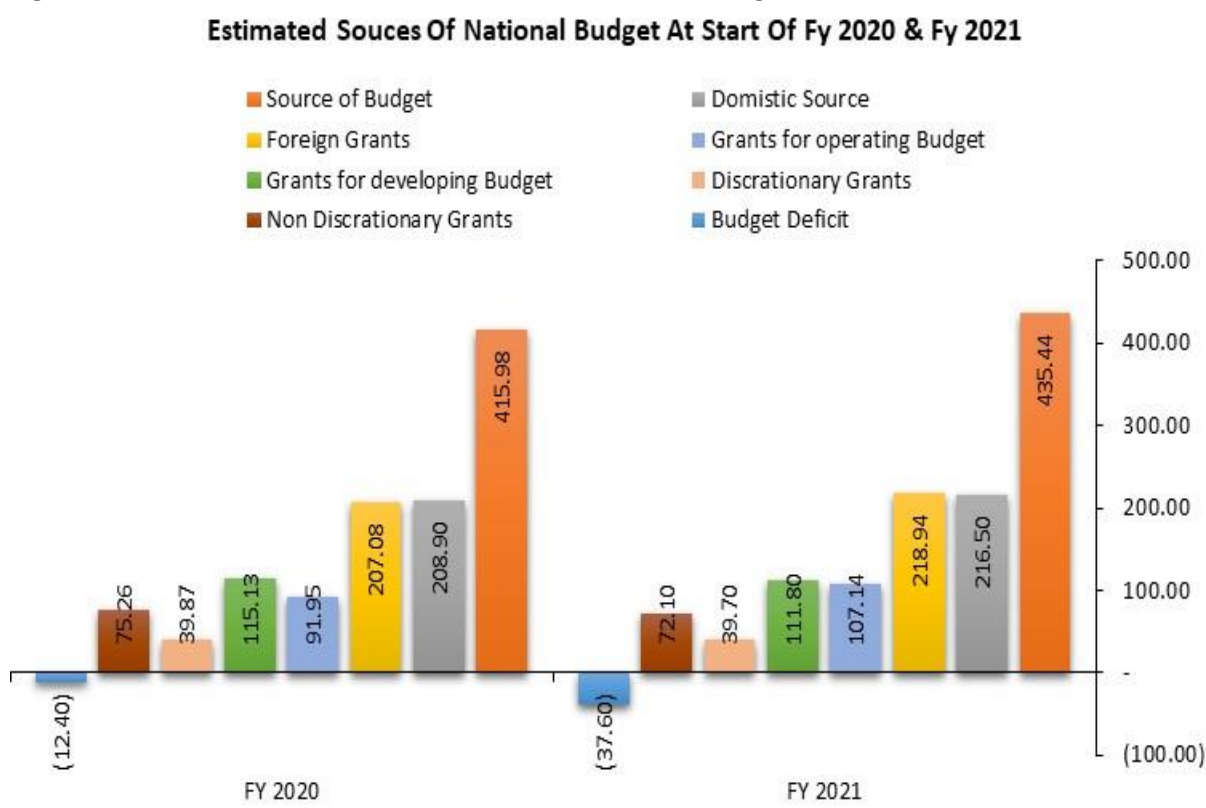
Source: MoF Financial Reports/MPD Staffs Calculations

**Table 12: Growth in Budget after Mid-year review from FY 2018 till FY 2020 (in %)**

Date	Operating	Development	Total
FY 2020	0.3%	22.5%	6.9%
FY 2019	4.7%	5.3%	4.9%
FY 2018	6.0%	-19.3%	-3.0%

Source: MoF Financial Reports/MPD Staffs Calculations

**Figure 19: Estimated Sources of Revenue for the National Budget at the start of FY 2020 and FY 2021**



Source: MoF Financial Reports/MPD Staffs Calculations

At the start of Fiscal year 2021, total revenue has been estimated Af 435.44 billion compared to Af 415.98 billion in FY 2020, showing 4.68% or Af 19.46 billion increase in projected revenue. Total estimated domestic revenue at the beginning of FY 2021 was Af 216.50 billion, while at start of FY 2020, it was Af 208.90 billion, which shows 3.64%, or Af 7.60 increase in FY 2021. Projected grants at start of FY 2021 was Af 218.94 billion while, Projected grants at the beginning of FY 2020 was estimated Af 207.08 billion that indicates 5.73% or Af 11.86 billion increase relatively.

Foreign grants are the combination of operating grants and developing grants, at the start of FY 2021 total estimated operating grants was Af 107.14 billion while, total estimated grants at the beginning of FY 2020 was Af 91.95 billion which shows 16.52% or 15.19 billion increase in FY 2021. Developing budget grants are the combination of discretionary grants and non-discretionary grants which decreased by 0.43% and 4.20% each respectively in the FY 2021. The total estimated grants for developing budget is decreased to Af 111.80 billion in FY 2021 from Af 115.13 billion in FY 2020 while, total estimated core expenditures exceeded total revenue, which shows Af 12.40 billion and 37 billion budget deficit in FY 2020 and FY 2021 respectively.

**Table 13: Types of Revenue for the month of June FY 2020 and FY 2021 (in Billion Af)**

Types of Revenue	June 2021	June 2020	Increase/Decrease	Growth in %
Monthly Domestic revenues	14.47	8.39	6.08	72%
Monthly donor contributions	23.03	12.82	10.20	80%
Monthly total revenue	37.50	21.21	16.29	77%
Accumulated Domestic Revenue	61.54	60.13	1.41	2%
Accumulated donor contributions	78.16	77.70	0.47	1%
Accumulated total revenue	139.70	137.82	1.88	1%

Source: MoF Financial Reports/MPD Staffs Calculations

**Table 14: Types of expenditures for the month of June FY 2020 and FY 2021 (in Billion Af)**

Types of Expenditure	June 2021	June 2020	Increase/Decrease	Growth in %
Monthly Development Expenditure	13.57	8.94	4.63	52%
Monthly Operating Expenditure	22.63	17.02	5.60	33%
Monthly Total Expenditure	36.19	25.96	10.23	39%
Accumulated Development Expenditure	37.72	43.47	(5.75)	-13%
Accumulated Operating Expenditure	111.98	118.06	(6.08)	-5%
Accumulated total expenditure	149.70	161.53	(11.83)	-7%

Source: MoF Financial Reports/MPD Staffs Calculations

Total actual revenue (domestic revenue plus external resources) for the month of June 2021 is Af 37.50 billion, while in June 2020 it was Af 21.21 billion which shows 77% or Af 16.29 billion increase in June 2021. Total revenue from the start of FY-2021 till end of June reached up to Af 139.70 billion that is combination of Af 61.54 billion donor contributions and Af 78.16 billion domestic revenue respectively. Total revenue from the start of FY-2020 till end of June reached up to Af 137.82 billion that is combination of Af 60.13 billion donor contributions and Af 77.70 billion domestic revenue respectively, this shows an increase of 1%, 2%, 1% in accumulated total revenue, accumulated donor contribution and accumulated domestic revenue respectively.

Likewise, domestic revenue for the month of June 2021 is Af 14.47 billion while it was amount Af 8.39 billion in the month of June 2020, showing an increase of Af 6.08 billion 72% in the month of June 2021. On the other hand, donor contributions (including loans) amounted to Af 23.03 billion in June 2021, where donor contributions in June 2020 was Af 12.82 billion, which indicates Af 10.20 billion equal to 80% increase in donor contributions for the month of June 2021.

Additionally, total Expenditure at the end of June 2021 reached to Af 149.70 billion, from which Operating expenditures and development expenditures are, Af 111.98 billion and Af 37.72 billion. Likewise, Expenditure at the end of June 2020 reached to Af 161.53 billion, from which operating expenditures and development expenditures were, Af 118.06 billion and Af 43.47 billion so, this shows a decrease of 13%, 5% and 7% in accumulated development expenditures, accumulated operating expenditures and in accumulated total expenditures.

Also, operating expenditures for the month of June 2021 is Af 22.63 billion, where in June 2020 it was Af 17.02 billion. This signifies that, there is Af 5.60 billion or 33 % increase in operating expenditures in the month of June 2021. On the other hand, development expenditures for the month of June 2020 was Af 8.94 billion, while in June 2021 it reached to Af 13.57 billion which showed an increase of Af 4.63 or 52% in development expenditures for the month of June 2021.

5.SWIFT (Payments)

**Table 15: Report of Outward and Inward transactions**

Report of (Outward) Transactions from 1/3/1400 to 31/03/1400						
Categories	Remitter Parties	Message Type	USD	EUR	AED	CHF
A	Ministries	MT 103 ,700	27534304.71	1020161.00		
B	Commercial Banks	202	98317789.34	8499900.00		114519.00
C	Da Afghanistan Bank	200	330000000.00		0	0
Report of (Inward ) Transactions from 1/3/1400 to 31/03/1400						
Categories	Beneficiary Parties	Message Type	USD	EUR	AED	GBP
A	Ministries	MT 103 , & 910	228935713.17	490154.61		0
B	Commercial Banks	202/103	106979097.86	490154.61	0	0
In addition, seven exchange transactions executed with a value of USD 31034478.03 related to the World Bank, and six exchange transactions executed with a value of USD 28987527.57 related to the FX DEAL.						

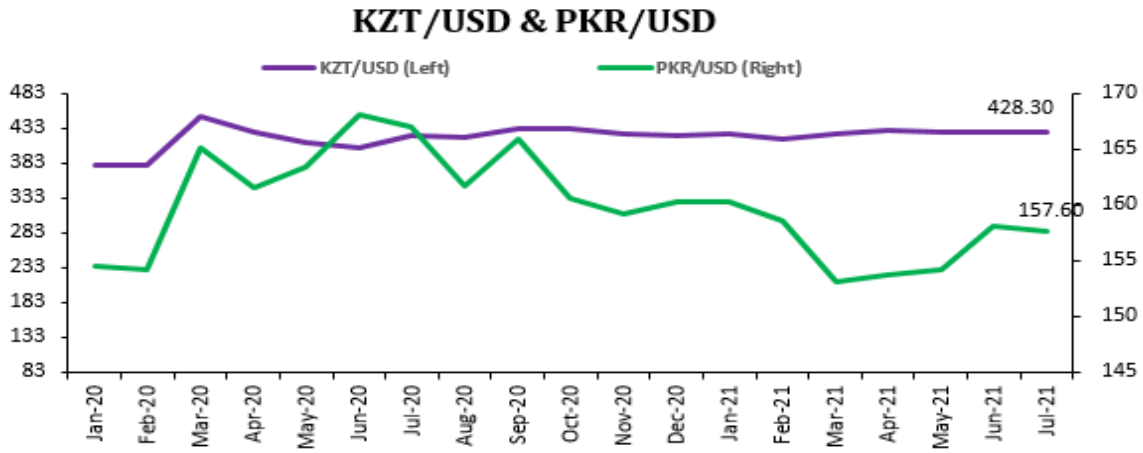
Source: Payments Department/Da Afghanistan Bank



## Annexes

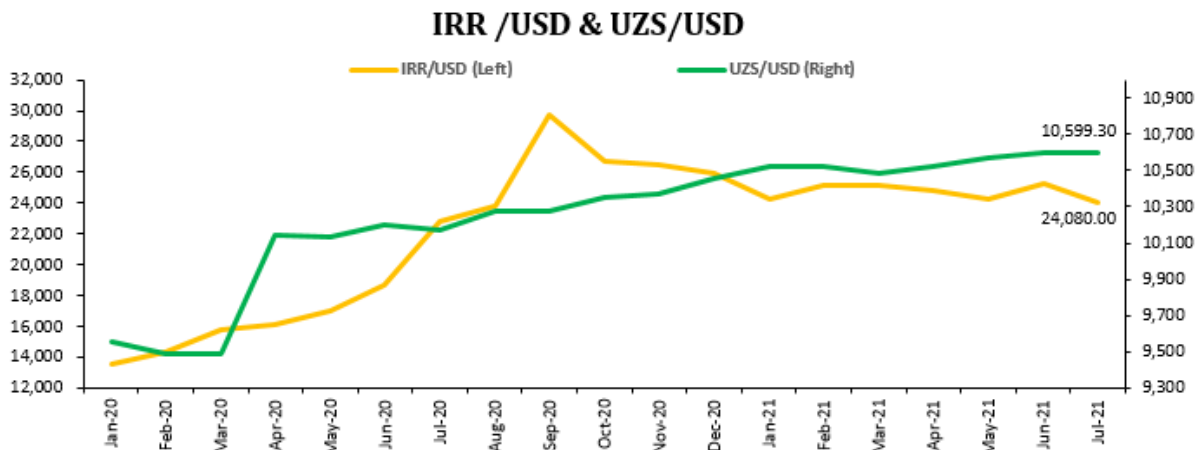
### Annex No. 1

**Figure 20: Exchange Rate of Kazakhstan & Pakistan against USD in FY 1400 (2021)**



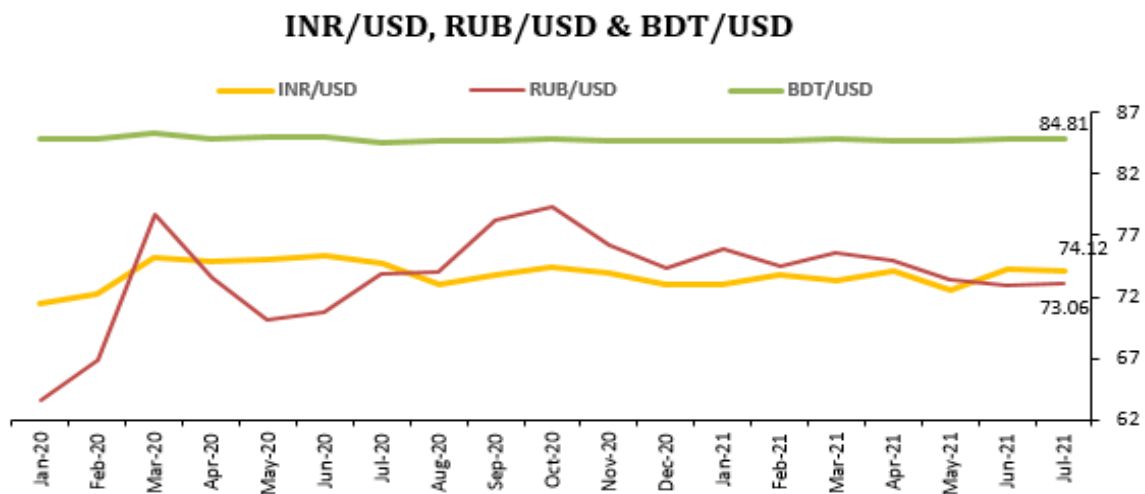
Source: OANDA website

**Figure 21: Exchange Rate of Iran & Uzbekistan against USD in FY 1400 (2021)**



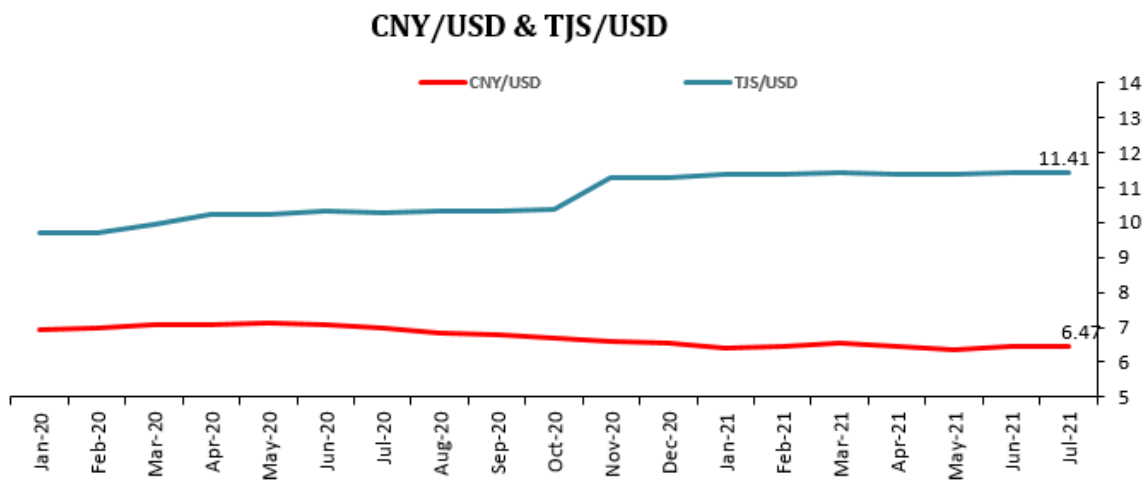
Source: OANDA website

**Figure 22: Exchange Rate of India, Russia & Bangladesh against USD in FY 1400 (2021)**



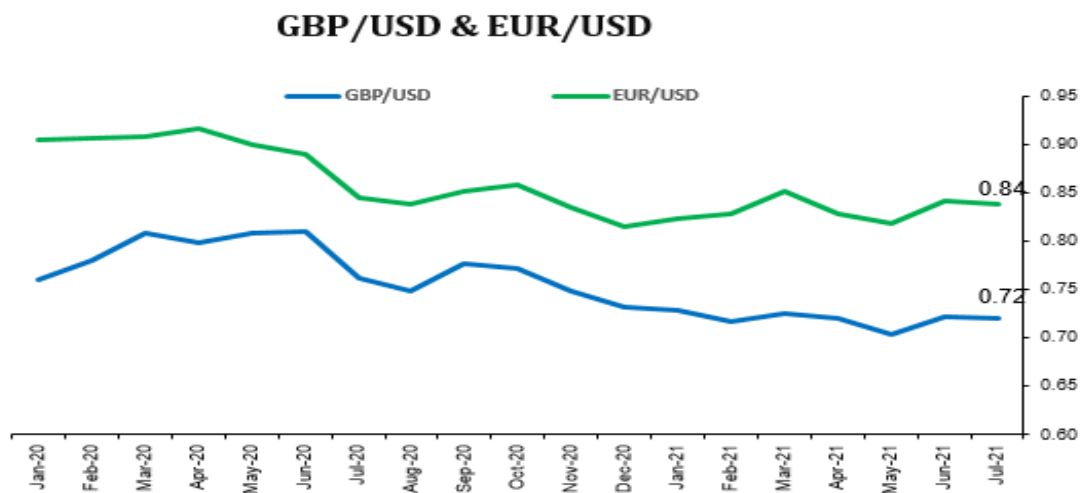
Source: OANDA website

**Figure 23: Exchange Rate of China & Tajikistan against USD in FY 1400 (2021)**



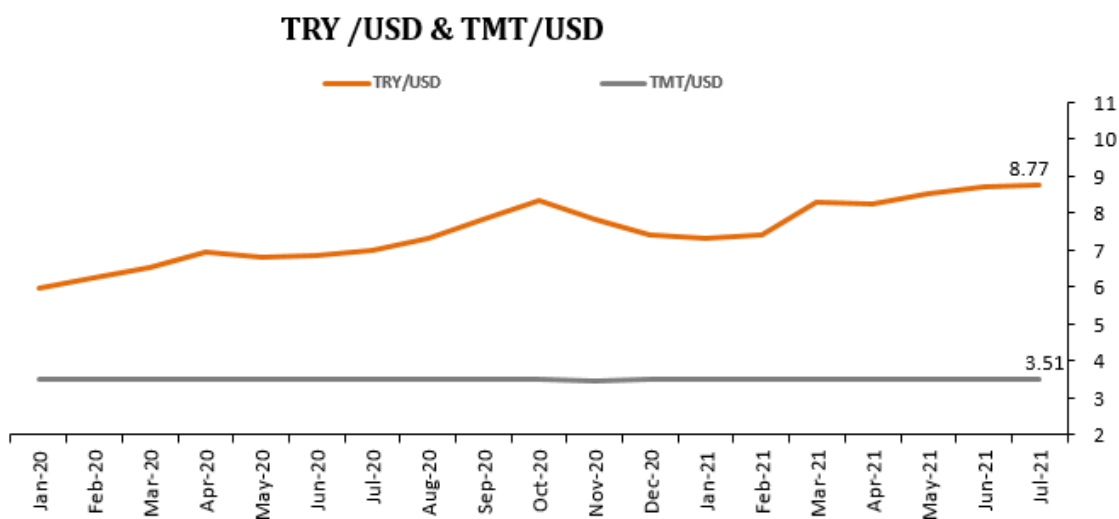
Source: OANDA website

**Figure 24: Exchange Rate of Great Britain & Europe against USD in FY 1400 (2021)**



Source: OANDA website

**Figure 25: Exchange Rate of Turkey & Turkmenistan against USD in FY 1400 (2021)**



Source: OANDA website

**Table 16: Quarterly Nominal and Real effective Exchange rate from 2015 to 2021**

S. No.	Year	Quarter	NEER	REER
1	2015	Quarter two	100.00	100.00
2	2015	Quarter three	96.26	95.72
3	2015	Quarter four	96.52	97.04
4	2016	Quarter one	94.71	95.17
5	2016	Quarter two	91.02	91.08
6	2016	Quarter three	94.61	94.89
7	2016	Quarter four	102.69	102.54
8	2017	Quarter one	104.68	103.98
9	2017	Quarter two	98.35	99.96
10	2017	Quarter three	101.65	100.42
11	2017	Quarter four	107.76	105.46
12	2018	Quarter one	110.24	106.74
13	2018	Quarter two	113.66	107.02
14	2018	Quarter three	119.16	109.15
15	2018	Quarter four	126.22	113.13
16	2019	Quarter one	124.09	108.57
17	2019	Quarter two	127.51	109.93
18	2019	Quarter three	124.46	102.97
19	2019	Quarter four	126.90	103.46
20	2020	Quarter one	130.23	106.06
21	2020	Quarter two	163.96	129.79
22	2020	Quarter three	149.88	119.19
23	2020	Quarter four	145.67	116.42
24	2021	Quarter one	145.43	114.18

Source: Monetary Policy Department

## Annex No. 2

**Table 17: Afghanistan's Balance of Payments (In Million USD)**

Items / Years	Q1 1399	Q2 1399	Q3 1399	Q4 1399	Q1 1400	% change
Current Account	-959.35	-426.87	-903.72	-846.80	-1047.43	9%
Credit	802.61	844.63	1253.03	1336.20	706.22	-12%
Debit	1761.96	1271.50	2156.75	2183.00	1753.66	0%
Goods and Services Account	-1249.89	-1041.77	-1661.17	-1553.71	-1355.17	8%
Credit	399.69	146.45	383.20	546.97	322.02	-19%
Debit	1649.58	1188.22	2044.38	2100.67	1677.19	2%
Goods Account	-1175.43	-960.89	-1533.00	-1431.58	-1213.43	3%
Credit	203.64	32.00	198.42	342.67	200.18	-2%
Debit	1379.07	992.89	1731.42	1774.26	1413.62	3%
Services Account	-74.46	-80.88	-128.17	-122.12	-141.74	90%
Credit	196.05	114.45	184.78	204.29	121.83	-38%
Debit	270.51	195.33	312.96	326.41	263.57	-3%
Primary Income Account	63.23	30.22	51.77	44.01	24.39	-61%
Credit	75.05	42.14	65.58	57.63	38.51	-49%
Debit	11.82	11.92	13.81	13.63	14.11	19%
Secondary Income Account	227.31	584.68	705.69	662.90	283.34	25%
Credit	327.87	656.05	804.25	731.60	345.70	5%
Debit	100.57	71.36	98.56	68.70	62.36	-38%
Current transfers	164.4	500.8	573.7	558.7	187.7	14%
Credit	164.38	500.76	573.7	558.7	187.7	14%
Debit	0.00	0.00	0.0	0.0	0.0	
Personal transfers	95.91	108.25	176.93	150.36	131.68	37%
Credit	163.50	155.29	230.57	172.87	158.00	-3%
Debit	67.59	47.04	53.64	22.51	26.32	-61%
Capital account	40.30	99.60	102.23	510.99	38.49	-4%
Credit	40.30	99.60	102.23	510.99	38.49	-4%
Debit	0.00	0.00	0.00	0.00	0.00	
Capital transfers	40.30	99.60	102.23	510.99	38.49	-4%
Credit	40.30	99.60	102.23	510.99	38.49	-4%
Debit	0.00	0.00	0.00	0.00	0.00	
Financial account	-147.5	347.0	78.3	338.79	-305.48	107%
Direct investment	2.91	-0.43	5.34	16.44	2.55	-12%
Net acquisition of financial assets	6.10	2.59	10.12	18.42	7.70	26%
Net incurrence of liabilities	3.19	3.02	4.78	1.98	5.15	61%
Portfolio investment	-18.20	41.19	76.72	-36.46	-28.98	59%
Net acquisition of financial assets	-18.20	41.19	76.72	-36.46	-28.98	59%
Net incurrence of liabilities	0.00	0.00	0.00	0.00	0.00	
Other investment	-22.54	-290.93	-48.50	60.82	-94.71	320%
Assets	-38.22	-74.09	-46.03	158.45	-104.31	173%
Liabilities	-15.67	216.84	2.48	97.63	-9.60	-39%
Reserve Assets	-109.67	597.16	44.74	297.99	-184.33	68%
Net errors and omissions	772	674	880	675	703	-9%

Source: NSIA/Monetary Policy Department, DAB staff calculation