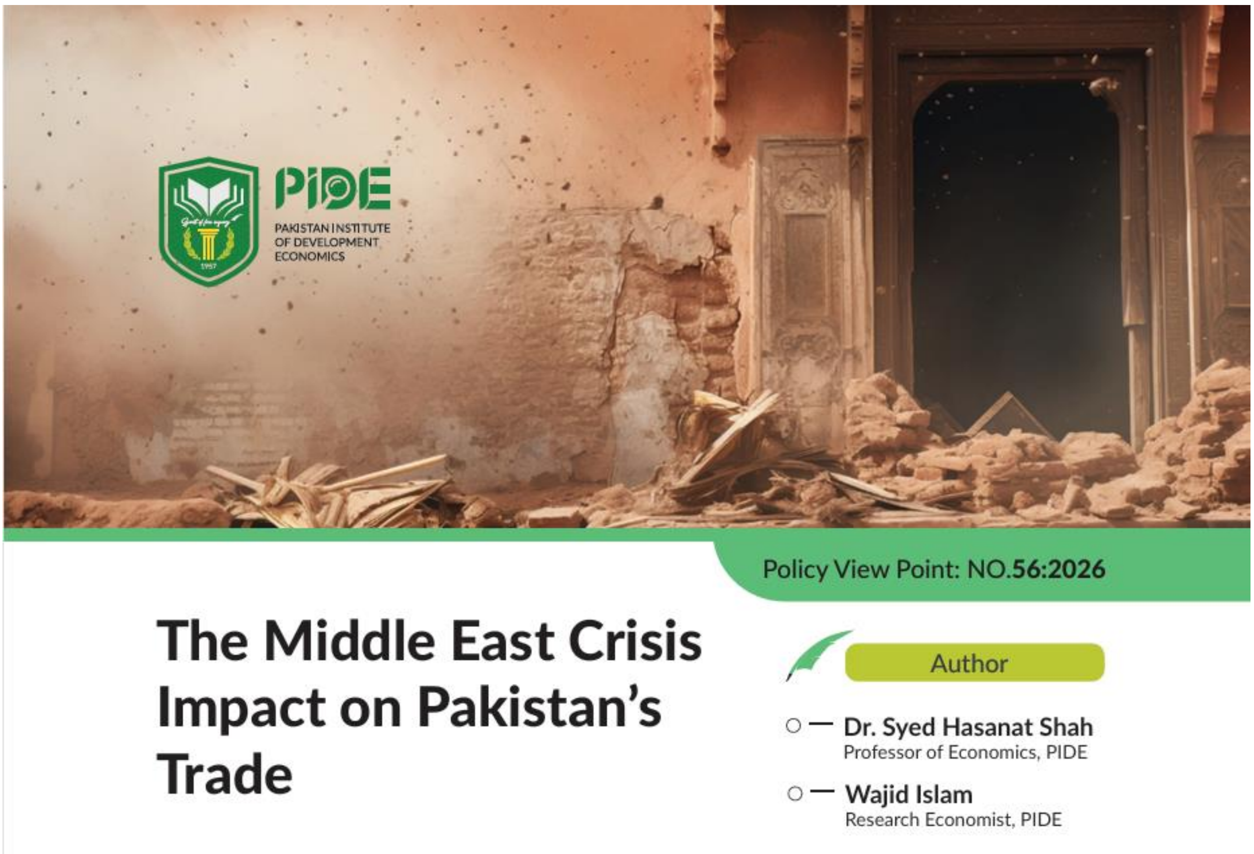
Media Coverage



March 27, 2026

The News International

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Daily Islamabad POST
March 27, 2026

ME crisis sends shockwaves through Pakistan's economy

The study estimates that Pakistan's direct exports to GCC countries could fall by $1.5 to $2 billion if disruption in the Strait of Hormuz persists, while imports from the region, particularly energy imports, could decline sharply—disrupting domestic production and export activity

Saifullah Ansar

ISLAMABAD: The Pakistan Institute of Development Economics (PIDE), in its latest Policy View Point authored by Dr. Syed Hasanat Shah (Professor of Economics, PIDE) and Wajid Islam (Research Economist, PIDE), has warned that the ongoing Middle East crisis has evolved into a global economic shock, posing serious risks to Pakistan's trade, energy security, and external sector stability. The study estimates that Pakistan's direct exports to GCC countries could fall by $1.5 to $2 billion if disruption in the Strait of Hormuz persists, while imports from the region, particularly energy imports, could decline sharply–disrupting domestic production and export activity. At the same time, rising international oil prices could add $4.5 billion to Pakistan's import bill, further widening the current account deficit and increasing pressure on foreign reserves. PIDE's analysis underscores that Pakistan's vulnerability is structural. The report notes that 81.6 percent of Pakistan's energy imports transit through the Strait of Hormuz, exposing the economy to severe supply shocks. It further highlights that if global oil prices rise from $80 to $160 per barrel, Pakistan's trade deficit could expand from $24 billion to $41.8 billion, while inflation may surge from 7.1 percent to 11.1 percent. Beyond trade volumes, the study warns of broader spillover effects. Rising freight costs, war risk premiums, and disrupted shipping routes could significantly weaken Pakistan's export competitiveness, particularly in the textile sector, which accounts for nearly 60 percent of total exports. Moreover, any slowdown in remittances from GCC economies would further strain Pakistan's balance of payments, given the country's reliance on external inflows. The report emphasizes that the crisis has exposed deep-rooted weaknesses in Pakistan's economic structure, including overdependence on imported energy, limited export diversification, and fragile supply chains. It calls for a shift away from reactive policymaking toward proactive, resilience-driven strategies. To mitigate these risks, PIDE recommends immediate and long-term policy measures. In the short term, Pakistan should reroute oil imports to Yanbu Port via the Red Sea to bypass the Strait of Hormuz. In the long run, the country must diversify energy sources, invest in renewable energy, and leverage CPEC 2.0 to expand trade routes toward China and Central Asia. The report concludes that while the crisis presents significant risks, it also offers an opportunity for Pakistan to strengthen its economic foundations. Moving forward, resilience will depend on competitiveness, innovation, and strategic policymaking rather than reliance on external support.

THE NATION

March 27, 2026

Rising global oil prices could add $4.5b to Pakistan's import bill, warns PIDE

FAWAD YOUSAFZAI
ISLAMABAD

The Pakistan Institute of Development Economics (PIDE) has warned that oil price hike to $160/barrel could swell Pakistan's trade deficit to $41.8 billion and push inflation to 11.1 percent and recommended using CPEC 2.0 for energy diversification and trade route alternatives. PIDE, in its latest Policy View Point, has warned that the ongoing Middle East crisis has evolved into a global economic shock, posing serious risks to Pakistan's trade, energy security, and external sector stability.

The study estimates that Pakistan's direct exports to GCC countries could fall by $1.5 to $2 billion if disruption in the Strait of Hormuz persists, while imports from the region, particularly energy imports, could decline sharply by $9 billion in long run—disrupting domestic production and export activity. At the same time, rising international oil prices could add $4.5 billion to Pakistan's import bill, further widening the current account deficit and increasing pressure on foreign reserves.

The report noted that if global oil prices rise from $80 to $160 per barrel, Pakistan's trade deficit could expand from $24 billion to $41.8 billion, while inflation may surge from 7.1 percent to 11.1 percent.

Beyond trade volumes, the study warns of broader spillover effects. Rising freight costs, war risk premiums, and disrupted shipping routes could significantly weaken Pakistan's export competitiveness, particularly in the textile sector. Moreover, any slowdown in remittances from GCC economies would further strain Pakistan's balance of payments, given the country's reliance on external inflows. Though Pakistan's current trade with the GCC countries is around $3 billion but keeping in view the ongoing reforms in Saudi Arabia and the rise of the region, Pakistani government was optimistic that it could double exports to the GCC countries in a few years. Unfortunately, the current Middle East crisis not only shattered Pakistan's ambitious goal to double its export to the GCC countries but it also put the country current $3 billion worth exports to the GCC countries at stake. Pakistan's export to the GCC countries will plunge by $1.5 to $2 billion if the Strait of Hormuz remains closed for 5 to 6 months.

A month long closure of the Strait can decrease Pakistan exports to the GCC countries by $0.5 billion given that the ports are not congested and the products are ready for shipment while long term halt of export to the GCC market does not only means a loss of export earning but a permanent damage to the supply chain. Thus re-entry to the GCC market will not be an easy task for Pakistani exporters in the long run. Therefore, the crisis in the Middle East can have a long lasting and diverse negative impact on Pakistan's exports. The possible impact of sluggish economic growth and destabilization in the GCC countries can adversely affect Pakistan trade. A 10 percent decrease in the demand in the GCC countries can translate into 30 to 40 percent decline in demand for Pakistani products. This means that sluggish GCC economies can reduce Pakistan exports to the GCC by $500 to $1.5 billion in the short and long run, respectively. Pakistan imports $17.5 billion energy products from the GCC. The Strait closure for less than 3 months will wipe worth $4 billion imports from the GCC countries while in the long run instability in the Strait of Hormuz and halt of energy production in GCC can drop Pakistan imports from the region by $9 billion.

Pakistan's exports to GCC countries will plunge by $1.5 to $2 billion if Strait of Hormuz remains closed for 5 to 6 months

The ongoing instability in the Gulf region, particularly the uncertainty surrounding the future of labor markets, may affect the inflow of remittances and thus would significantly impact Pakistan's ability to maintain its external balance and foreign exchange reserves. Decrease in remittances can exacerbate Pakistan financial vulnerabilities and can push her to rely on external debt - a loss of fiscal control.

On the crisis impact on border trade, the report said that the US-Israel attacks on Iran have negative impact on local industrial and agricultural production in Iran and thus it gives way to two possible scenarios for Pakistan cross border trade with Iran. In the first scenario, Iran production is intact and therefore, more oil and goods from Iran will cross border into Pakistan while in the second scenario, Pakistan will send more items to Iran and to the border areas of Balochistan in face of decline and disruption of local production in Iran. Another scenario is that the ongoing conflict halts Pakistan overland trade with Iran. These scenarios suggest that Pakistan's trade with Iran will change course after the Middle East crisis. There is a likely chance that Pakistan exports to Iran will increase if the war prolongs.

To mitigate these risks, PIDE recommended immediate and long-term policy measures. In the short term, Pakistan should reroute oil imports to Yanbu Port via the Red Sea to bypass the Strait of Hormuz. In the long run, the country must diversify energy sources, invest in renewable energy, and leverage CPEC 2.0 to expand trade routes toward China and Central Asia. PIDE recommended that Pakistan can use CPEC 2.0 as a medium to secure alternate energy & trade routes and diversify its trade. Pakistan can utilize CPEC 2.0 to promote export to China and to Central and East Asia and thus can diversify external sector risks.

LEADPakistan
Read to Lead
March 27, 2026

Middle East crisis sends shockwaves through Pakistan's economy

DNA
ISLAMABAD

The Pakistan Institute of Development Economics (PIDE), in its latest Policy View Point authored by Dr. Syed Hasanat Shah (Professor of Economics, PIDE) and Wajid Islam (Research Economist, PIDE), has warned that the ongoing Middle East crisis has evolved into a global economic shock, posing serious risks to Pakistan's trade, energy security, and external sector stability.

The study estimates that Pakistan's direct exports to GCC countries could fall by $1.5 to $2 billion if disruption in the Strait of Hormuz persists, while imports from the region, particularly energy imports, could decline sharply—disrupting domestic production and export activity.

At the same time, rising international oil prices could add $4.5 billion to Pakistan's import bill, further widening the current account deficit and increasing pressure on foreign reserves.

PIDE's analysis underscores that Pakistan's vulnerability is structural. The report notes that 81.6 percent of Pakistan's energy imports transit through the Strait of Hormuz, exposing the economy to severe supply shocks.

It further highlights that if global oil prices rise from $80 to $160 per barrel, Pakistan's trade deficit could expand from $24 billion to $41.8 billion, while inflation may surge from 7.1 percent to 11.1 percent.

Beyond trade volumes, the study warns of broader spillover effects. Rising freight costs, war risk premiums, and disrupted shipping routes could significantly weaken Pakistan's export competitiveness, particularly in the textile sector, which accounts for nearly 60 percent of total exports.

Moreover, any slowdown in remittances from GCC economies would further strain Pakistan's balance of payments, given the country's reliance on external inflows.