TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES

ISSN: 3106-7638 (Online)

ISSN: 3106-762X (Print)

Vol 2, Issue 1, 2026

The Effects of Inflation on Unemployment in Afghanistan (2001-2025)

Shafiullah Ghausee[1*], Mohammad Islam Ahmadzai[1] and Hazrat Khan Zahin[1]

[1]BBA Department, Economics Faculty, Paktia University, Paktia, Afghanistan

*Corresponding author Email: shafi.ghausee123@gmail.com

DOI: 10.64505/tijss/v02issue01/0027

Article Info:

Received:

31/05/ 2026

Revised:

04/07 / 2026

Accepted:

05 /07 2026

Published:

20/07 / 2026

ABSTRACT

The rate of inflation is a crucial macroeconomic indicator which could impact on unemployment, economic stability and economic performance. There has been much attention paid to the relationship between inflation and unemployment in the field of macroeconomics research, though its nature and significance may differ from country to country and from economic condition to economic condition. In this study, the effects of inflation on the unemployment rate in Afghanistan were explored on the basis of time series data from 2001 to 2025 with annual frequency. Data on the relevant variables were extracted from the World Bank's World Development Indicators data. The study design is quantitative, secondary data and the method used for the analysis of the study is econometric method, which is used to study the relationship between inflation and unemployment. Initially, Augmented Dickey-Fuller test was performed to test whether the variables were stationary or not, and the result showed that the variables were non-stationary at level. As such, the Auto-regressive Distributed Lag model was used to analyze the possible short run and long run relationships between inflation and unemployment. Further, the stability of the estimated model was tested using the Cumulative Sum test during the study period. The results show that inflation was positive in the first year, which implies that inflation has a positive relationship with unemployment in the short run, but is not significant. In addition, long-term results indicate that inflation is not statistically significant in affecting unemployment in Afghanistan. The results point to the possibility of other economic and structural factors influencing the inflation–unemployment nexus in Afghanistan. The study finds that inflation is not a major long-run influence on unemployment and suggests that employment policies should take into account structural, economic and labor market influences in addition to the role of inflation management.

KEYWORDS: Afghanistan, ARDL, Effects, Inflation, Unemployment

1. INTRODUCTION

Inflation is a global phenomenon of the modern era. In this capitalist world, there is hardly any country whose economy is not affected by the problem of inflation. One of the most important objectives of macroeconomic policies and strategies is maintaining price stability as well as monitoring and controlling inflation. Developing countries make significant efforts to reduce the unemployment rate within their economies. However, there are

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

certain variables that affect unemployment, and one of these variables is inflation, which influences many sectors of a country's economy and, consequently, affects unemployment in different ways.

Inflation refers to a continuous increase in the general price level of goods and services over a specific period of time, accompanied by a decline in the value of money (Kotwal, 2017).

More clearly, this situation occurs when the value of money decreases, and this decline reduces the purchasing power of money. Usually, the main reason is considered to be the excessive supply of money; that is, when the amount of money in the market becomes greater than the supply of goods and services, it leads to rising prices. This rise in prices and decline in the value of money is called inflation (Dao et al., 2024)

However, inflation may also arise from factors other than changes in the money supply, such as an increase in aggregate demand, a decrease in aggregate supply, higher production costs, psychological instability and uncertainty, increases in the prices of imported goods, hoarding or monopoly practices, high interest rates, and other related factors (International Monetary Fund [IMF], 2024; World Bank, 2024; European Central Bank [ECB], 2024).

A high rate of inflation is considered a major economic problem because the prices of goods rise rapidly compared to income levels, which consequently leads to a decline in people's savings. When the prices of goods increase faster than income, the purchasing power of people decreases. In addition, rapid increases in prices create an atmosphere of uncertainty in economic activities, which may cause many investors to reduce their investment and production levels, ultimately leading to unemployment (World Bank, 2024; Ha et al., 2024).

There is also disagreement among economists regarding this issue. Some argue that inflation helps reduce unemployment, while others believe that high inflation increases unemployment. However, most economists are of the opinion that a certain level of inflation is necessary to reduce unemployment and support economic growth, but inflation beyond a certain level negatively affects economic growth (Niazi, 2020).

To evaluate the relationship between inflation and unemployment, various scholars have conducted studies in different countries and periods, producing different results. Some of these studies are briefly discussed below as examples (Ball et al., 2022; Hooper et al., 2023).

A. W. Phillips (1958) was the first to examine the relationship between inflation and unemployment using data from England covering the years 1861–1957. His study found an inverse (negative) relationship between the rate of wage increases and unemployment; that is, when unemployment is low, wages and, consequently, prices

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

rise, while when unemployment is high, inflation declines. This research later became the foundation of the Phillips Curve theory.

Milton Friedman (1968) and Edmund Phelps (1967) argued that the negative relationship between inflation and unemployment exists only in the short run. In the long run, the economy moves toward the Natural Rate of Unemployment, and inflation does not have a lasting effect on unemployment. According to their theory, the long-run Phillips Curve is vertical.

Furuoka (2007) examined the relationship between inflation and unemployment in Malaysia using time series data from 1973 to 2004 through Co-integration and the Error Correction Model. The findings revealed that there is a negative relationship between inflation and unemployment in the short run; however, this relationship weakens in the long run.

Mohseni and Jouzaryan (2016) investigated the relationship between inflation and unemployment in Iran based on time series data. The results showed that high inflation had an effect in reducing unemployment in the short run, but no significant relationship was observed in the long run.

Kitov (2006) analyzed the relationship between inflation and unemployment in the United States and argued that changes in the labor market explain the relationship between inflation and unemployment; however, this relationship is not always consistent.

Tasci and Zaman (2010) studied the relationship between inflation and unemployment in Pakistan and found that inflation is associated with a reduction in unemployment in the short run, while in the long run the relationship is not significant.

Similarly, inflation also exists in Afghanistan and has changed over time due to various factors. However, it is still unclear how inflation affects unemployment in the country. Therefore, this study aims to fill this research gap by examining the effects of inflation on unemployment in Afghanistan and determining how inflation influences unemployment in the Afghan economy (Sediqi & Rahin, 2025; Saad et al., 2025).

This research was conducted in Afghanistan to investigate the effects of inflation on unemployment. It is a quantitative study in which a quantitative analysis was carried out. Annual time series data from 2001 to 2025 were used, and various econometric tests were conducted to evaluate the relationship, including the application of the ARDL method.

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

1.1 Problem Statement

Afghanistan has faced serious economic challenges due to political changes, economic sanctions, declining foreign aid, banking restrictions, and reduced investment. These conditions have created instability in the economy, leading to fluctuations in inflation and increasing unemployment rates. Rising prices of essential goods, especially food and fuel, have reduced the purchasing power of households, while limited economic activities and weak private sector growth have reduced employment opportunities across the country (World Bank, 2026; UNDP, 2026).

Although many economic theories, especially the Phillips Curve theory, explain an inverse relationship between inflation and unemployment, the relationship remains unclear in fragile and conflict-affected economies such as Afghanistan. In some cases, inflation may reduce unemployment by encouraging production and investment, while in other cases inflation may increase unemployment because of economic uncertainty, high production costs, and declining consumer demand (Mankiw, 2021).

Previous studies on Afghanistan mainly focused on past periods and did not fully examine the economic conditions after the political transition (Nazari & Karimi, 2026; Pooya, 2025).

This period represents a unique period characterized by economic contraction, international isolation, humanitarian crises, and major structural changes in the labor market. Therefore, there is limited empirical research analyzing how inflation affected unemployment in Afghanistan (World Bank, 2023).

The main research problem of this study is to determine whether inflation has significantly influenced unemployment in Afghanistan. The study seeks to identify the nature of the relationship between these two macroeconomic variables in Afghanistan's economy under current economic conditions.

1.2 Research Questions

1. Does inflation affect unemployment?
2. How does inflation affect unemployment?
3. To what extent does inflation influence unemployment?

1.3 Research Objectives

- To determine the effect of inflation on unemployment.
- To investigate how inflation affects unemployment.

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

- To assess the magnitude of the effect of inflation on unemployment.

1.4 Research Hypothesis

Ha: It is assumed that inflation has an effect on unemployment.

2. LITERATURE REVIEW

The relationship between these has long been analyzed by economists with the Phillips Curve theory, which proposes a short-run relationship between inflation and unemployment. The Phillips Curve is an old economic theory that suggests that a rise in inflation can bring down unemployment as firms seek to hire more workers in response to higher demand for goods and services. But more recent research questions whether this is a stable relationship and whether it is contingent on economic conditions, expectations and structure of countries.

The theoretical basis for the inflation-unemployment relationship was laid by A.W. Phillips (1958) who noted the negative correlation between the rate of wage inflation and unemployment in the United Kingdom. Later, some economists like Milton Friedman and Edmund Phelps attacked the traditional Phillips Curve and presented the expectations-augmented Phillips Curve. Their argument was that in the long run, inflation does not cause permanent unemployment as workers and firms revise their inflation expectations. Consequently, developing economies tend to have high inflation and high unemployment rates at the same time.

The validity of the Phillips curve has been the subject of several studies covering the international arena, including the developing and transitional economies. However, the empirical evidence of the last few decades suggests that the relationship between inflation and unemployment is not always strong in fragile economies as a result of supply shocks, political uncertainty and structural unemployment. A recent work to estimate the Phillips curve has concluded that the Phillips curve becomes unstable in recessionary periods and in emerging economies where inflation is exogenous from the economy.

Given the economic instability, political transition and reliance on imports and foreign aid in Afghanistan, the correlation between inflation and unemployment has been gaining more attention. Afghanistan has had harsh economic shocks, such as reduction in international assistance, fewer investments, banking curbs, currency volatility, increasing poverty etc. All these factors had a marked impact on the stability of prices and on employment.

This study examined the effects of inflation on unemployment in Afghanistan over the 2001-2020 period with the help of time series data and Autoregressive Distributed Lag (ARDL) model. They found that there was a

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

negative long-run relationship between inflation and unemployment, such that a rise in inflation by 1% translates to an approximate drop in unemployment by 0.062%. The findings of the study were in line with the short-run Phillips Curve theory in the context of Afghanistan (Sediqi and Rahin, 2023).

In 2025, the International Monetary Fund (IMF) conducted research on Afghanistan's inflation dynamics, and from this study, it was observed that the exchange rate, foreign commodity prices and money supply strongly influence the inflation in the country. The study revealed that Afghanistan is a heavily dependent country for imports and foreign assistance and internal prices are very vulnerable and sensitive to external shocks. It further pointed out that the country has been in a prolonged state of deflation since 2023 due to sluggish domestic demand, reduced consumption and economic contraction (IMF, 2025).

The World Bank and IMF reports also highlight the job losses in Afghanistan in 2021 as a result of economic sanctions, limited donor support and a private sector that contracted in the wake of the political transition. Meanwhile, price volatility in food and fuel commodities helped drive inflation. Afghanistan is a net importer of consumer goods and exchange rate depreciations and world commodity price hikes had a direct impact on inflation rates. These economic circumstances had a negative impact on productivity and labor market prospects.

Other empirical evidence in the developing countries indicates that inflation has positive and negative impacts on employment, depending on the source of the inflation. A rise in demand-pull inflation can encourage production and employment, whereas cost-push inflation due to higher import prices or supply shortages can lead to higher unemployment. The traditional Phillips Curve, which is supposed to show that inflation creates more jobs, is bound to be reduced in fragile economies such as Afghanistan, where inflation is driven by supply.

Besides, in the current macroeconomic literature, there is a strong claim that the structural aspects of developing countries, like underdevelopment of industry, inefficient financial system, insecurity and inefficiency of the labor market, are among the most important causes of unemployment. Hence, unemployment trends in Afghanistan in the period 2021-2025 cannot simply be attributed to inflation. Other factors that contributed to increased unemployment during this period were political instability, decreasing international assistance, migration and a lack of private investment.

Previous studies generally have found that the inflation-unemployment relationship varies among countries. The inflation-unemployment relationship in the years 2021-2025 was unique in Afghanistan, as it experienced significant political and economic changes during this time period; hence, it is important to analyze the

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

relationship between the two variables separately for this period. It will try to explain the impact of inflation on the unemployment rate in Afghanistan.

3. RESEARCH METHODOLOGY

This study employed a quantitative research design based on secondary data. All data used in the analysis were obtained from the World Bank's World Development Indicators (WDI) database. Annual time-series data for Afghanistan covering the period from 2001 to 2025 were collected for all variables included in the study. These data served as the basis for examining the relationship between inflation and unemployment in Afghanistan using appropriate econometric techniques.

3.1 Dependent Variable

In this study, the dependent variable is the unemployment rate. The data for this variable were obtained from the World Bank World Development Indicators (WDI) covering the period from 2001 to 2025.

3.2 Independent Variable

In this study, the independent variable is inflation. The data for this variable were also collected from the World Bank World Development Indicators (WDI) for the period from 2001 to 2025. The effects of this variable on the dependent variable were examined in the study.

Table 1: Variables Used in the Regression Model

Descriptions	**Variable**
Dependent Variable	Unemployment Rate
Independent Variable	Inflation

Table 2: Descriptive Statistics of the Variables

	Unemployment Rate	Inflation
Mean	9.653560	5.009906
Median	7.930000	5.130000
Maximum	14.10000	26.42000
Minimum	7.753000	-11.77454
Std. Dev.	2.305668	7.824765

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

In the above table, the variables are presented in descending order, showing the mean, median, maximum value, minimum value, and standard deviation. These measures provide a clear and comprehensive description of the variables used in the study, allowing for a better understanding of their distribution and overall characteristics.

3.3 Model and Description of Variables

Unemployment Rate = f(Inflation)

Econometric Model:

$$\text{Unemployment Rate } = \beta_0 + \beta_1 INF_t + \varepsilon_t$$

3.3.1 Description of the Model

INF: Inflation (annual percentage rate)

Unemployment Rate: Annual growth of unemployment, measured as a percentage of the total labor force

t: Time period (annual data)

ε: Error term

Since the data used in this study is time series in nature, unit root and stability tests were conducted to ensure the validity and reliability of the data. The unit root test was used to check the stationarity of the variables. If any of the variables contain a unit root, the simple OLS method cannot be applied. Therefore, instead of OLS, the ARDL model was employed for the analysis.

4. RESULT AND DISCUSSION

First, a Unit Root Test was conducted to verify the validity and stability of the data

4.1 Unit Root Test

Since we are using Time Series Data, the standard Augmented Dickey Fuller Test was applied to determine the level of the variables and the existence of a Unit Root in the data.

To examine whether the data is stationary or not, we first conduct the Unit Root Test. If the data is not stationary at level form, then it is tested at the first difference and second difference levels. The results of these tests are presented in the table below

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

Table 3: Unit Root Test Result for Inflation at Level

Null Hypothesis: Inflation has a unit root

Exogenous: Constant			
Lag Length: 0 (Automatic - based on SIC, maxlag=5)			
Augmented Dickey-Fuller test statistic		t-Statistic	Prob.*
		-5.168623	0.0004
Test critical values	1% level	-3.737853	
	5% level	-2.991878	
	10% level	-2.635542	

In the above table, the ADF value for inflation is (-5.168623), which is lower than all the critical values, and its probability value is (0.0004). Therefore, we conclude that inflation is stationary at level at the 99% confidence level.

Table 4: Unit Root Test Result for Unemployment at Level

Null Hypothesis: Unemployment Rate has a unit root

Exogenous: Constant			
Lag Length: 0 (Automatic - based on SIC, maxlag=5)			
Augmented Dickey-Fuller test statistic		t-Statistic	Prob.*
		0.281786	0.9721
Test critical values	1% level	-3.737853	
	5% level	-2.991878	
	10% level	-2.635542	

In the above table, the ADF value for unemployment is (0.281786), which is higher than all the critical values, and its probability value is (0.9721). Therefore, we conclude that unemployment is not stationary at level. Hence, we examine it at the first difference.

Table 5: Unit Root Test Result for Unemployment at First Difference

Null Hypothesis: D(unemployment rate) has a unit root

Exogenous: Constant
Lag Length: 0 (Automatic - based on SIC, maxlag=5)

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.695378	0.0114
Test critical values:	1% level	-3.752946	
	5% level	-2.998064	
	10% level	-2.638752	

In the above table, the ADF value for unemployment is (-3.695378), which lies between the 1% and 5% critical values, and its probability value is (0.0114). Therefore, we conclude that unemployment is stationary at the 95% confidence level at first difference.

Since all of our variables are not stationary at level, the Autoregressive Distributed Lag Model model has been used.

4.2 Analysis Based on the ARDL Method

In the Autoregressive Distributed Lag Model method, the relationship among variables is evaluated to determine the type and nature of the relationship between them. We applied this method, and the results are presented in the table.

The results show that in the first year, the coefficient value of inflation is (0.022752), the t-statistic value is (1.205667), and the probability value is (0.2414). Therefore, we conclude that inflation has a positive effect on the level of unemployment. However, this relationship is not statistically significant. Hence, we cannot make a strong conclusion regarding its quantitative effects because the confidence level is low and statistically insignificant.

Furthermore, the table indicates that the effects of the other years (lags) have not been explained. Therefore, we conclude that inflation in Afghanistan does not have significant effects on the unemployment level after one year, or in other words, it does not have significant long-run effects on unemployment.

Moreover, the R^2 value shows how much of the variation in the dependent variable is explained by the independent variables. Since our R^2 value is (0.942490), this means that 94.25% of the changes in economic growth are explained by the main independent and control variables.

Similarly, the Durbin-Watson Statistics indicates whether the regression has been properly estimated and arranged. The DWS value should generally be higher than the R-squared value, and values closer to 2 are

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

considered better. Since our DWS value is (1.437722), it indicates that the regression model does not suffer from serious estimation problems and has been properly specified and conducted.

Table 6: ARDL result

Dependent Variable: un employment rate				
Method: ARDL				
Date: 05/11/26 Time: 08:30				
Sample (adjusted): 2002 2025				
Included observations: 24 after adjustments				
Maximum dependent lags: 4 (Automatic selection)				
Model selection method: Akaike info criterion (AIC)				
Dynamic regressors (4 lags, automatic): INFLATION				
Fixed regressors: C				
Number of models evalulated: 20				
Selected Model: ARDL(1, 0)				
Note: final equation sample is larger than selection sample				
Variable	Coefficient	Std. Error	t-Statistic	Prob.*
UNEMPLOYMENT_RATE(-1)	1.047170	0.060784	17.22767	0.0000
INFLATION	0.022752	0.018871	1.205667	0.2414
C	-0.353072	0.642498	-0.549530	0.5884
R-squared	0.942490	Mean dependent var		9.724417
Adjusted R-squared	0.937013	S.D. dependent var		2.327288
S.E. of regression	0.584085	Akaike info criterion		1.878928
Sum squared resid	7.164263	Schwarz criterion		2.026185
Log likelihood	-19.54714	Hannan-Quinn criter.		1.917996
F-statistic	172.0769	Durbin-Watson stat		1.437722
Prob(F-statistic)	0.000000			

4.3 Stability Test

To examine the stability of the model, we applied the CUSUM Test. The results show that our model is stable at the 5% significance level. This means that all coefficients estimated through the Autoregressive Distributed Lag Model are stable over time, and therefore the model can be reliably accepted.

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

From the graph below, it can be observed that the blue line remains within the two red boundary lines. This indicates that there is no evidence of instability in the model. The results are clearly illustrated in the following graph.

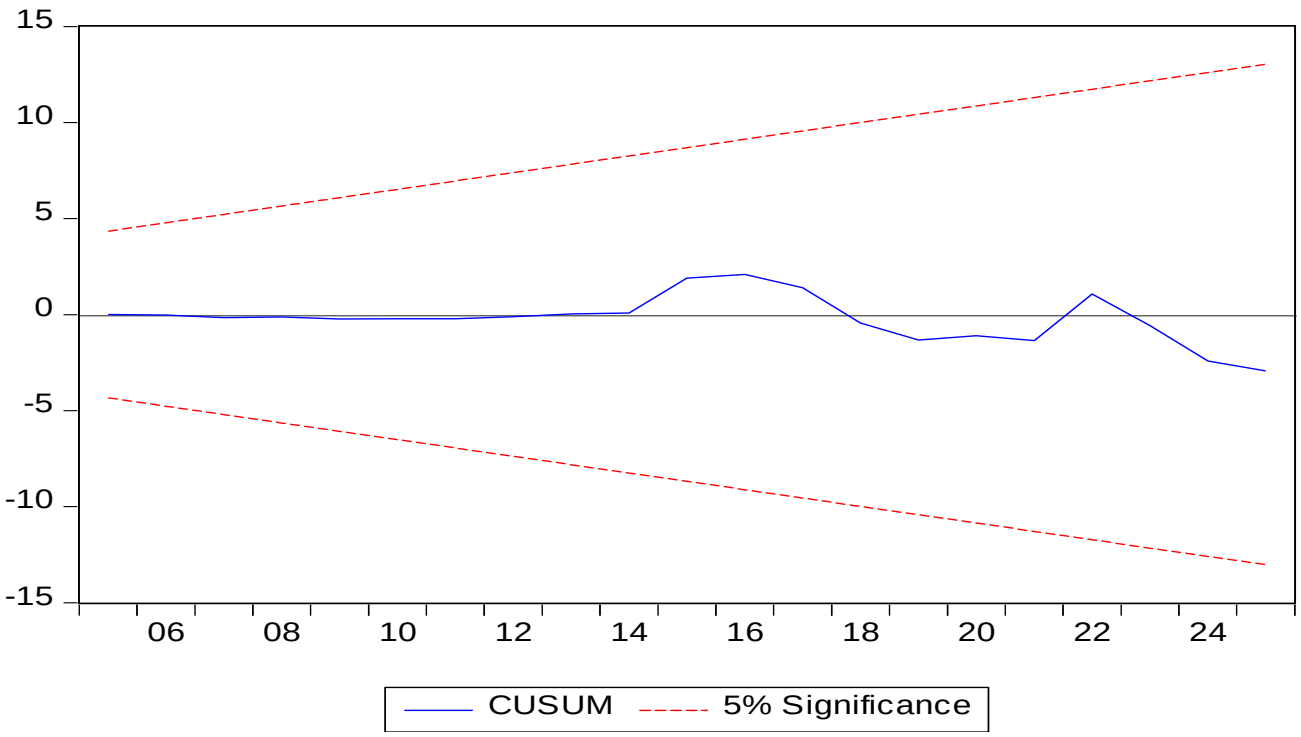

Figure 1: CUSUM Test Result

4.4 DISCUSSION

The aim of this study is to determine the effect of inflation on unemployment in Afghanistan from 2001 to 2025. The Augmented Dickey-Fuller Test was used to check stationarity of the variables. The result indicated that a stationary level of inflation and a stationary first difference in unemployment. Hence, as the order of integration of variables is mixed, the Autoregressive Distributed Lag Model was determined as the most suitable model.

The findings of ARDL model for the short run indicate that there is a positive relationship, but it is not statistically significant between inflation and unemployment. No relationship was observed between inflation and unemployment in the LR.

This is partly in line with the theory and previous research but with some inconsistencies. Most importantly, the findings are in opposition to the Phillips Curve theory, which predicted a negative correlation between inflation and unemployment. This theory states that high prices stimulate production, thereby causing a rise in the demand

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

for labor and a decline in unemployment. But, our study shows a positive coefficient for inflation (0.022752), which indicates that an increase in inflation will increase the number of people who are unemployed.

The specific economy of Afghanistan can be explained by this difference. Afghanistan is heavily dependent on imports and high inflation is frequently caused by increases in import prices, political insecurity, fluctuations of exchange rates and limited supply. Under these circumstances, inflation has no production or investment boosting effect, but rather erodes purchasing power, dampens demand, and restricts private sector investment and employment, potentially increasing the unemployment rate.

Furthermore, inflation in Afghanistan will cut real incomes, as income in Afghanistan is generally low and relatively elastic. An increase in prices leads to lower purchasing power of households, which reduces demand and does not benefit business activity. This in turn brings down production and not many job opportunities. Thus, the positive correlation between inflation and unemployment that has been observed seems to be a reflection of the economic realities of the country.

However, the results of this study are partially corroborated by Furuoka (2007), who reported that inflation and unemployment have a short-run relationship in Malaysia, but in the long run, this relationship is weak. Likewise, our study implies that inflation in Afghanistan can have only a short-run impact on the level of unemployment, and if it does, the impact is far from significant.

Overall, this study provides an answer to the research question as it shows that there is a positive but insignificant relationship between inflation and unemployment in the short run, in the case of Afghanistan, and no significant relationship in the long run.

5. CONCLUSION

An important macroeconomic problem that may have implications for the job situation and the general economic situation is inflation. The effect of inflation on unemployment in Afghanistan was scrutinized in this study based on the annual data of the period 2001-2025. The results showed that the variables were not stationary at level, so this has supported the use of Autoregressive Distributed Lag (ARDS) model in estimating both the short-run and long run relationships. The stability of the estimated model was also tested by the CUSUM test, which resulted in the same conclusion that the model was stable at the 5% level of significance.

The empirical results indicate that inflation was positively associated with unemployment in the short run (in the first year) but also did not prove to be statistically significant. This means that the positive correlation that

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

is observed does not yield robust statistics to confirm the presence of the short-run positive relationship between inflation and unemployment. Likewise, the long-run results show that in Afghanistan, inflation is not statistically significant in affecting unemployment. Thus, the authors do not conclude that there is enough evidence to support the proposed hypothesis that inflation has a significant impact on unemployment. The results indicate that other factors, such as economic, structural, institutional and labor-market characteristics, are more influential than inflation in the change of unemployment in Afghanistan.

The results are significant for the policymakers as they suggest that only the control of inflation could not be enough in improving employment and reducing unemployment in Afghanistan. Therefore, economic policies should be more comprehensive in order to foster the development of the private sector, productive investment, job generation, economic diversification and employment opportunities, while keeping prices stable. Increased economic institutions, better business climate and productive activities can be part of more sustainable employment outcomes. The results are important in the context of Afghanistan, where economic instability, lack of investment, low private sector activity, and structural constraints may affect the inflation and employment situation.

There are some limitations to this study that need to be taken into consideration when interpreting the results. The analysis is carried out using secondary data for each year in the 2001-2025-time period, which has a relatively small number of observations and may limit the scope of the observation of complex economic relationships. Furthermore, the study concentrates mainly on inflation and unemployment while not considering other factors that may influence unemployment (e.g., economic growth, investment, exchange rates, government spending, labor force participation, political turmoil, external shocks). The following are some aspects that can be further explored in future studies to achieve a more complete understanding of the inflation–unemployment relationship in Afghanistan, which addresses these limitations: Additional explanatory variables are used, higher frequency data are used (where available), and alternative econometric approaches are used. More research is also needed on the relationship between the periods of the economy and employment, as well as on the impact of structural and institutional factors on employment.

In general, the findings of this study suggest that there is no statistically significant relationship between inflation and unemployment in Afghanistan in the short and long run of the study period. So, policies for employment creation should not be solely about inflation control, but should also be about the wider structural and economic factors that create job opportunities. The adoption of a coordinated policy approach, which is based on price stability and investment promotion, private-sector development, and economic growth and

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

employment-generating activities, would offer a more suitable ground for enhancing the outcomes of labor markets and support sustainable economic development in Afghanistan.

5.1 Recommendations

In conclusion, according to the results of this study, there is no statistically significant relationship between inflation and unemployment in Afghanistan. Hence, the focus of policy should not only be on controlling inflation but should be more on policies that would encourage employment creation, investment, and productive economic activities.

- As the results show, the inflation effect on unemployment is positive, but not statistically significant in the short-run in Afghanistan, which should lead economic policymakers to be cautious in believing that there is a sound and direct relationship between inflation and unemployment in the short-run in Afghanistan.
- Future studies are encouraged to go beyond the current sample of macroeconomic determinants of unemployment by adding more variables to analyses like economic growth, investment, population growth, government expenditure, and inflation.
- Future studies are also recommended to analyze the correlation between inflation and unemployment in Afghanistan in other periods of time and with the use of more advanced econometric approaches to give more solid evidence about the nature and magnitude of this correlation.

5.2 Conflict of Interest

All authors express no conflict of interest in any part of the research.

6. REFERENCES

Badr, K. (2025). Understanding inflation dynamics in Afghanistan (IMF Working Paper No. 2025/137). International Monetary Fund. https://doi.org/10.5089/9798229012485.001

Ball, L., Leigh, D., & Mishra, P. (2022). Understanding U.S. inflation during the COVID era. Brookings Papers on Economic Activity, 2022(2), 1–54.

Dao, M. C., Gourinchas, P.-O., Leigh, D., & Mishra, P. (2024). Understanding the international rise and fall of inflation since 2020. Journal of Monetary Economics, 148, 103658. https://doi.org/10.1016/j.jmoneco.2024.103658

European Central Bank. (2024). The 2021–2022 inflation surges and the monetary policy response through the lens of macroeconomic models. European Central Bank.

Friedman, M. (1968). The role of monetary policy. The American Economic Review, 58(1), 1–17.

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

Furuoka, F. (2007). Does the “Phillips curve” really exist? New empirical evidence from Malaysia. Economics Bulletin, 5(16), 1–14.

Ha, J., Kose, M. A., Ohnsorge, F., & Yilmazkuday, H. (2024). What explains global inflation? IMF Economic Review, 72, 1000–1044. https://doi.org/10.1057/s41308-024-00255-w

Hooper, P., Mishkin, F. S., & Sufi, A. (2023). Prospects for inflation and unemployment in the post-pandemic economy. Journal of Economic Perspectives, 37(4), 3–28.

International Monetary Fund. (2024). Global inflationary episode offers lessons for monetary policy. International Monetary Fund.

Kitov, I. O. (2006). Inflation, unemployment, labor force change in the USA (Working Paper No. 28). Society for the Study of Economic Inequality (ECINEQ).

Mankiw, N. G. (2021). Principles of economics (9th ed.). Cengage Learning.

Mohseni, M., & Jouzaryan, F. (2016). Examining the effects of inflation and unemployment on economic growth in Iran (1996–2012). Procedia Economics and Finance, 36, 381–389. https://doi.org/10.1016/S2212-5671(16)30050-8

Nazari, A., & Karimi, M. F. (2026). The impact of the human development index, inflation, and economic growth on unemployment in Afghanistan (2002–2023). Kateb International Journal of Economics and Management, 4(1), 163–184. https://doi.org/10.66943/kjem.v4i1.60

Niazi, M. D. (2020). Monetary policies. Sula Studies Research and Publishing Center.

Phelps, E. S. (1967). Phillips curves, expectations of inflation and optimal unemployment over time. Economica, 34(135), 254–281. https://doi.org/10.2307/2552025

Phillips, A. W. (1958). The relation between unemployment and the rate of change of money wage rates in the United Kingdom, 1861–1957. Economica, 25(100), 283–299. https://doi.org/10.1111/j.1468-0335.1958.tb00003.x

Pooya, A. A. (2025). Structural transformation and labor market adjustments in Afghanistan: Empirical evidence from economic development and employment trends (2017–2024). Journal of Economics Finance and Accounting, 12(2), 146–161. https://doi.org/10.17261/Pressacademia.2025.2007

Saad, E., Labib, I., & Mobarez, H. (2025). Analyzing the relationship between inflation and unemployment in Afghanistan (2003–2021). Journal of Social Sciences and Humanities, 2(1), 47–59. https://doi.org/10.62810/jssh.v2i1.22

Sediqi, F. A., & Rahin, A. (2025). Inflation and its impact on unemployment in Afghanistan. Journal of Social Sciences—Kabul University, 7(4), 233–250. https://doi.org/10.62810/jss.v7i4.131

TABESH INTERNATIONAL JOURNAL OF SOCIAL SCIENCES
ISSN: 3106-7638 (Online)
ISSN: 3106-762X (Print)
Vol 2, Issue 1, 2026

Tasci, H. M., & Zaman, K. (2010). Dynamics of inflation and unemployment in Pakistan. Journal of Economic Cooperation and Development.

Tasci, M., & Zaman, S. (2010). *Unemployment after the recession: A new natural rate?* Economic Commentary, 2010(11). Federal Reserve Bank of Cleveland. https://doi.org/10.26509/frbc-ec-201011

United Nations Development Programme. (2026). Afghanistan socioeconomic review: Mass returns at a time of growing insecurity, 2024–2025. UNDP Afghanistan.

World Bank. (2023). Afghanistan development update: Afghanistan's contracted economy faces uncertainty, Afghan families are struggling. World Bank.

World Bank. (2024a). Afghanistan development update: Navigating challenges—Confronting economic recession and deflation. World Bank.

World Bank. (2024b). Global economic prospects, June 2024. World Bank.

World Bank. (2026). Afghanistan's economy shows resilience, but living standards are falling: Afghanistan development update. World Bank.