

AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

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(Asad 1404)



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 deepen Afghanistan's fragility.

Afghanistan's economic outlook is increasingly shaped by a rapidly shifting context, marked by multiple exogenous shocks occurring in quick succession. These include the decline in foreign aid, the impact of drought during critical early crop development stages, and geopolitical tensions that are disrupting trade and deterring investment. Compounding these challenges are the recent 6.0 magnitude earthquake in Kunar Province and the forced deportation of Afghan nationals, mostly from Iran and Pakistan, both of which are placing additional pressure on already fragile economic and social conditions.

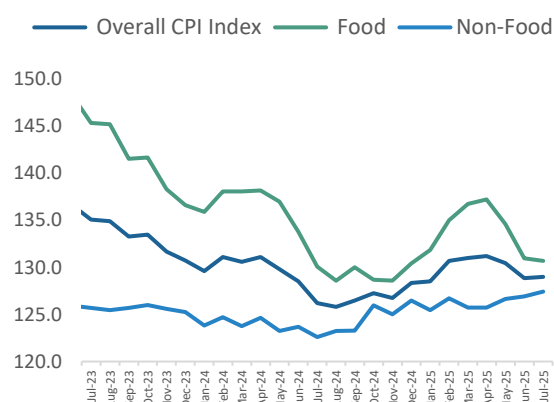
Domestic prices remained stable despite increased demand driven by the return of Afghan nationals.

In July 2025, the Consumer Price Index (CPI) increased by 0.1 percent month-on-month (MoM), primarily driven by food prices. Food prices fell by 0.2 percent, with notable decreases observed in several categories: vegetables (-6.3 percent), fresh and dried fruits (-5.6 percent), and spices (-0.8 percent). In contrast, prices for bread and cereals, dairy products, meat, oils and fats, and sugar increased moderately, ranging between 0.3 and 3 percent.

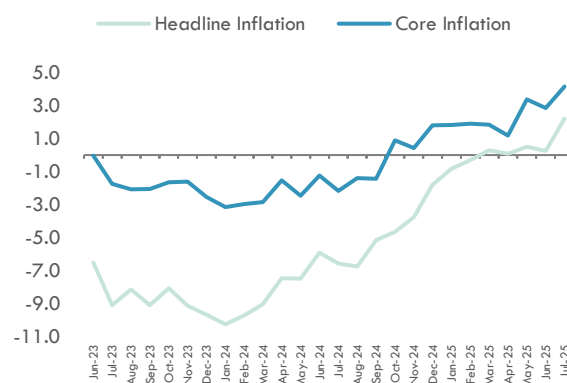
Non-food inflation rose by 0.4 percent MoM. Housing costs increased by 2.3 percent, largely due to rising rents in major cities following the influx of returnees. In Kabul, the rent for a four-bedroom non-concrete house rose by 3.2 percent, while rents for concrete houses increased by 3.5 percent. Prices for health services also climbed. Transportation costs went up by 2 percent. Meanwhile, other non-food categories saw declines: clothing (-1.7 percent), furnishings and household goods (-1.16 percent), communication, information and culture, education, as well as restaurants and hotels (down between 0.3 and 0.5 percent).

On a year-on-year (YoY) basis, inflation stood at 2.2 percent in July 2025, compared with a negative 6.5 percent in July 2024. The rise was mainly driven by a 3.9 percent increase in non-food prices, supported by a low base effect and a recovery in domestic demand. Contributing factors include the return of Afghan returnees, which has boosted demand for housing and basic services, alongside modest improvements in overall economic activity. Meanwhile, food prices rose slightly by 0.5 percent YoY, also linked to returnees. Core inflation (excluding food and energy) reached 4.2 percent, reflecting recovering demand.

HEADLINE PRICE INDEX



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

Afghani appreciated 3.3 percent YoY to AFN 68.4. While the recent appreciation eroded competitiveness, lower domestic inflation pushed the REER down 1.0 percent YoY, providing slight support to exports.

In August 2025, the Afghani appreciated by 1.1 percent MoM against the U.S. dollar, strengthening from AFN 69.1 in July to AFN 68.4. On a year-on-year (YoY) basis, the Afghani appreciated by 3.3 percent, from AFN 70.7 in August 2024 to AFN 68.4 in August 2025.

In July 2025, the Afghani gained in both nominal and real terms against the currencies of Afghanistan's major trading partners, further eroding the country's external competitiveness. The Nominal Effective Exchange Rate (NEER) increased by 1.7 percent MoM as the Pakistani rupee, Indian rupee and Iran currency depreciated against the US dollar, while the Real Effective Exchange Rate (REER) rose by 0.6 percent as the inflation differential offset only partially the nominal appreciation.

On a YoY basis, the NEER appreciated by 3.0 percent, while the REER depreciated by 1.0 percent, largely due to lower domestic inflation relative to trading partners' inflation. This suggests that despite a stronger nominal exchange rate, Afghanistan's export competitiveness improved slightly, owing to relatively subdued inflation at home.

Afghanistan's trade deficit narrowed in August but remained higher year-on-year due to rising import demand.

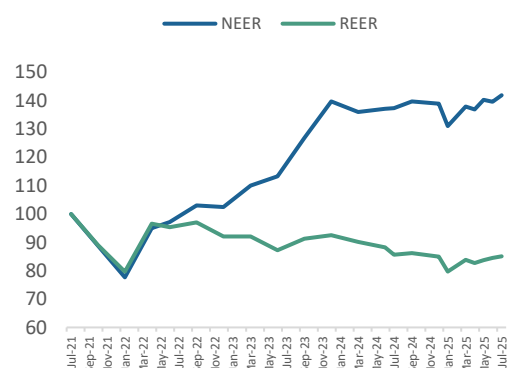
In August 2025, Afghanistan's trade deficit narrowed by 9 percent (MoM) to USD 0.9 billion, primarily driven by a rebound in exports. Imports also declined, though at a more modest pace. This marks a recovery in foreign trade activity, partially offsetting the contraction observed in May and June, when escalating geopolitical tensions disrupted trade and transit with key partners.

However, on a YoY basis, the trade deficit expanded by 23 percent in August 2025. Cumulatively, during the first five months of FY2025, the trade deficit widened by 31 percent, reaching USD 4.8 billion (22 percent of annual GDP), compared to USD 3.6 billion (18 percent of GDP) in the same period of FY2024. The sharp increase reflects stronger import demand, supported by a gradual recovery in domestic consumption, rising needs associated with the influx of returnees, and the easing of earlier trade disruptions.

AVERAGE MONTHLY AFN/\$ EXCHANGE RATE

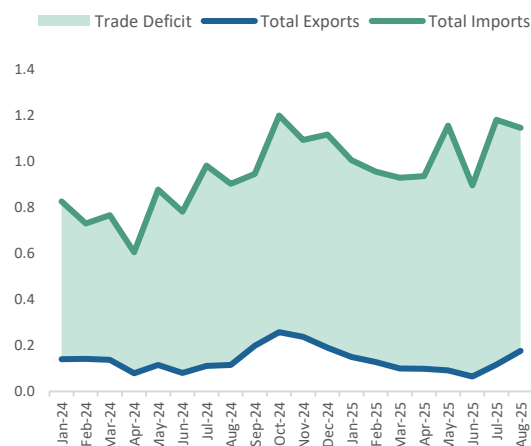


NEER AND REER – INDEX (JULY 2021 = 100) (HIGHER = APPRECIATION)



Source: DAB, IFS, and World Bank staff.

AFGHANISTAN TRADE DEFICIT (US\$ BILLIONS)



Source: ASYCUDA

Exports surged in August 2025, led by food shipments to Pakistan and India, but remained heavily concentrated, exposing Afghanistan to external risks.

In August 2025, Afghanistan’s exports surged by 51 percent MoM to USD 176.6 million, marking a 54 percent YoY increase. This strong rebound was supported by several factors: the Preferential Trade Agreement (PTA) signed with Pakistan in July 2025, which reduced tariffs on select agricultural products for one year; heightened demand for Afghan agricultural goods following severe flood in Pakistan; and the restoration of key trade routes that had been disrupted in June due to heightened regional geopolitical tensions.

Food exports rose by 73.6 percent YoY to USD 155 million, driven by rising demand from Pakistan and India, whose agricultural output was hit by the floods. On a cumulative basis, food exports grew by 30.3 percent in the first five months of FY2025.

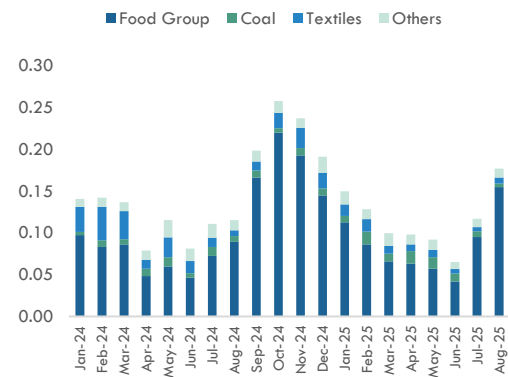
Textile exports increased by 2.6 percent YoY to USD 7.1 million in August and cumulatively declined by 49 percent compared to the same period last year, largely due to higher tariffs imposed by Pakistan.

In contrast, coal exports fell sharply by 40 percent YoY to USD 4.1 million from USD 6.8 million in August 2024, as Pakistan turned to cheaper alternative suppliers amid global price pressures and regional energy constraints. Nonetheless, cumulative coal exports rose by 15 percent in the first five months of FY2025 compared to the same period of FY2024.

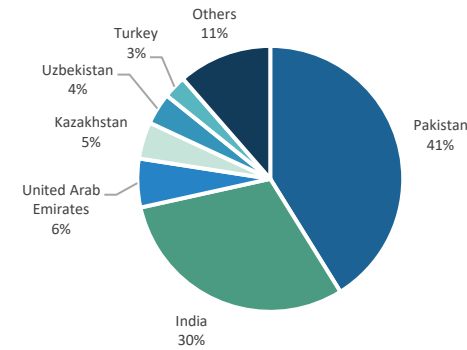
Over the first five months of FY2025, Afghanistan’s total exports reached USD 548.4 million, up 9.4 percent from USD 501.1 million in the same period of FY2024. Pakistan remained the country’s largest export market, though its share fell from 44 percent to 41.2 percent due to reduced textile and coal shipments. India’s share increased to 30 percent, while the UAE and Kazakhstan accounted for 6 percent and 5 percent, respectively.

Exports continued to be highly concentrated in food products, which represented 75 percent of total exports in FY2025, up from 63 percent a year earlier. This concentration underscores Afghanistan’s heavy reliance on a narrow and vulnerable export base, leaving the economy exposed to climate shocks, trade policy shifts, and fluctuations in regional demand.

AFGHANISTAN’S EXPORTS (US\$ BILLIONS)



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



Source: ASYCUDA

In August, Afghanistan's imports declined month-on-month but surged year-on-year, driven by resilient consumer demand amid mass returnee inflows

In August 2025, Afghanistan's imports declined by 3 percent MoM to USD 1.1 billion, following the sharp increase observed in July following the restoration of regional trade flows after recent geopolitical tensions.

On a YoY basis, imports rose by 27 percent, driven by broad-based growth across most major categories, except for natural and cultured pearls. The strongest YoY increases were seen in machinery and electrical products, which rose 52 percent, transportation equipment (up 37 percent), plastics and rubber products (up 29 percent), and textiles (up 27 percent). Intermediate goods, which made up 43 percent of total imports, increased by 36.2 percent YoY, signaling a potential pickup in economic activity. Consumer goods, accounting for 39.1 percent of total imports, grew by 26 percent, reflecting resilient domestic demand amid the mass return of Afghan refugees from Iran and Pakistan.

Cumulatively, during the first five months of FY2025, total imports reached USD 5.3 billion, up 28 percent from USD 4.2 billion in the same period of FY2024. Imports of raw materials increased by 49 percent, capital goods by 31 percent, and intermediate capital goods by 35 percent, highlighting a gradual rebound in industrial activity and suggesting potential for enhanced domestic production capacity.

Iran remained Afghanistan's largest import partner, accounting for 29 percent of total imports, followed by the UAE (19 percent), Pakistan (14 percent), and China (8 percent).

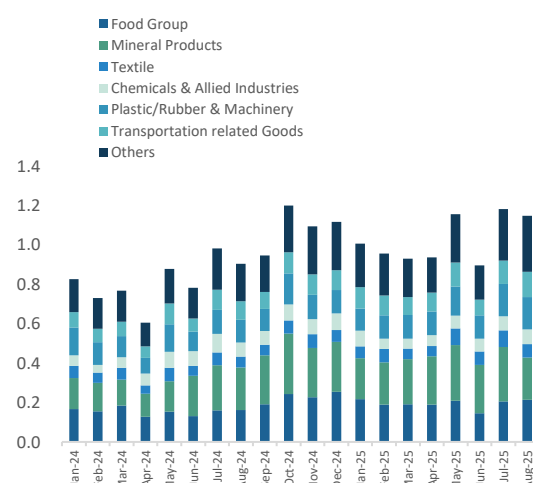
Afghanistan's domestic revenues in M5 FY2025 fell MoM but rose YoY, driven by stronger tax enforcement, import growth, and resilient non-tax collections.

During the fifth month (M5) of FY2025, Afghanistan's domestic revenue collections totaled approximately AFN 23.2 billion (around USD 340 million), representing a 7 percent MoM decline. However, on a YoY basis, revenues increased by 4.7 percent.

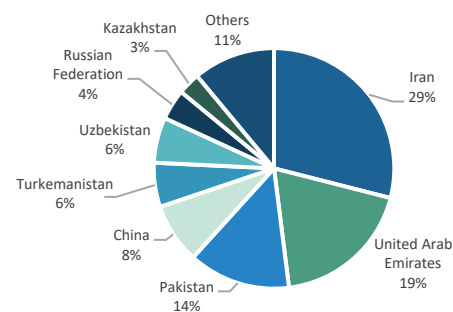
Over the first five months of FY2025, cumulative domestic revenue reached AFN 107.6 billion (about USD 1.5 billion), equivalent to 7 percent of GDP. This represented an 18 percent increase compared with the same period in FY2024, highlighting sustained improvements in revenue administration and stronger underlying economic activity.

Tax revenues rose by 19.8 percent to AFN 42.7 billion over the first five months, driven by strengthened enforcement measures and a rebound in domestic activity. These gains contributed 7.8 percentage points to overall revenue growth. Customs duties increased by 19.7 percent to AFN 28.5 billion, supported by enhanced border management, recent tariff

AFGHANISTAN'S IMPORTS (US\$ BILLIONS)

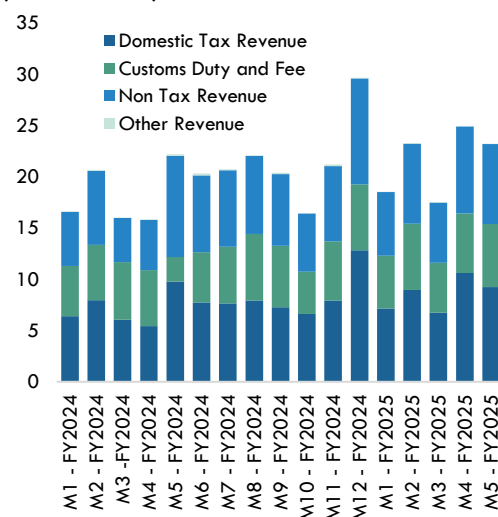


AFGHANISTAN'S IMPORT ORIGINS (SHARE OF TOTAL IMPORTS) – FY 2025 TO DATE



Source: ASYCUDA

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



Source: Ministry of Finance and World Bank Staff.

adjustments on selected goods aimed at protecting domestic industries, and a YoY surge in imports. These factors added 5.2 percentage points to overall revenue growth.

Non-tax revenues also grew by 14.7 percent to AFN 36.2 billion, contributing 4.9 percentage points to total revenue growth. Key sources included toll collections from road and transport services, passport issuance fees, higher overflight charges following the Iran–Israel conflict, and receipts from railway services and telecommunications.

Revenues from other sources amounted to approximately AFN 260 million in the first five months of FY2025, providing a small contribution to total revenue.

Afghanistan's Expenditures Decline in August, but Surplus Emerges Amid Lower Wage Payments

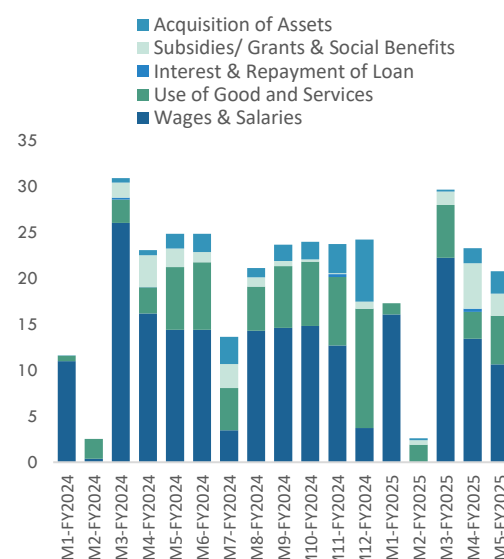
During the fifth month (M5) of FY2025, total ITA expenditure amounted to approximately AFN 20.8 billion, reflecting 30 percent MoM and a 16 percent YoY decline. Cumulative expenditure over the first five months of FY2025 reached AFN 93.6 billion, which is only 0.7 percent higher than in the same period of FY2024, indicating that overall expenditure remains broadly in line with the previous year.

The reduction in M5 spending was primarily driven by a contraction of spending on wages and salaries and on goods and services. Wages and salaries fell by 50 percent MoM in M5, reflecting the rebuilding of payment delays in the compensation of some of the entities after the arrear clearance in the previous month. On a cumulative basis, wages and salaries totaled AFN 62.4 billion, down by AFN 5.6 billion (8.3 percent) compared to the same period last year, contributing 7.5 percentage points to overall expenditure reduction.

Goods and services spending also contracted by 22 percent YoY in M5, though it increased modestly relative to the previous month. Over the first five months, however, spending on this category reached AFN 17.1 billion, up from AFN 15.0 billion last year, contributing 2.1 percentage points to cumulative expenditure growth.

Subsidies and transfers amounted to AFN 2.4 billion in M5, representing a 51 percent MoM decline. However, cumulative spending in the first five months of FY2025 reached AFN 9.3 billion, a 31.2 percent YoY increase. This increase reflects expended support for returnees from Iran and Pakistan, as well as higher allocations for pensions and transfers to the families of martyrs and persons with disabilities, contributing 2.8 percentage points to cumulative expenditure growth.

ECONOMIC CLASSIFICATION OF TOTAL EXPENDITURES (AFN BILLION)



Source: Ministry of Finance and World Bank Staff.

Asset acquisition totaled AFN 2.4 billion in M5, increasing by 50 percent MoM. Cumulative spending reached AFN 4.5 billion, a 70 percent YoY increase, contributing 3.2 percentage points to overall expenditure growth, highlighting renewed focus on infrastructure and capital projects.

The monthly fiscal balance in FY2025 has shown large swings, with a surplus of AFN 2.4 billion in M5 offsetting the sharp deficit in M4 (AFN - 4.7 billion). Fiscal surpluses were stronger in M3 (AFN 14.9 billion) and M2 (AFN 6.0 billion), driven by solid revenues and lower spending. These fluctuations mainly reflect irregular salary disbursements and lumpy expenditure patterns, making the monthly balance volatile.

Cumulatively, the first five months of FY2025 recorded a surplus of AFN 18.6 billion (1.2 percent of annual GDP), due to compressed wage payments and uneven spending execution. Nevertheless, the fiscal position was stronger than in the same period last year (- 0.1 percent of GDP), though it remains vulnerable to deferred obligations.

ANNEX

						MoM change (%)	YoY change (%)
PRICES							
	Jul-25	Jun-25	May-25	Apr-25	Jul-24	Jul-25	Jul-25
Overall CPI Index	129.0	128.8	130.5	131.2	126.2	0.1%	2.2%
Food	130.7	131.0	134.6	137.2	130.1	-0.2%	0.4%
Tobacco	162.9	162.4	161.0	162.1	169.0	0.3%	-3.6%
Clothing	149.0	151.6	149.2	147.0	148.0	-1.7%	0.7%
Housing	115.6	113.1	113.8	112.3	102.0	2.2%	13.4%
Furnishing and household goods	131.8	133.3	131.4	129.9	131.5	-1.2%	0.2%
Health	142.9	142.4	146.6	147.1	146.7	0.4%	-2.6%
Transportation	131.4	128.8	125.9	127.8	129.5	2.0%	1.4%
Communication	90.6	91.0	90.7	90.3	91.3	-0.4%	-0.7%
Information and Culture	110.0	110.3	110.0	108.1	109.4	-0.3%	0.6%
Education	138.7	139.2	139.4	141.2	141.7	-0.4%	-2.1%
Restaurants and Hotels	114.6	115.3	114.7	113.6	113.1	-0.6%	1.3%
Miscellaneous	157.1	159.9	157.4	155.8	158.0	-1.7%	-0.6%
Core Price Index	127.1	126.7	126.7	125.5	122.0	0.3%	4.2%
EXCHANGE RATE						('-' depreciation, '+' appreciation)	
	Aug-25	Jul-25	Jun-25	May-25	Aug-24	Aug-25	Aug-25
AFN/USD	68.4	69.1	70.2	69.7	70.7	1.1%	3.4%
	Jul-25	Jun-25	May-25	Apr-25	Jul-24	Jul-25	Jul-25
NEER	141.9	139.6	140.3	136.9	137.3	1.7%	3.3%
REER	85.0	84.6	83.8	82.8	85.6	0.6%	-0.7%
TRADE							
	Aug-25	Jul-25	Jun-25	May-25	Aug-24	Aug-25	Aug-25
Total Exports (US\$ Million)	176.7	116.9	65.0	91.9	115.1	51%	54%
Food Group	154.8	94.8	41.6	57.2	89.2	63%	74%
Coal	4.1	7.1	9.9	13.7	6.8	-42%	-40%
Textiles	7.1	4.8	5.3	8.7	7.0	50%	3%
Others	10.6	10.2	8.2	12.3	12.1	4%	-12%
Total Imports (US\$ Million)	1147.2	1181.6	895.5	1156.2	903.7	-3%	27%
Food Group	213.7	205.5	145.7	209.0	162.5	4%	31%
Mineral Products	213.9	275.8	244.9	283.1	215.6	-22%	-1%
Textile	69.4	85.6	68.5	84.6	54.8	-19%	27%
Chemicals & Allied Industries	73.4	71.3	64.6	64.9	72.0	3%	2%
Plastic/Rubber & Machinery	165.4	163.6	119.5	147.5	115.3	1%	43%
Transportation related Goods	127.1	117.6	78.6	120.5	93.0	8%	37%
Others	284.4	262.2	173.6	246.5	190.3	8%	49%
Trade Deficit (US\$ Million)	970.5	1064.7	830.4	1064.3	788.6	-9%	23%
FISCAL							
	M5-FY2025	M4-FY2025	M3-FY2025	M2-FY2025	M5-FY2024	M5-FY2025	M5-FY2025
Total Revenue (AFN Billion)	23.2	24.9	17.5	23.3	22.2	-7%	5%
Domestic Tax Revenue	9.2	10.6	6.7	9.0	9.8	-13%	-5%
Customs Duty and Fee	6.2	5.8	4.9	6.5	2.4	6%	156%
Non-Tax Revenue	7.8	8.5	5.9	7.8	9.9	-8%	-21%
Other Revenue	0.1	0.0	0.0	0.1	0.2	30%	-65%
Total Expenditures (AFN Billion)	20.8	29.7	2.6	17.3	24.8	-30%	-16%
Wages & Salaries	10.6	22.2	-	16.1	14.4	-52%	-26%
Use of Good and Services	5.3	5.7	1.9	1.2	6.8	-7%	-22%
Interest & Repayment of Loan	-	0.0	-	-	0.0	-	-
Subsidies/ Grants & Social Benefits	2.4	1.5	0.5	-	2.0	61%	19%
Acquisition of Assets	2.5	0.2	0.2	-	1.6	1183%	55%
Fiscal Balance (AFN Billion)	2.4	-4.7	14.9	6.0	-2.6	-152%	-193%

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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.