AFGHANISTAN

Population[1] million	Poverty
42.6	..
Life expectancy at birth[2] years	**School enrollment[3]** primary (% gross)
66.0	110.0
GDP[4] current US$, billion	**GDP per capita[5]** current US$
20.7	484.3

Sources: WDI, MFMod, and official data. 1/ 2024. 2/ 2023. 3/ 2019. 4/ 2024. 5/ 2024.

Afghanistan's economy faces severe challenges in 2025, including aid cuts, drought, and mass returnee inflows. GDP per capita is projected to contract by 4 percent, agriculture remains weak, and inflation is stabilizing. Despite maintaining fiscal balance, the trade deficit continues to widen. The outlook remains bleak amid refugee policy uncertainty and declining humanitarian aid.

Key conditions and challenges

Afghanistan's economy remains fragile in 2025, with only a modest recovery after sharp contractions in 2021–2022. Foreign aid has declined significantly since the Interim Taliban Administration (ITA) took power, weakening fiscal stability. Trade and agricultural revival offer limited relief, but unemployment and low incomes persist amid large influx of returnees from Iran and Pakistan. The banking sector faces liquidity shortages, international restrictions, and a shift to Islamic finance, limiting credit access. Deflation has eased, yet food insecurity remains due to climate shocks, natural disasters, and poor infrastructure.

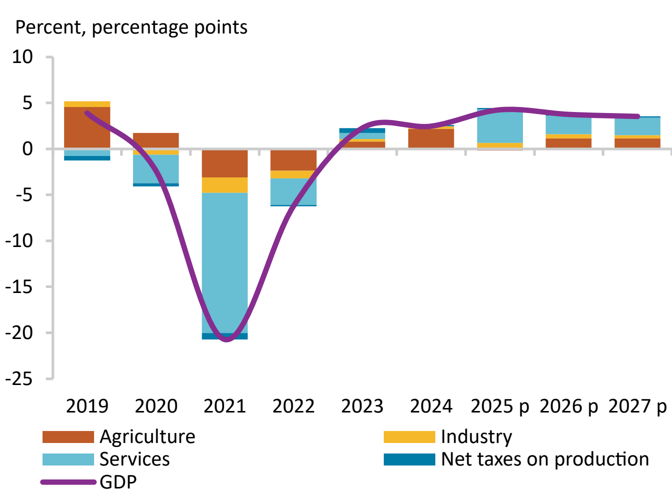
Medium-term prospects are constrained by structural challenges. Financial isolation restricts foreign investment and market access, while a cash-based informal economy hampers efficiency. Policy uncertainty and restrictive social measures—especially on female education and employment—undermine human capital. Rapid population growth, exacerbated by returnees from Iran and Pakistan, strains services and job market, deepening poverty challenges. Weak energy and transport infrastructure further limits industrial and commercial activity. Without meaningful reforms to improve governance, enable private sector growth, and restore international confidence, Afghanistan risks prolonged stagnation, rising vulnerability, and continued dependence on humanitarian aid.

Recent developments

Afghanistan's economy has been severely impacted in 2025 by a series of exogenous shocks, including reduced foreign aid, regional geopolitical tensions, drought, earthquakes, and a large influx of returnees from Iran and Pakistan. While the effects of these shocks are still unfolding, nearly 2 million Afghans) returned during the first five months of the Afghan fiscal year (March 20 to August 2025), with a peak of approximately 800,000 in July, primarily from Iran. On an annual basis, the population is projected to grow by 8.6 percent in FY2025, with migration contributing 6.1 percentage points.

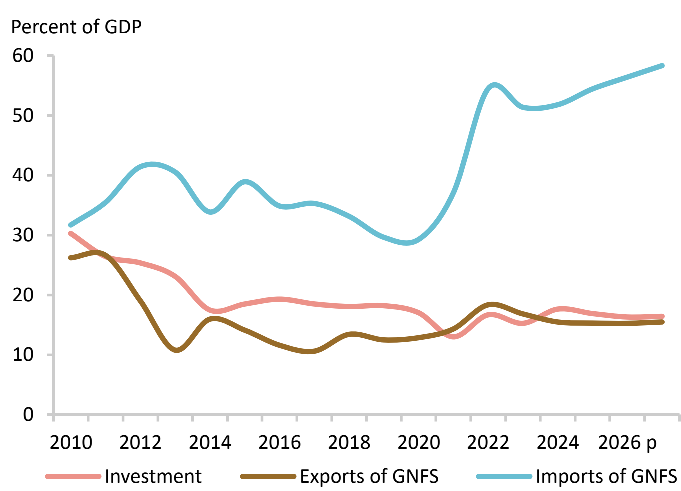
Meanwhile, aggregate GDP is expected to rise by only 4.3 percent—driven mainly by consumption—resulting in a projected 4.0 percent contraction in GDP per capita. This reflects a decline in capital per worker and the mismatch between economic growth and population expansion. Returnees' influx will contribute to an

FIGURE 1 / Real GDP growth and sectoral contributions to real GDP growth



Source: World Bank.

FIGURE 2 / Exports, imports, and investment



Source: World Bank.

estimated 8.5 percent growth in the services sector and 4.5 percent in industry. Agriculture remains challenged due to drought, contracting by 0.5 percent, despite resilient wheat production.

The large-scale and sudden return of migrants will significantly increase the number of low-skilled workers, a group already experiencing high levels of unemployment and underemployment. In the short term, this oversupply of unskilled labor is likely to drive wages down further, exacerbating the livelihood challenges and poverty risks faced by Afghan households.

Year-on-year inflation rose to 0.2 percent in June 2025 from negative 6.0 percent in June 2024, driven by higher non-food prices and recovering domestic demand. Returnee inflows have increased demand for housing and services, while food prices declined by 2.1 percent due to stable imports and a resilient local currency.

Afghanistan's current account deficit is projected to widen to 31.9 percent of GDP in FY2025, up from 24.6 percent in FY2024. This reflects a widening of the trade deficit by 3.0 percentage-points (pp) of GDP (pp), a 2.5 pp drop in remittances due to mass returnees and a 1.7 pp decline in external aid. The trade deficit is expected to reach 48.8 percent of GDP, with substantial contribution from the returnees.

Domestic revenue is forecasted to increase to 17.1 percent of GDP in FY2025, up from 16.7 percent of GDP in FY2024, partially offsetting a 1.9 pp decline in external grants to 12.1 percent of GDP. The Interim Taliban Administration (ITA) is expected to maintain a balanced budget, with total on-budget expenditures also at 17.1 percent of GDP. Of this, current expenditures will account for 90 percent, while development spending remains low at 1.7 percent of GDP.

Outlook

Afghanistan's economy is projected to grow 3.8 percent in FY2026 and 3.5 percent in FY2027, supported by higher private investment, a gradual recovery in capital per worker, and improved labor market absorption of returnees. These projections are approximately 1.2 percentage points higher than those published in April. However, sustained population growth and oversupply of low skilled labor will continue to limit gains in per capita GDP, making poverty reduction difficult.

The current account deficit is expected to remain around 34 percent of GDP over the next two years, despite continued declines in aid and remittance inflows. The ITA is projected to maintain a balanced budget, constrained by limited borrowing options.

Afghanistan's outlook remains bleak, with risks tilted to the downside. Uncertainty over refugee policies in Pakistan and Iran—particularly Pakistan's non-renewal of Proof of Residency (PoR) for hundreds of thousands of Afghan refugees—adds to instability. The humanitarian situation is dire: according to the UN Office for the Coordination of Humanitarian Affairs (OCHA), nearly half the population will require aid in 2025. Further declines in aid could weaken economic activity, deepen fiscal stress, and strain the external sector.

Recent history and projections	2022	2023	2024	2025e	2026f	2027f
Real GDP growth, at constant market prices	-6.2	2.3	2.5	4.3	3.8	3.5
Private consumption	0.6	6.4	4.9	7.0	5.0	4.0
Government consumption	-1.2	0.7	9.1	6.5	7.8	3.4
Gross fixed capital investment	29.2	-5.7	3.0	2.5	2.6	9.1
Exports, goods and services	18.6	-12.1	-3.0	2.5	3.0	4.0
Imports, goods and services	36.7	0.7	8.0	9.0	7.0	6.0
Real GDP growth, at constant factor prices	-6.4	1.8	2.5	4.3	3.8	3.6
Agriculture	-6.6	2.2	6.0	-0.5	3.2	3.2
Industry	-5.7	1.8	2.1	4.5	3.0	2.5
Services	-6.5	1.5	-0.3	8.5	4.5	4.2
Inflation (consumer price index)	10.6	-7.7	-4.3	2.0	3.0	4.0
Current account balance (% of GDP)	-18.8	-17.6	-24.6	-31.9	-34.8	-36.1
Net foreign direct investment inflow (% of GDP)	0.0	0.3	0.0	0.0	0.0	0.0
Fiscal balance (% of GDP)	-1.0	-1.2	-0.4	0.0	0.1	0.1
Revenues (% of GDP)	40.6	33.9	30.7	29.1	29.0	28.7
Debt (% of GDP)	13.9	13.6	12.8	12.1	10.4	8.4
Primary balance (% of GDP)	-1.0	-1.2	-0.4	0.0	0.1	0.1
GHG emissions growth (mtCO2e)	-0.3	1.5	2.0	2.8	3.0	3.1

Source: World Bank, Poverty and Economic Policy Global Departments. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. Data in annual percent change unless indicated otherwise.