



Afghanistan: Quarterly Economic Report

Office of Economic Advisor
Economist Team

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EXECUTIVE SUMMARY

This report is the first product from our economic team. It will be provided to you on a quarterly basis, and will cover overall economic growth, inflation trends, balance of payments issues, and provide an overview of key economic sectors.

ECONOMIC GROWTH

Economic growth has been slowing for the last two years, but has remained positive:

During 2015, Afghanistan GDP was \$19.2 billion (+0.8% yoy),¹ and the IMF estimates that GDP will be \$18.4B in 2016 (+2%). Over the past decade, Afghanistan's annual growth rate have fluctuated between 1.1% (2004) to 21% (2009).² Let us now examine the components of Afghanistan's GDP growth.

First, total consumption reached \$17.5B in 2015 (91% of GDP). It is projected to decrease -0.3% in 2016. The first observation is that total consumption is very high relative to GDP. For developed countries, we would expect this figure to reach approximately 60% of GDP. Developing countries typically have much lower consumption levels as a percentage of GDP. The below table shows that the average south Asian countries have 61% of GDP. The world average consumption is only 58%.³

Total investment was \$3.9B in 2015 (20% of GDP). Investment is projected to decrease -8% in 2016.⁴ In 2015, public investment was 12.8% of GDP (\$2.5B). While in 2016 it has projected to increase +7%. In contrast the private investment consist only 5.8% of GDP in 2015 and projected to decline -8.6% in 2016. On average new investment activities declined by almost 50% between 2012 and 2015.⁵

GDP components⁶

Components	2015		2016		% change
	Value	% of GDP	Value	% of GDP	
Consumption	17.5	91%	17.4	94%	-0.3%
Government Expenditure	5.1	26%	4.8	26%	-5.8%
Investment	<u>3.9</u>	<u>20%</u>	<u>3.6</u>	<u>19.3%</u>	-8.0%
Private	1.1	5.8%	1.0	5.3%	-8.6%
Public	2.5	12.8%	2.6	13.7%	7.0%
Foreign direct investment	0.2	0.9%	0.1	0.3%	-66.7%
Net Exports	<u>-7.2</u>	<u>-38%</u>	<u>-7.3</u>	<u>-40%</u>	<u>1.4%</u>
Total	19.2	100%	18.4	100%	2%**

All values in USD billions, *Consumption is projected for 2016, ** Real GDP growth rate

¹ IMF Afghanistan July 2016

² World Bank annual real GDP growth (constant amount of GDP in local currency)

³ Global consumption as % of GDP

Country	2015	Country	2015	Country	2015
Pakistan	79.2%	South Asia	61.2%	United States	68.4%
China	38.9%	World	58.0%	European Union	56.6%
India	58.6%				

Source: World Bank data

⁴ IMF Afghanistan July 2016

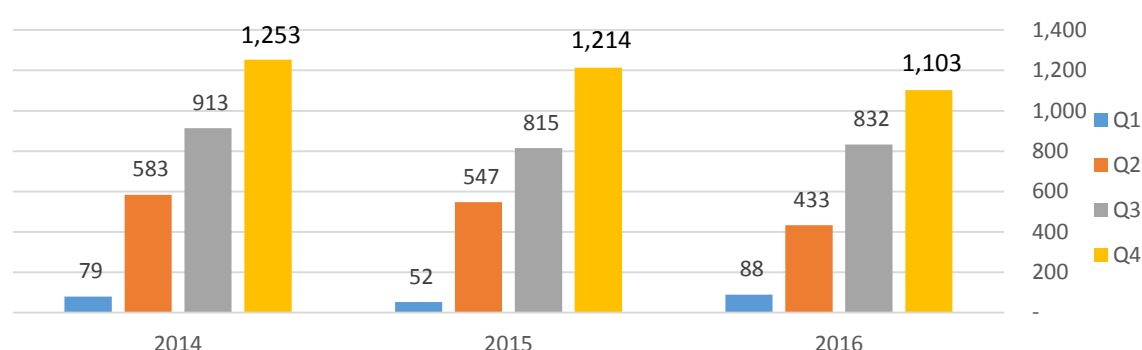
⁵ World Bank, Oct 2016. "Navigating Risk and Uncertainty in Afghanistan"

⁶ For 2015, the consumption is taken from World Bank, GDP from IMF data, and FDI, Net Export & Gov. expenditure taken from IMF July 2016 report.

Government expenditures in 2016 are projected to be \$7.1B. Overall budget indicators seem to be improving.⁷ For example domestic revenues increased by 27% yoy during the first five months of 2016.

The ministerial budget execution is 76% (\$5.3B across 26 ministries) as of 24 Dec, 2016. The execution rate for the operating budget consists primarily of salaries, so execution rates are typically above 90% and will not be examined in greater detail here. In terms of the development budget in particular, execution rates by the end of 2016 were \$1.4B vis-a-vis \$1.5B. The below chart show budget execution of the previous three years.

QUARTERLY DEVELOPMENT BUDGET EXECUTION



Source: MoF- Oct-2016 ministerial development budget (all figures in USD millions)

However, the execution rate for the development budget varies across ministries: ranging from 89% for ministry of women affairs (highest) and 28.6% (\$7.6M) for ministry of communication and information technology (lowest). In particular, we provide the table below that examines the ministries that have the largest development budgets.

EXECUTION RATES OF MINISTRIES WITH LARGEST DEVELOPMENT BUDGETS

Ministry	Budget		Expenditure		% Expenditure		2016 % Change
	2015	2016	2015	2016	2015	2016	
Public Works	450	496	116	203	26%	41%	75%
Public Health	281	256	107	186	38%	73%	74%
Rural Rehabilitation	392	261	199	231	51%	88%	16%
Education	307	223	78	87	25%	39%	12%
Agriculture	146	130	74	109	50%	84%	48%
Energy & Water	182	126	44	61	24%	48%	38%
Total	1,758	1,492	618	877	35%	59%	42%

Source: MoF, 2016 figures as of Dec-24-2016, amount in USD millions.

In terms of our external balances, net exports are currently -\$7.3B (2016) versus -\$7.2B (2015). The net exports reduced the GDP by -40% in 2016.

⁷ This amount is after mid-1395 budget revision. Out of \$7.1B, \$4.5B was allocated for the operating budget and \$2.6B for the development budget.

INFLATION

The inflation rate is expected to turn positive in 2016 (4.5%).⁸ This is an improvement to the deflationary environment (-1.5%) the country faced in 2015. The deflationary environment was partially due to global deflationary pressures (e.g. a drop in global commodity prices) as well as domestic demand pressures. To analyze the domestic inflation component, we developed a food basket (weighting 8Kg and priced approximately AFN868 in 3rd quarter of 2015) and analyzed pricing trends. Prices for goods within this price basket increased by +2.7% (to AFN891) during 3Q-2016. Generally, increase in the domestic prices was due to increases in import costs. By contrast, inflation in the non-food basket declined slightly (-0.3%) during the same period.

PRODUCT BASKET

PRODUCT BASKET				
Items	Weight %	Price		% Price change
		2015-Q3	2016-Q3	
Food items				
Wheat	54	22	23	1.1%
Rice	15	44	47	5.1%
Potato	13	17	18	8.2%
Chicken	10	134	115	-14.2%
Mutton	3	304	329	8.1%
Milk	2	37	38	3.2%
Beef	2	237	250	5.6%
<u>Veg. Oil</u>	<u>1</u>	<u>73</u>	<u>72</u>	<u>-1.0%</u>
Total	100	868	891	2.7%
Non-food items				
Imported Urea	27	31	32	2.8%
Agriculture Labor/day	25	329	363	10.2%
Petrol	12	46	43	-5.6%
DAP Best quality	12	55	59	7.0%
Diesel	11	45	36	-19.4%
Liquid Gas	8	50	50	0.0%
Water pump Charge/h	3	400	367	-8.3%
<u>Tractor hiring Charge</u>	<u>2</u>	<u>782</u>	<u>783</u>	<u>0.1%</u>
Total	100	1,738	1,732	-0.3%

Source: Ministry of Agriculture

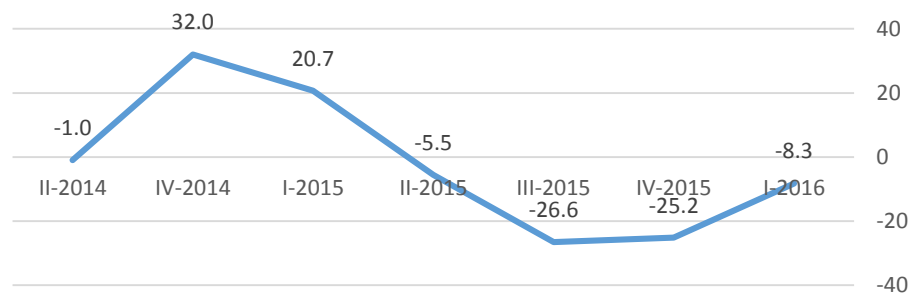
TRADE BALANCE

In this section we review the trade level of Afghanistan with some other countries. The ACCI trading climate survey results during the 1st quarter of 2016 shows that the situation improved for the first time in 5 quarters (see graph below). As an example, trade with India rose 18% during the 3rd quarter of 2016 (from \$73M to \$87M from the 2nd to the 3rd quarter of 2016).⁹

⁸ IMF ECF Program (July 2016)

⁹ MoF- Custom department

TRADING CLIMATE



Source: ACCI-business monitor 2016

The trade balance reached \$-1.6B during the 3rd quarter of 2016, whereas it was \$-1.3B in 3rd of 2015 (export level decreased by -6%).¹⁰ On the yearly basis net exports reduced the GDP by -38% in 2015 (expected to reduce -40% in 2016). The trading increased 8% year-on-year basis in Oct 2016 (\$6.1B to \$6.6B). While export and imports increased by 8.9% and 7.8% respectively. The majority of exports are carpet (45%) & agricultural commodities (31%) (9,725MT in 2015).¹¹ And most of imports consist of petroleum (33%), heavy machinery (15%), and food (14%).¹² Country like Afghanistan that struggles to attract enough grants to finance this deficit, will see depreciation in the currency rate (-1.2% from Jan-Feb 2016).

We have six major trading partners – India, China, Pakistan, Iran, Kazakhstan, and UAE, that consisting 70% of all trading (\$3.6B trading). The overall export level decline -5% with these countries in 2016Q3. However, there is positive change of export with China (42%), India (18%), and Iran (15%) in 2016Q3. But our export declined -29% with Pakistan. In contrast, the import increased by 39% (Kazakh), 29% (Pakistan), and 23% (Iran) in 2016Q3. While imports reduced from UAE (-41%), China (-19%), and India (-17%). The below table show the trading level of Afghanistan with major trading partners.

Trade	Summary
Exports commodities	- Fruit, Vegetables, Oil Seeds, Resins, Carpets, Wool, Cereals, Cotton, Stone-Cement, Woven Fabrics (List of top ten product is attached)
Exports partners	- India 43%, Pakistan 40%, Iran 5% UAE 3%, China 0.7%, and Kazakhstan 0.7% (2016)
Imports commodities	- Iron, Sugars, Vehicles, Tea, Plastics, Cereals, Dairy Produce, Pharmaceutical, Meat, Tobacco (List of top ten product is attached)
Imports partners	- Iran 20%, China 17%, Pakistan 14%, Kazakhstan 11%, UAE 4%, and India 3% (2016)

¹⁰MoF, Custom data (\$116.42 Exports and \$ 1,554.23 Imports), we considered \$1=61AFN

¹¹Abdul Qayoom Bassam, Private sector development director, Mail. 2016 "The Role of Agriculture in the Economic Recovery of Afghanistan - What Has to Change Now to Improve the Situation" "Afghan German Economic Forum in Kiel Germany on 1st April 2016.

¹² <http://www.tradingeconomics.com/afghanistan/imports>, updated Jan 2017.

MAJOR TRADING PARTNERS

Country	Trade	2015				2016			% Δ 3Q	Yoy % Δ
		Q1	Q2	Q3	Q4	Q1	Q2	Q3		
China	Import	16,285	19,735	14,672	18,746	15,294	20,439	16,457	-19	11
	Export	89	99	130	27	66	60	85	42	-33
Iran	Import	15,869	19,422	19,874	15,345	19,840	17,947	22,027	23	15
	Export	453	340	483	225	586	415	478	15	9
Pakistan	Import	24,813	16,431	14,640	18,788	15,078	12,751	16,471	29	-12
	Export	1,797	4,762	4,705	1,412	2,724	5,400	3,813	-29	9
Kazak	Import	5,748	4,833	8,529	6,391	11,576	9,651	13,440	39	78
	Export	43	58	64	39	69	66	66	0	27
UAE	Import	2,735	2,538	2,261	2,139	2,593	5,170	3,028	-41	30
	Export	322	384	599	826	215	284	308	8	-41
India	Import	1,972	3,639	3,456	1,791	3,624	3,698	3,063	-17	14
	Export	<u>1,452</u>	<u>2,378</u>	<u>4,747</u>	<u>2,468</u>	<u>2,229</u>	<u>4,944</u>	<u>5,831</u>	<u>18</u>	<u>40</u>
Total	Import	67,422	66,598	63,432	63,201	68,005	69,656	74,486	7	13
	Export	4,156	8,022	10,727	4,997	5,888	11,169	10,580	-5	17

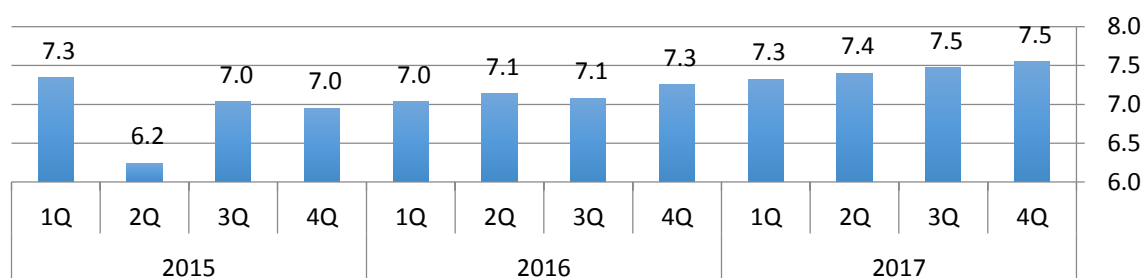
Source: MoF-Custom, All amount in AFN millions

EXTERNAL INDICATORS

In this section we review external indicators, such as reserves, FX rate, and government currency auction. The reserve decreased by -5% in current quarter while we had a grooming stage for currency (appreciated by 3.06% against USD). But the currency auction is regularly going to market the US dollar two or three times a week to stable the FX rate. Let us have a closer look to each of indicators separately.

The Afghanistan foreign exchange reserves is \$7.1B in 3rd quarter 2016 (1.4% yoy). The IMF estimates that reserves will reach \$7.3B in 2016 (4.2%). During the past decade, the reserve increased from \$2.4B in 2008 to \$6.7B in 2014. The below table show the reserve over three years.

RESERVES



Source: IMF, amount in USD billions (where \$1 = AFN68)

Note: projected for 2016-17

In 2016Q3, the sum of government dollar auction valued \$533M. Since 2014 the auction range varied from highest \$40M to lowest \$10M. The historical data shows that from Oct-2015 to Oct-2016 total amount injected into market was \$2B.¹³ The auction takes place two

¹³ Monetary Policy, Da Afghanistan Bank (DAB)

or three times a week to stabilize the AFN value. Bellow table shows dollar auctioned during past few months.

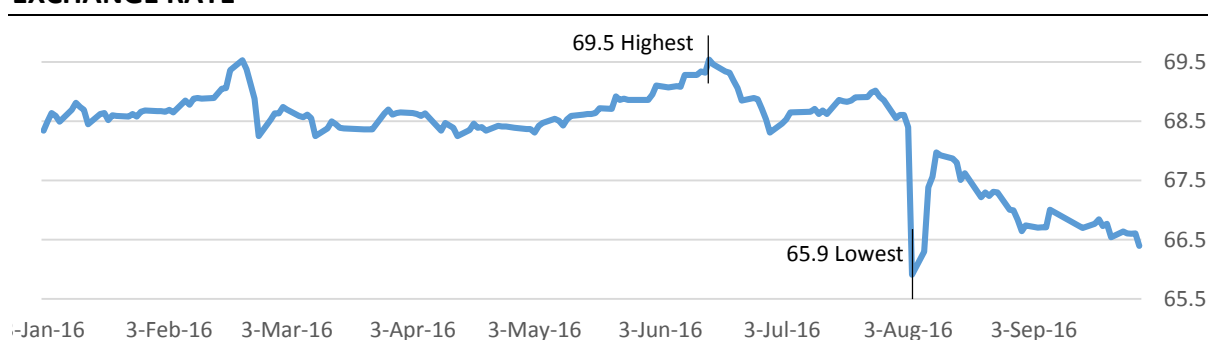
USD Auction Amount

Auction Date	2015				2016		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Announced	397	652	656	654	460	435	461
Awarded	385	951	830	626	425	403	533

Source: Da Afghanistan bank, amount in USD millions

Exchange rate slightly appreciated by 3.05% against US dollar (68.48 in Jan to 66.40 in Sep-2016). The highest rate was 69.5 in Jun-2016, where the lowest rate was in Aug-2016 (65.9). The Afghanistan central bank continues to supply US dollar to the market. However, sale volumes have fallen (\$0.7B in the first five months 2016, against \$1.2B in the same period a year ago).

EXCHANGE RATE



Source: Da Afghanistan bank

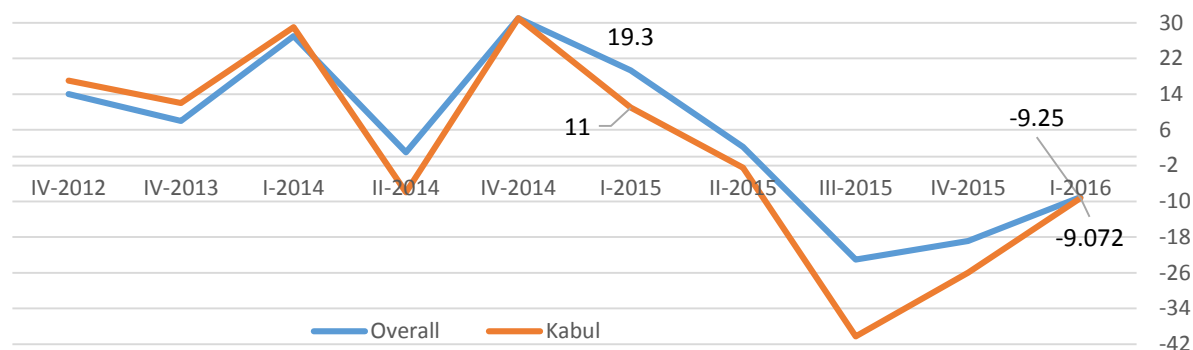
SECTOR DEVELOPMENT

This section will review Afghanistan's development in the primary, manufacturing, and services sectors. Overall, the ACCI business climate survey shown significant improvement after reaching a low of -23 (-40 in Kabul) during the middle of 2015. Since that time, the business climate has improved for two consecutive quarters, and we expect that the 2nd quarter 2016 data will also show another improvement.¹⁴

Sector	Summary
Primary	Agriculture, mining, hydrocarbons
Manufacturing	Food, drinks, clothing, shoes, plastics, packaging
Services	Construction, telecom, transportation, banking, energy

¹⁴ <http://www.acci.org.af/media/ACCI%20Business%20Tendency%20Survey%20Report.pdf>

BUSINESS CLIMATE SURVEY

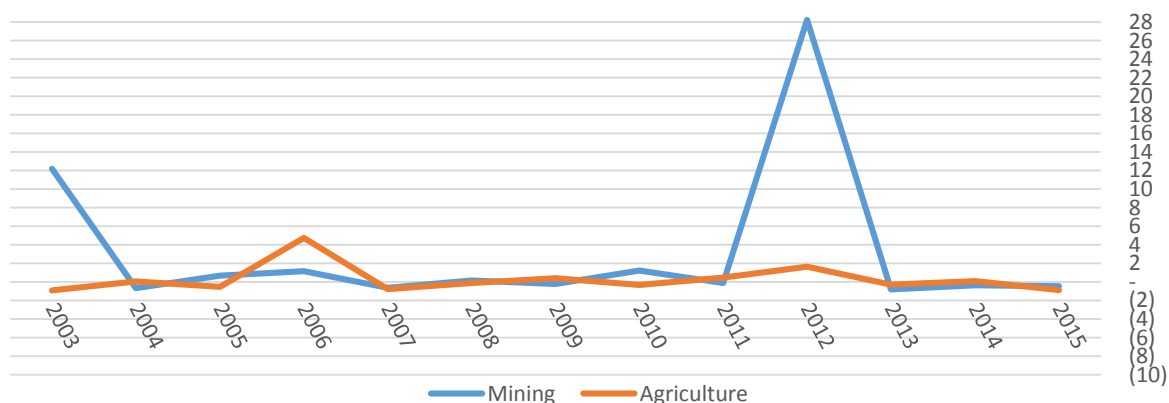


Source: ACCI-business monitor 2016

(1) PRIMARY SECTOR

This sector counts 38% of GDP. Overall, in 2016Q3 \$48M is invested in this sector. Out of that \$8M is foreign direct investment. Since 2003, this sector employed 56,000 people, and had cumulative investment of \$1.9B (out of that \$119M is FDI).¹⁵ In order to cover the whole sector we include agriculture (including wheat, and opium),¹⁶ and mining at the country level. However, a large part of this sector is consisting the opium production (counting 8% of GDP).¹⁷ The graph below shows the investment in mining and agriculture sector during last decade. We observe that only in 2012 investment in mining sector changed at higher percent, otherwise there are similar changes during last 12 years.

ANNUAL % CHANGE IN INVESTMENT



Source: AISA investment data

The Afghanistan agriculture sector contributes 38% of GDP in 2016 (\$6.8B).¹⁸ This sector employs 4.5M workers (62% of workforce).¹⁹ There is 2.6M hectares wheat cultivation area

¹⁵ According to AISA investment data

¹⁶ We have included annual data, due to seasonal production, we don't have the monthly data.

¹⁷ As per UN report, they considered \$21B the overall GDP in 2015. https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2015_socioeconomic.pdf

¹⁸ CSO report, including opium production

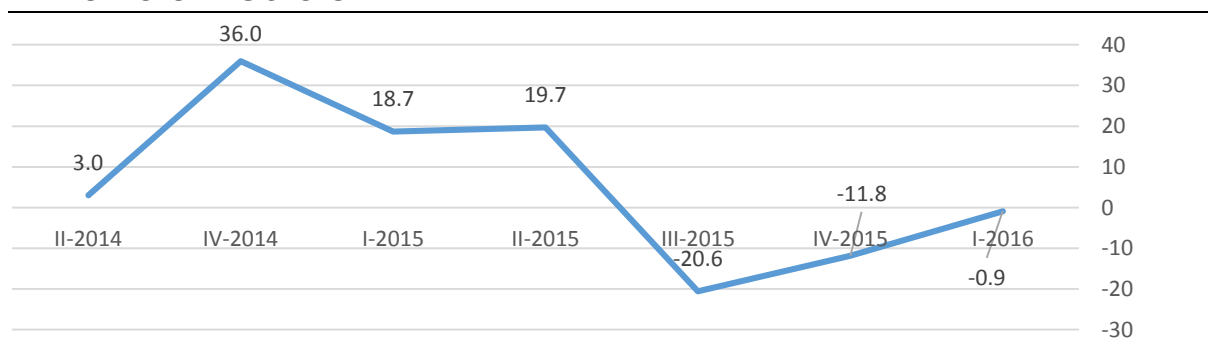
in 2016.²⁰ At broader prospective the cultivated land declined -4% since 2008. In terms of our production, currently annual wheat production is 5.4MMTs (2% increase since 2015). The average production capacity is 2MTs/ha.²¹ While our imports is 2MMTs to fill the demand gap. Overall, the farmers' ROI/ha is 46% in 2016, for example on fresh fruits roughly generates \$380M (0.02% of GDP).²²

The opium production has risen by 43% to 4.8TMTs in 2016 (\$3.5B).²³ The UNODC report shown huge increment after reaching a low of -18% in 2015 in cultivation land. Since then, the land cultivation has increased 10% in 2016. In term of income, during 2015 there was decline of -18%/ha (\$3,100/ha), while expected to increase in 2016.

(2) MANUFACTURING SECTOR

This section is about manufacturing sector.²⁴ This sector represents 16% of GDP in 2016 (\$2.9B).²⁵ The investment data shows \$38M invested in 2016Q3. This sector created 1,580 jobs in 2016Q3.²⁶ Since 2003, the manufacturing sector employed 188,000 people, with cumulative investment of \$1.8B. As with the overall business climate indicator, the manufacturing sector after reaching a low of -20.6 during 2015Q3, has been improving for the last two quarters (where data is available).²⁷

MANUFACTURING SECTOR



Source: ACCI-business monitor 2016

¹⁹ ARTF, Strategy group meeting, May 2014 reported 54%, some sources mentioned 75% (MAIL, private sector development directorate), other also reported 58% in 2014 (http://passthrough.fw-notify.net/download/815458/http://unctad.org/en/PublicationsLibrary/ldc2015_en.pdf), the average is 62%.

²⁰ MAIL reported 2.9T hectares, while USDA reported 2.6M hectares as Oct 2016.

²¹ USDA, Oct 2016, World agri. Production report. <http://passthrough.fw-notify.net/download/640603/http://apps.fas.usda.gov/psdonline/circulars/production.pdf>

²² MAIL, private sector development directorate

²³ Export value of \$720/kg. UNODC, Mar-2016. "Afghanistan opium survey-2015&2016" https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2015_socioeconomic.pdf

²⁴ CSO quarterly data (2st Q 2016)

²⁵ As % of \$18.4B in 2016

²⁶ MoCI, AISA data

²⁷ <http://www.acci.org.af/media/ACCI%20Business%20Tendency%20Survey%20Report.pdf>

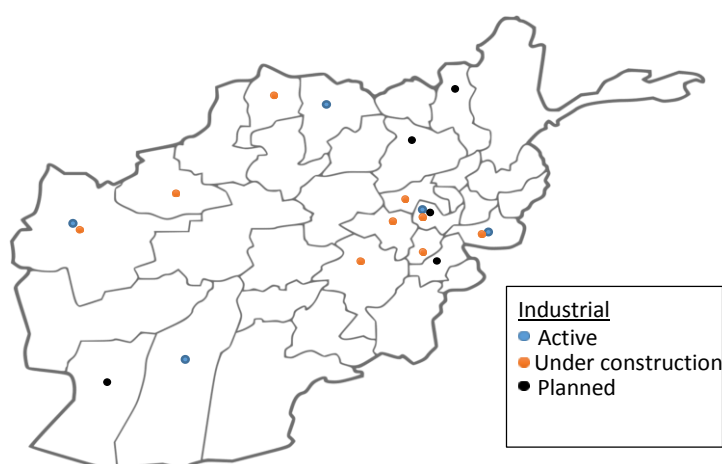
The industrial parks have total investment of \$1.7B.²⁸ There are 9 industrial parks in which 555 active factories are operating. With full operation of parks, it's expected to employ 1.7% of workforce (0.14M).²⁹

INDUSTRIAL PARKS

#	IP Name	Province	Area (Jerib)	Vacant (Jerib)	Price \$ /Jerib	# of Factories	# of active Factories
1	Pul-e-Charikhi	Kabul	1,500	1,014	100,000	250	186
2	Juma Moh. phase I	Kabul	45	25	100,000	32	32
3	Alisher Nawayee	Balkh	925	871	44,000	113	18
4	Phase I,II,III	Herat	3,750	3,001	36,000	465	193
5	Shorandam	Kandahar	4,500	3,131	36,000	225	69
6	Hesar-e-Shahi	Nangarhar	1,000	1,000	40,000	92	-
7	Sheikh Messri	Nangarhar	1,500	1,500	40,000	260	10
8	Bost	Helmand	160	160	10,000	-	-
9	Shadeeyan	Balkh	<u>1,000</u>	<u>860</u>	<u>44,000</u>	<u>208</u>	<u>38</u>
Total			14,380	11,562	50,000	1,576	555

Source: AISA- (MoCI),

INDUCSTRIAL PARKS LOCATION



Source: AISA- (MoCI)

(3) SERVICE SECTOR

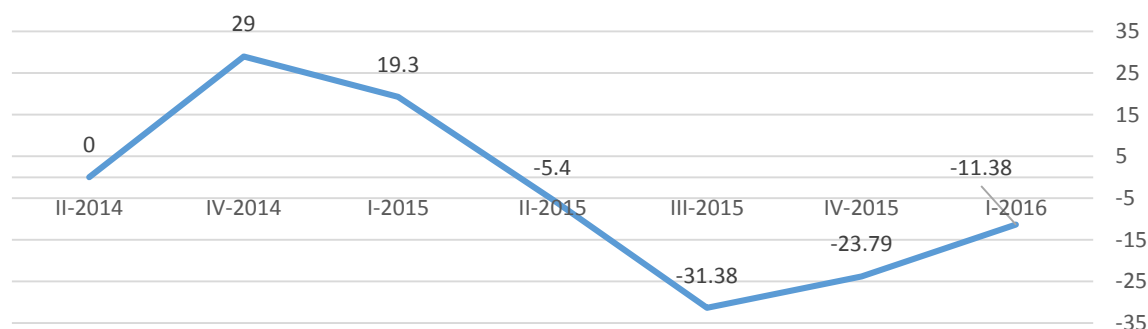
In this section we review Afghanistan's service sector, which represents 43% of GDP (\$7.9B). We provide a high-level overview and then summarize developments across the banking, energy, construction, and the telecom sectors. During 2016Q3, in this sector \$155M is invested and almost 4,000 jobs has been created. At broader picture, since 2003 total of \$7B invested in this sector. As with the overall business climate, the services sector business climate reached a low of -31 during 2015Q3, and has improved during the past two quarters (until 2016Q1).

²⁸ As per AISA, they assumed average of \$120,000 investment per Jerib land

²⁹ the AISA expected to create 10 employees per Jerib

Within this sector, the telecom and construction sectors are the largest revenue generators (\$1B for telecom) and job creators (120,000 indirect, and 28,000 direct). The banking sector is 0.55%, while the energy sector only fills the 0.07% of GDP. Let us have a deep understanding of each sector.

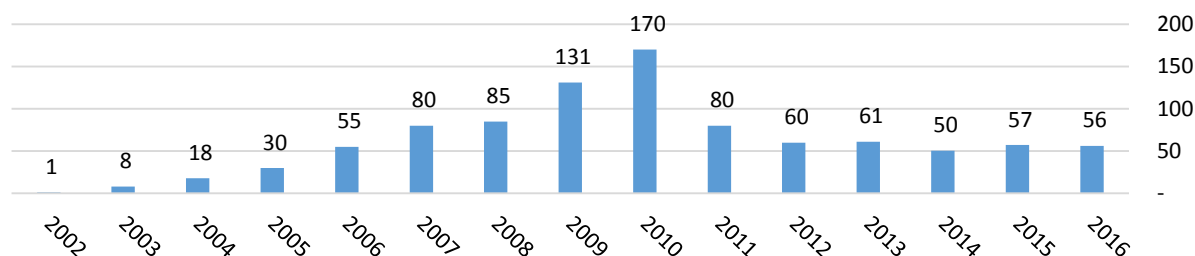
SERVICE SECTOR BUSINESS CLIMATE



Source: ACCI-business monitor 2016

Total investment in telecom sector is \$2.3B in 2016.³⁰ This sector contributes 5.4% to the GDP in 2016. During past fifteen years this sector has generated \$1B revenue for the government (only GSMs).³¹ In 2016Q3, AFN1.1B revenue is reported. The below table show quarterly revenue for telecom sector. The below chart shows the revenue over years.

Annual Telecom Sector Revenue (GSM only)



Source: MOCIT. And AISA study. All amount in USD millions.

Note: the tax revenue for 2015, and 2016 is only for 10% and 2% rate of GSM services. Value of 2016 is until 3rd quarter. FX rate \$1=66AFN is used.

The telecom sector highly contributes to the labor market. The sector has created 28,000 jobs to the labor market (0.34% of 8M labour force) for example AWCC alone provides 6,000 jobs. Additionally, the revenue generation through 10% sales tax applied on top up fee (sales tax for 5 month of 2016 amounted AFN2.1B).³² Related to this sector the budget execution till Oct 2016 is 26% (amounting \$9.2M).

³⁰ World Bank, Oct 2016. "Navigating Risk and Uncertainty in Afghanistan", and ATRA <http://atra.gov.af/en/page/telecom-statistics-2013>

³¹ ATRA, revenue of 10% and 2% tax

³² MoF

TELECOM SECTOR³³

Revenue	2015				2016		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
10% top up fee*	-	-	206	991	1,116	1,077	1,128
2% Spectrum Fee**	206	217	225	210	189	194	-
Total	206	217	431	1,201	1,305	1,271	1,128

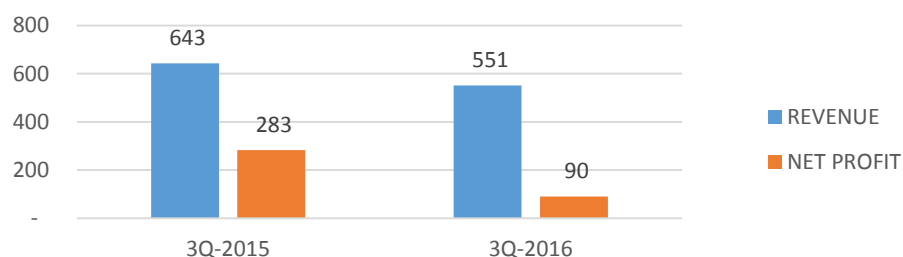
Source: MoCIT-ATRA, all amount in AFN millions,

*10% top up fee applied from 23 Sep, 2015, other terms also used for this charges such as consumption tax, or VAT - value added tax

** 2% Spectrum fee collected quarterly

Overall the three state-owned banks have AFN44.9B in deposits by the Aug 2016. The revenue of 3Q-2016 decreased by -14%, amounting AFN92M (AFN643M 3Q-2015 while AFN551M in 3Q-2016). Therefore the net profit decreased by -50% (AFN283M in 3Q-2015 and AFN190M in 3Q-2016). The below chart show the level of profit.

State Owned Banks (AFN millions)



Source: DAB

The energy sector represents 0.07% of GDP in 2016.³⁴ The Afghanistan total power generation capability is 566MWs, while importing 1,453MWs.³⁵ The Afghanistan total electricity demand is 2,423MWs. In contrast, we have supply of only 2,019MWs, and there is still a gap of 20%.

³³ The amounts are only from GSMs, while ISPs, and Postal services are not included

³⁴ CSO, second quarter reports

³⁵ ADB- National power sector overview.

Notes: based on our analysis, the local capacity is only 33% of all demand, therefore the demand and gap has been calculated.

ELECTRICITY

Sources	2Q-2016	3Q-2016*	% Δ
Production			
Water	213,447	196,618	-8%
Solar	342	220	-36%
Steam	95	78	-18%
Diesel	<u>6,984</u>	<u>6,485</u>	<u>-7%</u>
Production	220,868	203,400	-8%
Imports			
Tajikistan	414,785	436,832	5%
Uzbekistan	195,533	98,961	-49%
Iran	182,804	133,981	-27%
Turkmenistan	<u>428,813</u>	<u>91,629</u>	<u>-79%</u>
Import	1,221,935	761,403	-38%
Consumption	1,442,804	964,803	-33%

Source: DABS, amount in MW/h, *September data is not included in third quarter of 2016

INVESTMENT PROJECTS

In third quarter of 2016, four main investment projects amounting \$1.2B has been signed by the government of Afghanistan with private sectors. Of those, two investments that value \$600M will be in reconstruction of electricity turbines in Kajaki dam in Helmand and Sorubi dam in Kabul. It has been expected that the Kajaki's turbine will produce 151MW electricity in three years. The rest two investments with value of \$552M are for generating electricity from gas in north of Afghanistan, Sheberghan gas project, and will produce 50MW electricity.

ECONOMIC CONFERENCES

Afghanistan received a donation pledge of \$15.2B in October of 2016. The Afghan government and the European Union hosted the Brussels Conference on October 5th, 2016, which was comprised of 75 countries and 26 international organizations and agencies. The total donation approved by the member countries and agencies reached \$ 15.2B for Afghanistan, of which European donors donated \$ 5.6B.

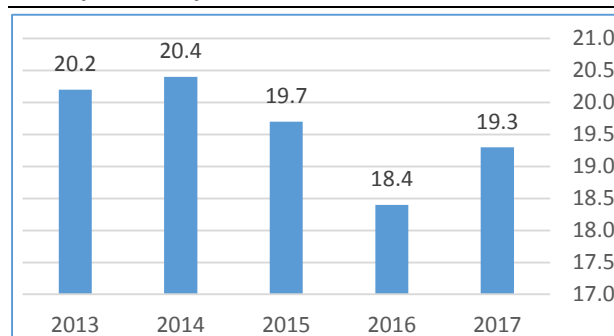
NEXT STEP (FUTURE REPORT)

In the current report we had limitation of data for some sectors. However, in the next quarter we will include the following data:

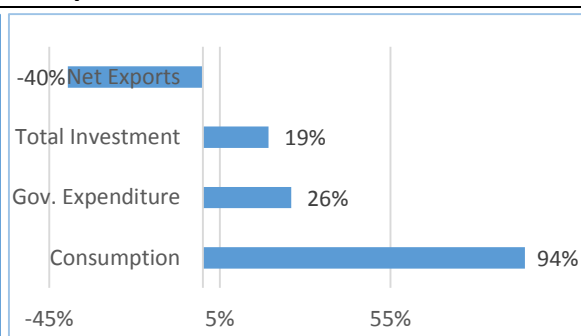
- Transportation data –number of passenger, flights, revenue, land transport revenue – from ministry of transport and civil aviation
- Construction data –ministry of urban development, Afghanistan builders association
- Mining & petroleum data –ministry of mines & petroleum
- Financial data (auction, capital notes) –from Da Afghanistan Bank
- Sectorial investment data –from ministry of commerce –AISA
- Telecom detail data –from ministry of information & communication

ANNEX

GDP (billion \$)



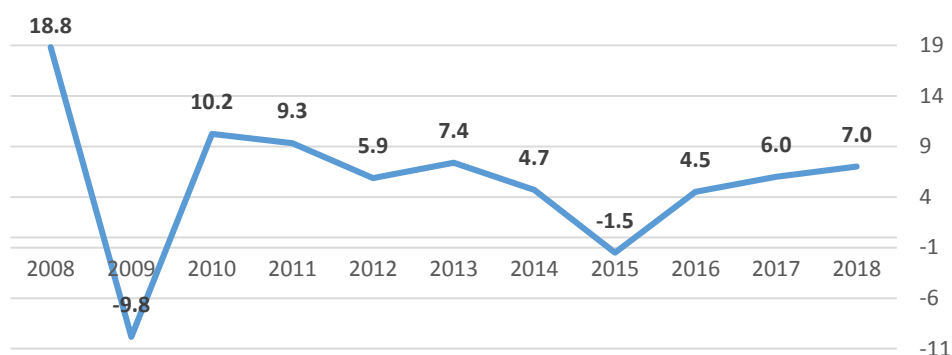
Components of GDP



Source: IMF

FY-2016

INFLATION (Y-o-y)



Source: IMF

NATIONAL BUDGET SUMMARY & FINANCING

Resources	Budget		% Dif.
	1394	1395	
Domestic Resources	2.20	1.99	-9.5%
External Resources	5.31	4.49	-15.4%
Total Resources	7.51	6.49	-13.7%
National Budget			
Operating Budget	4.97	4.12	-17.2%
Development Budget	2.68	2.52	-6.1%
Total Budget	7.65	6.64	-13.3%
Deficit Total Budget	(0.14)	(0.15)	7.8%

Source: Approved national budget

TOP TEN IMPORTED PRODUCTS

Imported Items	2015				2016			% Δ 3Q
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
IRON	6,971	5,748	4,969	3,895	7,976	6,529	5,460	-16%
SUGARS	7,362	2,627	3,235	4,482	3,928	4,761	5,299	11%
VEHICLES	6,311	6,630	4,837	6,316	4,396	4,957	4,514	-9%
COFFEE, TEA	2,112	2,427	2,173	2,651	1,700	2,414	2,604	8%
PLASTICS	2,542	2,412	1,849	2,092	2,295	2,212	2,007	-9%
CEREALS	1,745	1,236	2,113	1,645	3,763	2,399	4,247	77%
DAIRY PRODUCE; EGGS	2,016	1,768	1,769	1,766	1,349	2,032	1,603	-21%
PHARMACEUTICAL	1,032	1,155	1,184	1,217	1,251	1,109	1,310	18%
MEAT	1,990	1,677	1,191	1,454	1,320	972	1,162	20%
TOBACCO	<u>1,560</u>	<u>1,641</u>	<u>1,383</u>	<u>1,769</u>	<u>1,605</u>	<u>726</u>	<u>926</u>	<u>28%</u>
Total	33,639	27,322	24,703	27,286	29,583	28,111	29,133	4%

Source: MoF-Custom, All amount in million AFN

TOP TEN EXPORTED PRODUCTS

Exported Items	2015				2016			% Δ 3Q
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
FRUIT AND NUTS	1,205	3,501	4,228	2,029	1,969	3,918	3,880	-1%
VEGETABLES	285	1,607	1,469	301	256	1,369	590	-57%
OIL SEEDS	577	724	1,778	598	781	735	1,141	55%
RESINS	773	931	1,554	885	1,025	1,119	1,162	4%
CARPETS	419	262	348	320	439	355	373	5%
WOOL	65	209	106	115	94	177	147	-17%
CEREALS	34	65	20	21	25	2,128	1,916	-10%
COTTON	127	58	325	190	76	48	252	425%
STONE-CEMENT	5	5	5	3	11	12	9	-25%
WOVEN FABRICS	<u>1</u>	<u>4</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>-50%</u>
Total	3,492	7,366	9,833	4,466	4,678	9,864	9,470	-4%

Source: MoF-Custom, All amount in million AFN

MINISTERIAL BUDGET EXECUTION

Ministry	Total Budget	Operating Budget Executed value	Dev Budget Executed value	Overall Execution %	Development Execution* %
MoD	1231.1	1054.7	0.0	86%	0%
Mol	1123.8	897.2	4.9	80%	70%
MoEd	698.0	471.0	87.2	80%	39%
MoPW	546.7	49.5	203.4	46%	41%
MoLSA	358.8	336.1	10.1	96%	48%
MoF	314.5	243.5	56.7	95%	82%
MoPH	309.4	52.8	186.1	77%	73%
MoRD	269.0	7.6	230.6	89%	88%
MAIL	148.4	18.1	109.4	86%	84%
MoEW	135.6	9.3	60.7	52%	48%
MoHE	128.4	73.4	38.1	87%	73%
MoFA	79.7	66.4	10.6	97%	83%
MoMP	64.4	7.5	21.2	45%	38%
MoUDH	57.4	4.3	41.2	79%	79%
MoCIT	36.0	8.0	7.6	43%	29%
MoCN	28.8	3.1	12.0	53%	47%
MoIC	19.7	13.7	2.8	84%	53%
MoH	19.4	13.1	3.2	84%	57%
MoJ	15.2	9.3	4.0	87%	74%
MoCI	11.5	7.7	2.8	92%	78%
MoRR	9.8	4.0	4.2	83%	86%
MoFTA	9.1	6.1	1.0	78%	44%
MoEc	7.9	3.5	3.2	84%	84%
MoT	5.5	4.0	0.8	86%	60%
MoWA	3.5	2.8	0.6	94%	89%
MoSPA	2.5	2.1	0.3	94%	65%
Total	5,634	3,369	1,102	79%	60%

Source: MoF, Budget Department. Table sorted by total budget

*The development budget execution is as 24 Dec, 2016.

CONTRACTS

Contract	Industry	Contractor	Value in million \$	Completion date	Expected Economic result
MANUFACTURING SECTOR					
Six production plants	Food production, soft drink cans, boxes/packaging, printing press & paper	AGC	350	2018	2,000 direct job and 1000 indirect job creation
ENERGY SECTOR					
Dubai Energy Conference	Attracting investors	USAID & MoEW	-	18-19 September 2016	Boosting domestic energy production through all sectors
Shibirghan Gas-Electricity Generating Contract	50MW electricity	Bayat Group & GoIRA	252	2018	Revenue of AFN 900M annually
GOVERNMENT SERVICES					
Facilitating refugee returnees	6,500/day	IOM, UNHCR & Ministry of migration	\$100/family	-	
Road Construction, Procurement for Kabul Municipality, DABS Badakhshan fuel supply	Asphalting of 9.2Km		AFN853 M		
Refugee town in Barikub	1,300 houses				