

AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

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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, as well as the sectoral reports that inform the Afghanistan Development Update, a biannual flagship report.

HIGHLIGHTS

Rapid shocks have deepened Afghanistan's fragility.

Afghanistan's economic outlook remains fragile amid a rapidly evolving environment characterized by successive external shocks. The sharp reduction in foreign aid, drought during key agricultural phases, and heightened geopolitical tensions have disrupted trade, constrained investment, and weakened resilience. These pressures are further exacerbated by recent border tensions with Pakistan which has affected trade flows, a 6.0-magnitude earthquake in eastern of Afghanistan causing an estimated 1 percent of GDP in economic loss, and the mass deportation of Afghan nationals from Iran and Pakistan, all of which are intensifying the country's economic and social vulnerabilities.

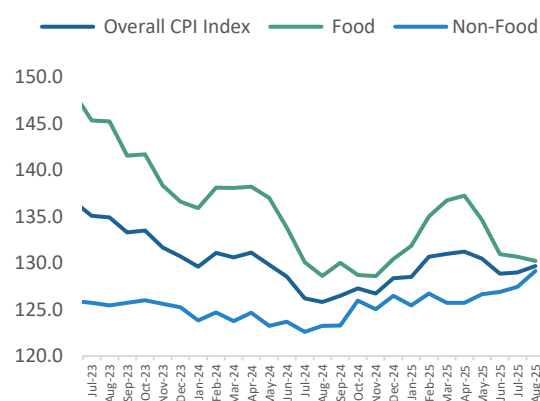
Inflation rose to 3.1 percent year-on-year in August 2025, mainly due to higher non-food prices and increased demand from returning migrants.

In August 2025, the Consumer Price Index (CPI) increased by 0.5 percent month-on-month (MoM), primarily driven by higher non-food prices. Food prices declined by 0.3 percent, with notable decreases recorded in fresh and dried fruits (6.6 percent), dairy products (-1.3 percent), and oils and fats (-1.2 percent). Prices for bread, sugar, and beverages fell modestly, ranging between 0 and 1 percent. In contrast, prices for meat rose by 4.9 percent, while vegetables and spices increased slightly, by up to 1 percent.

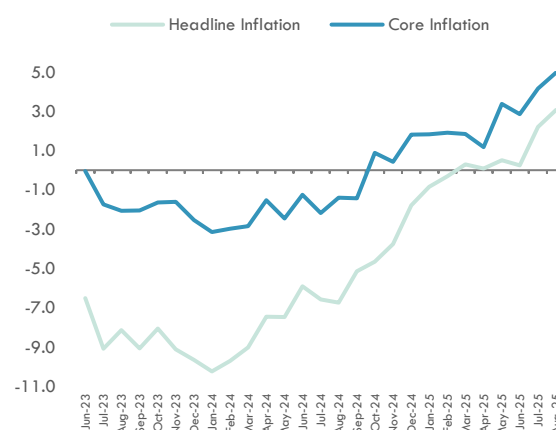
Non-food inflation rose by 1.3 percent MoM. Housing costs increased by 1.8 percent, largely reflecting higher rents in major cities due to the influx of returnees. In Kabul, the rent for a four-bedroom non-concrete house rose by 1.1 percent, while rents for concrete houses increased by 2.1 percent. Transportation costs climbed by 2 percent, while furnishings and household goods rose by 1.4 percent. Prices for clothing and communication increased by 1 percent each, while other non-food categories registered smaller increases of up to 0.5 percent. Conversely, prices in the restaurants and hotels and tobacco categories declined by 0.2 percent and 0.6 percent, respectively.

On a year-on-year (YoY) basis, headline inflation stood at 3.1 percent in August 2025, compared with negative 6.7 percent in August 2024. The increase was mainly driven by a 4.8 percent rise in non-food prices, supported by a low base effect and a recovery in domestic demand. Key contributing factors include the return of Afghan returnees, which has heightened demand for housing and essential services, alongside moderate improvements in overall economic activity. Meanwhile, food prices increased by 1.3 percent YoY, also linked to stronger demand from returnees. Core inflation (excluding food and

HEADLINE PRICE INDEX



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

energy) reached 5 percent, reflecting continued recovery in underlying demand conditions.

The Afghani appreciated by 2.1 percent year-on-year against the U.S. dollar in September 2025, but lower domestic inflation offset nominal gains, resulting in stable competitiveness.

In September 2025, the Afghani appreciated by 1.0 percent MoM against the U.S. dollar, strengthening from AFN 68.4 in August to AFN 67.7 in September. On a YoY basis, the Afghani appreciated by 2.1 percent.

In August 2025, the Afghani appreciated in both nominal and real terms against the currencies of Afghanistan's major trading partners, indicating a further erosion of external competitiveness. The Nominal Effective Exchange Rate (NEER) increased by 1.3 percent MoM, reflecting the Afghani's appreciation against the U.S. dollar and other partner currencies. Meanwhile, the Real Effective Exchange Rate (REER) rose by 1.7 percent, as domestic inflation in Afghanistan exceeded that of its trading partners on an average basis. This higher inflation combined with the stronger Afghani made Afghan goods relatively expensive, thereby weakening external competitiveness.

On a YoY basis, the NEER appreciated by 3.0 percent, while the REER stabilized, reflecting a lower YoY inflation relative to that of trading partners, which fully offset the impact of nominal appreciation. Consequently, despite a stronger nominal exchange rate, Afghanistan experienced no change in real competitiveness, supported by relatively subdued inflation at home.

Afghanistan's trade deficit widened by 29 percent to USD 5.7 billion in the first six months of FY2025, driven by stronger demand amid large influx of returnees.

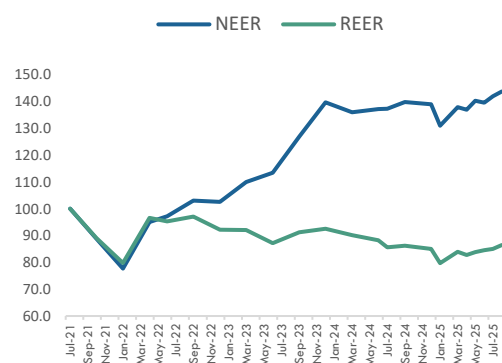
In September 2025, Afghanistan's trade deficit narrowed by 8.5 percent MoM to USD 0.89 billion, primarily driven by a rebound in exports and a modest decline in imports. Despite this MoM improvement, YoY data show that the trade deficit expanded by 19 percent in September 2025 compared to the same month in 2024.

Cumulatively, during the first half of FY2025, the trade deficit widened by 29 percent, reaching USD 5.7 billion, equivalent to 26.1 percent of annual GDP, compared with USD 4.4 billion (21.3 percent of GDP) in the same period of FY2024. The sharp increase reflects stronger import demand driven by a recovery in domestic consumption, supported by the influx of returnees, and the easing of earlier trade disruptions.

AVERAGE MONTHLY AFN/\$ EXCHANGE RATE

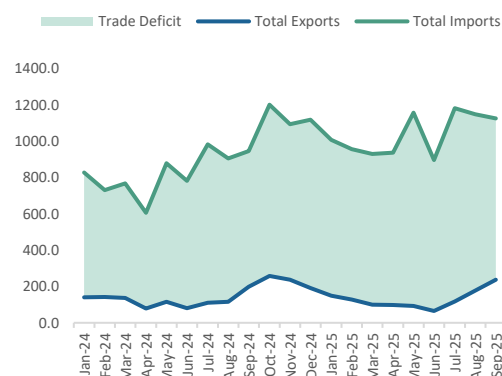


**NEER AND REER – INDEX (JULY 2021 = 100)
(HIGHER = APPRECIATION)**



Source: DAB, IFS, and World Bank staff.

AFGHANISTAN TRADE DEFICIT (US\$ BILLIONS)



Source: ASYCUDA

Afghanistan's exports rose by 12.2 percent to USD 785.4 million in the first half of FY2025, driven by strong growth in food exports.

In September 2025, Afghanistan's exports experienced a robust increase, rising 34 percent MoM to reach USD 237 million and registering a 20 percent YoY growth. This rebound was fueled by several factors, including the Preferential Trade Agreement (PTA) signed with Pakistan in July 2025, which temporarily reduced tariffs on select agricultural products for one-year, heightened demand for Afghan agricultural goods following floods in the region, and the reopening of critical trade routes.

Food exports increased by 25.4 percent YoY to USD 208.3 million, supported by strong demand from Pakistan and India, improved trade logistics, and enhancement in trade facilitation. On a cumulative basis, food exports recorded a 29 percent increase during the first six months of FY2025.

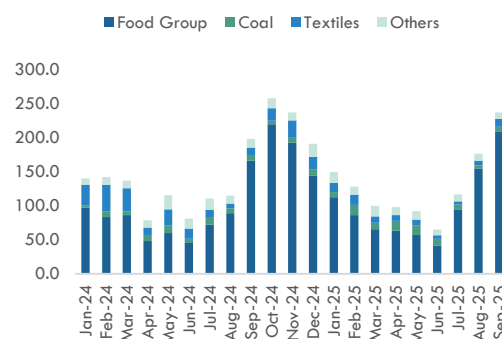
Textile exports reached USD 9.4 million in September, reflecting a 7.8 percent YoY increase. However, cumulative textile exports for the first half of FY2025 fell by 41 percent compared to the same period last year, largely because of higher tariffs imposed by Pakistan.

In contrast, coal exports declined by 9 percent YoY to USD 7.6 million from USD 8.4 million in September 2024, as Pakistan turned to more affordable alternative suppliers. Nevertheless, cumulative coal exports rose 11.3 percent in the first six months of FY2025 compared to FY2024, supported by a lower comparative base.

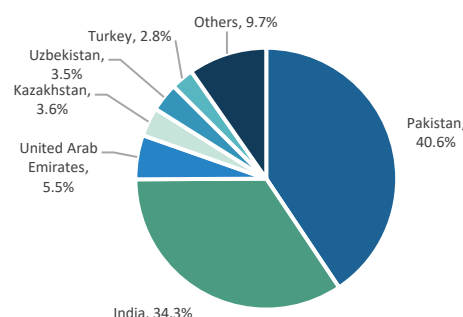
During the first half of FY2025, Afghanistan's total exports reached USD 785.4 million, up 12.2 percent from USD 699.3 million in the same period of FY2024. Pakistan remained the largest export market, though its share fell from 44 percent to 40.6 percent due to reduced and frequent trade disruptions. Meanwhile, India's share increased to 34.3 percent, with the UAE and Kazakhstan accounting for 6 percent and 3.6 percent, respectively.

Exports continued to be heavily concentrated in food products, which accounted for 79 percent of total exports in the first six months of FY2025, up from 69 percent a year earlier. This concentration highlights Afghanistan's growing dependence on food exports leaved the economy particularly vulnerable to climate shocks.

AFGHANISTAN'S EXPORTS (US\$ BILLIONS)



AFGHANISTAN'S EXPORTS DESTINATIONS (SHARE OF TOTAL EXPORTS) – FY 2025 TO DATE.



Source: ASYCUDA

Afghanistan's imports rose 26 percent to USD 6.4 billion in the first half of FY2025, reflecting stronger demand for industrial inputs and consumer goods.

In September 2025, Afghanistan's imports declined by 2 percent (MoM) to USD 1.1 billion, marking the second consecutive monthly decrease. However, on a YoY basis, imports rose by 19 percent, supported by growth across major categories. The only exceptions were mineral products and chemicals and allied industries, which recorded a decline of 3 percent each. The sharpest YoY increases were observed in machinery and electrical products (up 62 percent), plastics and rubber products (up 31 percent), transportation equipment (up 26 percent), and textiles (up 22 percent).

Intermediate goods, representing 44.8 percent of total imports, grew by 28.1 percent YoY, indicating a possible uptick in industrial and economic activity. Consumer goods, which accounted for 38.1 percent of total imports, expanded by 16 percent, reflecting resilient domestic demand amid the large-scale return of Afghan refugees from Iran and Pakistan.

During the first six months of FY2025, total imports amounted to USD 6.4 billion—an increase of 26 percent compared to USD 5.1 billion in the same period of FY2024. Imports of raw materials rose by 44 percent, intermediate capital goods by 40 percent, and capital goods by 28 percent, signaling an expansion in domestic production.

Iran remained Afghanistan's largest source of imports, accounting for 29 percent of the total, followed by the United Arab Emirates (19 percent), Pakistan (13 percent), and China (8 percent).

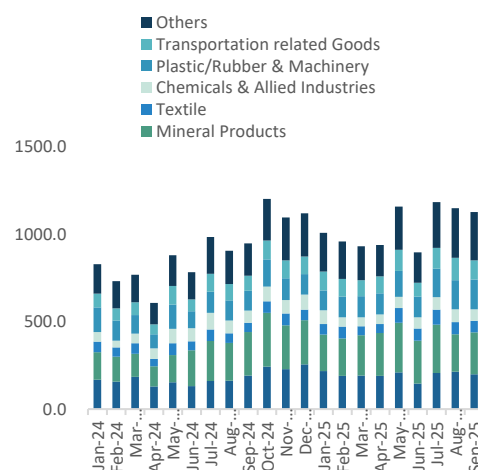
In the first half of FY2025, Afghanistan's domestic revenue rose 16.7 percent to AFN 130.2 billion, reflecting improved revenue administration amid economic recovery.

During the sixth month (M6) of FY2025, Afghanistan's domestic revenue collection totaled approximately AFN 22.7 billion (around USD 334.5 million), reflecting a 2.5 percent MoM decline. However, revenues grew by 12 percent YoY.

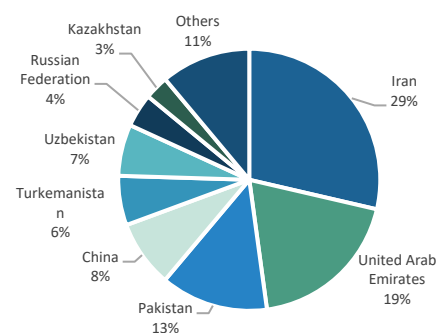
Cumulatively, in the first six months of FY2025, domestic revenue reached AFN 130.2 billion (about USD 1.9 billion), equivalent to 8.5 percent of annual GDP. This marks a 16.7 percent increase compared to the same period in FY2024, underscoring continued improvements in revenue administration and economic recovery.

Tax revenues rose 19.2 percent to AFN 51.7 billion in the first half of FY2025, driven by stronger enforcement measures and a rebound in domestic economic activity, contributing 7.5 percentage points to total revenue growth. Customs duties increased 20.2 percent to AFN 34.5 billion, supported by enhanced border management, tariff adjustments on selected

AFGHANISTAN'S IMPORTS (US\$ BILLIONS)

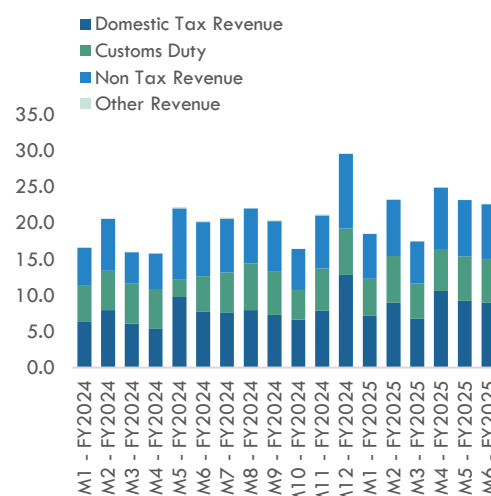


AFGHANISTAN'S IMPORT ORIGINS (SHARE OF TOTAL IMPORTS) – FY 2025 TO DATE



Source: ASYCUDA

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



Source: Ministry of Finance and World Bank Staff.

goods, and higher import volumes—collectively adding 5.3 percentage points to overall revenue growth.

Non-tax revenues grew 12.2 percent to AFN 43.8 billion, contributing 4 percentage points to total revenue growth. Major contributors included tolls from road and transport services, passport issuance fees, higher overflight charges, and receipts from railway and telecommunications services.

Revenues from other minor sources amounted to around AFN 316 million in the first six months of FY2025, providing a marginal contribution to total collections.

In the first half of FY2025, Afghanistan's government spending rose slightly to AFN 119 billion, with a budget surplus of AFN 10.8 billion driven by strong revenue growth and moderate expenditure increases.

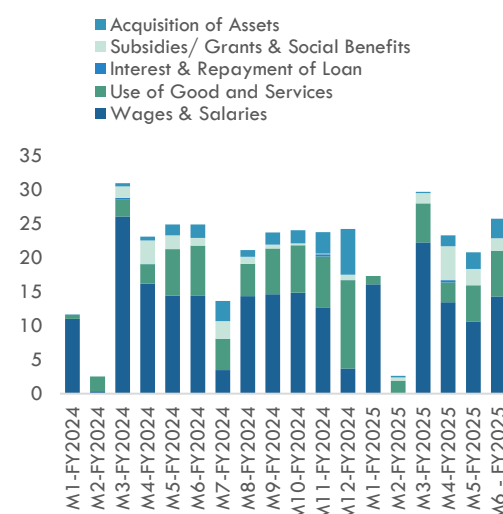
In the sixth month of FY2025, total government expenditure reached AFN 25.7 billion, representing an increase of approximately AFN 5 billion, or 24 percent MoM. This rise primarily reflects a 34 percent increase in wages and salaries, attributed to the disbursement of previously unpaid salaries from earlier months. Expenditure on goods and services and asset acquisition also increased by 27 percent and 16 percent, respectively, while subsidies and transfers recorded a modest decline.

On a YoY basis, total spending increased by 3.5 percent compared to the same period in FY2024. This growth was mainly driven by higher asset acquisition, which rose by AFN 1 billion, marking a 45 percent YoY increase from a relatively low base. Spending on wages and salaries, as well as on goods and services, remained broadly consistent with levels recorded during the corresponding month of FY2024.

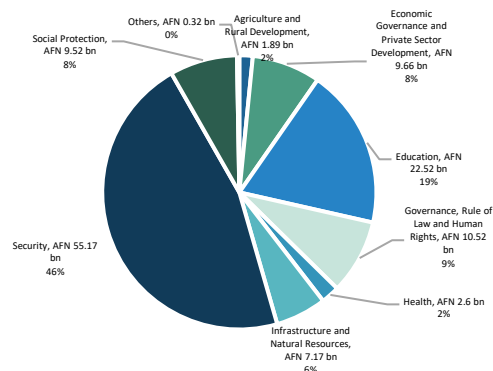
During the first half of FY2025, cumulative expenditure amounted to AFN 119 billion, equivalent to 7.8 percent of annual GDP, reflecting a 1.3 percent increase from AFN 117.8 billion in the same period of FY2024. Spending on wages and salaries declined by 7 percent, from AFN 82.4 billion to AFN 76.7 billion, largely due to ongoing wage restructuring, contributing to a 6.2 percentage point decline in total expenditure. In contrast, goods and services spending rose by 6.7 percent, reaching AFN 24 billion compared to AFN 22.3 billion in the same period of FY2024, contributing approximately 0.8 percentage point to the overall increase in expenditure.

Cumulative spending on subsidies and transfers recorded a significant 36 percent rise, totaling AFN 11.2 billion in FY2025 compared to AFN 8.2 billion in FY2024. This increase was driven by expanded assistance for returnees and individuals affected by recent earthquakes, additional support for the families of martyrs and disabilities, and the resumption of pension payments under newly introduced norms,

ECONOMIC CLASSIFICATION OF TOTAL EXPENDITURES (AFN BILLION)



SECTOR CLASSIFICATION OF TOTAL EXPENDITURES FY2025 TO DATE (AFN BILLION)



Source: Ministry of Finance and World Bank Staff.

contributing about 3.1 percentage points to the overall expenditure increase. Development expenditures experienced a notable upswing, reaching AFN 7.3 billion in the first half of FY2025, a 59.2 percent increase, signaling a renewed focus on infrastructure and development initiatives. This category contributed approximately 3.5 percentage points to the overall rise in expenditure.

During the first half of FY2025, security-related spending amounted to AFN 55.2 billion, representing 46 percent of total expenditure, while approximately AFN 64.2 billion, or 54 percent, was allocated to other sectors and service delivery programs.

In the first half of FY2025, Afghanistan recorded a budget surplus of AFN 10.8 billion (0.71 percent of annual GDP), as revenues of AFN 130.2 billion exceeded expenditures of AFN 119 billion. Revenue growth of 16.7 percent YoY was driven by stronger tax collection, higher customs duties, and non-tax revenues. Expenditure rose moderately, led by development projects, subsidies, and service delivery programs, with security accounting for 46 percent of total spending.

ANNEX

						MoM change (%)	YoY change (%)
PRICES							
	Aug-25	Jul-25	Jun-25	May-25	Aug-24	Aug-25	Aug-25
Overall CPI Index	129.7	129.0	128.8	130.5	125.8	0.5%	3.1%
Food	130.2	130.7	131.0	134.6	128.6	-0.3%	1.3%
Tobacco	161.9	162.9	162.4	161.0	169.8	-0.6%	-4.6%
Clothing	150.7	149.0	151.6	149.2	149.2	1.1%	1.0%
Housing	117.7	115.6	113.1	113.8	102.3	1.8%	15.1%
Furnishing and household goods	133.7	131.8	133.3	131.4	132.7	1.4%	0.7%
Health	143.2	142.9	142.4	146.6	147.1	0.2%	-2.7%
Transportation	134.0	131.4	128.8	125.9	130.4	2.0%	2.8%
Communication	90.8	90.6	91.0	90.7	91.4	0.2%	-0.7%
Information and Culture	111.1	110.0	110.3	110.0	109.6	1.0%	1.4%
Education	139.1	138.7	139.2	139.4	142.9	0.3%	-2.6%
Restaurants and Hotels	114.4	114.6	115.3	114.7	112.6	-0.2%	1.6%
Miscellaneous	160.9	157.1	159.9	157.4	157.6	2.4%	2.0%
Core Price Index	118.4	127.1	126.7	126.7	122.5	-6.8%	-3.3%
EXCHANGE RATE							
	Sep-25	Aug-25	Jul-25	Jun-25	Sep-24	('-' depreciation, '+' appreciation)	
AFN/USD	67.7	68.4	69.1	70.2	69.2	1.0%	2.2%
	Aug-25	Jul-25	Jun-25	May-25	Aug-24	Aug-25	Aug-25
NEER	143.7	141.9	139.6	140.3	137.2	1.3%	4.7%
REER	86.5	85.0	84.6	83.8	84.6	1.7%	2.1%
TRADE							
	Sep-25	Aug-25	Jul-25	Jun-25	Sep-24	Sep-25	Sep-25
Total Exports (US\$ Million)	236.9	176.7	116.9	65.0	198.2	34%	20%
Food Group	208.3	154.8	94.8	41.6	166.1	35%	25%
Coal	7.6	4.1	7.1	9.9	8.4	86%	-9%
Textiles	11.6	7.1	4.8	5.3	10.7	62%	8%
Others	9.4	10.6	10.2	8.2	13.0	-12%	-28%
Total Imports (US\$ Million)	1124.8	1147.2	1181.6	895.5	945.8	-2%	19%
Food Group	198.7	213.7	205.5	145.7	191.7	-7%	4%
Mineral Products	239.6	213.9	275.8	244.9	248.1	12%	-3%
Textile	65.6	69.4	85.6	68.5	53.6	-6%	22%
Chemicals & Allied Industries	66.6	73.4	71.3	64.6	69.0	-9%	-3%
Plastic/Rubber & Machinery	169.4	165.4	163.6	119.5	112.1	2%	51%
Transportation related Goods	109.6	127.1	117.6	78.6	86.8	-14%	26%
Others	275.5	284.4	262.2	173.6	184.5	-3%	49%
Trade Deficit (US\$ Million)	887.8	970.5	1064.7	830.4	747.6	-9%	19%
FISCAL							
	M6-FY2025	M5-FY2025	M4-FY2025	M3-FY2025	M6-FY2024	M6-FY2025	M6-FY2025
Total Revenue (AFN Billion)	22.7	23.2	24.9	17.5	20.3	-2%	12%
Domestic Tax Revenue	9.0	9.2	10.6	6.7	7.8	-2%	16%
Customs Duty and Fee	6.0	6.2	5.8	4.9	4.9	-2%	23%
Non Tax Revenue	7.6	7.8	8.5	5.9	7.5	-3%	2%
Other Revenue	0.1	0.1	0.0	0.0	0.2	2%	-69%
Total Expenditures (AFN Billion)	25.7	20.8	29.7	2.6	24.8	24%	4%
Wages & Salaries	14.3	10.6	22.2	-	14.4	34%	-1%
Use of Good and Services	6.7	5.3	5.7	1.9	7.4	27%	-9%
Interest & Repayment of Loan	-	-	0.0	-	0.0	-	-
Subsidies/ Grants & Social Benefits	1.9	2.4	1.5	0.5	1.1	-22%	67%
Acquisition of Assets	2.9	2.5	0.2	0.2	2.0	16%	45%
Fiscal Deficit	-3.1	2.4	-4.7	14.9	-4.5	-225%	-33%

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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 exchange rates collected and reported by DAB; and (iv) data on trade from the ASYCUDA.