AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

July 2026
(Seratan 1405)

Afghanistan Futures
ASSESS, ANALYZE, ADVISE

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

Trade disruptions are slowing economic activity despite favorable agricultural conditions.

Despite favorable rainfall in 2026 and prospects for a stronger agricultural harvest than in 2025, Afghanistan's economic momentum appears to be slowing. Economic activity is being constrained by disruptions to trade resulting from the prolonged border closure with Pakistan and spillover effects from the ongoing crisis in the Middle East. At the same time, the country continues to receive large inflows of returnees from Iran and Pakistan, adding pressure on labor markets, public services, and household welfare.

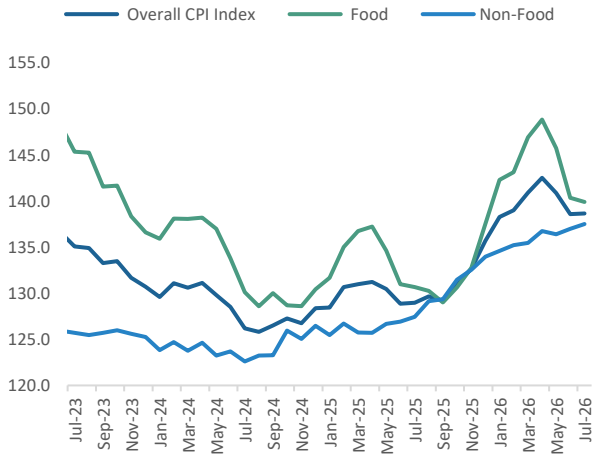
Headline and core inflation moderated further, although price pressures remained elevated in health, housing, and transportation.

Inflation remained broadly stable in July 2026, with the overall Consumer Price Index (CPI) unchanged month-on-month (MoM), following a 1.6 percent decline in June. Food prices declined by 0.3 percent MoM, driven mainly by lower prices for vegetables (-3.7 percent), spices (-3.6 percent), sugar and sweets (-3.4 percent), and milk, cheese and eggs (-1.4 percent). These declines were partly offset by increases in bread and cereals (1.4 percent) and fresh and dried fruits (1.4 percent). Non-food prices increased by 0.4 percent MoM, with transportation recording the largest increase at 6.4 percent, followed by restaurants and hotels at 1.6 percent. These increases were partly offset by declines in clothing (-1.6 percent), tobacco (-0.9 percent), and furnishing and household goods (-0.6 percent).

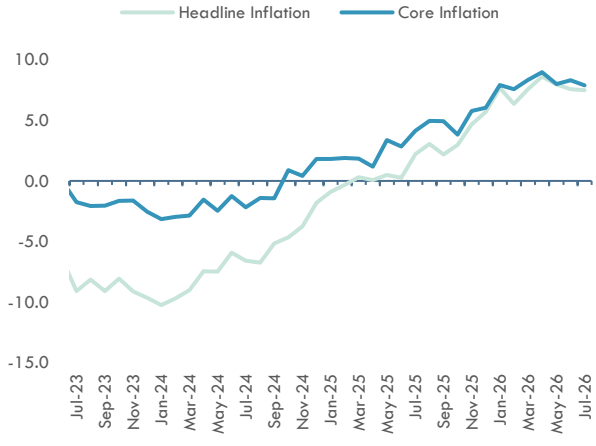
On a year-on-year (YoY) basis, headline inflation eased slightly to 7.5 percent in July from 7.6 percent in June. Food inflation moderated to 7.0 percent from 7.2 percent, while non-food inflation remained unchanged at 7.9 percent. Among food categories, bread and cereals recorded the highest annual increase at 12.6 percent, followed by fresh and dried fruits (10.2 percent) and oils and fats (8.7 percent). Spices (-6.5 percent) and milk, cheese and eggs (-0.8 percent) recorded annual declines. Within the non-food basket, health (19.2 percent) and housing (13.1 percent) recorded the highest annual increases, followed by transportation (8.2 percent).

Core inflation declined to 7.9 percent in July from 8.3 percent in June, indicating a moderation in underlying price pressures. Overall, the July data show stable monthly headline prices and a modest easing in annual headline, food, and core inflation, while

HEADLINE PRICE INDEX (APRIL 2015 = 100)



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA) and WBG staff.

significant price pressures persisted in key non-food categories, particularly health, housing, and transportation.

The Afghani weakened in July but remained stronger than a year earlier, while improved competitiveness continued to support external adjustment.

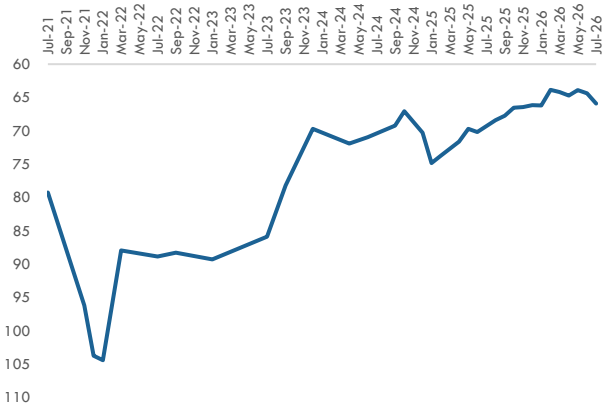
The Afghani depreciated by 2.4 percent MoM against the U.S. dollar to AFN 65.9 per USD in July 2026, following a 0.8 percent depreciation in June. Despite this recent weakening, the currency remained 4.6 percent stronger than a year earlier.

The Afghani also weakened against the currencies of Afghanistan's major trading partners, with the Nominal Effective Exchange Rate (NEER) declining by 2.2 percent MoM, following a 1.0 percent decline in June. Nevertheless, the NEER remained 4.6 percent higher than a year earlier, indicating that the Afghani continued to be stronger in nominal effective terms on a year-on-year basis.

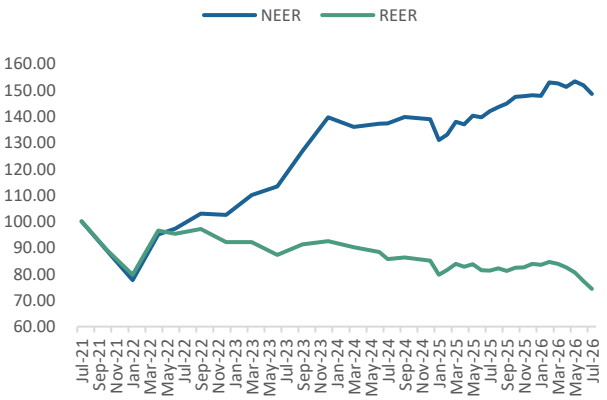
The Real Effective Exchange Rate (REER) fell by 3.4 percent in July, following a 4.0 percent decline in June, reflecting a further weakening of the Afghani in real effective terms. Combined with the nominal depreciation, this contributed to an improvement in Afghanistan's external price competitiveness.

On a YoY basis, the NEER appreciated by 4.6 percent, while the REER depreciated by 8.1 percent. The divergence reflects inflation differentials between Afghanistan and its major trading partners. While the Afghani remained stronger in nominal effective terms than a year earlier, the decline in the REER suggests to an improvement in Afghanistan's external price competitiveness in real terms.

AVERAGE MONTHLY AFN/$ EXCHANGE RATE



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



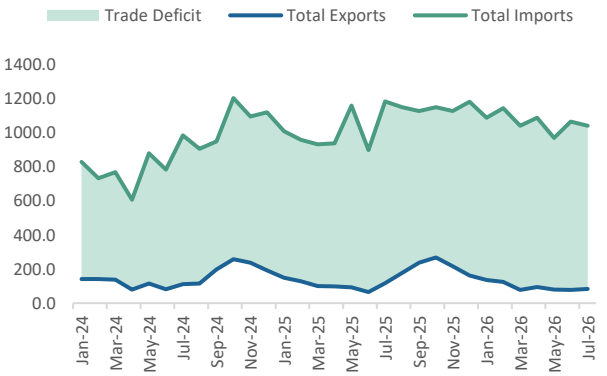
Source: DAB, IFS, and World Bank staff.

Total trade fell by 1.5 percent MoM and 13.6 percent YoY, underscoring the difficulty of fully offsetting disruptions to traditional trade routes.

Afghanistan's trade environment in July 2026 continued adjustments to disruptions in traditional trade routes. Total trade declined by 1.5 percent MoM and 13.6 percent YoY, highlighting the challenges of sustaining trade flows through alternative transit corridors in Central Asia.

Exports increased modestly compared with the previous month, supported by higher food exports and growth in other export categories, although they remained below their level a year earlier. Imports declined slightly, mainly due to lower mineral product imports, while the composition of transportation and textile

AFGHANISTAN TRADE DEFICIT (US$ MILLIONS)



Source: ASYCUDA

imports continued to adjust alongside the increased use of alternative transit routes.

As a result, Afghanistan's trade deficit narrowed by 3 percent MoM but widened by 1 percent YoY to USD 956.2 million in July 2026. While businesses have increasingly shifted to alternative transit corridors, the decline in trade volumes suggests that these routes have only partially offset disruptions to traditional trade channels.

Agricultural exports improved in July, but export performance continued to be constrained by disruptions to traditional trade routes.

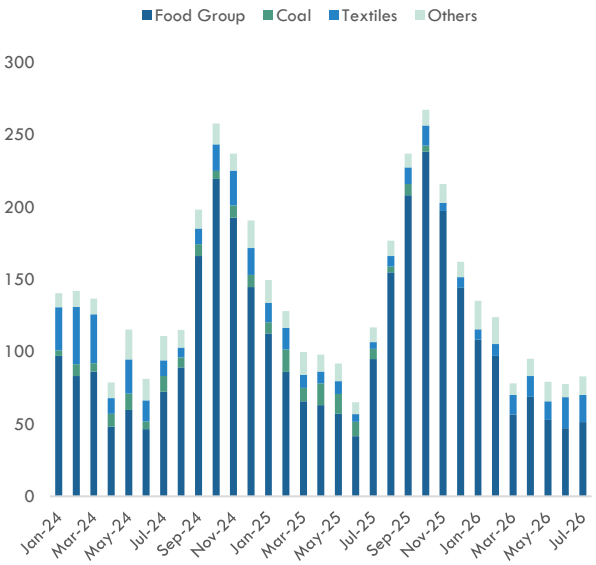
Afghanistan's exports totaled USD 83 million in July 2026, increasing by 7 percent MoM but declining by 29 percent YoY. Despite being near the peak agricultural export season, export performance has remained subdued, reflecting the continued impact of disruptions to traditional trade routes.

Food exports, the largest export category, accounted for around 62 percent of total exports in July. They grew by 8.9 percent MoM to USD 51.4 million but remained 45.8 percent lower than the level recorded a year earlier. In contrast, textile exports declined by 12.2 percent MoM to USD 18.8 million, but continued to exceed their level a year earlier, supported by growing access to Chinese markets with improved connectivity through Uzbekistan and. Other exports showed resilience, increasing by 40.6 percent MoM and standing 25.7 percent higher than a year earlier.

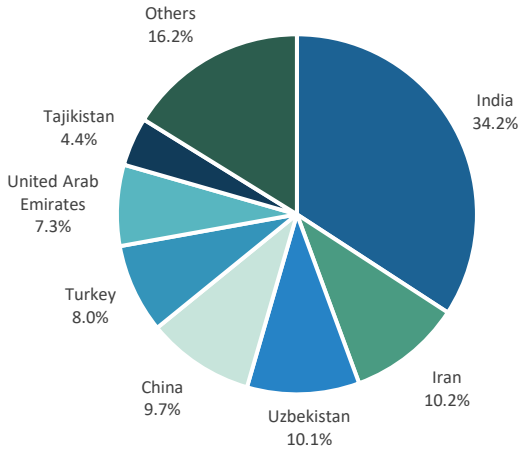
On a cumulative basis, total exports reached USD 335 million during the first four months of the Afghan fiscal year, showing a decline by 10 percent compared to the same period of the previous year.

Food products accounted for the largest share of total exports (62 percent), followed by textiles at 23 percent, while other exports accounted for 15 percent of total exports. India remained the largest export destination (34.2 percent), followed by Iran (10.2 percent), Uzbekistan (10.1 percent), and China (9.7 percent).

AFGHANISTAN'S EXPORTS (US$ MILLIONS)



AFGHANISTAN'S EXPORTS DESTINATIONS (SHARE OF TOTAL EXPORTS) – FY 2026 TO DATE.



Source: ASYCUDA

Capital-goods imports declined sharply, reflecting the impact of Middle East-related trade disruptions on shipments routed through the Strait of Hormuz.

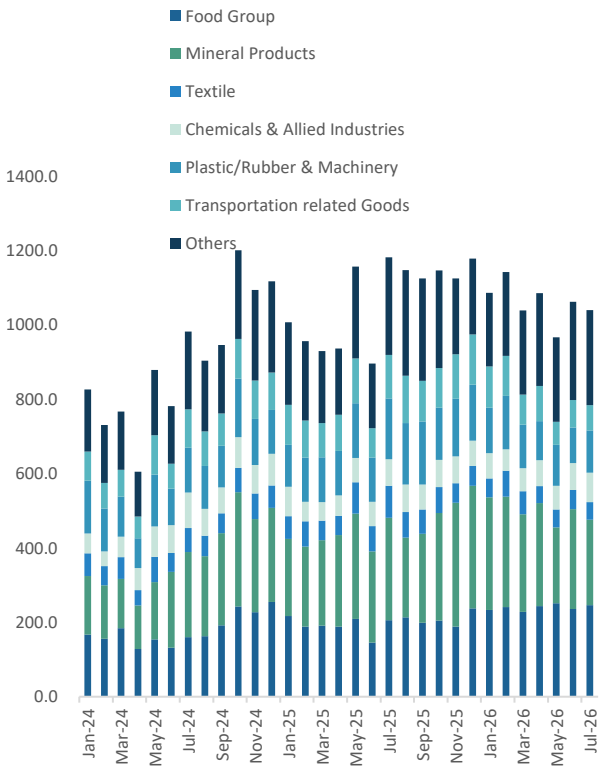
Afghanistan's imports totaled USD 1.04 billion in July 2026, declining by 2 percent MoM and 12 percent YoY, suggesting that the increased use of alternative transit corridors has only partially offset the impact of disruptions to traditional trade routes. While imports of consumer goods and raw materials increased, reflecting stronger domestic demand associated with continued influx of returnees, overall import growth remained subdued. Lower imports of mineral products more than offset gains in other categories, amid higher energy prices and increased uncertainty linked to regional geopolitical tensions. These developments, together with ongoing logistical challenges, continued to shape Afghanistan's import patterns.

Import growth was mixed across major categories. Food imports increased by 4 percent MoM and 20 percent YoY, while year-to-date (YTD) imports were up 30 percent, indicating continued strong demand for imported food items. Chemicals and allied industries also grew, rising 8 percent MoM and 10 percent YoY, with YTD imports increasing 11 percent. Machinery and electrical goods increased 16 percent MoM but remained 35 percent below last year's level, with YTD imports down 24 percent. In contrast, mineral product imports declined 15 percent MoM and 17 percent YoY, while YTD imports fell 7 percent. Transport-related goods fell 7 percent MoM and 42 percent YoY, with YTD imports declining 28 percent. Textile imports decreased 6 percent MoM and 44 percent YoY, while YTD imports were down 33 percent. Meanwhile, plastics and rubber products rose sharply by 24 percent MoM but declined 22 percent YoY, with YTD imports down 21 percent.

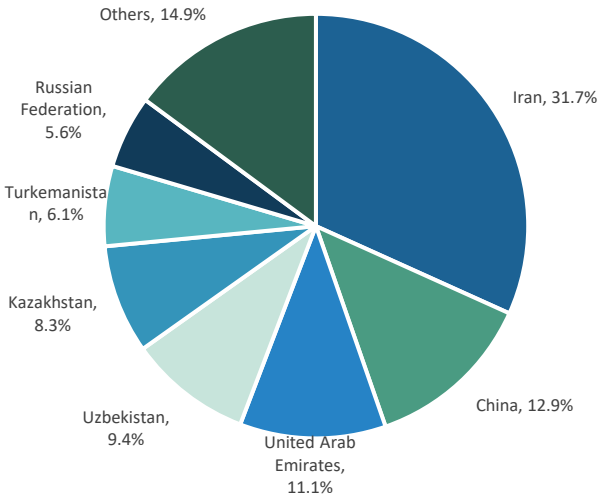
Overall, imports decreased by 2 percent MoM and 12 percent YoY, while YTD declined slightly by 0.4 percent, reflecting weakness across several major import categories.

By economic classification, intermediate goods and raw materials accounted for the largest share of imports at 50 percent. While this category declined by 7 percent MoM and 5 percent YoY, it remained 5 percent higher on a YTD basis, indicating relatively resilient demand for production inputs. Consumer goods, representing 41 percent of total imports, increased by 4 percent MoM and 9 percent YTD, despite declining marginally by 2 percent

AFGHANISTAN'S IMPORTS (US$ MILLIONS)



AFGHANISTAN'S IMPORT ORIGINS (SHARE OF TOTAL IMPORTS) – FY 2026 TO DATE



Source: ASYCUDA

YoY. Capital goods accounted for only 8 percent of imports and declined by 3 percent MoM and 53 percent YoY, while also falling 38 percent on a YTD basis. The sharp contraction in capital-goods imports appears to be driven primarily by supply chain disruptions linked to the crisis in the Middle East. Given that a large share of Afghanistan's capital equipment imports originates from China and the United Arab Emirates and typically transits through the Strait of Hormuz, heightened regional instability and logistical disruptions have likely constrained the availability and delivery of capital goods.

By country of origin, Iran was the largest source of imports, accounting for 31.7 percent of total imports, followed by China at 12.9 percent and the United Arab Emirates at 11.1 percent. Imports from Uzbekistan accounted for 9.4 percent, while Kazakhstan and Turkmenistan represented 8.3 percent and 6.1 percent, respectively. Russia accounted for a further 5.6 percent, with other countries contributing 14.9 percent. Overall, the data highlights a high concentration of imports among regional trading partners, with Iran alone accounting for nearly one-third of total imports.

Trade routes show that Iranian corridor, combining direct Iranian trade and the Iran transit trade, was the largest channel, accounting for 54 percent of total imports. This was followed by the Central Asian corridor at 42 percent. Air imports accounted for a further 4 percent, while direct and transit trade through Pakistan remained negligible. The dominance of Iranian routes, together with the substantial share of Central Asian corridors, highlights the continued concentration of Afghanistan's import flows along these two major trade channels.

Domestic revenue remained slightly above last year's level in nominal terms but declined in real terms, highlighting continued pressures on fiscal capacity.

Afghanistan's domestic revenue collections totaled AFN 20.0 billion (USD 303.1 million) in July 2026, down 18.2 percent from June and 20 percent from July 2025. The decline followed the relatively strong collection recorded in June and was broad-based across all major revenue categories. Despite the weaker monthly performance, YTD domestic revenue remained 2 percent above the corresponding period of the previous year, indicating modest growth in nominal revenue collections. However, after adjusting for inflation, domestic revenue declined in real terms, suggesting that revenue mobilization has not fully kept pace with rising prices.

Domestic tax revenue amounted to AFN 8.0 billion, declining 18.2 percent MoM and 25 percent YoY. Despite the annual decline, YTD domestic tax revenue was 3 percent higher than in the same period of the previous year, reflecting a modest improvement in cumulative nominal tax collection.

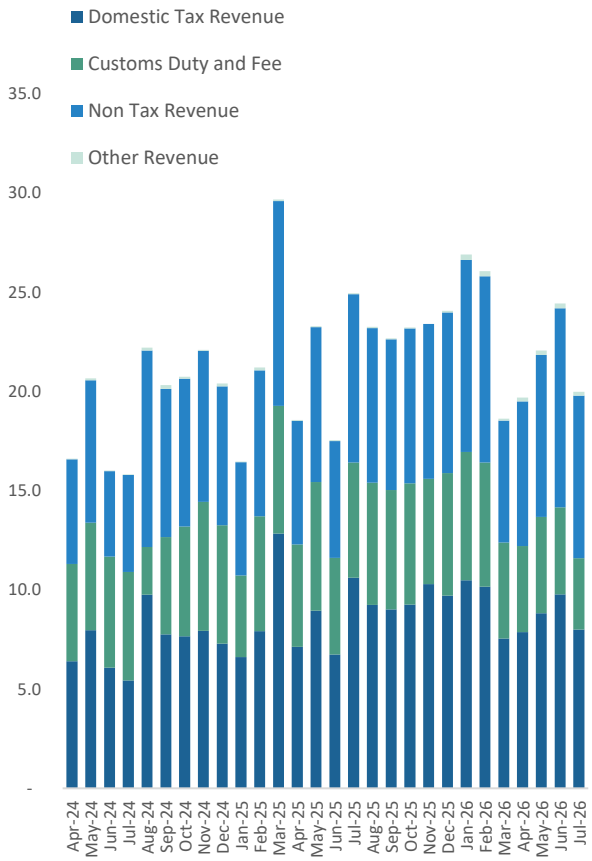
Customs duty and fees totaled AFN 3.6 billion, down 18.2 percent MoM and 38 percent YoY. Customs revenue remained the weakest-performing major component, with YTD collections 23 percent below the corresponding period of the previous year. The sharp decline reflects lower trade volumes and continued disruptions to traditional trade routes. While traders have increasingly shifted to alternative transit corridors through Iran and Central Asia, these routes have not fully offset the impact of disruptions to established trade channels, weighing on customs collections. Changes in import composition, particularly lower imports of high-duty items such as capital goods and mineral products, have further reduced customs receipts.

Non-tax revenue amounted to AFN 8.2 billion, declining 18.2 percent MoM and 3 percent YoY. However, YTD collections were 19 percent higher than in the same period of the previous year, making non-tax revenue the strongest contributor to the overall improvement in cumulative domestic revenue.

Other revenue totaled AFN 0.2 billion in July, the relatively small base limits its overall impact on revenue performance.

Overall, domestic revenue performance weakened in July following a strong outturn in the previous month, although cumulative

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



Source: Ministry of Finance and WBG Staff.

collections remained modestly above last year's level. The deterioration was driven primarily by lower customs and domestic tax receipts, while stronger non-tax revenue helped cushion the overall decline. The sustained 23 percent contraction in year-to-date customs revenue remains the main concern, underscoring the continued sensitivity of domestic revenue performance to trade disruptions, transit challenges, and shifts in import patterns.

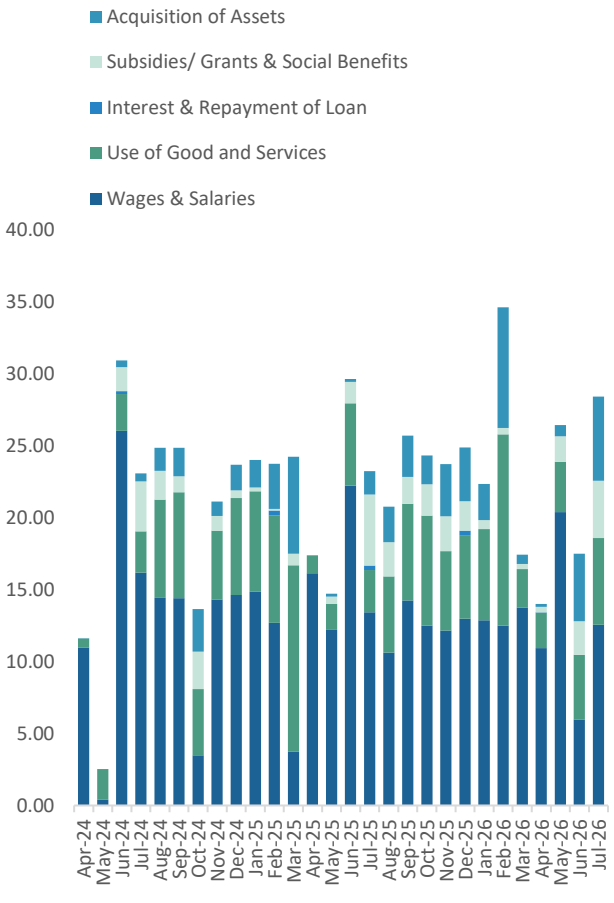
Public expenditure accelerated in July, while the fiscal position remained broadly balanced as revenue and spending grew at similar nominal rates.

Public expenditure accelerated markedly in July 2026, reaching AFN 28.4 billion, up 62 percent MoM and 22 percent YoY, following the relatively low level of spending in June. The increase was broad-based across major expenditure categories, although the sharp monthly rise may partly reflect the timing of payments, particularly for development projects. On a cumulative basis, public expenditure was 2 percent higher than in the same period of 2025, broadly in line with the 2 percent increase in domestic revenue. However, both revenue and expenditure declined in real terms, highlighting continued constraints on fiscal capacity and uneven budget execution.

By economic category, the July increase reflected stronger execution across both recurrent and capital spending, although recurrent expenditure remained dominant. Wages and salaries rose 110 percent MoM to AFN 12.6 billion but remained 6 percent below July 2025 and 22 percent lower YTD. Goods and services increased 34 percent MoM to AFN 6.0 billion and 105 percent YoY, with YTD spending up 40 percent. Subsidies, grants, and social benefits rose 71 percent MoM to AFN 4.0 billion, but were 19.2 percent lower YoY, while YTD spending increased 22.4 percent. Acquisition of assets increased 24.6 percent MoM to AFN 5.8 billion, and was 260 percent higher YoY and 471 percent higher YTD, marking the most pronounced expansion among the major categories. While the sharp increase in asset acquisition is notable and points to stronger capital spending, a sustained shift toward investment cannot yet be established from a single month and will depend on continued execution in the coming months.

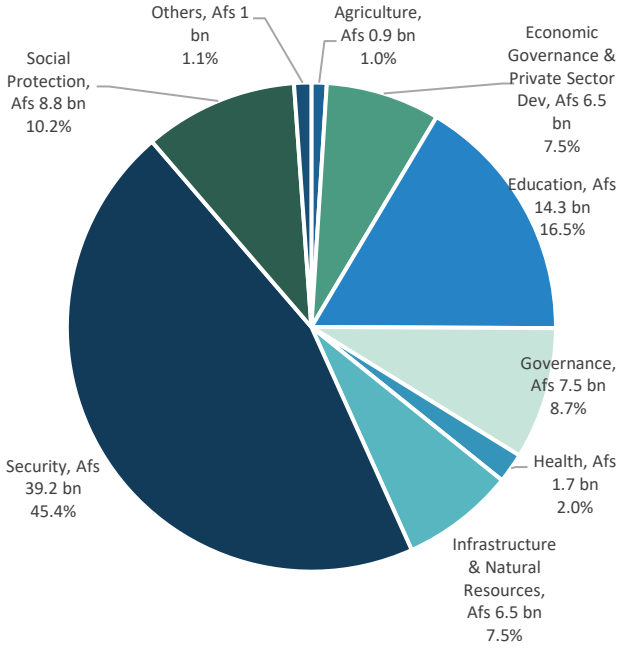
By sector, expenditure remained concentrated in security, which accounted for AFN 39.2

ECONOMIC CLASSIFICATION OF TOTAL EXPENDITURES (AFN BILLION)



billion, or 45.4 percent of total spending, followed by education at AFN 14.3 billion (16.5 percent) and social protection at AFN 8.8 billion (10.2 percent). Governance, private-sector development, and infrastructure each accounted for around AFN 6.5–7.5 billion, while health and agriculture received smaller allocations. Overall, the sectoral composition continued to prioritize security while maintaining substantial allocations for public services and development-related sectors.

SECTOR CLASSIFICATION OF TOTAL EXPENDITURES FY2026 TO DATE (AFN BILLION)



Source: Ministry of Finance and WBG Staff.

ANNEX

						MoM change (%)	YoY change (%)
PRICES							
	Jul-26	**Jun-26**	**May-26**	**Apr-26**	**Jul-25**	**Jul-26**	**Jul-26**
Overall CPI Index	138.6	138.6	140.9	142.5	129.0	0.0%	7.5%
Food	139.9	140.4	145.7	148.8	130.7	-0.3%	7.0%
Tobacco	161.9	163.3	162.7	160.4	162.9	-0.9%	-0.6%
Clothing	150.4	152.9	150.3	152.7	149.0	-1.6%	0.9%
Housing	130.8	130.5	131.3	129.7	115.6	0.2%	13.1%
Furnishing and household goods	132.1	132.9	131.0	132.6	131.8	-0.6%	0.3%
Health	170.3	169.6	170.4	169.4	142.9	0.4%	19.2%
Transportation	142.1	133.5	131.3	136.1	131.4	6.4%	8.2%
Communication	90.3	90.5	90.2	90.7	90.6	-0.3%	-0.4%
Information and Culture	112.6	112.8	111.4	112.0	110.0	-0.1%	2.4%
Education	144.5	145.0	144.3	145.4	138.7	-0.3%	4.2%
Restaurants and Hotels	116.4	114.5	114.9	116.3	114.6	1.6%	1.5%
Miscellaneous	159.0	158.5	156.3	156.9	157.1	0.3%	1.2%
Core Price Index	137.1	137.3	136.9	136.8	127.1	-0.1%	7.9%
EXCHANGE RATE						('-' depreciation, '+' appreciation)	
	Jul-26	**Jun-26**	**May-26**	**Apr-26**	**Jul-25**	**Jul-26**	**Jul-26**
AFN/USD	65.9	64.4	63.9	64.7	69.1	-2.3%	4.9%
	Jul-26	**Jun-26**	**May-26**	**Apr-26**	**Jul-25**	**Jul-26**	**Jul-26**
NEER	148.5	151.8	153.3	151.2	141.9	-2.2%	4.6%
REER	74.7	77.3	81.4	82.5	81.3	-3.4%	-8.1%
TRADE							
	Jul-26	**Jun-26**	**May-26**	**Apr-26**	**Jul-25**	**Jul-26**	**Jul-26**
Total Exports (US$ Million)	**83.0**	**77.7**	**79.2**	**95.2**	**116.9**	7%	-29%
Food Group	51.4	47.2	52.8	68.7	94.8	9%	-46%
Coal	0.0	0.0	0.0	0.0	7.1	#DIV/0!	-100%
Textiles	18.8	21.5	12.8	14.5	4.8	-12%	295%
Others	12.8	9.1	13.6	11.9	10.2	41%	26%
Total Imports (US$ Million)	**1039.2**	**1062.0**	**966.3**	**1085.5**	**1181.6**	-2%	-12%
Food Group	246.1	235.7	251.7	243.9	205.5	4%	20%
Mineral Products	229.6	268.8	203.6	276.5	275.8	-15%	-17%
Textile	47.8	51.2	48.1	46.1	85.6	-6%	-44%
Chemicals & Allied Industries	78.7	72.8	63.6	69.6	71.3	8%	10%
Plastic/Rubber & Machinery	113.6	95.4	110.5	105.1	163.6	19%	-31%
Transportation related Goods	68.3	73.8	61.8	94.6	117.6	-7%	-42%
Others	255.1	264.3	227.0	249.6	262.2	-3%	-3%
Trade Deficit (US$ Million)	**956.2**	**984.3**	**887.1**	**990.3**	**1064.7**	-3%	-10%
Total Trade (US$ Million)	**1122.2**	**1139.7**	**1045.5**	**1180.7**	**1298.5**	-2%	-14%
FISCAL							
	Jul-26	**Jun-26**	**May-26**	**Apr-26**	**Jul-26**	**Jul-26**	**Jul-26**
Total Revenue (AFN Billion)	**20.0**	**17.3**	**27.3**	**20.0**	**24.9**	16%	-20%
Domestic Tax Revenue	8.0	6.7	10.6	8.1	10.6	19%	-25%
Customs Duty and Fee	3.6	2.8	4.4	5.2	5.8	29%	-38%
Non-Tax Revenue	8.2	7.4	11.7	6.6	8.5	11%	-3%
Other Revenue	0.2	0.4	0.6	0.1	0.0	-47%	365%
Total Expenditures (AFN Billion)	**28.4**	**17.5**	**26.4**	**14.0**	**23.2**	62%	22%
Wages & Salaries	12.6	6.0	20.4	10.9	13.4	110%	-6%
Use of Good and Services	6.0	4.5	3.5	2.5	2.9	34%	105%
Interest & Repayment of Loan	0.0	0.0	0.0	0.0	0.3	-	-
Subsidies/ Grants & Social Benefits	4.0	2.3	1.8	0.4	4.9	71%	-19%
Acquisition of Assets	5.8	4.7	0.8	0.2	1.6	25%	260%
Fiscal Deficit	**-8.4**	**-0.2**	**0.9**	**6.0**	**1.7**	**3645%**	**-587%**

Source: NSIA, DAB, ASYCUDA, Ministry of Finance, and WBG staff.

For analytical products in Afghanistan, kindly visit https://www.worldbank.org/en/country/afghanistan.

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.