AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

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(Mizan 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 economy strained by shocks, growth dampened by weak investment.

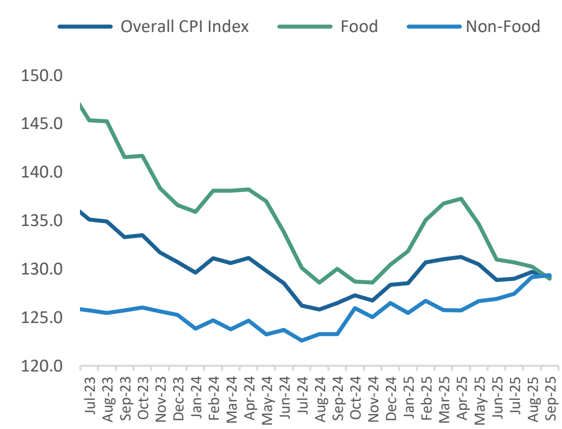
Afghanistan's economy remains under significant strain, facing multiple simultaneous shocks. Recent adverse events—including the mass return of migrants and refugees, severe drought, earthquakes in eastern and northern provinces, temporary disruptions to internet and telecommunication services, and shifting regional priorities—have compounded existing vulnerabilities. Although modest economic expansion is supported by low inflation and stronger revenues, rapid population growth driven by returnees from Iran and Pakistan, alongside weak investment, continues to weigh on average income growth.

Food prices decline temper inflation, yet non-food pressures persist

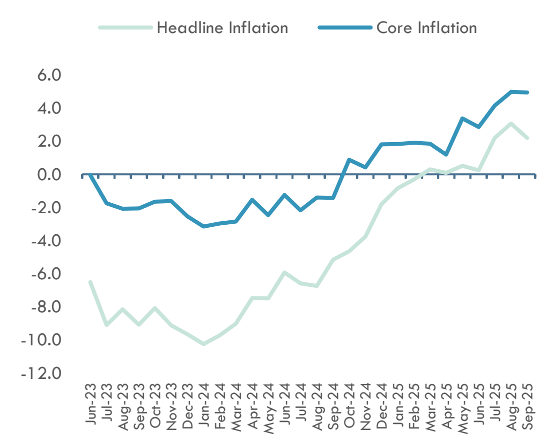
In September 2025, the Consumer Price Index (CPI) declined slightly by 0.4 percent month-on-month (MoM), driven mainly by easing food prices. Overall food inflation declined by 1 percent, led by a sharp 4.6 percent drop in fresh and dried fruits, likely reflecting seasonal harvest peaks that boosted supply and lowered prices. Conversely, prices for spices and vegetables rose by 3.7 percent and 0.6 percent, respectively, while other food items in the CPI basket recorded declines ranging from 0.1 to 1.7 percent. Non-food prices increased slightly by 0.2 percent MoM. Housing costs rose by 1.7 percent, driven by higher rents in major urban centers amid the continued influx of returnees. In Kabul, rents for four-bedroom non-concrete houses increased by 3.7 percent, while concrete houses rose by 1.8 percent. Transportation costs grew by 3.1 percent, reflected by higher fuel prices. Prices for tobacco and health and education services posted modest gain of 0.2 to 0.6 percent. In contrast, furnishings and household goods fell by 2.1 percent, clothing decreased by 1.4 percent, and communication, information and culture, and restaurants and hotels registered drops between 0.1 and 0.9 percent.

On a year-on-year (YoY) basis, headline inflation moderated to 2.1 percent in September 2025, down from 3.1 percent in August. The slowdown was driven by a 0.8 percent decline in food prices, despite a 5 percent increase in non-food prices. Key contributors to non-food inflation included rising housing costs and greater demand for essential services amid continued returns of Afghans from Pakistan and Iran. Core inflation (excluding food and energy) also eased slightly to 4.9 percent in September from 5 percent in

HEADLINE PRICE INDEX (APRIL 2015 = 100)



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

August, signaling persistent pressure on domestic prices and strengthening underlying demand.

The Afghani appreciated by 0.8 percent YoY against the U.S. dollar in October 2025, but lower domestic inflation offset nominal gains, resulting in stable competitiveness

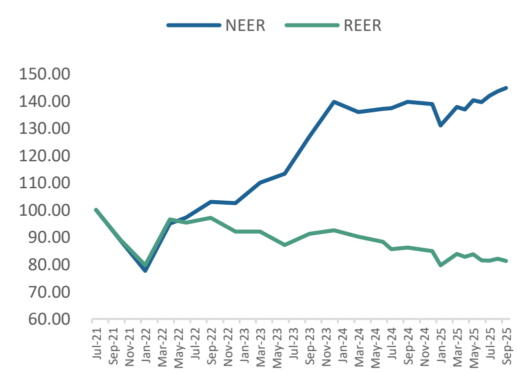
In October 2025, the Afghani appreciated by 1.8 percent MoM against the U.S. dollar, strengthening from AFN 67.7 in September to AFN 66.5. On a YoY basis, the currency appreciated by 0.8 percent.

In September 2025, the Afghani continued to strengthen in nominal terms against the currencies of Afghanistan's major trading partners. The Nominal Effective Exchange Rate (NEER) increased by 1 percent MoM, as the Afghani's appreciated against the U.S. dollar, the Pakistani Rupee, the Indian Rupee, Chinese Yuan, UAE Dirham and the Iran's currency. In contrast, the Real Effective Exchange Rate (REER) declined by 1.1 percent, as domestic inflation remained well below the inflation of trading partners. This inflation differential helped offset the effects of the Afghani's nominal appreciation, preserving the relative price competitiveness of Afghanistan goods.

On a YoY basis, the nominal effective exchange rate (NEER) strengthened by 4 percent in September, while the real effective exchange rate (REER) declined by 6 percent. The REER drop reflects Afghanistan's significantly lower inflation compared to key trading partners, helping maintain overall external competitiveness.

AVERAGE MONTHLY AFN/$ EXCHANGE RATE

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



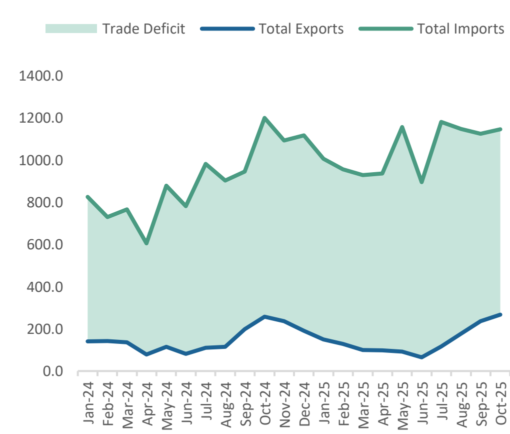
Source: DAB, IFS, and World Bank staff.

Border closure with Pakistan in October puts renewed strain on Afghanistan's trade.

Following the mid-October closure of the Pakistan border, Afghanistan's trade faced significant route disruptions, yet traders managed to redirect shipments through Iran and Central Asia. As a result, in October 2025 the trade deficit narrowed by 1 percent MoM to USD 0.88 billion, supported by a 13 percent rebound in exports to USD 267 million and only a modest rise in imports. Imports remained broadly stable at USD 1.15 billion, as higher inflows from Iran, Turkmenistan, Kazakhstan, and Uzbekistan offset losses from Pakistan. YoY, the trade deficit narrowed by 7 percent, with October exports outperforming the same month in 2024 despite elevated transport and logistics costs.

Cumulatively, during the first seven months of FY2025, the trade deficit widened by 22 percent to USD 6.5 billion (30 percent of annual GDP), compared with USD 5.3 billion (26 percent of GDP) in the same period of

AFGHANISTAN TRADE DEFICIT (US$ MILLIONS)



Source: ASYCUDA

FY2024. This reflects strong import demand driven by recovering domestic consumption and the economic impact of returnees, compounded by higher costs from rerouting trade away from Pakistan toward Iran and Central Asia.

Despite Pakistan border closure, food shipments drive export growth as trade rerouted toward India and Uzbekistan

Afghanistan's exports recorded a strong rebound in October, rising by 13 percent MoM and by 3.7 percent YoY to USD 267 million. This recovery was driven primarily by heightened regional demand for Afghan agricultural products following severe flooding in neighboring countries. Despite a halt in trade with Pakistan due to border skirmishes, exports were successfully redirected to India and Uzbekistan. The peak harvest season and relatively low domestic inflation further supported competitiveness, helping offset losses from the Pakistan route.

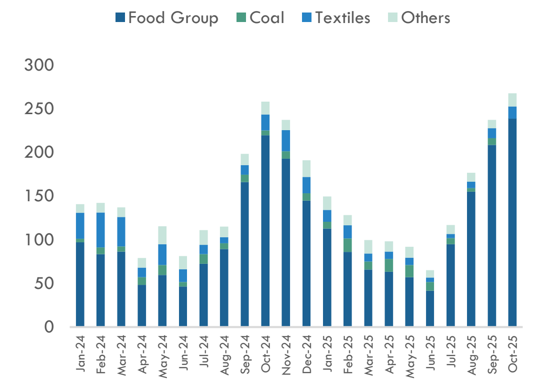
Food exports reached USD 238.4 million in October, up 8.6 percent YoY, reflecting strong regional demand. Cumulatively, food exports grew by 22.4 percent during the first seven months of FY2025, reinforcing their dominant role in Afghanistan's export portfolio.

Textile exports remained weak, totaling USD 13.9 million in October—a 24.5 percent YoY decline. Over the first seven months of FY2025, textile exports fell by 38 percent compared with the same period in FY2024, with the October performance primarily driven by the border closure with Pakistan, Afghanistan's main textile market.

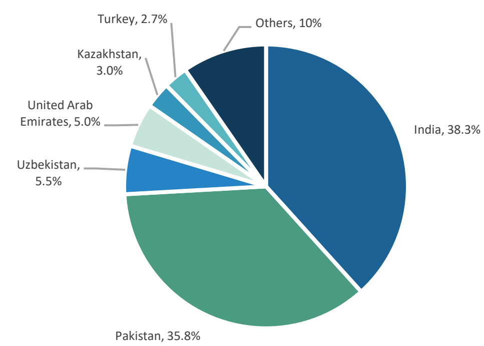
Coal exports also contracted sharply, dropping 94.7 percent YoY to just USD 0.3 million, down from USD 5.4 million in October 2024, following Pakistan border closures. Despite this monthly decline, cumulative coal exports posted modest 1.2 percent increase over the first seven months of FY2025 compared to the previous year, supported by stronger performance earlier in the fiscal year.

Total exports reached USD 1.1 billion during the first seven months of FY2025, up 10 percent from USD 0.96 billion during the same period in FY2024. India emerged as Afghanistan's largest export destination, accounting for 50 percent of monthly exports in October and 38.3 percent of cumulative exports. Uzbekistan also expanded its share to 6 percent during the first seven months of the fiscal year. In contrast, Pakistan, historically the top market, saw its share fall to 35.8 percent, with monthly export halving in October. Continued border closures could push this share even lower.

AFGHANISTAN'S EXPORTS (US$ MILLIONS)



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



Source: ASYCUDA

Exports remain heavily concentrated in food products, which accounted for 82 percent of total exports in the first seven months of FY2025, up from 73 percent a year earlier. This growing dependence on food exports heightens Afghanistan's vulnerability to climate-related shocks and market disruptions.

Shift toward Iran and Central Asia accelerate amid structural realignment of trade routes

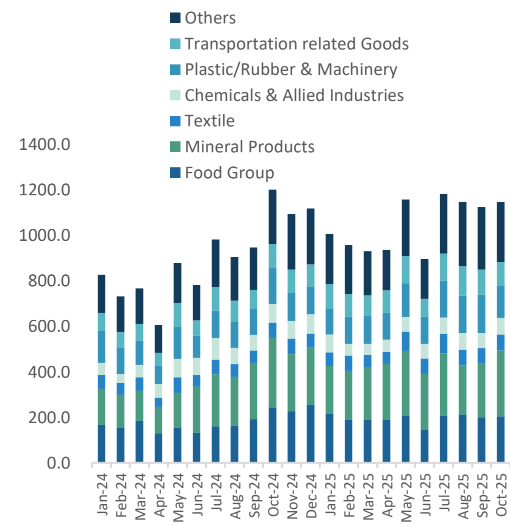
In October 2025, Afghanistan's imports increased by 2 percent MoM to USD 1.15 billion. However, on a YoY basis, imports declined by 4.5 percent, largely driven by disruptions caused by the Pakistan border closure, which affected trade flows and raised transport costs. Reductions were observed across most major import categories, with the only exceptions being textiles and the "other" category, which recorded YoY increases of 6 percent and 11 percent, respectively. The steepest YoY declines were observed in food products (-16 percent), machinery and electrical equipment (-16 percent), chemicals and allied industries (-12 percent), mineral products (-6 percent), and plastics and rubber (-1 percent).

Intermediate goods, which accounted for 62.1 percent of total imports, grew by 45 percent YoY, suggesting a possible uptick in industrial activity and domestic production. Consumer goods, representing 26.6 percent of imports, declined by 33 percent, reflecting a shift in domestic demand toward locally produced alternatives as well as higher transport costs and rerouting pressures following the border closure. Capital goods and intermediate capital goods, which made up 14.5 percent of total imports, decreased by 24 percent YoY, likely because of the border closure.

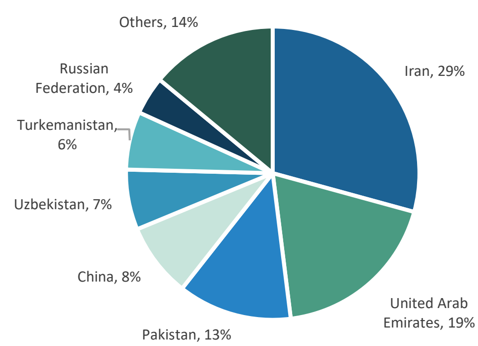
During the first seven months of FY2025, total imports reached USD 7.6 billion, an increase of 21 percent compared with USD 6.3 billion during the same period in FY2024. Imports of raw materials rose by 45 percent, while capital goods and intermediate goods increased by 9 percent and 35 percent, respectively, pointing to expanded domestic production and stronger industrial activity.

Iran remained Afghanistan's largest import partner, accounting for 29 percent of total imports, followed by the United Arab Emirates (19 percent), Pakistan (13 percent), and China (8 percent). The continued shift toward Iran and Central Asian underscores the readjustment of Afghanistan's trade routes following disruptions along the Pakistan corridor.

AFGHANISTAN'S IMPORTS (US$ MILLIONS)



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



Source: ASYCUDA

Strong revenue gains at western and northern crossings offset losses along eastern and southern corridors

Afghanistan's domestic revenue collection reached AFN 23.2 billion (around USD 349 million) in October 2025, representing a 2.4 percent MoM increase and a 12 percent rise YoY. Despite significant revenue losses at eastern and southern border points due to closures and disruptions along the Pakistan corridor, overall revenue performance remained resilient, supported by strong gains at western and northern crossings, particularly Herat, Balkh, and Farah, which helped offset eastern and southern shortfalls.

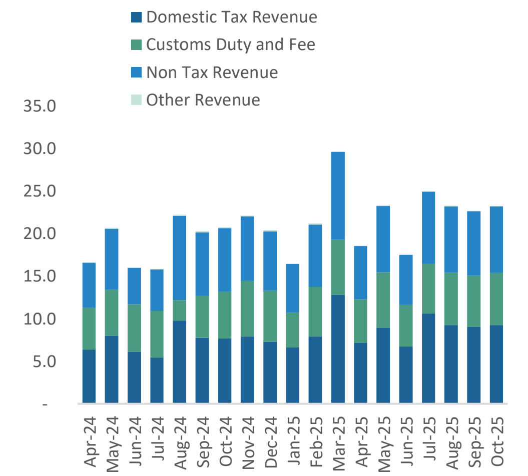
Cumulatively, domestic revenue for the first seven months of FY2025 amounted to AFN 153.4 billion (USD 2.3 billion), equivalent to 10 percent of annual GDP. This reflects a 16 percent increase compared to the same period in FY2024, underscoring continued improvements in revenue administration, strengthened compliance, and the redirection of trade flows through alternative border points with Iran and Central Asia.

Tax revenues rose by 19.4 percent to AFN 61 billion during the first seven months of FY2025, driven by stronger enforcement measures, enhanced tax administration, and a gradual rebound in economic activity. These gains contributed 7.6 percentage points (pp) to total revenue growth. Customs duties increased by 18.6 percent to AFN 40.6 billion cumulatively for the year, despite substantial losses at Torkham (AFN 275.5 million), Spin Boldak (AFN 192.5 million), and Ghulam Khan (AFN 100 million) in October. Revenue gains from western and northern corridors, particularly Herat (AFN 831 million) and Balkh (AFN 275 million), offset the AFN 500 million decline linked to Pakistan border disruptions. Improved border management, tariff adjustments[1], and increased import flows along alternative routes collectively added 4.9 pp to overall revenue growth.

Non-tax revenues rose by 11 percent to AFN 51.6 billion, contributing 3.6 pp to total revenue growth. Major contributors included road and transport tolls, passport and administrative service fees, higher overflight charges, and revenues from railway and telecommunications services.

Revenues from other minor sources totaled AFN 153.4 million during the first seven months of FY2025, providing only a marginal addition to total collections.

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



Source: Ministry of Finance and World Bank Staff.

[1] https://customs.mof.gov.af/; https://customs.mof.gov.af/; https://customs.mof.gov.af; Taliban raise import tariffs on key goods 'to support domestic industry' | Amu TV

Expenditure growth remains consistent with revenue gains, limiting deficit

In October 2025, total government expenditure reached AFN 24.3 billion, representing a MoM decline of AFN 1.4 billion, or 5 percent. This reduction was mainly attributable to a 12 percent fall in wages and salaries, which remain the largest driver of monthly spending fluctuations. In contrast, expenditures on goods and services and subsidies and transfers increased by 7.7 percent and 16 percent, respectively, reflecting higher operational needs and expanded social support programs. Asset acquisition declined by 30 percent, consistent with the typical volatility in monthly development spending.

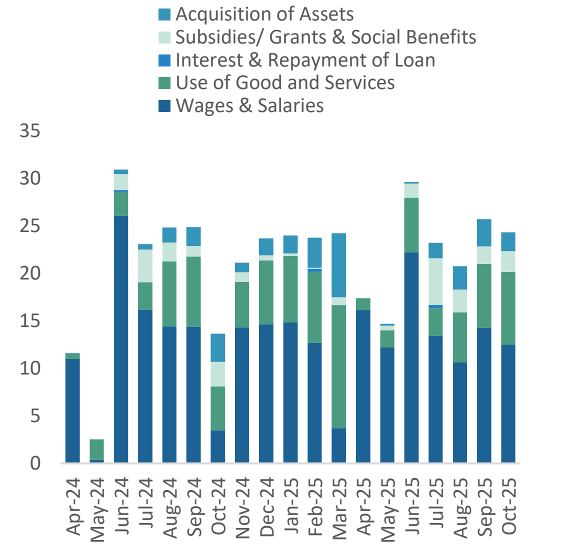
On a YoY basis, total expenditure increased by 78 percent compared to October 2024. This sharp increase reflects the unusually low expenditure level recorded in the same month last year, when wage payments were delayed. Consequently, the YoY increase in wages and salaries (up AFN 9 billion) and goods and services (up AFN 3 billion) were largely driven by the low base effect rather than an exceptional growth in current spending.

During the first seven months of FY2025, cumulative expenditure[2] amounted to AFN 155.7 billion (10.1 percent of annual GDP), marking an 18.5 percent increase from AFN 131.5 billion in the same period of FY2024. Spending on wages and salaries rose by 18 percent, from AFN 85.9 billion to AFN 101.4 billion, accounting for 11.7 pp of the overall increase. Expenditure on goods and services increased by 16.3 percent to AFN 31.3 billion, contributing 3.3 pp to total expenditure growth.

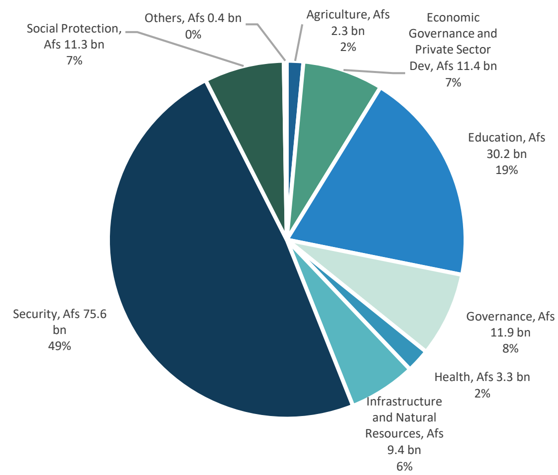
Subsidies and transfers rose by 23.1 percent to AFN 13.3 billion compared to AFN 10.8 billion in FY2024. This rise reflected expanded assistance for returnees, earthquake-affected households, and additional support for families of martyrs and individuals with disabilities, as well as the resumption of pension payments under updated guidelines. These factors contributed about 2 pp to the overall expenditure growth. Development spending reached AFN 9.3 billion, a 6 percent increase, adding roughly 1.4 pp to total growth. Loan repayments by the ITA totaled AFN 0.3 billion, a 37 percent increase from last year, contributing 0.1 pp.

Security-related spending amounted to AFN 75.6 billion (49 percent of total expenditure), while AFN 80.1 billion (51 percent) was allocated to civilian sectors and service delivery programs.

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.

[2] Cumulative expenditure figures for the first seven months of FY2025 have been updated to include amounts that were not reported in previous AEM. This adjustment ensures a more accurate representation of fiscal performance and aligns better with reporting standards.

Afghanistan recorded a fiscal deficit of AFN 2.3 billion (0.15 percent of GDP) in the first seven months of FY2025, as total revenues of AFN 153.4 billion fell slightly short of total expenditures of AFN 155.7 billion.

ANNEX

						MoM change (%)	YoY change (%)
PRICES							
	Sep-25	**Aug-25**	**Jul-25**	**Jun-25**	**Sep-24**	**Sep-25**	**Sep-25**
Overall CPI Index	129.2	125.8	129.0	128.8	126.5	2.7%	2.1%
Food	129.0	130.2	130.7	131.0	130.0	-1.0%	-0.8%
Tobacco	162.9	161.9	162.9	162.4	169.2	0.6%	-3.7%
Clothing	148.6	150.7	149.0	151.6	147.5	-1.4%	0.8%
Housing	119.7	117.7	115.6	113.1	104.0	1.7%	15.0%
Furnishing and household goods	130.8	133.7	131.8	133.3	130.9	-2.1%	-0.1%
Health	143.9	143.2	142.9	142.4	145.9	0.5%	-1.4%
Transportation	138.1	134.0	131.4	128.8	131.8	3.1%	4.8%
Communication	90.8	90.8	90.6	91.0	91.1	-0.1%	-0.3%
Information and Culture	110.1	111.1	110.0	110.3	108.8	-0.9%	1.2%
Education	139.4	139.1	138.7	139.2	138.4	0.2%	0.7%
Restaurants and Hotels	113.8	114.4	114.6	115.3	112.6	-0.5%	1.1%
Miscellaneous	158.2	160.9	157.1	159.9	158.6	-1.6%	-0.3%
Core Price Index	128.6	128.7	127.1	126.7	122.5	-0.1%	4.9%
EXCHANGE RATE						('-' depreciation, '+' appreciation)	
	Oct-25	**Sep-25**	**Aug-25**	**Jul-25**	**Oct-24**	**Oct-25**	**Oct-25**
AFN/USD	66.5	67.7	68.4	69.1	67.1	1.8%	0.8%
	Sep-25	**Aug-25**	**Jul-25**	**Jun-25**	**Sep-24**	**Sep-25**	**Sep-25**
NEER	144.8	143.7	141.9	139.6	139.8	0.8%	3.6%
REER	81.3	86.5	85.0	84.6	86.3	-6.0%	-5.8%
TRADE							
	Oct-25	**Sep-25**	**Aug-25**	**Jul-25**	**Oct-24**	**Oct-25**	**Oct-25**
Total Exports (US$ Million)	**267.4**	**236.9**	**176.7**	**116.9**	**257.8**	13%	4%
Food Group	238.4	208.3	154.8	94.8	219.6	14%	9%
Coal	0.3	7.6	4.1	7.1	5.4	-96%	-95%
Textiles	13.9	11.6	7.1	4.8	18.4	20%	-24%
Others	14.9	9.4	10.6	10.2	14.3	58%	4%
Total Imports (US$ Million)	**1146.6**	**1124.8**	**1147.2**	**1181.6**	**1200.2**	2%	-4%
Food Group	204.6	198.7	213.7	205.5	242.6	3%	-16%
Mineral Products	289.8	239.6	213.9	275.8	307.7	21%	-6%
Textile	69.2	65.6	69.4	85.6	65.4	6%	6%
Chemicals & Allied Industries	73.1	66.6	73.4	71.3	82.6	10%	-12%
Plastic/Rubber & Machinery	140.0	169.4	165.4	163.6	156.9	-17%	-11%
Transportation related Goods	106.8	109.6	127.1	117.6	106.9	-3%	0%
Others	263.1	275.5	284.4	262.2	238.0	-4%	11%
Trade Deficit (US$ Million)	**879.2**	**887.8**	**970.5**	**1064.7**	**942.4**	-1%	-7%
FISCAL							
	Oct-25	**Sep-25**	**Aug-25**	**Jul-25**	**Oct-24**	**Oct-25**	**Oct-25**
Total Revenue (AFN Billion)	**23.2**	**22.7**	**23.2**	**24.9**	**20.7**	2%	12%
Domestic Tax Revenue	9.3	9.0	9.2	10.6	7.7	3%	21%
Customs Duty and Fee	6.1	6.0	6.2	5.8	5.5	2%	10%
Non-Tax Revenue	7.8	7.6	7.8	8.5	7.4	3%	5%
Other Revenue	0.0	0.1	0.1	0.0	0.1	-18%	-52%
Total Expenditures (AFN Billion) *	**24.3**	**25.7**	**20.8**	**29.7**	**13.6**	-5%	78%
Wages & Salaries	12.5	14.3	10.6	22.2	3.5	-12%	259%
Use of Good and Services	7.7	6.7	5.3	5.7	4.6	14%	66%
Interest & Repayment of Loan	0.0			0.0	0.0	-	-
Subsidies/ Grants & Social Benefits	2.2	1.9	2.4	1.5	2.6	16%	-16%
Acquisition of Assets	2.0	2.9	2.5	0.2	3.0	-30%	-32%
Fiscal Balance	**-1.1**	**-3.1**	**2.4**	**-4.7**	**7.1**	**-64%**	**-116%**

* Revised

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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.