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Pakistan After the Ceasefire: Gains, Vulnerabilities, and the Policy Agenda



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EXECUTIVE SUMMARY

Pakistan facilitated the US–Iran ceasefire of 8 April 2026 and was cited by President Trump personally. Islamabad continues to host negotiations. The 45-day conflict imposed an estimated \$4–8 billion in direct economic losses on Pakistan, pushed 4–7 million additional people below the poverty line, and raised food insecurity by 5–12 million, all without Pakistan choosing sides or firing a shot. The ceasefire reduces the forward risk. It does not reverse the damage already absorbed. Five actions that require political authorization at the highest level.

01. Convert Diplomatic Standing into Economic Protection

Use the Islamabad negotiation channel to secure three concrete bilateral commitments: zero-toll Hormuz passage for Pakistani cargo with Iran; a government-to-government crude oil supply arrangement at Iranian domestic prices; and US endorsement of Pakistan's IMF primary balance adjustment request. The KSA \$3 billion long-term SBP deposit signals the bilateral goodwill environment. That goodwill should be deployed as analytical evidence, not merely acknowledged as a confidence signal.

02. Protect the Current Account Before FY27

Direct SBP to sign mobile wallet interoperability MoUs with Saudi SAMA, UAE Central Bank, and Qatar QCB within 30 days, zero-fee remittance corridors with no SWIFT dependency. Simultaneously activate the Cabinet-approved Russia barter framework: textiles and rice for crude oil, rupees for rubles, Hormuz route bypassed entirely. Both measures can be implemented by executive direction with no new legislation.

03. Correct the Energy Structure, Not Just the Emergency

Renegotiate the Qatar LNG contract from 60 to 40 mandatory cargoes with a seasonal flexibility provision. Scale Russian crude imports from 0.5 to 2–3 million barrels per month under the existing IGC framework. Table the Iran–Pakistan gas pipeline formally within the Islamabad talks. Pakistan’s 34 GW distributed solar base insulated the power sector during the war. That insulation was accidental. Converting it into a deliberate energy security strategy requires three specific grid and battery storage decisions described in Section IV.

04. Build a Worker Protection Mechanism During the Ceasefire

Register Pakistan’s 3.2 million GCC workers on the OPF-NADRA Gulf Worker ID now, while conditions allow. One registration unlocks SME credit, formal remittance corridors, and return support if needed. PIDE PV-54 estimates that a full-year GCC disruption would return one million workers to KPK and Punjab. Building the reintegration architecture during the ceasefire is faster, cheaper, and more dignified than building it during the next emergency.

05. Protect Vulnerable Households Through Existing Systems

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1. The Ceasefire: Context, Cost, and Uncertainty

Pakistan’s facilitation of the 8 April 2026 US–Iran ceasefire is a significant diplomatic achievement. President Trump credited “conversations with Prime Minister Shehbaz Sharif and Field Marshal Asim Munir” for the agreement, and US and Iranian delegations have since met in Islamabad. Pakistan has not seen this level of international recognition in two decades. What remains less certain is how durable the ceasefire is and how effectively Pakistan will translate its diplomatic standing into economic gains before the moment passes.

The 45-day conflict imposed real costs that the ceasefire did not reverse. Pakistan absorbed an estimated \$4–8 billion in direct economic losses through higher oil import costs, emergency energy procurement premiums, remittance compression, and Gulf export channel disruption. These losses fell on Pakistan without warning and without consent. The ceasefire reduces the probability of further losses in FY27. It cannot restore what was spent in Q3–Q4 FY26. The KSA \$3 billion long-term deposit in SBP, announced in April 2026, is a significant bilateral signal, adding approximately 0.4 months of import cover and demonstrating that Pakistan’s Gulf relationships have held. It does not, however, substitute for the structural reforms that the conflict exposed as overdue.

Oil markets partially normalized after the ceasefire announcement, with Brent declining from its wartime peak of approximately \$126 per barrel to roughly \$95–102 by 13 April 2026. On 12 April, Islamabad talks failed to produce a comprehensive agreement and oil prices firmed again on the same day, a clear illustration of how sensitive price levels remain to negotiation headlines. The Strait of Hormuz remains under constrained and actively managed access conditions. Reports point to tightly regulated tanker movement, elevated transit-related costs, and continuing pressure on Gulf energy infrastructure including reported reductions in Saudi

production capacity. The ceasefire is narrow: two weeks in duration, Lebanon is excluded from its terms, and early violations were reported. Planning for a prolonged stalemate, ceasefire extended week by week without a comprehensive settlement, is more realistic than planning for a peace deal.

THREE SOURCES OF MATERIAL UNCERTAINTY

First, ceasefire durability: the two-week agreement has a fragile structural foundation, Iran is seeking sanctions relief and nuclear recognition that the US has not offered; Lebanon operations by Israel continue outside the arrangement; and the 12 April Islamabad round did not produce agreement. Second, oil price path: Brent at \$95–102 on 13 April is sensitive to daily headlines in ways that make any single projection unreliable, a breakdown in talks could return prices above the \$126 wartime peak. Third, Gulf infrastructure damage: Saudi Arabia's production capacity reduction of approximately 600,000 barrels per day means that even a full Hormuz reopening would not immediately restore Gulf energy supply to pre-war levels.

2. What the Ceasefire Has Delivered: Four Gains to Consolidate

Energy Price Relief

The decline in Brent from its \$126 peak to the \$95–102 range reduces Pakistan's projected FY27 annual petroleum import bill by approximately \$4–6 billion compared to the full-war trajectory. This relief is real but conditional: it holds only if the ceasefire does not break. Every \$10 movement in Brent translates to approximately \$700 million in Pakistan's annual import bill at current consumption volumes. The structural risk premium embedded in markets, roughly \$25–30 above pre-war levels, is unlikely to dissipate until a comprehensive settlement is reached. Pakistan's energy policy must therefore plan for Brent staying above \$90 for most of FY27 regardless of ceasefire outcome.

Remittance Outlook: FY26 Secure, FY27 the Test

SBP has confirmed cumulative home remittances of \$30.3 billion through July–March FY26, at an average monthly pace of \$3.37 billion. With three months remaining in the fiscal year, the full FY26 outturn will land between \$39 and \$41 billion under any realistic ceasefire scenario, above FY25's record of \$38.3 billion and well above the Scenario B collapse of \$35.7 billion that the war risked. FY26 is, in this respect, largely secured.

FY27 is a different challenge. If the ceasefire holds and GCC labor markets stabilize within two quarters, FY27 inflows could approach \$41–44 billion on a recovering migration pipeline. If the ceasefire breaks and a full year of disruption follows, FY27 remittances could fall to \$30–34 billion, the sharpest single-year decline since 2020 and sufficient to eliminate Pakistan's current account surplus. The policy actions in Section VIII address FY27 rather than FY26, because FY26 no longer requires emergency intervention.

Pakistan's Diplomatic Standing

Pakistan's position as ceasefire facilitator creates simultaneous leverage with Washington, Riyadh, Tehran, and the IMF — a combination no other country in the region currently holds. That leverage is valuable and time-limited. It depreciates as the ceasefire normalizes into the background of diplomatic routine. Sections V and VI outline the specific economic asks that should be tabled while that leverage is at its peak.

Hormuz Access: The Informal Is Not the Durable

Reporting suggests that some Pakistani vessels have been able to secure Hormuz passage even under conflict conditions. This informal access should not be confused with a durable arrangement. Formalizing it, through a bilateral protocol within the Islamabad negotiation channel that guarantees Pakistani-flagged vessels and Pakistani-destined cargo zero-toll passage for the duration of any ceasefire or subsequent agreement, would transform an informal accommodation into a legally operative protection, saving an estimated \$48–120 million annually in transit costs and eliminating one significant source of supply chain uncertainty.

3. The Fiscal Picture: Managed Discipline Under External Pressure

Pakistan enters this period of external volatility from a materially stronger fiscal base than in any of its recent crisis episodes. The IMF’s April 2026 Fiscal Monitor projects Pakistan’s fiscal deficit at approximately 3.2% of GDP in the current fiscal year, with the primary surplus peaking at 2.5% of GDP before moderating in FY27. Fitch’s affirmation of Pakistan’s ‘B–’ rating with a Stable Outlook in April 2026 explicitly cites progress on fiscal consolidation and the rebuilding of external buffers as providing a meaningful cushion against the regional conflict’s economic effects.

This progress is genuine and deserves recognition. It reflects sustained expenditure discipline, continued adherence to the IMF program framework without seeking a formal reopening of targets, and a policy posture that has maintained credibility precisely when it was most needed. The government has managed a significant external shock without resorting to broad fuel subsidies, which the IMF explicitly cautioned against.

Three caveats apply. First, FBR revenue collections show a meaningful shortfall against targets, a risk that is currently being managed through expenditure curtailment rather than revenue recovery, which carries diminishing room. Second, Fitch expects the primary surplus to come in slightly below the official target due to pressure from non-interest current spending. Third, the IMF program’s conditionality on broadening the tax base and addressing contingent liabilities remains only partially met. The ceasefire reduces the external shock. It does not relax the underlying fiscal reform agenda.

The following fiscal risk scenario table reflects PIDE’s recalibrated estimates as of 21 April 2026, updated to incorporate the KSA \$3 billion deposit and the partial Hormuz reopening under ceasefire conditions. It primarily highlights the possibility of deviating from the budget target of the federal fiscal deficit in case of expenditure overrun or less than expected revenue.

Scenario	Oil Price	Primary Surplus	Fiscal Deficit	Inflation	IMF Risk
Ceasefire → Peace	\$80–90	Rs 1,400bn (1.1%)	Rs 6,800bn (5.2%)	8–9%	Low
Ceasefire Holds	\$95–100	Rs 1,100–1,300bn	Rs 7,000bn (5.4%)	9–11%	Managed
Ceasefire Breaks	\$115–125	Rs 821–900bn	Rs 7,200bn (5.5%)	>12%	Elevated
Full War Resumes	\$130+	<Rs 781bn	Rs 7,517bn (5.8%)	>14%	Critical

Source: PIDE ‘Managing Oil Shocks’ (Iqbal, Nawaz & Riaz, March 2026). Scenario recalibrated 21 April 2026. Brent crude: \$95–102/bbl. KSA \$3bn long-term SBP deposit incorporated in reserve projections. Estimates are PIDE working ranges, not point forecasts.

PROBABILITY ASSESSMENT (PIDE, APRIL 2026)

Ceasefire holds, peace deal follows: 30–35%. Ceasefire holds, stalemate persists (most likely): 35–40%. Ceasefire breaks, limited resumption: 15–20%. Full war resumes: 10–15%. The most analytically defensible planning base is a prolonged stalemate: a ceasefire extended piecemeal without comprehensive settlement. Pakistan should build its policy architecture for this scenario while maintaining the capacity to respond quickly under the tail outcomes.

4. Energy Security: The Structural Vulnerabilities and What Can Be Fixed

Pakistan's energy exposure to this crisis was not bad luck. Approximately 70–80% of petroleum imports flow through the Gulf corridor. The gas sector carries a circular debt of Rs 3.3 trillion (\$11 billion). Qatar's long-term LNG contracts, designed to provide energy security, generated a financial liability when Pakistan had surplus gas before the war (diverting 45 excess cargoes as recently as January 2026) and then created an acute supply vulnerability when the Strait closed (arrivals fell from 12 cargoes per month in January to 2 in March). Pakistan's 34-gigawatt distributed solar base insulated the electricity sector during the conflict, but that insulation was a consequence of falling Chinese panel prices rather than deliberate energy security planning. It could not substitute for transport fuels, which constitute the larger portion of the petroleum import bill.

Three structural vulnerabilities can be partially addressed within the current ceasefire window. The fourth, the gas circular debt, requires a longer reform horizon but cannot be deferred indefinitely.

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| E-1 | <p>Ministry of Energy + MoFA + OGRA [30 Days]</p> <p>Formalize Hormuz Passage Protocol</p> <p>Table a bilateral protocol with Iran within the Islamabad talks guaranteeing Pakistani-flagged vessels and Pakistani-destined cargo zero-toll Hormuz passage for the duration of any ceasefire or peace agreement. Iran has already accommodated informal Pakistani vessel access. Formalizing this removes a significant source of supply-side uncertainty and saves \$48–120 million annually in transit costs and emergency routing premiums.</p> |
| E-2 | <p>Ministry of Energy + QatarEnergy [60 Days]</p> <p>Renegotiate Qatar LNG Contract: Volume Flexibility</p> <p>The 2016 long-term Qatar contract, 60 cargoes at \$9/MMBtu, generated the pre-war LNG surplus and simultaneously created the post-war supply risk. Qatar is a direct beneficiary of Hormuz reopening. Pakistan should use its ceasefire standing to accelerate the renegotiation: reduce mandatory offtake from 60 to 40 cargoes with a 10-cargo seasonal flex provision. The price review due under the 2016 agreement should be advanced as part of the same renegotiation.</p> |
| E-3 | <p>Ministry of Energy + Russia-Pakistan IGC [60 Days]</p> <p>Activate Russia Crude and LNG Frameworks at Scale</p> <p>MoUs on oil and gas cooperation were signed at the 10th Pakistan–Russia IGC in November 2025. Test crude shipments have been running since 2023. Activating this</p> |

framework at scale, targeting 2–3 million barrels per month of Russian crude versus the current 0.5 million, under the approved barter arrangement with rupee/ruble settlement provides a supply corridor entirely insulated from Hormuz disruption.

Ministry of Energy + AEDB [90 Days]

Convert the Solar Buffer into a Deliberate Energy Security Instrument

E-4

Fast-track grid connection of 9 GW of currently off-grid distributed solar. Deploy battery storage at key substations to shift the solar surplus from midday to the evening peak demand window. Gazette a preferential industrial tariff for users shifting consumption to the 10am–3pm solar window. Together, these three steps reduce LNG-to-power demand by an estimated 1–1.5 mscfd on a permanent basis.

Ministry of Energy + MoFA [Ceasefire Window]

Table the Iran–Pakistan Gas Pipeline Framework

E-5

The IP pipeline framework exists and Pakistani-side infrastructure is partially constructed. Formally tabling it within the Islamabad talks – with a joint implementation committee and a 24-month construction timeline, converts Pakistan’s geographic and diplomatic position into a concrete energy security asset. Even a partial 200 mscfd supply at Iranian domestic prices saves \$400–600 million annually against spot LNG rates.

5. Current Account: What Must Be Protected

Pakistan’s current account entered the conflict period in a narrow surplus, sustained primarily by record remittances. The conflict threatened it through two simultaneous channels: rising petroleum import costs and remittance compression. Under the ceasefire scenario, the combined FY27 external pressure is estimated at \$3–5 billion. Under a full-war resumption, the pressure rises to \$8–12 billion – sufficient in either case to eliminate the current account surplus and place the IMF reserve floor under genuine stress.

The KSA \$3 billion long-term SBP deposit is a material improvement. It adds approximately 0.4 months to import cover, taking the reserve position from approximately 2.5–2.8 months to closer to 2.9 months. It provides a strong confidence signal to international investors and the IMF. However, it addresses reserve adequacy at a point in time. It does not structurally reduce Pakistan’s petroleum import bill, diversify its remittance channels, or change the composition of its Middle East trade exposure.

CURRENT ACCOUNT: THE KEY NUMBERS (21 APRIL 2026)

Middle East import exposure: \$15.17bn (33.5% of total imports, dominated by energy) · Middle East exports: \$3.6bn (13.2% of total) · Remittance baseline: \$30.3bn confirmed Jul–Mar FY26 · Middle East trade deficit: –\$11.6bn (almost entirely energy) · FX reserves: approximately 2.9 months import cover, including KSA \$3bn long-term deposit · Brent crude: \$95–102/bbl

Reducing the Import Bill

The Iran zero-toll Hormuz passage protocol (E-1) is the highest-value single action, saving \$48–120 million per month in transit costs. The Russia barter framework, if activated at scale, reduces the dollar-denominated petroleum import bill by \$600 million to \$1 billion annually by

substituting rupee/ruble commodity exchanges for hard currency oil purchases. A 25% mandatory reduction in public sector fuel consumption, achievable through gazette notification, saves an estimated \$200–300 million annually without any capital outlay.

Protecting Export and Remittance Channels

Gulf export channels to Qatar, Bahrain, Kuwait, and Oman declined between 18% and 61% in the FY26 data. A Rs 10 billion Gulf Export Recovery Fund – channelled through the EXIM Bank as 90-day concessional export credit guarantees, provides the bridge financing needed to restart shipments as Hormuz access improves. On remittances, the SBP mobile wallet MoU with SAMA, UAE Central Bank, and Qatar QCB is the single action most directly protective of the \$3.37 billion monthly inflow pace: it removes the SWIFT dependency that banking channel disruptions have repeatedly exposed as a vulnerability.

IMF Program: Seeking Targeted Flexibility

Pakistan’s strong program record, sustained expenditure discipline, no broad subsidy expansion, and continued adherence to the fiscal consolidation path, creates the analytical foundation for a targeted adjustment request. Pakistan should request a temporary primary balance adjustor on the grounds of a documented exogenous external shock before the Article IV consultation rather than after it. The PIDE cost-of-war documentation (\$4–8 billion in direct losses) should be formally annexed to the submission. The KSA \$3 billion deposit strengthens the case by demonstrating bilateral confidence. A structurally identical request was approved within three weeks during COVID in 2020.

6. Pakistan’s Bilateral Agenda: Four Specific Deliverables

Pakistan’s convening of the Islamabad talks is not a passive hosting arrangement. It is a platform that gives Pakistan standing to table its own economic agenda alongside the broader negotiating architecture. The 12 April round did not produce a comprehensive agreement. Further sessions are expected. Each session is an opportunity to advance the four bilateral deliverables below, which are calibrated to what Pakistan can realistically extract as ceasefire facilitator rather than what it might ideally obtain in a different geopolitical environment.

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| A-1 | <p>MoFA + Ministry of Energy [Current and Future Sessions]</p> <p>Iran: Zero-Toll Hormuz Passage Protocol</p> <p>Pakistan’s 900-kilometre land border with Iran, its guarantor status in the ceasefire, and Iran’s own interest in continuing to use Pakistan as a diplomatic channel all make this ask feasible. Iran has already permitted informal Pakistani vessel access. Converting that informal accommodation into a binding bilateral protocol protects Pakistani cargo from any resumption of conflict-period disruption.</p> |
| A-2 | <p>Ministry of Energy + MoFA [Ceasefire Window]</p> <p>Iran: Government-to-Government Crude Supply Arrangement</p> <p>A formal G2G crude oil supply arrangement at Iranian domestic prices, at 1–2 million barrels per month, would save \$180–600 million annually compared to spot market procurement. The savings are larger the higher spot prices remain. The geographic and political conditions for this arrangement are more favorable right now than they have been at any previous point. The window narrows as the ceasefire normalizes.</p> |

Ministry of Commerce + SBP [30 Days]

Russia and Iran: Activate Barter Trade Framework

A-3

The Cabinet has approved barter trade arrangements with both Iran and Russia. Activating immediately, textiles, rice, and pharmaceuticals in exchange for petroleum, LNG, and minerals, reduces the cash component of Pakistan's import bill, opens export markets that do not require hard currency transactions, and diversifies Pakistan's supply base away from the Hormuz corridor.

PM Office + MoFA + GCC Ambassadors [Next 72 Hours]

Saudi Arabia and UAE: Structured Burden-Sharing Proposal

A-4

Saudi Arabia's \$3 billion long-term SBP deposit demonstrates the relationship's durability under pressure. Building on that signal, Pakistan should present a structured burden-sharing proposal: a \$500 million Gulf Worker Emergency Fund for Pakistan's GCC-based workforce; extension of the deferred oil payment facility by \$1.5 billion; and a SAMA zero-fee remittance corridor guarantee for the duration of the recovery period. These are reciprocal arrangements between strategic partners, not requests for assistance.

7. GCC Reconstruction: Pakistan's FY27–FY29 Strategic Opportunity

Every significant Gulf conflict has been followed by a reconstruction investment cycle that Pakistan has historically been too slow or too disorganized to capture. Kuwait's post-1991 reconstruction absorbed five years of regional labor and materials. Lebanon's 2006 construction wave benefited competitors more than Pakistan. The current conflict has inflicted infrastructure damage across Iran, Saudi Arabia, UAE, Qatar, and Kuwait. Saudi Arabia alone has reported production capacity reductions of approximately 600,000 barrels per day. Gulf energy infrastructure, real estate, and logistics networks will represent hundreds of billions of dollars in reconstruction demand over FY27–FY29.

Pakistan is better positioned to compete for this demand than at any comparable previous moment. Its advantage is a workforce with Gulf-certified skills, a cement sector with 20 million tones of surplus annual capacity, a Gwadar port positioned between the reconstruction zone and Chinese supply chains, and, for the first time, the diplomatic standing of a recognized regional mediator. All three of these advantages are perishable: contracts will be awarded quickly, competitors are already positioning, and Pakistan's diplomatic capital depreciates with time. The actions below must begin immediately.

A Workforce Partner, Not Just a Labor Exporter

Pakistan sends 700,000–800,000 workers annually to the Gulf, the majority in construction, electrical work, and logistics. These workers carry Gulf employer records and demonstrate site-level reliability. NAVTTC's Prior Learning Assessment scheme can convert a Gulf employer letter into a formal national credential within 30 days. Pakistan should market itself to Saudi, UAE, and Qatari construction contractors not as a source of individual workers but as a government-endorsed supplier of pre-credentialled, site-ready teams. This framing commands premium contract rates and reduces the informality discount that currently erodes Pakistani workers' earnings relative to South Asian competitors.

Construction Materials: A Competitive Advantage Waiting to Be Mobilized

Pakistan's installed cement capacity exceeds domestic demand by approximately 20 million tones annually. Clinker and cement exports to Gulf reconstruction markets could generate \$300–500 million in additional export earnings in FY27 alone. Steel rebar, ceramic tiles, and sanitary ware are similarly cost-competitive. A single-window Gulf Reconstruction Export Facilitation Desk within TDAP, giving Gulf procurement offices a direct route to certified Pakistani building materials, is a 60-day decision that requires a ministry notification, not legislation.

Gwadar as the Reconstruction Supply Corridor

Iran's reconstruction will require materials and equipment that cannot practically enter through Gulf ports under current geopolitical conditions. Pakistan's Gwadar port, with its 900-kilometre land border with Iran and CPEC-linked logistics infrastructure, is the natural entry point for reconstruction supply moving into western Iran and eastern Afghanistan. Making this case bilaterally, with transit agreements, customs facilitation, and specific CPEC corridor upgrades, transforms Gwadar from an underutilized asset into a regional logistics hub with a concrete commercial rationale.

Professional Services: Pakistan's Overlooked Export

Pakistan produces approximately 25,000 engineering graduates annually and has a substantial diaspora of engineers and project managers already embedded in Gulf construction firms. Post-conflict reconstruction creates demand for engineering design, project management, and technical supervision at a scale that Pakistani professionals are qualified to supply. Mutual recognition of Pakistani engineering qualifications with Saudi, UAE, and Qatari licensing bodies, achievable within six months through the Pakistan Engineering Council, would open a services export channel that currently captures almost none of its potential.

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| G-1 | <p>Ministry of Commerce + TDAP + BEOE [60 Days]</p> <p>Gulf Reconstruction Export Facilitation Desk</p> <p>Establish a single-window desk within TDAP targeting Gulf reconstruction procurement: certified cement, steel rebar, tiles, and construction materials; pre-credentialed NAVTTC workforce teams; engineering and project management services. A dedicated point of contact for Gulf procurement offices eliminates the transaction cost that currently diverts contracts to better-organized competitors. Target: \$500 million in reconstruction-linked export contracts by end of FY27.</p> |
| G-2 | <p>Gwadar Authority + Ministry of Maritime + MoFA [90 Days]</p> <p>Position Gwadar as the Gulf Reconstruction Supply Corridor</p> <p>Negotiate bilateral transit agreements with Iran and Afghanistan establishing Gwadar as the preferred logistics gateway for reconstruction materials. Activate specific CPEC corridor upgrades for this purpose. The geographic argument is straightforward: no other port in the world sits closer to both the reconstruction demand zone and the Chinese and South Asian supply chains that will serve it.</p> |
| G-3 | <p>Pakistan Engineering Council + HEC + BEOE [6 Months]</p> <p>Professional Services Recognition and Register</p> <p>Fast-track mutual recognition of Pakistani engineering qualifications with Saudi, UAE, and Qatari licensing bodies. Activate a Gulf Reconstruction Professional Services Register, a database of Pakistani engineers, architects, and project managers endorsed</p> |

by PEC and marketed through embassies. Target: 10,000 professional placements in Gulf reconstruction projects by FY28, generating an estimated \$200–400 million in additional services export income.

8. Remittances and Migration: The Realistic Two-Year Picture

Remittances of \$30.3 billion through July–March FY26 at \$3.37 billion per month make FY26 effectively secure. The full-year outturn will land between \$39 and \$41 billion regardless of what happens in the remaining three months, above last year’s record of \$38.3 billion and well above the Scenario B collapse that the conflict threatened. FY26 does not need emergency intervention. FY27 does. A full year of GCC disruption could reduce total remittances to \$30–34 billion and cut overseas placements from the government’s 800,000 target to 400,000–550,000, a combined one-million-worker labor market shock concentrated disproportionately in KPK and Punjab (PIDE PV-54, Farooq, March 2026).

The three actions below address FY27 rather than FY26. They build infrastructure and establish agreements during the ceasefire window that will determine Pakistan’s resilience if the ceasefire breaks. The cost of building them during the ceasefire is a fraction of the cost of improvising them during an emergency.

SBP + SAMA + UAE CB + QCB [30 Days]

Digital Remittance Corridor: Zero Fee, No SWIFT Dependency

R-1

Direct SBP to sign bilateral mobile wallet interoperability agreements with Saudi SAMA, UAE Central Bank, and Qatar QCB. JazzCash and EasyPaisa must be able to receive Gulf transfers directly, without SWIFT intermediaries. This single action directly protects the \$3.37 billion monthly inflow pace from banking channel disruption of the kind experienced during the conflict period, and shifts informal hawala users towards the formal banking system.

SMEDA + NADRA + OPF [90 Days]

Return Migrant Reintegration Framework

R-2

Activate the full reintegration infrastructure now: Gulf Worker ID via OPF-NADRA biometric registration; SMEDA Kamyab Jawan portal collateral-free credit linked to Gulf employment record; NAVTTC PLAR certification converting Gulf employer letters into formal credentials within 30 days; dignified reception for returning workers at ISB, KHI, and LHE airports. Building this system during the ceasefire takes three months. Building it during the next emergency would take six.

Bureau of Emigration + MoFA + NAVTTC [6 Months]

Labor Destination Diversification

R-3

Sign bilateral labor MoUs with Germany (Fachkräfteeinwanderungsgesetz, 150,000 per year potential), South Korea (E-9 quota increase from 4,000 to 40,000), Malaysia (activate 2024 MoU, 50,000 FY27 target), and the UK NHS (mutual qualification recognition). The current 90%+ GCC concentration in overseas labor placements represents the same structural dependency that made Pakistan acutely vulnerable in this conflict. Reducing it to 70% by 2030 is achievable with agreements signed now.

9. Social Impact: The Human Cost and the Immediate Policy Response

The conflict's social costs are real and measurable, even if they are partially obscured by aggregate statistics that have not yet updated. Under PIDE's ceasefire scenario, poverty is estimated to have risen from a pre-conflict baseline of 28.8% to around 30–32%, implying an additional 4–7 million people below the poverty line. Food insecurity is estimated to have increased from 36% to 38–41%, reflecting fertilizer supply chain disruption, including an estimated 21,000-tonne DAP shortfall entering the Kharif season, combined with food price pressures from import cost inflation. Informal sector unemployment is estimated to have risen from 7.1% to 7.5–8.5%, with the adjustment concentrated among daily wage workers in construction, transport, and small manufacturing, workers who sit outside the formal safety net and whose deterioration will not appear in any official survey until long after it has occurred.¹

BISP AND THE VULNERABILITY BAND

BISP transfers Rs 14,500 per quarter to 9.3 million households, a fixed nominal transfer in an inflationary environment. A war-shock supplement, auto-triggered for households whose Gulf remittances drop 30% or more and detectable via SBP inflow data cross-referenced with NADRA household records, can be activated within 45 days using existing BISP infrastructure and requiring no new enrolment. Child stunting, at 40.2% nationally and irreversible after age two, responds to price shocks with a six-to-twelve-month lag. The full nutritional cost of this conflict will appear in the 2027 PDHS survey, not today. The Kharif DAP shortfall must be addressed within 14 days or the nutritional impact compounds into the next agricultural cycle.

Three actions can be implemented through existing institutions without new legislation or new budget authority beyond a supplementary allocation: gazette the war-shock supplement on the existing Rs 14,500 BISP transfer for remittance-affected households; award the emergency DAP fertilizer contract within 14 days through a government-to-government procurement arrangement; and fast-release Rs 50 billion in already-approved PSDP infrastructure in KPK and Punjab, directing it specifically to labor-intensive contracts in the highest Gulf-migration districts.

10. Conclusion: The Window Is Narrow

Pakistan's role in facilitating the 8 April ceasefire has opened a specific and time-limited policy window. The country's fiscal position is stronger than in any recent crisis. The KSA \$3 billion deposit demonstrates that bilateral relationships in the Gulf have held under pressure. Remittances for FY26 are secured. These are genuine grounds for measured confidence.

But the ceasefire is fragile, oil prices remain elevated well above pre-war levels, the Hormuz corridor continues under constrained and actively managed access, and Pakistan's FY27 external account faces a meaningful risk if the ceasefire breaks. The energy vulnerabilities, the rigid LNG contract with Qatar, the Gulf petroleum corridor concentration, and the untapped Iran–Pakistan pipeline were structural problems before this conflict. The ceasefire creates a specific and time-limited window to address them. That window will not stay open once the crisis normalizes.

The GCC reconstruction cycle of FY27–FY29 represents a genuine economic opportunity that Pakistan is better positioned to capture than at any previous comparable moment. Cement exports, certified workforce teams, Gwadar logistics, and professional services are all commer-

cially viable at scale. Converting that potential into actual contracts requires decisions in the next 60 to 90 days, before competing suppliers have locked in the procurement relationships.

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14. ¹ These are scenario-based estimates derived from conflict-related shocks to prices, fertiliser availability, remittance-linked household income, and informal labour demand. They should be read as indicative impact ranges, not point estimates.

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