MEDIA COVERAGE

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Managing Oil Shocks: Pakistan's Fiscal Risks and Policy Choices

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The News International

https://www.thenews.pk/print/1407291-oil-price-shock-can-significantly-weaken-govt-s-fiscal-position

Daily Times

https://dailytimes.com.pk/1470490/pide-warns-of-oil-shock-risks-to-fiscal-position-over-me-tensions/

Islamabad Post

https://islamabadpost.com.pk/pide-warns-oil-shock-threatens-pakistans-fiscal-stability/

Samaa News

https://www.samaa.tv/2087348526-pide-flags-oil-price-surge-as-major-economic-risk

APP Pakistan

https://www.app.com.pk/business/regional-tensions-pide-warns-of-oil-shock-risks-to-pakistans-fiscal-position/

Dunya News

https://dunyanews.tv/en/Business/943076-global-oil-prices-pose-threat-to-pakistans-fiscal-stability-report

Lead Pakistan

https://leadpakistan.com.pk/news/pide-warns-oil-shock-threatens-pakistans-fiscal-stability/

Urdu Point

https://www.urdupoint.com/en/business/regional-tensions-pide-warns-of-oil-shock-ri-2161245.html

Global News Pakistan

https://globalnewspakistan.com/pide-warns-oil-shock-threatens-pakistans-fiscal-stability/

INTERNATIONAL THE NEWS

March 31, 2026

Oil price shock can significantly weaken govt's fiscal position

Larger import bill increasing pressure on exchange rate

Rasheed Khalid

Islamabad

A recent study has found that the latest oil price shock, driven by escalating geopolitical tensions in the Gulf region, especially the Israel-US-Iran conflict and disruptions in petroleum supply routes, could significantly weaken the government's fiscal position and reduce its ability to maintain macroeconomic stability.

The study titled "Managing oil shocks: Pakistan's fiscal risks and policy choices" was issued here by Pakistan Institute of Development Economics (PIDE).

Authored by Dr Nasir Iqbal, Registrar, Prof Shahzada M Naeem Nawaz and Amna Riaz from PIDE, the study warns that rising global oil prices pose a serious threat to Pakistan's fiscal stability and ongoing consolidation efforts. According to the report, Pakistan's budgeted federal primary surplus of Rs1,706 billion, equivalent to 1.3 percent of GDP, is highly vulnerable to external oil shocks. Under a moderate shock scenario, where oil prices rise to $100 per barrel, the primary surplus could decline to Rs1,002 billion. In a severe scenario of $120 per barrel, it may fall further to Rs821 billion, while in an extreme case of $144 per barrel, it could shrink to just Rs781 billion. At the same time, the fiscal deficit may widen from the budgeted Rs6,501 billion, or 5 percent of GDP, to as high as Rs7,517 billion, or 5.8 percent of GDP, reflecting a sharp rise in fiscal stress.

The report argues that oil shocks affect Pakistan not only through a larger import bill, but also by intensifying inflation, increasing pressure on the exchange rate, slowing economic activity and weakening confidence across the economy. As an oil-importing country with deep structural dependence on external energy markets, Pakistan remains highly exposed to fluctuations in global crude prices. The study notes that past episodes of elevated oil prices consistently translated into imported inflation, external account pressures, subsidy burdens and deterioration in fiscal buffers. Historical patterns presented in the report show that when Brent crude exceeded $110 per barrel in earlier periods, inflation in Pakistan remained in double digits, while periods of lower oil prices brought temporary macroeconomic relief.

The report stresses that the fiscal consequences of oil shocks go beyond fuel pricing decisions. They also emerge through lower revenue collection, increased energy-sector support requirements, exchange-rate pressures and broader contingent liabilities.

Daily Times
Your right to know · A new voice for a new Pakistan

March 30, 2026

PIDE warns of oil shock risks to fiscal position over ME tensions

The Pakistan Institute of Development Economics (PIDE) has released a new policy viewpoint titled "Managing Oil Shocks: Pakistan's Fiscal Risks and Policy Choices", warning that rising global oil prices pose a serious threat to Pakistan's fiscal stability and ongoing consolidation efforts.

The report is authored by Dr Nasir Iqbal, Registrar/Professor of Economics at PIDE; Dr. Shahzada M. Naeem Nawaz, Professor of Economics at PIDE; and Amna Riaz, Research Economist at PIDE, a news release said on Sunday.

The study finds that the latest oil price shock, driven by escalating geopolitical tensions in the Gulf region, especially the Israel-US-Iran conflict and disruptions in petroleum supply routes, could significantly weaken the government's fiscal position and reduce its ability to maintain macroeconomic stability.

According to the report, Pakistan's budgeted federal primary surplus of Rs. 1,706 billion, equivalent to 1.3 percent of GDP, is highly vulnerable to external oil shocks.

Under a moderate shock scenario, where oil prices rise to $100 per barrel, the primary surplus could decline to Rs1,002 billion.

In a severe scenario of $120 per barrel, it may fall further to Rs. 821 billion, while in an extreme case of $144 per barrel, it could shrink to just Rs. 781 billion. At the same time, the fiscal deficit may widen from the budgeted Rs 6,501 billion, or 5.0 percent of GDP, to as high as Rs 7,517 billion, or 5.8 percent of GDP, reflecting a sharp rise in fiscal stress.

The report argues that oil shocks affect Pakistan not only through a larger import bill, but also by intensifying inflation, increasing pressure on the exchange rate, slowing economic activity, and weakening confidence across the economy.

As an oil-importing country with deep structural dependence on external energy markets, Pakistan remains highly exposed to fluctuations in global crude prices. The study notes that past episodes of elevated oil prices have consistently translated into imported inflation, external account pressures, subsidy burdens, and deterioration in fiscal buffers. Historical patterns presented in the report show that when Brent crude exceeded $110 per barrel in earlier periods, inflation in Pakistan remained in double digits, while periods of lower oil prices brought temporary macroeconomic relief.

PIDE stresses that the fiscal consequences of oil shocks go beyond fuel pricing decisions. They also emerge through lower revenue collection, increased energy-sector support requirements, exchange-rate pressures, and broader contingent liabilities.

The report highlights that petroleum levy collections and subsidy expenditures have long remained central to Pakistan's fiscal response during oil price pressures.

However, with the country currently operating under the IMF's Extended Fund Facility and facing strict fiscal targets, the room for discretionary reduction in the petroleum levy is limited.

This makes the federal primary balance the most important indicator for assessing whether Pakistan can absorb an external oil shock without undermining debt sustainability and stabilization gains.

PIDE calls for a disciplined and forward-looking policy strategy, recommending that the government keep the primary balance at the center of fiscal management, strengthen tax administration, improve compliance, reduce leakages, accelerate digital monitoring of high-yield sectors, and create fiscal space by curbing non-essential current expenditures.

At the same time, it emphasized the need to protect social protection spending and high-impact development priorities, while continuing to invest in infrastructure, productivity, and export-supporting sectors so that fiscal adjustment does not come at the cost of long-term resilience and growth.

It stressed for a credible and pre-defined fiscal contingency framework to manage moderate, severe and extreme oil price shocks. APP

LEADPakistan
March 30, 2026

PIDE warns oil shock threatens Pakistan's fiscal stability

STAFF REPORTER
ISLAMABAD

The Pakistan Institute of Development Economics (PIDE) has released a new policy viewpoint titled Managing Oil Shocks: Pakistan's Fiscal Risks and Policy Choices, authored by Dr. Nasir Iqbal, Registrar/Professor of Economics at PIDE; Dr. Shahzada M. Naeem Nawaz, Professor of Economics at PIDE; and Amna Riaz, Research Economist at PIDE, warning that rising global oil prices pose a serious threat to Pakistan's fiscal stability and ongoing consolidation efforts.

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At the same time, the fiscal deficit may widen from the budgeted Rs. 6,501 billion, or 5.0 percent of GDP, to as high as Rs. 7,517 billion, or 5.8 percent of GDP, reflecting a sharp rise in fiscal stress.

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Daily Islamabad POST
March 30, 2026

PIDE warns oil shock threatens Pak's fiscal stability

Government keep the primary balance at the center of fiscal management, strengthen tax administration, improve compliance, reduce leakages, accelerate digital monitoring of high-yield sectors, and create fiscal space by curbing non-essential current expenditures

DNA

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Daily Spokesman
Islamabad - Karachi - Lahore

March 30, 2026

PIDE Warns Oil Shock Threatens Pakistan's Fiscal Stability

Commerce Desk

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE) has released a new policy viewpoint titled Managing Oil Shocks: Pakistan's Fiscal Risks and Policy Choices, authored by Dr. Nasir Iqbal, Registrar/Professor of Economics at PIDE; Dr. Shahzada M. Naeem Nawaz, Professor of Economics at PIDE; and Amna Riaz, Research Economist at PIDE, warning that rising global oil prices pose a serious threat to Pakistan's fiscal stability and ongoing consolidation efforts. The study finds that the latest oil price shock, driven by escalating geopolitical tensions in the Gulf region, especially the Israel-US-Iran conflict and disruptions in petroleum supply routes, could significantly weaken the government's fiscal position and reduce its ability to maintain macroeconomic stability.

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