AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

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(Hamal 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

Afghanistan's modest 2.5 percent growth in FY2024 offers little relief from poverty and uncertainty.

Afghanistan's economy grew by an estimated 2.5 percent in FY2024, marking a second consecutive year of expansion. While this indicates a degree of resilience, the pace of growth remains too modest to translate into tangible improvements in living standards. Poverty and unemployment remain widespread, and households continue to face reduced purchasing power. The economic outlook remains fragile, constrained by persistent policy uncertainty, limited access to international financial systems, and structural weaknesses in both human and physical capital. These challenges are further exacerbated by volatile trade conditions and declining external aid, which continue to weigh on investment, consumption, and service delivery.

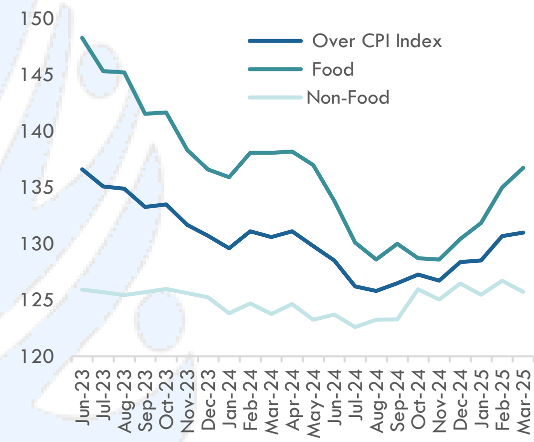
Inflation turned positive in March 2025 for the first time in two years, driven by rising non-food prices and modest demand recovery, despite continued deflation over FY2024 led by falling food prices.

In March 2025, Afghanistan's consumer prices rose by 0.2 percent month-on-month (MoM), driven by a 1.3 percent increase in food prices and higher energy costs (firewood and liquefied gas up 4 percent and 3 percent, respectively). However, non-food prices declined by 0.8 percent, easing overall inflation. Major declines were recorded in clothing, furniture, transport, and housing. A 2 percent drop in diesel prices offset a 2 percent rise in petrol.

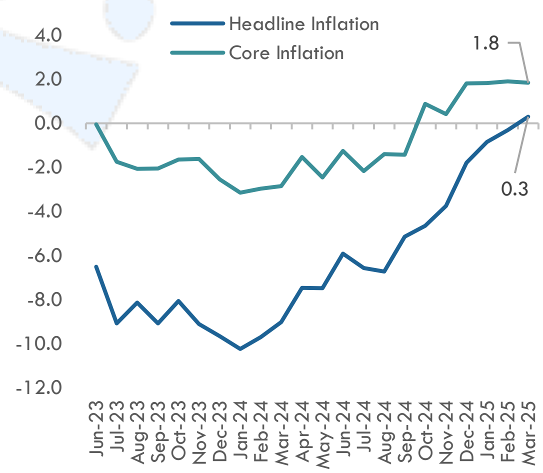
Year-on-year (YoY) inflation turned positive for the first time in nearly two years, reaching 0.3 percent in March 2025, up from minus 9 percent in March 2024. This was largely due to a 1.6 percent rise in non-food prices, reflecting base effects and a gradual demand recovery, supported by the return of Afghan refugees and modest economic activity. However, reduced U.S. aid may limit future demand. Food inflation fell by 1.0 percent YoY, contained by steady imports and a strong Afghani. Core inflation (excluding food and energy) rose to 1.8 percent, signaling easing deflationary pressure.

In FY2024, consumer prices fell by 4.2 percent, extending the deflation seen in FY2023 (–7.7 percent). The decline was mainly driven by a 7.5 percent drop in food prices, supported by stable imports and a strong Afghani. Non-food prices edged down by 0.7 percent. While easing prices may have offered some short-term relief, persistent deflation reflects weak domestic demand and poses risks to economic recovery, investment, and revenue generation.

HEADLINE PRICE INDEX



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

The Afghani depreciated slightly by 0.7 percent in April 2025 amid tightening forex conditions, while a rising REER signals declining external competitiveness despite a modest improvement in the trade deficit.

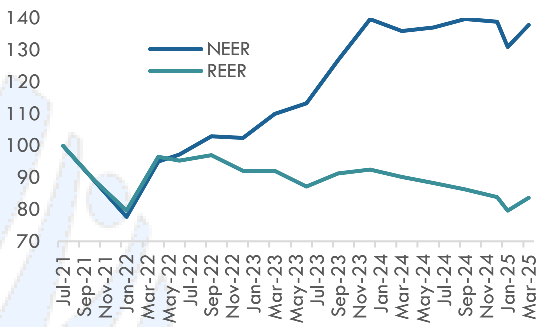
In April 2025, the Afghani (AFN) depreciated slightly by 0.7 percent against the U.S. dollar, trading at AFN 71.6 per USD compared to AFN 71.1 in March. This modest weakening followed a significant 3.6 percent appreciation in March and reflects tightening foreign exchange conditions, driven by the suspension of U.S. aid and mounting inflationary pressures.

In March, the Afghani appreciated against the currencies of major trading partners, resulting in a 3.5 percent month-on-month increase in the Nominal Effective Exchange Rate (NEER). This was supported by continued foreign exchange auctions by Da Afghanistan Bank (DAB) and seasonal U.S. dollar inflows during Eid, which temporarily improved liquidity and boosted demand for the local currency. Adjusted for inflation differentials, the Real Effective Exchange Rate (REER) rose by 4.1 percent, signaling a further erosion in external competitiveness amid a persistent trade deficit.

YoY, the Afghani appreciated by 0.4 percent in April 2025, strengthening from AFN 71.9 in April 2024 to AFN 71.6, supported by a modest narrowing of the monthly trade deficit.

AVERAGE MONTHLY AFN/$ EXCHANGE RATE

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



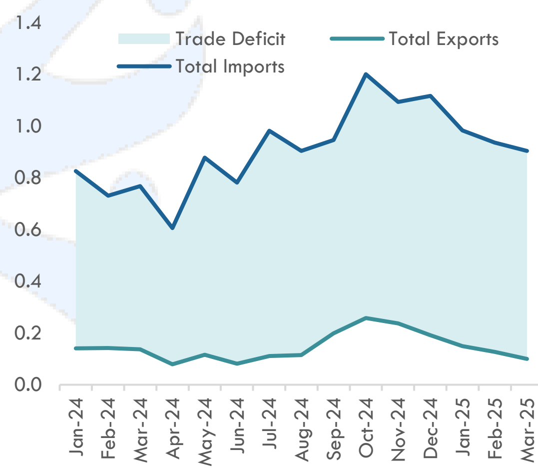
Source: DAB, IFS, and World Bank staff.

Afghanistan's trade deficit widened by 48.2 percent in FY2024, driven by rising imports, falling exports, and a stronger Afghani, despite a slight monthly improvement in March.

Over the full fiscal year 2024, Afghanistan's trade deficit widened sharply by 48.2 percent, reaching USD 9.4 billion (45.4 percent of GDP), up from USD 6.3 billion (40.4 percent of GDP) in FY2023. Several factors contributed to this deterioration. The appreciation of the Afghani made imports cheaper in local currency terms, encouraging higher import volumes, but also reduced the price competitiveness of Afghan exports in regional markets. Persistent trade frictions with Pakistan—including periodic border closures, increased tariffs, and tighter customs enforcement—further constrained export flows, particularly for coal and textiles.

Meanwhile, domestic demand for imported goods grew steadily, fueled in part by informal or untracked inflows of foreign exchange, possibly linked to remittances, private transfers, or undisclosed aid flows. This combination of rising imports and declining exports significantly widened the trade gap, underscoring the structural vulnerabilities in Afghanistan's external sector and its continued reliance on a narrow set of export markets and goods.

AFGHANISTAN TRADE DEFICIT (US$ BILLIONS)



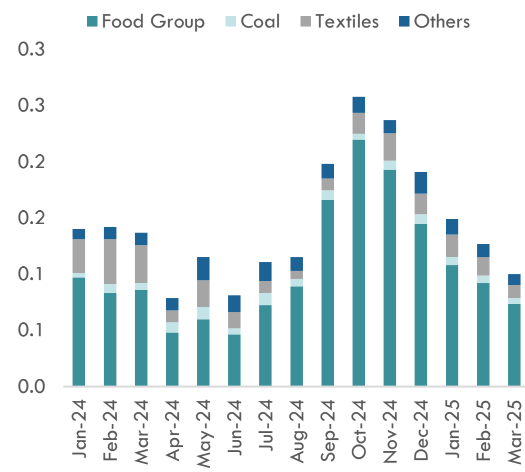
Source: ASYCUDA & Ministry of Commerce and Industry

Afghanistan's exports declined to USD 1.79 billion in FY2024, driven by sharp drops in coal and textile exports, despite resilient food exports and gradual diversification in trade partners.

In FY2024, total exports declined slightly to USD 1.79 billion from USD 1.81 billion in FY2023. The decline was mainly due to a 64 percent drop in coal exports to USD 92 million, as Pakistan resumed imports from traditional suppliers—accounting for 12 percentage points of the overall fall. Textile exports also dropped by 14 percent to USD 242 million, driven by Afghani appreciation, weaker global demand, and higher Pakistani tariffs. In contrast, food exports rose 4 percent to USD 1.31 billion, supported by China's tariff exemptions and late-year recovery in trade with Pakistan.

In 2024, 53 percent of exports were consumer goods and 47 percent intermediate goods. Pakistan remained the top export partner, though its share dropped from 54 to 45 percent, while India's share rose to 34 percent, largely from food exports. Exports to Iran, Kazakhstan, and Uzbekistan also increased, each comprising around 3 percent of the total. Food and textiles accounted for 82 percent of total exports, up from 71 percent in 2023.

AFGHANISTAN'S EXPORTS (US$ BILLIONS): 2024



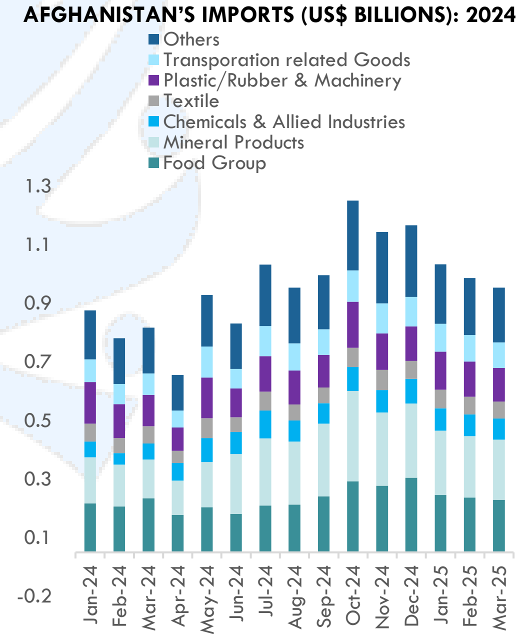
Source: ASYCUDA & Ministry of Commerce and Industry

Afghanistan's imports surged by 37 percent in FY2024 to USD 11.16 billion, driven by rising demand for capital goods, raw materials, and consumer products, with Iran remaining the top supplier.

In FY2024, total imports reached USD 11.16 billion, a 37 percent increase from USD 8.14 billion in FY2023. This sharp annual increase was primarily driven by a surge in capital goods and intermediate raw material imports, which rose by 49 percent and 43 percent, respectively. Together, these categories made up 53 percent of total imports—two percentage points higher than the previous year—indicating an expansion in industrial and productive activities. Imports of consumer goods also rose by 30 percent year-on-year, accounting for 40 percent of total imports.

Key imported items in 2024 included transportation equipment (up 86 percent), mineral products such as petroleum and cement (up 56 percent), and chemicals (up 51 percent). Food imports also grew by 28 percent. The composition of imports shifted notably: transportation goods rose from 7 to 10 percent of total imports (USD 1.04 billion), mineral products from 20 to 22 percent (USD 2.41 billion), and chemicals from 7 to 8 percent (USD 0.84 billion). Iran remained Afghanistan's top import partner, accounting for 30 percent of total imports, followed by Pakistan at 16 percent and China at 7 percent.

AFGHANISTAN'S IMPORTS (US$ BILLIONS): 2024



Source: ASYCUDA & Ministry of Commerce and Industry

Afghanistan's revenue rose 11 percent YoY in the first month of FY2025, driven by strong gains in non-tax and trade-related collections, despite falling just short of the monthly target.

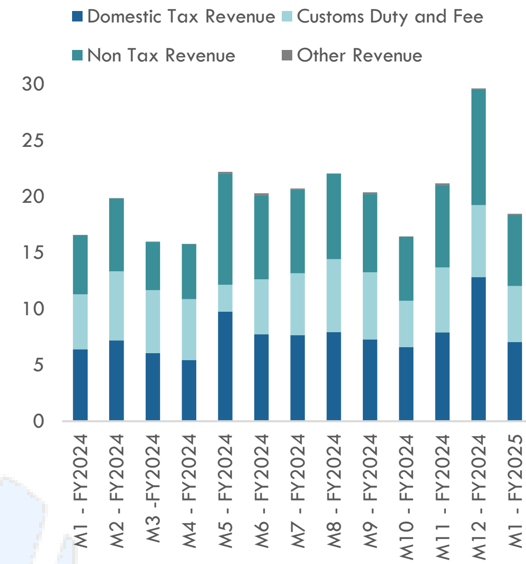
In the first month of FY2025, total domestic revenue collection reached AFN 18.5 billion (approximately USD 300 million), equivalent to around 1 percent of GDP and representing an 11 percent year-on-year increase.

Tax revenues rose by 10.4 percent year-on-year to AFN 7.1 billion, contributing 3.7 percentage points to overall revenue growth. Customs duties increased marginally by 1.8 percent to AFN 5.0 billion, supported by enhanced border management and recent adjustments to tariff structures.

Non-tax revenues recorded a stronger performance, growing by 20.3 percent to AFN 6.3 billion and contributing 6.3 percentage points to overall revenue growth. Key sources included mining royalties, toll collections from roads and transportation services, overflight fees, and railway receipts.

Revenues from other sources nearly doubled, rising by 89 percent from AFN 37.7 million in the first month of FY2024 to AFN 71.4 million in the same period of FY2025. Though modest in absolute terms, this category contributed 0.3 percentage points to total revenue growth, reflecting improved reporting and collection from miscellaneous streams.

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



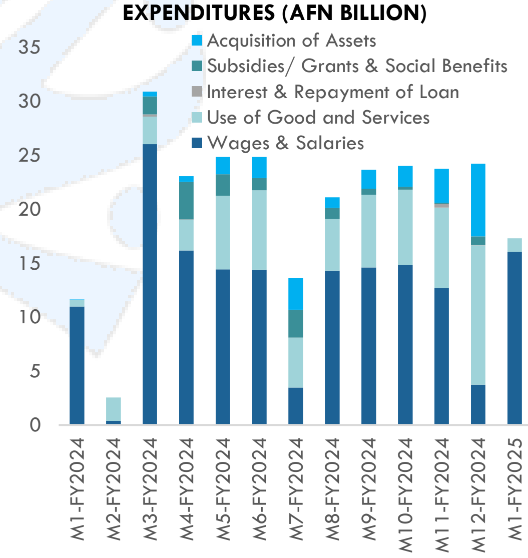
Source: Ministry of Finance.

Rising wage obligations drove a 49 percent spending surge in early FY2025, prompting planned job cuts as fiscal pressures intensify.

In the first month of FY2025, government spending reached AFN 17.3 billion, a 49.1 percent year-on-year increase, mainly due to the settlement of unpaid wages from late FY2024. Of the total expenditure, wages and salaries accounted for AFN 16.1 billion—or 93 percent—highlighting the government's continued reliance on a wage-heavy fiscal structure. This outsized payroll burden reflects both the scale of the public workforce and limited flexibility in reallocating resources toward development or service delivery. By contrast, spending on goods and services remained subdued at just AFN 1.2 billion, suggesting continued constraints on operational and programmatic expenditures. The composition of spending in early FY2025 signals persistent fiscal rigidities and underscores the challenge of achieving a more balanced and development-oriented budget execution.

To ease growing payroll pressures, the ITA has announced plans to cut nearly 90,000 positions across security and civilian sectors. Meanwhile, the national budget remains under discussion, with key decisions on Tashkeel (authorized staffing levels) downsizing still pending.

ECONOMIC CLASSIFICATION OF TOTAL EXPENDITURES (AFN BILLION)



Source: Ministry of Finance.

ANNEX

PRICES	Mar-25	Feb-25	Jan-25	Dec-24	Mar-24	MoM change (%) Mar-25	YoY change (%) Mar-25
Overall CPI Index	**131.0**	**130.7**	**128.5**	**128.4**	**130.6**	**0.2%**	**0.3%**
Food	136.7	135.0	131.8	130.4	138.1	1.3%	-1.0%
Tobacco	162.3	162.9	163.4	161.8	170.6	-0.4%	-4.9%
Clothing	149.0	152.4	149.0	150.7	149.1	-2.2%	-0.1%
Housing	110.8	111.5	110.9	111.6	102.9	-0.6%	7.7%
Furnishing and household goods	130.4	132.3	130.2	133.4	133.5	-1.4%	-2.3%
Health	148.1	147.0	146.4	144.9	146.7	0.8%	1.0%
Transportation	129.1	130.5	128.5	127.8	130.6	-1.0%	-1.1%
Communication	90.7	90.9	90.8	90.9	94.0	-0.2%	-3.5%
Information and Culture	108.4	109.3	109.2	110.3	108.7	-0.9%	-0.3%
Education	142.1	141.0	139.8	141.2	142.9	0.8%	-0.6%
Restaurants and Hotels	113.6	112.6	113.0	113.2	114.8	0.9%	-1.1%
Miscellaneous	156.0	157.2	157.2	158.8	158.3	-0.8%	-1.5%
Core Price Index	**125.4**	**126.4**	**125.2**	**126.4**	**123.2**	**-0.8%**	**1.8%**

EXCHANGE RATE	Apr-25	Mar-25	Feb-25	Jan-25	Apr-24	Apr-25	Apr-25
AFN/USD	71.64	71.11	73.75	74.84	71.93	0.7%	-0.4%
NEER	137.9	133.1	131.0	138.9	136.0	3.6%	1.4%
REER	83.7	80.3	79.6	83.9	90.2	4.3%	-7.2%

TRADE	Mar-25	Feb-25	Jan-25	Dec-24	Mar-24	Mar-25	Mar-25
Total Exports (US$ Million)	**100.0**	**127.0**	**149.0**	**190.9**	**136.9**	**-21%**	**-27%**
Food Group	73.7	92.2	107.8	144.7	86.3	-20%	-15%
Coal	5.2	6.7	7.6	8.4	5.9	-22%	-11%
Textiles	11.6	16.3	20.0	18.7	33.8	-29%	-66%
Others	9.4	11.8	13.6	19.1	10.9	-20%	-14%
Total Imports (US$ Million)	**904.0**	**936.0**	**983.0**	**753.9**	**767.1**	**-3%**	**18%**
Food Group	179.3	186.5	196.0	172.3	184.6	-4%	-3%
Mineral Products	205.1	210.6	218.9	141.3	131.8	-3%	56%
Textile	57.4	59.9	63.6	59.2	59.0	-4%	-3%
Chemicals & Allied Industries	72.9	73.9	76.6	47.0	55.0	-1%	33%
Plastic/Rubber & Machinery	114.9	120.7	129.7	116.7	107.2	-5%	7%
Transportation related Goods	87.4	90.4	94.8	57.0	72.9	-3%	20%
Others	187.1	194.0	203.4	160.2	156.7	-4%	19%
Trade Deficit (US$ Million)	**804.0**	**809.0**	**834.0**	**563.0**	**630.2**	**-1%**	**28%**

FISCAL	M1-FY2025	M12-FY2024	M11-FY2024	M10-FY2024	M1-FY2024	M1-FY2025	M1-FY2025
Total Revenue (AFN Billion)	**18.5**	**29.6**	**21.2**	**16.5**	**16.6**	**-38%**	**11%**
Domestic Tax Revenue	7.1	12.8	7.9	6.6	6.4	-45%	10%
Customs Duty and Fee	5.0	6.4	5.8	4.1	4.9	-22%	2%
Non-Tax Revenue	6.3	10.3	7.3	5.7	5.3	-39%	20%
Other Revenue	0.1	0.1	0.1	0.0	0.0	3%	89%
Total Expenditures (AFN Billion)	**17.3**	**24.2**	**23.7**	**24.0**	**11.6**	**-29%**	**49%**
Wages & Salaries	16.1	3.7	12.7	14.8	11.0	331%	46%
Use of Good and Services	1.2	12.9	7.5	7.0	0.6	-90%	103%
Interest & Repayment of Loan	0.0	0.0	0.3	0.0	0.0	-	-
Subsidies/ Grants & Social Benefits	0.0	0.8	0.1	0.3	0.0	-	-
Acquisition of Assets	0.0	6.7	3.2	1.9	0.0	-	-

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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.