

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

Afghanistan's modest economic recovery masks persistent vulnerabilities.

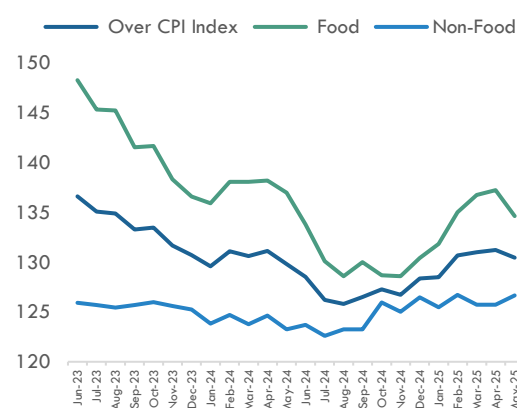
The economy grew by an estimated 2.5 percent in FY2024, marking a second year of expansion. However, this growth remains insufficient to meaningfully improve living standards. Poverty and unemployment remain widespread, and the economic outlook is constrained by economic isolation, limited access to finance, and persistent structural challenges. Volatile trade conditions and declining aid flows are further dampening investment, consumption, and service delivery. Additionally, the deportation of Afghans from neighboring countries is placing further strain on the country's already fragile economic conditions.

Even though headline inflation eased, core inflation rose to 3.4 percent in May, indicating a buildup of underlying price pressures.

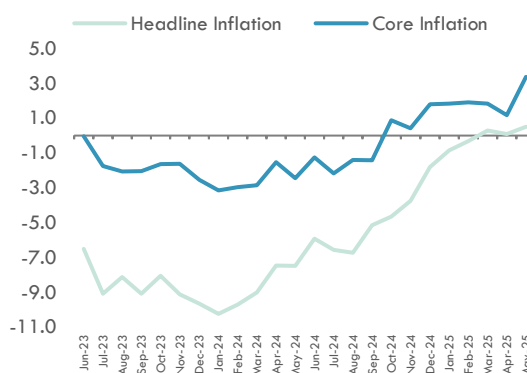
In May 2025, the Consumer Price Index (CPI) slightly declined by 0.5 percent month-on-month (MoM), primarily due to falling global food and energy prices. Food prices fell by 1.9 percent reflecting notable reductions in key categories: bread and cereals (down 2.3 percent), vegetables (down 8.7 percent), spices (down 8.0 percent), and sugar (down 2.2 percent). Prices for meat, milk, eggs and edible oils also declined, falling within a range of 1 to 2 percent. In contrast, despite the decline in energy and fuel prices, non-food inflation rose by 0.8 percent MoM, reflecting a persistent increase in housing costs—rents for non-concrete and concrete house rose by 12 percent and 7 percent respectively. Additionally, prices for clothing (up 1.5 percent) and furniture and household goods (up 1.1 percent) also contributed to the uptick in non-food inflation.

Year-on-year (YoY) inflation reached 0.5 percent in May 2025, compared to the negative 7.5 percent in May 2024. The outturn was primarily driven by a 2.8 percent increase in non-food prices, supported by favorable base effects and a gradual recovery in domestic demand. Contributing factors include the return of Afghan refugees, which has increased demand for housing and basic services, alongside modest improvements in overall economic activity. Meanwhile, food prices continued to decline by 1.7 percent (YoY), aided by steady import flows and a relatively stable Afghani. Core inflation (excluding food and energy) increased to 3.4 percent, suggesting a build-up in underlying price pressures and a gradual normalization of inflationary trends amid recovering demand.

HEADLINE PRICE INDEX



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

The Afghani slightly depreciated against the U.S. dollar but appreciated against major trading partner currencies, further eroding Afghanistan's external competitiveness.

In June 2025, the Afghani depreciated by 0.7 percent (MoM) against the U.S. dollar, weakening from AFN 69.7 in May to AFN 70.2. This depreciation followed a period of modest appreciation in May due to festive season effects. On a YoY basis, the Afghani appreciated by 1.1 percent in June 2025, strengthening from AFN 71.0 in June 2024 to AFN 70.2.

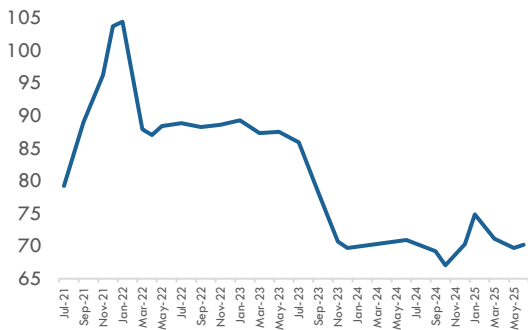
In May 2025, the Afghani appreciated in both nominal and real terms against the currencies of Afghanistan's major trading partners, further eroding external competitiveness. The Nominal Effective Exchange Rate (NEER) increased by 2.5 percent (MoM), while the Real Effective Exchange Rate (REER) increased by 2.0 percent. This appreciation trend underscores the persistent challenges Afghanistan faces in maintaining external balance, particularly in the context of a sustained trade deficit and limited external financing. On a (YoY) basis, the NEER increased by 3.8 percent, showing nominal currency appreciation, while the REER decreased by 5.1 percent, indicating lower domestic inflation relative to trading partners. This suggests improved export competitiveness despite the stronger nominal exchange rate.

Afghanistan's trade deficit narrowed in June 2025 due to trade compression but widened sharply over the first quarter of the fiscal year amid geopolitical tensions affecting key trading partners.

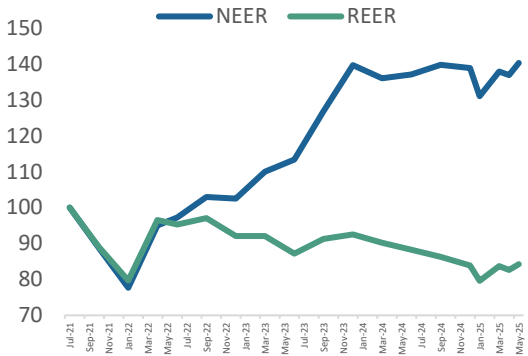
In June 2025, Afghanistan's trade deficit declined by 22 percent (MoM) to USD 0.8 billion, driven by a simultaneous decline in both exports and imports. This trade compression reflects escalating geopolitical tensions—particularly the deterioration in Pakistan-India relations, which has restricted overland access to Indian markets. Additionally, the Iran-Israel conflict disrupted key trade corridors through Iran, raising transit risks, insurance costs, and delivery times, with immediate spillover effects on Afghanistan's trade flows.

On a YoY basis, the trade deficit rose by 19 percent in June 2025. Cumulatively, during the first three months of FY2025, the deficit widened sharply by 37.4 percent to USD 2.7 billion (14 percent of annual GDP), up from USD 2 billion (11 percent of GDP) in the same period of FY2024.

AVERAGE MONTHLY AFN/\$ EXCHANGE RATE

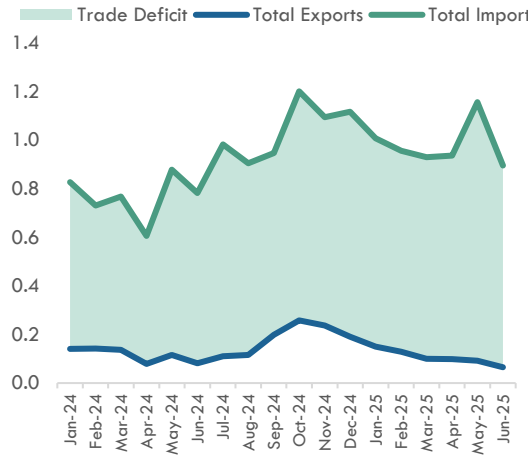


NEER AND REER – INDEX (JULY 2021 =100) (HIGHER = APPRECIATION)



Source: DAB, IFS, and World Bank staff.

AFGHANISTAN TRADE DEFICIT (US\$ BILLIONS)



Source: ASYCUDA

Afghanistan's exports fell to USD 255 million in the first three months of FY2025, driven by sharp declines in textile and food exports amid regional tensions, despite strong coal exports and modest trade diversification.

In June 2025, Afghanistan's exports declined by 29 percent (MoM) to USD 65 million and registered a 20 percent decrease (YoY). The drop reflects rising geopolitical tensions—most notably the Pakistan-India hostilities and Iran-Israel escalation—which have heightened regional security risks and disrupted key trade corridors vital to Afghanistan's access to South Asian markets.

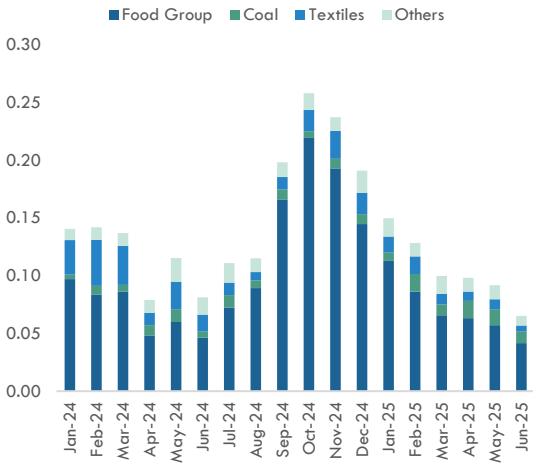
Textile exports were hit the hardest, falling by 64 percent YoY to USD 5.3 million, driven by higher tariffs imposed by Pakistan. Food exports also declined by 10 percent YoY to USD 41.6 million as political tensions and security developments constrained trade with Pakistan and India—Afghanistan's primary food export destinations. Furthermore, delays in implementing key trade facilitation measures by Pakistan Customs—such as removing the 10 percent processing fee on Afghan transit trade, replacing banking guarantees with insurance guarantees, reducing scanning procedures, and activating the track-and-trace system—further contributed to the decline in exports to Pakistan.

In contrast, coal exports rose by 87 percent YoY to USD 9.9 million, up from USD 5.3 million in June 2024, partially offsetting declines in other sectors. This increase was driven by Pakistan's efforts to reduce reliance on costly international coal, utilize a rupee-based payment mechanism to conserve foreign exchange, and secure more affordable coal supplies amid global price hikes and regional energy challenges.

Over the first quarter of FY2025, total exports reached USD 255 million—a 7 percent decline compared to USD 275 million in the same period of FY2024. Pakistan remained Afghanistan's largest export destination, though its share declined from 45 percent to 43 percent due to lower textile and food exports. India's share held steady at 24 percent, while the UAE and Kazakhstan accounted for 6 percent and 7 percent, respectively.

Exports remained highly concentrated in food, coal, and textiles, which together accounted for 87 percent of total exports in FY2025—up from 83 percent in the same period last year—underscoring Afghanistan's continued reliance on a narrow and vulnerable export base.

AFGHANISTAN'S EXPORTS (US\$ BILLIONS)



Source: ASYCUDA

Afghanistan's imports fell sharply in June 2025 due to regional trade disruptions but rose 15 percent YoY, driven by strong demand for intermediate and consumer goods.

In June 2025, Afghanistan's imports declined by 23 percent (MoM) to USD 896 million, due to disruptions in regional trade flows following the escalation of the Iran - Israel conflict. However, on a YoY basis, imports rose by 15 percent, supported by broad-based increases across most major categories—excluding chemicals and allied industries. The strongest YoY growth was observed in textile products (35 percent), followed by machinery and electrical equipment (24 percent), food (20 percent), plastics and rubber products (19 percent), transportation-related goods (18 percent), and mineral products (11 percent).

Intermediate goods—comprising 49 percent of total imports—increased by 28 percent YoY, signaling a potential pickup in industrial and productive activity. Consumer goods, accounting for 36 percent of total imports, grew by 10 percent, reflecting resilient domestic demand amid the mass return of Afghan refugees from Iran and Pakistan.

Cumulatively, over the first quarter of FY2025, total imports reached USD 3 billion—up 32 percent compared to USD 2.3 billion in the same period of FY2024. Iran remained Afghanistan's top import partner, accounting for 29 percent of total imports, followed by the UAE (18 percent), Pakistan (15 percent), and China (8 percent).

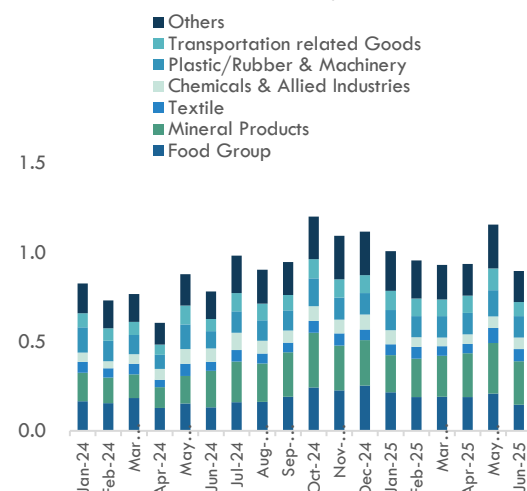
Afghanistan's revenue rose 12 percent YoY in the first quarter of FY2025, driven by strong non-tax collection and improved enforcement amid recovering demand.

During the third month (M3) of the fiscal year, revenue collection amounted to approximately AFN 17.5 billion (around USD 250 million), reflecting a 9.5 percent increase compared to the same month last year. Over the first three months of FY2025, total domestic revenue collection reached AFN 59.1 billion (approximately USD 830 million), equivalent to about 4 percent of GDP and representing a 12 percent year-on-year (YoY) increase.

Tax revenues increased by 11.7 percent YoY to AFN 22.8 billion, primarily driven by strengthened tax enforcement and a recovery in demand, contributing 4.4 percentage points to an overall revenue increase. Customs duties increased moderately by 3.7 percent to AFN 16.5 billion, supported by improved border management and recent tariff hikes on select goods aimed at protecting domestic industries, contributing 0.9 percentage points to overall revenue growth.

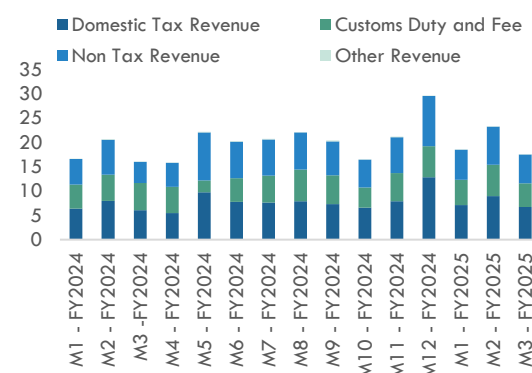
Non-tax revenues grew more robustly, rising by 19 percent to AFN 19.9 billion and contributing 6.2 percentage points to overall revenue growth. Key sources included toll collections from road and transport services, passport issuance, higher

AFGHANISTAN'S IMPORTS (US\$ BILLIONS)



Source: ASYCUDA

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



Source: Ministry of Finance and World Bank Staff.

overflight fees following the Iran-Israel conflict, as well as receipts from railway services and telecommunications.

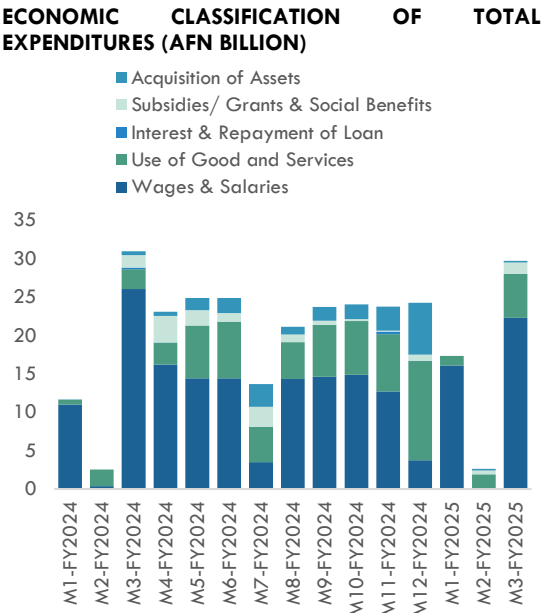
Revenues from other sources declined slightly by 1.5 percent, falling from AFN 163 million in the first quarter of FY2024 to AFN 160 million in the same period of FY2025.

ITA spending declined in M3 FY2025 due to a lower wage bill, narrowing the fiscal deficit to AFN 12.1 billion.

During the third month (M3) of the fiscal year, ITA expenditure totaled approximately AFN 29.7 billion, representing a 4 percent YoY decline. This decrease was primarily attributed to a reduced wage and salaries, driven by downsizing in both the civilian and security sectors, as well as a reduction in pay scales. Despite this decline, the wage bill continues to represent a significant fiscal burden. Spending on goods and services remained modest at AFN 5.7 billion, while smaller allocations were directed toward social benefits and asset acquisition.

Over the first three months of the fiscal year, total expenditure reached approximately AFN 49.6 billion, broadly consistent with the spending trajectory observed in the same period last year.

As a result, the fiscal deficit narrowed for the quarter, mainly due to a reduced wage bill and improved revenue collection. However, outstanding arrears remain a burden, underscoring the need for stronger expenditure controls and improved cash management.



Source: Ministry of Finance and World Bank Staff.

ANNEX

						MoM change (%)	YoY change (%)
PRICES							
	May-25	Apr-25	Mar-25	Feb-25	May-24	May-25	May-25
Overall CPI Index	130.5	131.2	131.0	130.7	129.8	-0.6%	0.5%
Food	134.6	137.2	136.7	135.0	137.0	-1.9%	-1.7%
Tobacco	161.0	162.1	162.3	162.9	170.1	-0.7%	-5.4%
Clothing	149.2	147.0	149.0	152.4	149.4	1.5%	-0.1%
Housing	113.8	112.3	110.8	111.5	101.9	1.3%	11.7%
Furnishing and household goods	131.4	129.9	130.4	132.3	133.5	1.1%	-1.6%
Health	146.6	147.1	148.1	147.0	145.8	-0.3%	0.6%
Transportation	125.9	127.8	129.1	130.5	130.4	-1.5%	-3.5%
Communication	90.7	90.3	90.7	90.9	92.9	0.4%	-2.4%
Information and Culture	110.0	108.1	108.4	109.3	109.8	1.8%	0.1%
Education	139.4	141.2	142.1	141.0	142.5	-1.3%	-2.1%
Restaurants and Hotels	114.7	113.6	113.6	112.6	113.3	0.9%	1.2%
Miscellaneous	157.4	155.8	156.0	157.2	158.8	1.0%	-0.9%
Core Price Index	126.7	125.5	125.4	126.4	122.6	1.0%	3.4%
EXCHANGE RATE						('-' depreciation, '+' appreciation)	
AFN/USD	Jun-25	May-25	Apr-25	Mar-25	Jun-24	Jun-25	Jun-25
	70.2	69.7	71.6	71.1	71.0	-0.7%	1.1%
	May-25	Apr-25	Mar-25	Feb-25	May-24	May-25	May-25
NEER	140.3	136.9	137.9	133.1	135.1	2.5%	3.8%
REER	84.3	82.6	83.7	80.2	88.8	2.0%	-5.1%
TRADE							
	Jun-25	May-25	Apr-25	Mar-25	Jun-24	Jun-25	Jun-25
Total Exports (US\$ Million)	65.0	91.9	98.0	99.7	81.1	-29%	-20%
Food Group	41.6	57.2	63.1	65.8	46.4	-27%	-10%
Coal	9.9	13.7	14.9	9.3	5.3	-28%	87%
Textiles	5.3	8.7	8.3	9.1	14.7	-39%	-64%
Others	8.2	12.3	11.7	15.5	14.7	-33%	-44%
Total Imports (US\$ Million)	895.5	1156.2	936.3	929.2	781.5	-23%	15%
Food Group	145.7	209.0	189.0	191.2	131.4	-30%	11%
Mineral Products	244.9	283.1	246.1	229.6	204.2	-13%	20%
Textile	68.5	84.6	51.4	52.8	50.8	-19%	35%
Chemicals & Allied Industries	64.6	64.9	54.8	50.1	75.0	-1%	-14%
Plastic/Rubber & Machinery	119.5	147.5	120.0	119.9	98.1	-19%	22%
Transportation related Goods	78.6	120.5	96.6	91.9	66.8	-35%	18%
Others	173.6	246.5	178.5	193.7	155.3	-30%	12%
Trade Deficit (US\$ Million)	830.4	1064.3	838.3	829.5	700.4	-22%	19%
FISCAL							
	M3-FY2025	M2-FY2025	M1-FY2025	M12-FY2024	M3-FY2024	M3-FY2025	M3-FY2025
Total Revenue (AFN Billion)	17.5	23.3	18.6	29.6	16.0	-25%	10%
Domestic Tax Revenue	6.7	9.0	7.1	12.8	6.1	-25%	11%
Customs Duty and Fee	4.9	6.5	5.2	6.4	5.6	-25%	-13%
Non-Tax Revenue	5.9	7.8	6.2	10.3	4.3	-25%	37%
Other Revenue	0.0	0.1	0.1	0.1	0.0	-25%	32%
Total Expenditures (AFN Billion)	29.7	2.6	17.3	24.2	31.4	1038%	-5%
Wages & Salaries	22.2	-	16.1	3.7	26.0	-	-15%
Use of Good and Services	5.7	1.9	1.2	12.9	2.5	201%	125%
Interest & Repayment of Loan	0.0	-	-	-	0.2	-	-100%
Subsidies/ Grants & Social Benefits	1.5	0.5	-	0.8	1.7	197%	-11%
Acquisition of Assets	0.2	0.2	-	6.7	0.5	-4%	-59%
Fiscal Deficit	-12.1	20.7	1.2	5.4	-14.9	-159%	-2693%

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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.