

# 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

To accelerate growth, Afghanistan must prioritize human capital development and inclusive policies.

Core inflation turned positive in October after 18 months of deflation, while food prices declined following a rise in September. Overall, prices remain low compared to the previous year.

Persistent deflation has only partially mitigated the Afghani's nominal appreciation, sustaining weak trade competitiveness.

Despite a seasonal boost in agricultural exports to Pakistan and India, Afghanistan's trade deficit widened in October 2024, driven by rising imports and

Afghanistan's experience modest economic growth in 2023-24 after two years of severe decline, marking an encouraging development. However, this level of recovery is insufficient to substantially improve the country's social indicators. The economic and social outlook remains precarious, hampered by policy uncertainty, financial isolation, and limited human and physical capital. Moreover, restrictions on women's education and socio-economic participation, including the recent enactment of the Morality Law, continue to create significant barriers to sustainable development and long-term progress.

Domestic prices rose for the second straight month in October 2024, increasing by 0.6 percent from September. This growth was mainly driven by a 2.2 percent rise in non-food prices, which have steadily climbed since hitting a low in July 2024. Meanwhile, food prices showed volatility, dropping by 1 percent in October after a September increase. Most food items became cheaper, except for oils, fats, and vegetables.

In October 2024, non-food prices rose significantly, driven by seasonal factors. Housing costs increased by 5.2 percent, with the average rent for non-concrete houses in Kabul rising 7 percent to AFN 7,221 (USD 108) from AFN 6,779 (USD 98) in September. Energy prices surged by 11 percent, reflecting higher firewood costs following September's increase in liquid gas prices. Other notable increases included furniture, household goods, health services, and information services. Clothing prices rose by 2.8 percent, with floral cotton fabric up 8 percent to AFN 108 (USD 1.6) from AFN 101 (USD 1.5). Core inflation (excluding food and energy) increased by 0.9 percent year-on-year, indicating a gradual recovery in aggregate demand.

Despite the month-on-month (MoM) increase, overall prices in October 2024 remain 4.6 percent lower than a year ago, driven by a stronger Afghani and improved agricultural supply. Food prices are down 9.2 percent year-on-year, reflecting oversupply from better harvests and increased imports, while non-food prices have returned to their October 2023 levels. The World Food Program (WFP) observed continued deflation in basic household item prices, albeit at a slower pace in November 2024. However, high poverty and unemployment persist, underscoring the urgent need to address structural challenges in the private sector.

The Afghani appreciated by 4 percent against the US dollar in the first eleven months of 2024, strengthening to 68 Afghani per US dollar in November, from 69.7 at the end of 2023. The Nominal Effective Exchange Rate (NEER) also rose by 3.3 percent against major trade partners' currencies during this period. This appreciation was supported by a ban on foreign currency in local transactions, tighter controls on capital flight, a fixed supply of Afghani banknotes, and US dollar inflows. However, the sources of these foreign exchange inflows remain unclear amid declining UN cash shipments. The NEER's appreciation aligned with the deflation rate, maintaining the Real Effective Exchange Rate (REER) at 2023 levels, though the REER rose 3.9 percent month-on-month in October.

The elevated REER exacerbates Afghanistan's trade imbalance, as Afghan exports struggle to remain competitive in global markets despite deflation. These challenges underscore the urgent need for comprehensive policy reforms to tackle the structural issues driving the trade deficit. Additionally, greater transparency regarding foreign currency inflows is crucial to bolstering Afghanistan's credibility with trade partners.

Despite a significant rise in exports, Afghanistan's trade deficit widened by 26 percent month-on-month in October 2024, reaching USD 942 million, up from USD 747.6 million in September. Over the first ten months of 2024, the deficit surged by 50 percent to USD 7.2 billion (42 percent of GDP), compared to USD 4.8 billion (33 percent of GDP) during the same period in 2023. This growth was driven by the strong Afghani currency eroding trade competitiveness, shifting trade policies, and episodic border closures with Pakistan.

Afghanistan's exports surged by 30 percent in October 2024, reaching USD 258 million, driven by a 32.2 percent rise in food exports. This growth resulted from the reopening of key trade routes, tariff exemptions by China, and Pakistan's removal of duties on Afghan fresh produce,

persistent export challenges.

which boosted seasonal demand in Pakistan and India. However, cumulatively over the first ten months of 2024, exports declined by 9 percent to USD 1.4 billion. Food exports fell by 3 percent to USD 968 million, while coal exports plummeted by 69 percent to USD 75 million due to turbulent trade relations with Pakistan, including border closures, a 2 percent transit tax, and the introduction of the Temporary Admission Document (TAD) in March 2024.

Unreliable trade relations with Pakistan have prompted Afghanistan to diversify its export markets, with Iran, Kazakhstan, and Uzbekistan—each contributing around 3 percent—emerging as growing markets since September 2023. Despite this shift, Pakistan remains Afghanistan's largest export destination, accounting for 46 percent of total exports, followed by India at 33 percent. Food and coal continue to dominate Afghanistan's exports, making up 75 percent of total exports, a decline from 81 percent in 2023.

Import growth continues to surpass sluggish economic activity.

From January to October 2024, Afghanistan's imports totaled USD 8.6 billion, a 36 percent increase compared to the same period in 2023. Mineral imports, comprising 22 percent of the total, rose by 48 percent to USD 1.9 billion, while food imports, accounting for 19 percent, grew by 25 percent to USD 1.7 billion. In contrast, textile imports, which represent 7 percent of the total, declined by 8 percent to USD 571 million. Imports of transportation goods surged by 85 percent, machinery and equipment by 49 percent, and chemical products by 47 percent.

Iran became Afghanistan's largest import source, accounting for 30 percent of total imports with a 90 percent year-on-year increase, largely due to shifts in transit trade routes. Other major sources included the UAE (20 percent), Pakistan (15 percent), and China (7 percent).

Domestic revenue mobilization remained robust during the first eight months of FY2024-25, driven by significant contributions from key components.

Revenue collection has remained robust during the first eight months of FY2024-25 (March 22 to November 21, 2024), with total collections reaching AFN 153.5 billion (USD 2.3 billion), equivalent to 11 percent of the annual GDP. This marks a significant 13 percent year-on-year increase and exceeds the eight-month target by 5 percent.

Domestic tax revenue showed steady growth, reaching AFN 58.2 billion in the first eight months of FY2024-25, up from AFN 52.5 billion during the same period in FY2023-24. This represents an increase of approximately 11 percent and contributed 4.2 percentage points to the overall growth in domestic revenue.

Non-tax revenue was the primary driver of this growth, achieving an impressive 28 percent increase compared to the same period last year and contributing 8.5 percentage points to the overall growth in domestic revenue. During this period, non-tax revenue totaled AFN 53.3 billion, up from AFN 41.8 billion in FY2023-24. This increase was largely driven by higher income from mining, vehicle registrations, passport issuance, transport services, railway operations, and telecommunications fees. Ministries responsible for non-tax revenue collections exceeded their targets by 13.3 percent, resulting in an overall increase of 21.5 percent compared to last year's collections.

Customs revenue also experienced substantial growth, rising by approximately 21 percent and contributing 5.2 percentage points to the overall growth in domestic revenue. This growth was fueled by higher imports, supported by strengthened trade relations with Iran and Central Asia, improved border management, and recent tariff adjustments on various imported goods. During the first eight months of FY2024-25, customs revenue reached AFN 41.4 billion, up from AFN 34.3 billion in the same period of FY2023-24.

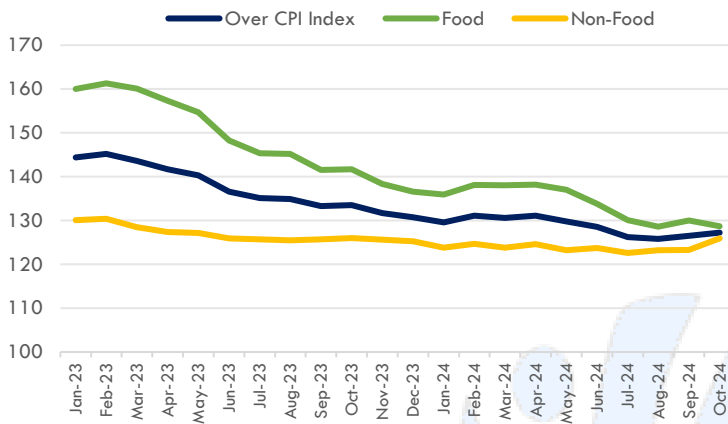
Despite this growth, the share of customs revenue in Afghanistan's total revenue mix declined by one percentage point to 52 percent, reflecting a gradual change in revenue composition and underscoring the critical need to diversify and strengthen domestic revenue streams.

However, other domestic revenue experienced a sharp decline, dropping from AFN 7.7 billion in the first eight months of FY 2023-24 to AFN 0.4 billion in FY 2024-25. This decrease contributed a negative 5.4 percentage points to the overall growth in domestic revenue. In FY 2023-24, this category was primarily composed of miscellaneous revenue and transfers from previous years.

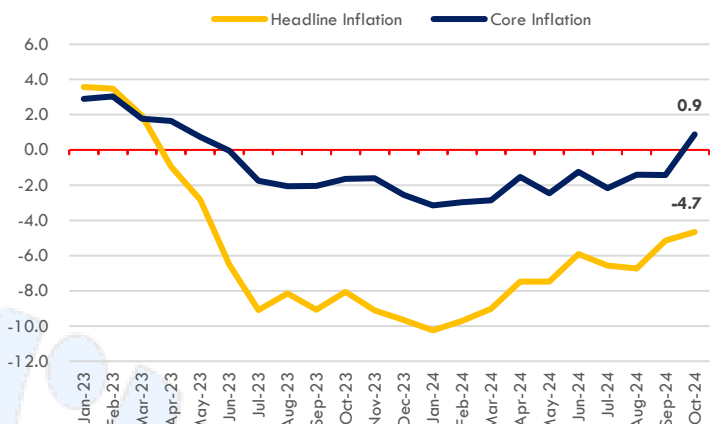
## 1. PRICE TRENDS

Inflation in Afghanistan was recorded at negative 4.7 percent YoY in October 2024, primarily driven by declining food prices (9.2 percent) amid supply improvements and export disruptions.

### 1.1. HEADLINE PRICE INDEX



### 1.2. HEADLINE & CORE INFLATION (Y-O-Y)



Source: National Statistics and Information Authority (NSIA).

### 1.3. BASIC HOUSEHOLD GOODS – Y-O-Y INFLATION

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24
Bread	-5.3	-6.3	-6.7	-8.0	-8.2	-8.2	-6.5	-6.7	-8.0	-8.3	-14.3	-7.7
Fuel (diesel)	-30.2	-33.1	-28.5	-19.2	-15.1	-13.2	-8.2	-5.9	-2.8	-6.9	-13.9	-8.7
Oil (cooking)	-36.4	-35.6	-34.7	-33.0	-31.2	-26.4	-22.7	-18.3	-17.0	-11.0	-0.4	14.1
Pulses	-6.1	-5.1	-6.2	-6.0	-5.5	-5.2	-4.8	-7.0	-8.1	-9.1	-10.5	-5.7
Rice (high quality)	-14.8	-17.0	-15.8	-16.6	-18.1	-19.3	-19.7	-19.3	-18.5	-16.5	-15.1	-10.6
Rice (low quality)	-0.1	-1.8	-5.0	-4.2	-4.3	-7.0	-8.7	-10.2	-11.0	-11.5	-11.6	-8.1
Salt	0.1	0.9	0.6	-1.9	-2.3	2.6	1.5	4.2	10.5	12.9	11.8	11.6
Sugar	10.8	8.2	14.1	9.5	7.1	-9.9	-15.0	-13.5	-16.2	-19.6	-21.7	-21.5
Wheat	-32.8	-32.4	-32.9	-28.3	-25.9	-24.0	-22.8	-20.5	-20.7	-19.4	-20.9	-19.8
Wheat flour (high quality)	-32.5	-32.4	-28.6	-24.2	-21.8	-19.5	-13.0	-9.4	-9.2	-7.7	-13.8	-9.8
Wheat flour (low quality)	-34.7	-35.2	-32.2	-29.3	-27.6	-24.3	-18.8	-14.2	-13.5	-11.9	-15.3	-11.8
<b>Basic Household Goods Price Inflation</b>	<b>-24.0</b>	<b>-24.4</b>	<b>-22.2</b>	<b>-19.6</b>	<b>-18.2</b>	<b>-17.2</b>	<b>-14.3</b>	<b>-12.0</b>	<b>-11.7</b>	<b>-10.8</b>	<b>-12.4</b>	<b>-7.2</b>

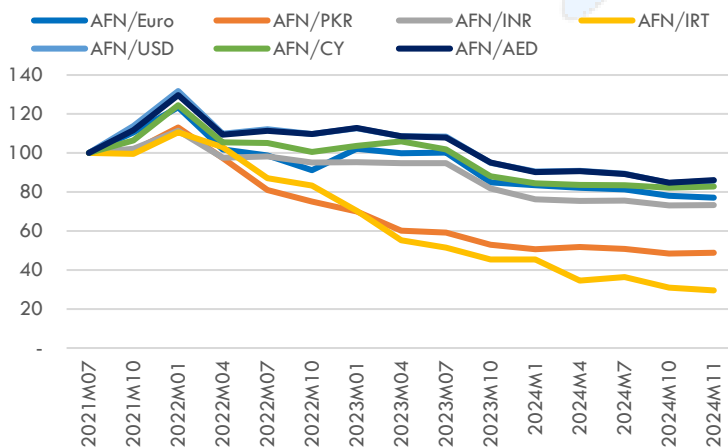
Source: Price data from WFP weekly report; index constructed by World Bank staff.

Note: This Index uses WFP price data for 11 critical household goods from all provinces. It applies consumption and population weights from NSIA to provide an aggregate snapshot of basic household inflation trends.

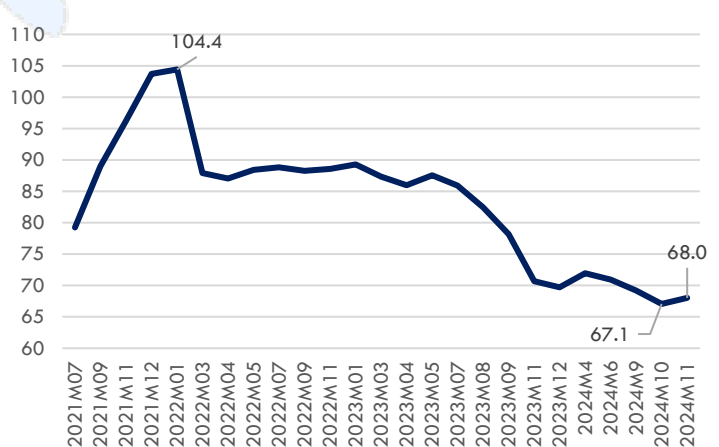
## 2. FOREIGN EXCHANGE

The Afghan currency appreciated in nominal terms against key trading partners, while REER remains stable during the first ten months of 2024, weakening trade competitiveness despite persistent deflation.

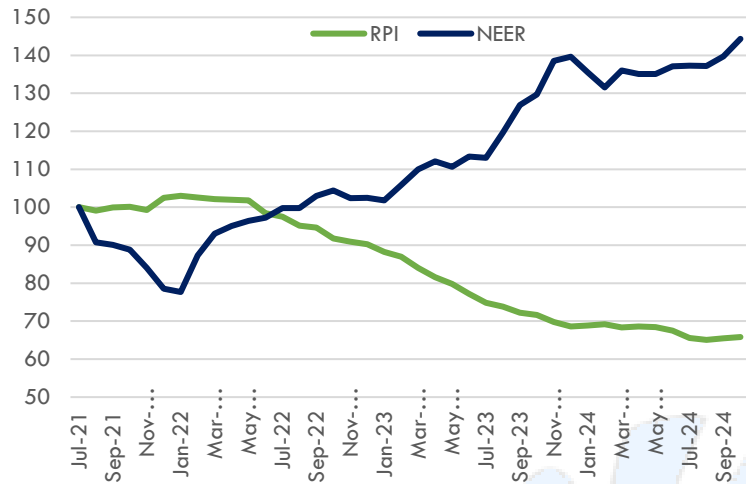
### 2.1. EXCHANGE RATE – INDEX JULY 2021 (HIGHER = DEPRECIATION)



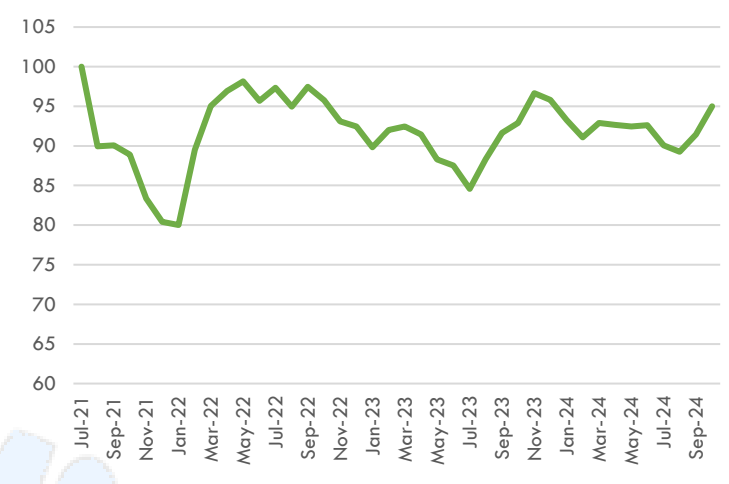
### 2.2. AVERAGE MONTHLY AFN/\$ EXCHANGE RATE



## 2.3. NEER AND RPI – INDEX (JULY 2021 =100) (HIGHER = APPRECIATION)



## 2.4. REER – INDEX (JULY 2021 =100) (HIGHER = APPRECIATION)



Source: Data in Figures and Table is from DAB and IFS, World Bank staff elaboration. Note: RPI and REER for October are projections and highlighted in red.

## 2.5. EXCHANGE RATE – APPRECIATION/DEPRECIATION BY CURRENCY SINCE AUGUST 15, 2021

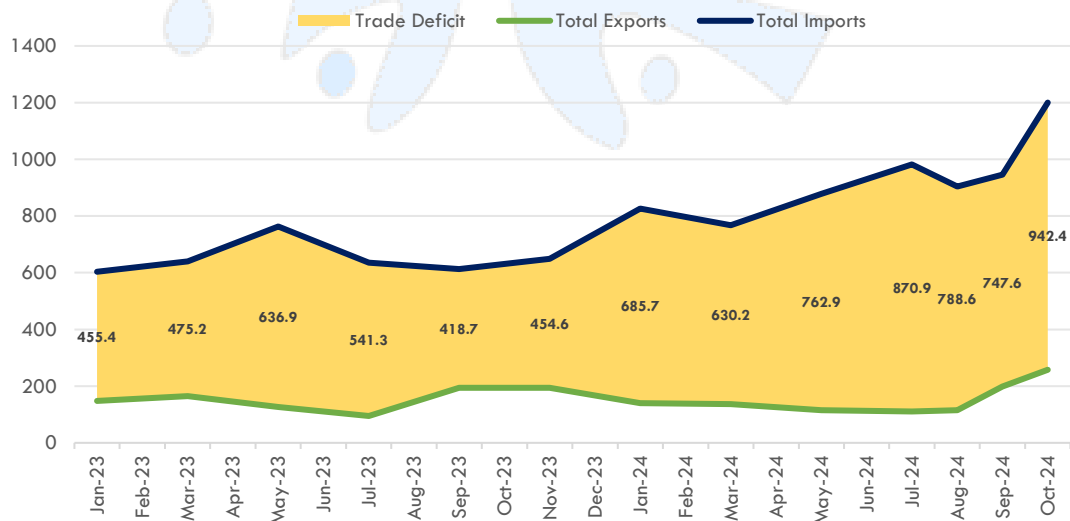
	26-Dec-23	25-Jan-24	28-Feb-24	28-Mar-24	30-Apr-24	28-May-24	27-Jun-24	31-Jul-24	31-Aug-24	30-Sep-24	31-Oct-24	30-Nov-24
AFN/Euro	27.02	22.38	23.66	26.54	25.87	27.05	28.96	27.04	25.86	28.11	33.46	35.18
AFN/PKR	110.54	99.73	101.15	100.83	96.79	100.91	100.51	103.31	105.53	108.13	112.21	110.28
AFN/INR	42.57	39.62	41.05	42.56	42.00	42.57	42.68	42.75	42.19	47.98	48.15	46.28
AFN/IRT	113.33	113.33	146.15	166.67	190.91	166.67	166.67	166.67	166.67	166.67	220.00	255.56
AFN/US\$	22.82	17.34	18.20	20.38	18.88	20.68	21.23	21.32	22.50	25.72	28.72	26.51
AFN/CY	22.36	20.36	21.64	21.99	22.85	23.92	23.27	23.75	24.46	25.13	22.97	24.09

Source: Data in Figures and Table is from DAB, World Bank staff elaboration.

## 3. TRADE DEVELOPMENTS

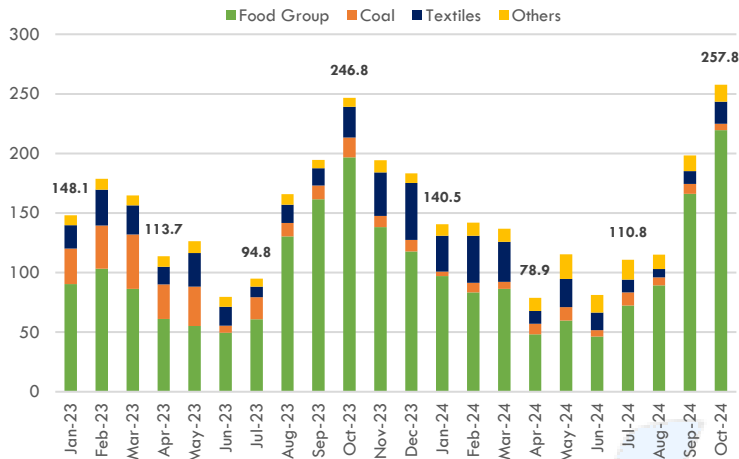
Afghanistan's trade deficit for the first ten months of 2024 was significantly larger compared to the same period in 2023, driven by rising imports and challenges in export growth.

### 3.1. AFGHANISTAN TRADE DEFICIT (US\$ MILLIONS)



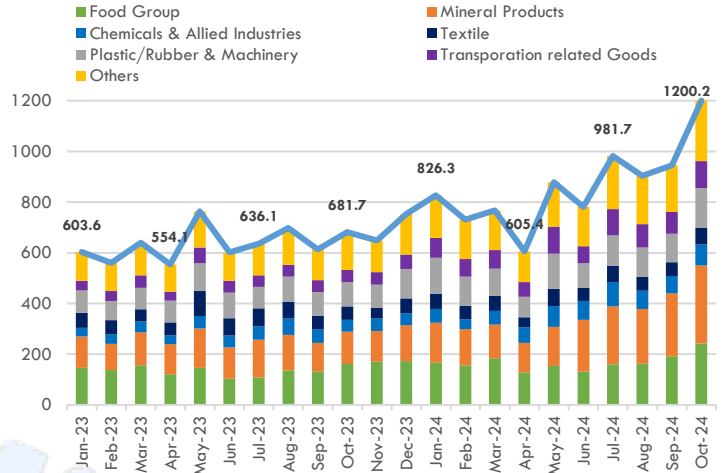
Source: ASYCUDA

## 3.2 AFGHANISTAN'S EXPORTS (US\$ MILLIONS): 2023 - 2024



Source: ASYCUDA

## 3.3 AFGHANISTAN'S IMPORTS (US\$ MILLIONS): 2023 - 2024

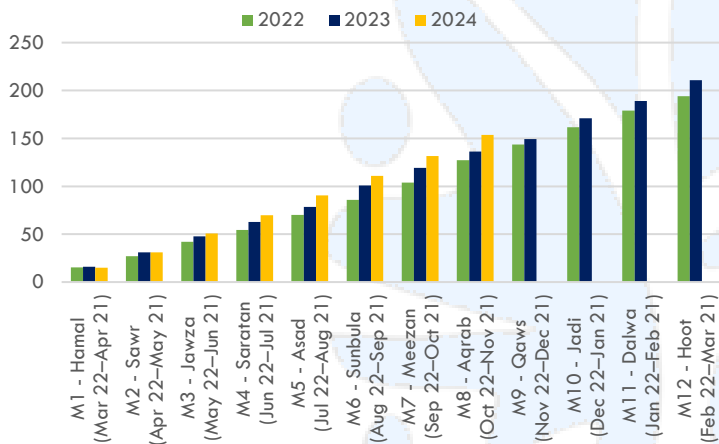


Source: ASYCUDA

## 4. REVENUES

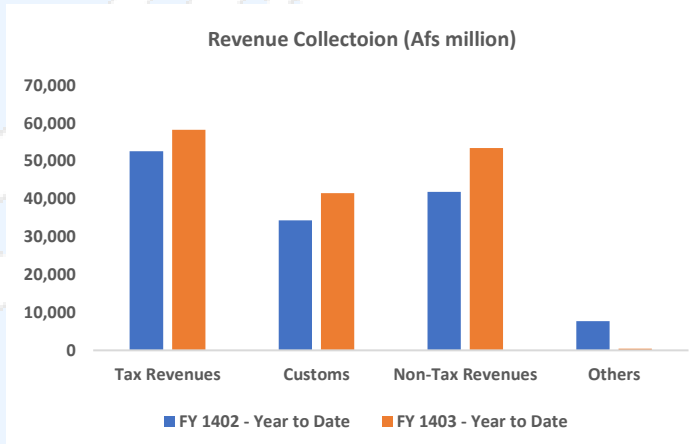
The commencement of FY 2024-25 witnessed a strong revenue collection (AFN 153.5 billion in the first eight months of FY 2024-25) driven by both inland and customs collections.

### 4.1. TOTAL REVENUE (AFN BILLIONS; FY 2024-25) (MARCH 22nd – NOVEMBER 21st, FY2024-25)



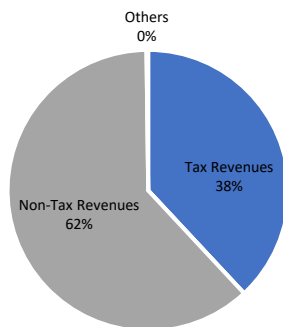
Source: Ministry of Finance

### 4.2. REVENUE COLLECTION BY COMPONENT (AFN BILLIONS, MARCH 22nd – NOVEMBER 21st, FY2024-25)



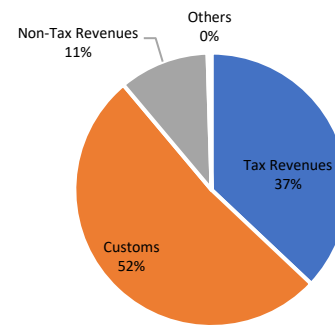
### 4.3. PERCENT SHARE OF INLAND COLLECTIONS BY SOURCE (MARCH 22nd – NOVEMBER 21st, FY2024-25)

Afghanistan Revenue Department



### 4.3. PERCENT SHARE OF COLLECTIONS AT BORDER CROSSINGS (MARCH 22nd - NOVEMBER 21st, FY2024-25)

Afghanistan Customs Department



Source: Ministry of Finance.

Note: The Afghan fiscal calendar month, Hamal, runs from March 22–April 21.



For analytical products in Afghanistan, kindly visit <https://www.worldbank.org/en/country/afghanistan>.

*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.