

AFGHANISTAN ECONOMIC MONITOR

THE WORLD BANK

July 2025
(Saratan 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

Returnee inflows and expected drought are heightening economic pressures

The economy grew by an estimated 2.5 percent in FY2024, marking the second consecutive year of expansion. Despite this growth, overall living standards have seen little improvement. Poverty and unemployment remain widespread, with the economic outlook hindered by factors such as economic isolation, limited access to finance, and persistent structural challenges. Fluctuating trade conditions and reductions in foreign aid have negatively impacted investment, consumption, and service delivery. Additionally, the influx of Afghan returnees from neighboring countries and the anticipated drought conditions have added to existing economic pressures.

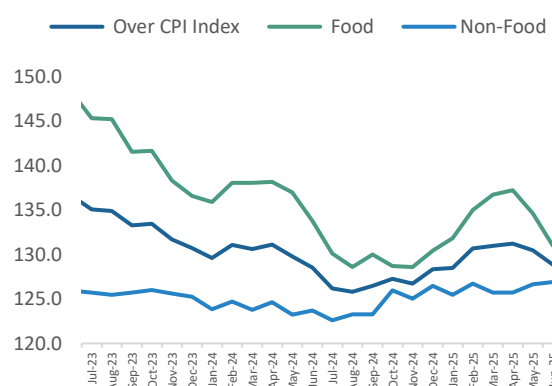
Although headline inflation eased, core inflation rose to 2.9% in June, signaling a recovery in domestic demand

In June 2025, the Consumer Price Index (CPI) declined by 1.2 percent month-on-month (MoM), primarily due to falling global food and energy prices. Food prices dropped by 2.7 percent, reflecting notable reductions in key categories: meat (down 3.0 percent), oils and fats (down 2.7 percent), fresh and dried fruits (down 6.8 percent), vegetables (down 10.7 percent), spices (down 2.6 percent), and sugar (down 1.2 percent). In contrast, prices for bread and cereals and dairy products rose by between 1.0 and 2.0 percent MoM.

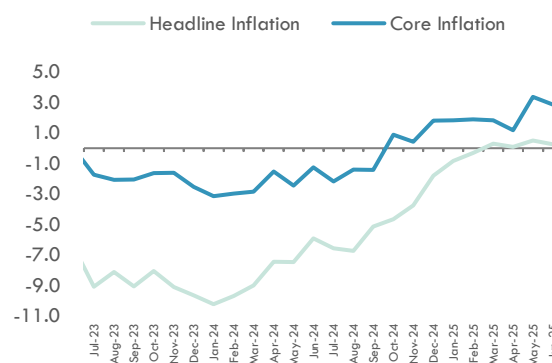
Non-food prices rose by 0.2 percent MoM. While overall housing costs declined by 0.6 percent, rents in major cities increased due to the influx of returnees. In Kabul, the rent for a four-bedroom non-concrete house increased by 3.0 percent, and for a concrete house by 1.0 percent. Prices for health services also fell. Meanwhile, prices for clothing (up 1.7 percent), furniture and household goods (up 1.5 percent), and transport (up 2.3 percent), along with modest increases in communication, restaurant, and hotel services (up to 1.0 percent), contributed to the uptick in non-food inflation.

Year-on-year (YoY) inflation stood at 0.2 percent in June 2025, compared with a negative 6.0 percent in June 2024. This increase was primarily driven by a 2.6 percent rise in non-food prices compared to last year, supported by a lower base and a gradual 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 continued to fall by 2.1 percent YoY, supported by steady import flows and a relatively stable Afghani. Core inflation

HEADLINE PRICE INDEX



HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

(excluding food and energy) rose to 2.9 percent, indicating recovering demand and a gradual normalization of inflationary trends.

The Afghani slightly appreciated against the U.S. dollar and, in real terms, against the currencies of major trading partners in July, further eroding Afghanistan's external competitiveness

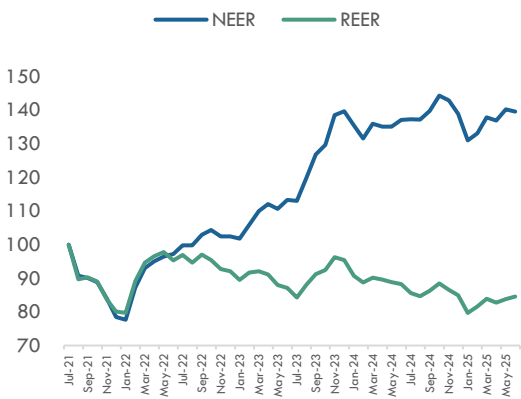
In July 2025, the Afghani appreciated by 1.5 percent MoM against the U.S. dollar, strengthening from AFN 70.2 in June to AFN 69.1. This followed a period of modest depreciation in June. On a year-on-year (YoY) basis, the Afghani appreciated by 2.5 percent, rising from AFN 70.9 in July 2024 to AFN 69.1 in July 2025.

In June 2025, the Afghani depreciated in nominal terms but appreciated in real terms against the currencies of Afghanistan's major trading partners, further eroding external competitiveness. The Nominal Effective Exchange Rate (NEER) fell by 0.5 percent MoM, while the Real Effective Exchange Rate (REER) rose by 0.9 percent. The REER appreciation highlights persistent challenges in maintaining external balance, particularly amid a sustained trade deficit and limited external financing. On a YoY basis, the NEER increased by 2.0 percent, indicating nominal currency appreciation, while the REER declined by 4.0 percent, reflecting lower domestic inflation relative to trading partners. This suggests improved export competitiveness on a YoY basis despite the stronger nominal exchange rate.

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 sharply in July amid import surge

In July 2025, Afghanistan's trade deficit widened by 28 percent MoM to USD 1.1 billion, primarily driven by a surge in imports. Exports also increased, but on a much smaller scale. This rebound in trade activity partially offset the trade compression observed in June, when escalating geopolitical tensions disrupted trade and transit with key trading partners.

On a YoY basis, the trade deficit grew by 22 percent in July 2025. Cumulatively, during the first four months of FY2025¹, the deficit widened sharply by 33 percent to USD 3.8 billion (19 percent of annual GDP), compared to USD 2.9 billion (16 percent of GDP) in the same period of FY2024. The sharp expansion reflects stronger import demand, gradual recovery in domestic consumption, and easing of earlier trade disruptions, but also underscores Afghanistan's continued dependence on imports and vulnerability to external shocks.

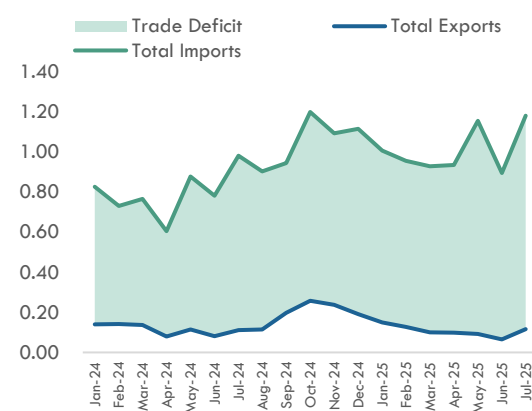
Afghanistan's exports rose to USD 116.9 million in July 2025, led by stronger food exports, while textiles and coal fell, underscoring reliance on a narrow export base

In July 2025, Afghanistan's exports surged by 80 percent MoM to USD 116.9 million, registering a 5 percent YoY increase. This sharp rebound followed the restoration of key trade routes after June's disruptions caused by heightened regional geopolitical tensions—including Pakistan–India hostilities and the Iran–Israel escalation—which had severely constrained trade flows. The July recovery in exports was also influenced by seasonal factors, especially in food products.

Food exports rose by 32 percent YoY to USD 94.8 million, supported by improved domestic production and stronger demand from Pakistan and India—Afghanistan's primary food export markets. In contrast, textile exports fell by 35 percent YoY to USD 4.8 million, largely due to higher tariffs imposed by Pakistan. The decline was compounded by delays in implementing critical trade facilitation measures by Pakistan Customs, including the removal of the 10 percent processing fee on Afghan transit trade, replacement of banking guarantees with insurance guarantees, streamlining of scanning procedures, and activation of the track-and-trace system.

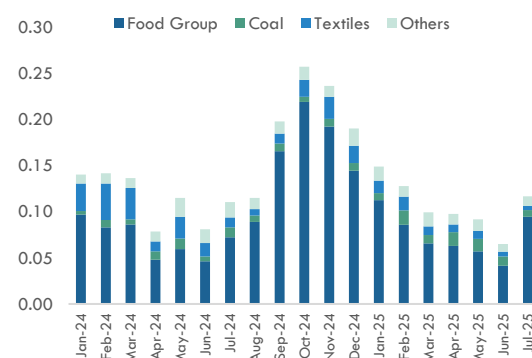
Coal exports also fell sharply, down 35 percent YoY to USD 7.1 million from USD 10.9 million in July

AFGHANISTAN TRADE DEFICIT (US\$ BILLIONS)

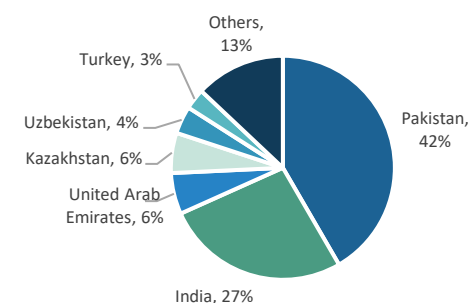


Source: ASYCUDA

AFGHANISTAN'S EXPORTS (US\$ BILLIONS)



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



Source: ASYCUDA

¹ Afghanistan's fiscal year runs from December 21 to December 20.

2024. The decline was driven by Pakistan sourcing more affordable coal from alternative suppliers.

Over the first four months of FY2025, total exports stood at USD 371.1 million, a 3.7 percent decline from USD 386 million during the same period in FY2024. Pakistan remained Afghanistan's largest export destination, though its share fell from 45 percent to 42 percent due to reduced textile and coal shipments. India's share rose to 27 percent, while the UAE and Kazakhstan each accounted for 6 percent.

Exports remained highly concentrated in food, coal, and textiles, which together represented 91 percent of total exports in FY2025—up from 85 percent a year earlier—highlighting Afghanistan's continued dependence on a narrow and vulnerable export base.

Afghanistan's imports rose following the restoration of trade routes, increasing 20% YoY, driven by strong demand for intermediate and consumer goods

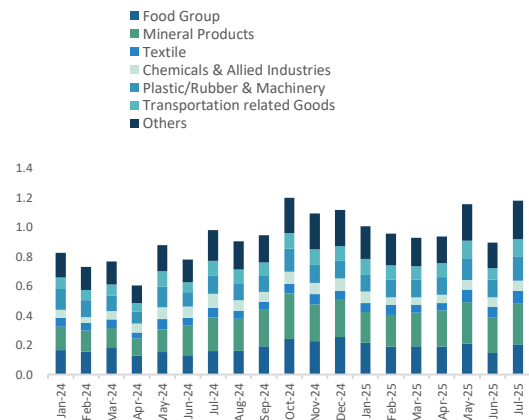
In July 2025, Afghanistan's imports rose by 32 percent MoM to USD 1.2 billion, driven by the restoration of regional trade flows following the escalation of the Iran–Israel conflict. On a YoY basis, imports increased by 20 percent, supported by broad-based growth across most major categories, except for chemicals and allied industries, which declined. The strongest YoY increases were observed in plastics and rubber products (36 percent), textiles (32 percent), food items (28 percent), mineral products (21 percent), and transportation-related goods (14 percent).

Intermediate goods, which accounted for 46.4 percent of total imports, rose to 35.5 percent YoY, indicating a potential pickup in economic activity. Consumer goods, representing 36.5 percent of total imports, grew by 12 percent, reflecting resilient domestic demand amid the mass return of Afghan refugees from Iran and Pakistan.

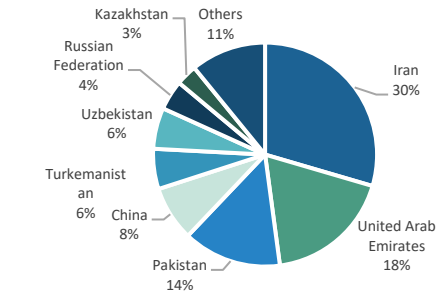
Cumulatively, during the first four months of FY2025, total imports reached USD 4.2 billion, up 28.4 percent from USD 3.2 billion in the same period of FY2024. Iran remained Afghanistan's largest import partner, accounting for 30 percent of total imports, followed by the UAE (18 percent), Pakistan (14 percent), and China (8 percent).

The broad-based import growth underscores both the normalization of trade routes and a gradual rebound in domestic consumption and industrial activity.

AFGHANISTAN'S IMPORTS (US\$ BILLIONS)



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



Source: ASYCUDA

Afghanistan's fiscal revenue rose 22 percent YoY in the first four months of FY2025, driven by strong non-tax collection and improved enforcement amid recovering demand

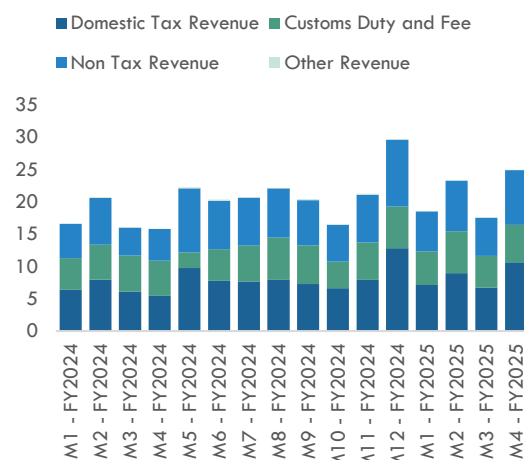
During the fourth month (M4) of the fiscal year, fiscal revenue collections totaled AFN 24.9 billion (around USD 361 million), representing a 58 percent increase MoM. Over the first four months of FY2025, total domestic revenue reached AFN 84.3 billion (approximately USD 1.2 billion), equivalent to about 6.3 percent of annual GDP and marking a 22 percent YoY increase.

On a cumulative basis, tax revenues rose by 29 percent YoY to AFN 33.4 billion, driven primarily by strengthened enforcement measures and a rebound in domestic demand, contributing 11.1 percentage points to overall revenue growth. Customs duties recorded a moderate increase of 4.3 percent to AFN 22.3 billion, supported by enhanced border management and recent tariff increases on selected goods aimed at protecting domestic industries, contributing 0.8 percentage points to overall revenue growth.

Non-tax revenues grew at a stronger pace, rising 31.1 percent to AFN 28.4 billion on a cumulative basis and contributing 10.1 percentage points to total revenue growth. Key drivers included toll collections from road and transport services, passport issuance fees, higher overflight charges following the Iran–Israel conflict, as well as receipts from railway services and telecommunications.

Revenues from other sources increased by 4.3 percent, rising from AFN 195 million in the first four months of FY2024 to AFN 203 million during the same period in FY2025.

ECONOMIC CLASSIFICATION OF TOTAL REVENUE (AFN BILLIONS)



Source: Ministry of Finance and World Bank Staff.

In M4 FY1404, fiscal expenditure totaled AFN 23.2 billion, with lower wages and higher subsidies and asset acquisition, yielding a modest surplus

During the fourth month (M4) of fiscal year 1404, fiscal expenditure totaled AFN 23.2 billion, representing a 1 percent increase YoY. Over the first four months of the fiscal year, total expenditure reached approximately AFN 72.9 billion, 7 percent higher than in the same period last year.

Expenditure on wages and salaries fell by AFN 1.8 billion, representing a 3.4 percent YoY decline, reflecting downsizing in both the civilian and security sectors, as well as lower wage levels. The reduction also reflects the clearance of most salary arrears, which were delayed earlier in the year due to the national budget approval process and were largely settled in the third month. As a result, wage and salary expenditure in M4 was 40 percent lower than in the previous month, contributing -5.3 percentage points to the overall change in expenditure.

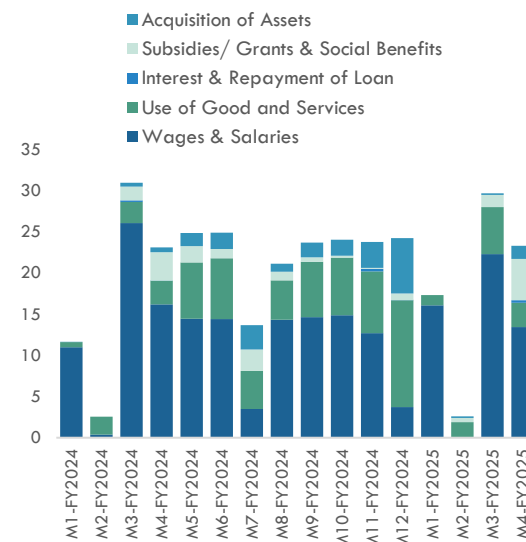
Spending on goods and services dropped sharply to AFN 2.9 billion from AFN 5.7 billion in the preceding month, while year-on-year, spending on goods and services increased by 45 percent, contributing 6.6 percentage points to the overall expenditure change.

Subsidies and transfers rose to AFN 5.0 billion, more than triple the level of the previous month, partly reflecting support for returnees from Iran and Pakistan. Spending on subsidies and transfers increased by 35.8 percent YoY, contributing 3.4 percentage points to the overall expenditure change.

Spending on asset acquisition reached AFN 2 billion during the four months of the fiscal year, doubled the spending in the same period last year and contributed 2.4 percentage points to the overall change in expenditure.

This spending pattern, coupled with improved revenue collection, resulted in a modest surplus of around AFN 11.5 billion in the first four months. Nonetheless, outstanding arrears related to pension, salaries, and contractor payments remain a significant challenge, underscoring the need for tighter expenditure controls and more effective cash management.

ECONOMIC CLASSIFICATION OF TOTAL EXPENDITURES (AFN BILLION)



Source: Ministry of Finance and World Bank Staff.

ANNEX

						MoM change (%)	YoY change (%)
PRICES							
	Jun-25	May-25	Apr-25	Mar-25	Jun-24	Jun-25	Jun-25
Overall CPI Index	128.8	130.5	131.2	131.0	128.5	-1.2%	0.2%
Food	131.0	134.6	137.2	136.7	133.8	-2.7%	-2.1%
Tobacco	162.4	161.0	162.1	162.3	170.1	0.9%	-4.5%
Clothing	151.6	149.2	147.0	149.0	151.2	1.7%	0.3%
Housing	113.1	113.8	112.3	110.8	102.0	-0.6%	10.9%
Furnishing and household goods	133.3	131.4	129.9	130.4	134.6	1.5%	-0.9%
Health	142.4	146.6	147.1	148.1	146.9	-2.9%	-3.1%
Transportation	128.8	125.9	127.8	129.1	129.0	2.3%	-0.2%
Communication	91.0	90.7	90.3	90.7	92.3	0.4%	-1.4%
Information and Culture	110.3	110.0	108.1	108.4	110.6	0.3%	-0.3%
Education	139.2	139.4	141.2	142.1	143.1	-0.2%	-2.7%
Restaurants and Hotels	115.3	114.7	113.6	113.6	113.8	0.6%	1.4%
Miscellaneous	159.9	157.4	155.8	156.0	158.1	1.6%	1.1%
Core Price Index	126.7	126.7	125.5	125.4	123.2	0.0%	2.9%
EXCHANGE RATE							
	Jul-25	Jun-25	May-25	Apr-25	Jul-24	Jul-25	Jul-25
AFN/USD	69.1	70.2	69.7	71.6	71.0	1.5%	2.6%
NEER	139.6	140.3	136.9	137.9	137.1	-0.5%	1.8%
REER	84.6	83.8	82.8	83.9	88.3	0.9%	-4.2%
TRADE							
	Jul-25	Jun-25	May-25	Apr-25	Jul-24	Jul-25	Jul-25
Total Exports (US\$ Million)	116.9	65.0	91.9	98.0	110.8	80%	5%
Food Group	94.8	41.6	57.2	63.1	72.3	128%	31%
Coal	7.1	9.9	13.7	14.9	10.9	-28%	-35%
Textiles	4.8	5.3	8.7	8.3	10.8	-10%	-56%
Others	10.2	8.2	12.3	11.7	16.7	23%	-39%
Total Imports (US\$ Million)	1181.6	895.5	1156.2	936.3	981.7	32%	20%
Food Group	205.5	145.7	209.0	189.0	159.9	41%	28%
Mineral Products	275.8	244.9	283.1	246.1	228.7	13%	21%
Textile	85.6	68.5	84.6	51.4	64.9	25%	32%
Chemicals & Allied Industries	71.3	64.6	64.9	54.8	95.3	10%	-25%
Plastic/Rubber & Machinery	163.6	119.5	147.5	120.0	120.5	37%	36%
Transportation related Goods	117.6	78.6	120.5	96.6	103.4	50%	14%
Others	262.2	173.6	246.5	178.5	208.9	51%	26%
Trade Deficit (US\$ Million)	1064.7	830.4	1064.3	838.3	870.9	28%	22%
FISCAL							
	M4-FY2025	M3-FY2025	M2-FY2025	M1-FY2025	M4-FY2024	M4-FY2025	M4-FY2025
Total Revenue (AFN Billion)	24.9	17.5	23.3	18.6	15.8	42%	58%
Domestic Tax Revenue	10.6	6.7	9.0	7.1	5.4	57%	95%
Customs Duty and Fee	5.8	4.9	6.5	5.2	5.5	19%	6%
Non-Tax Revenue	8.5	5.9	7.8	6.2	4.9	45%	73%
Other Revenue	0.0	0.0	0.1	0.1	0.0	-9%	34%
Total Expenditures (AFN Billion)	23.3	29.7	2.6	17.3	23.1	-21%	1%
Wages & Salaries	13.4	22.2	-	16.1	16.2	-40%	-17%
Use of Good and Services	2.9	5.7	1.9	1.2	2.8	-49%	3%
Interest & Repayment of Loan	0.3	0.0	-	-	0.0	-	1076%
Subsidies/ Grants & Social Benefits	5.0	1.5	0.5	-	3.5	235%	44%
Acquisition of Assets	1.6	0.2	0.2	-	0.6	745%	189%
Fiscal Deficit	1.7	-12.1	20.7	1.2	-7.3	-114%	-123%

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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.