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Macroeconomic and Banking Sector Implications of the Iran-GCC Conflict for Pakistan

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Strait of Hormuz:

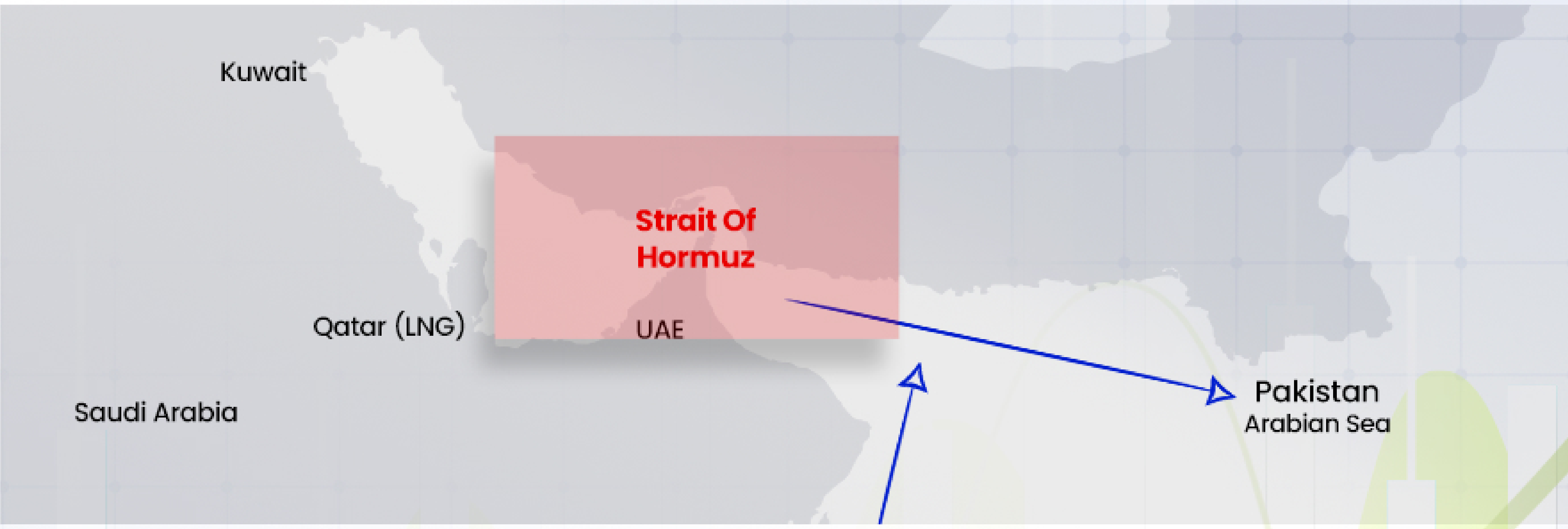
Global Energy Chokepoint and Pakistan's Supply Route Global Energy Importance

~One-third of global seaborne oil trade	**~20%** of global petroleum consumption passes through the strait	**~20%** of global LNG trade

This narrow corridor connects Gulf oil producers to global markets.

Escalating tensions between Iran and GCC states have raised concerns about global energy supply and regional financial stability, highlighting potential implications for Pakistan's macroeconomic outlook and the banking sector.

Major suppliers



All shipments must pass through the Strait of Hormuz before entering the Arabian Sea which makes this corridor very important for Pakistan's energy imports.

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Pakistan Energy Dependence

Petroleum imports:
PKR 3.1–3.4 trillion
annually

Share of total imports:
~19.5%

~80%
of crude oil imports transit the Strait of Hormuz

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Regional Conflict Iran–GCC Escalation

Key risks:

- Disruption to shipping routes
- Tanker security risks
- Higher freight and insurance costs
- Oil supply uncertainty

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Import Bill Impact from Increase in Price of Oil

Oil Price	Increase vs Baseline	Import Cost Impact
$90	+$10	PKR 0.39–0.43 trillion
$100	+$20	PKR 0.78–0.86 trillion
$110	+$30	PKR 1.16–1.28 trillion

$80 per barrel

Every $10 increase in oil prices could raise Pakistan's petroleum import bill by roughly PKR 0.4 trillion.

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Projected Inflation given the Oil Price Shock

Oil Price Scenario	IMF Baseline-Implied CPI	Energy-Dependent Economies - Implied CPI
Baseline Inflation of Pakistan	6.98%	6.98%
10% increase	7.38%	7.78%
15% increase	7.58%	8.18%
20% increase	7.78%	8.58%

A 20% increase in oil prices could raise CPI by 0.8 percentage points under the IMF baseline, or by 1.6 percentage points in more energy-dependent economies.

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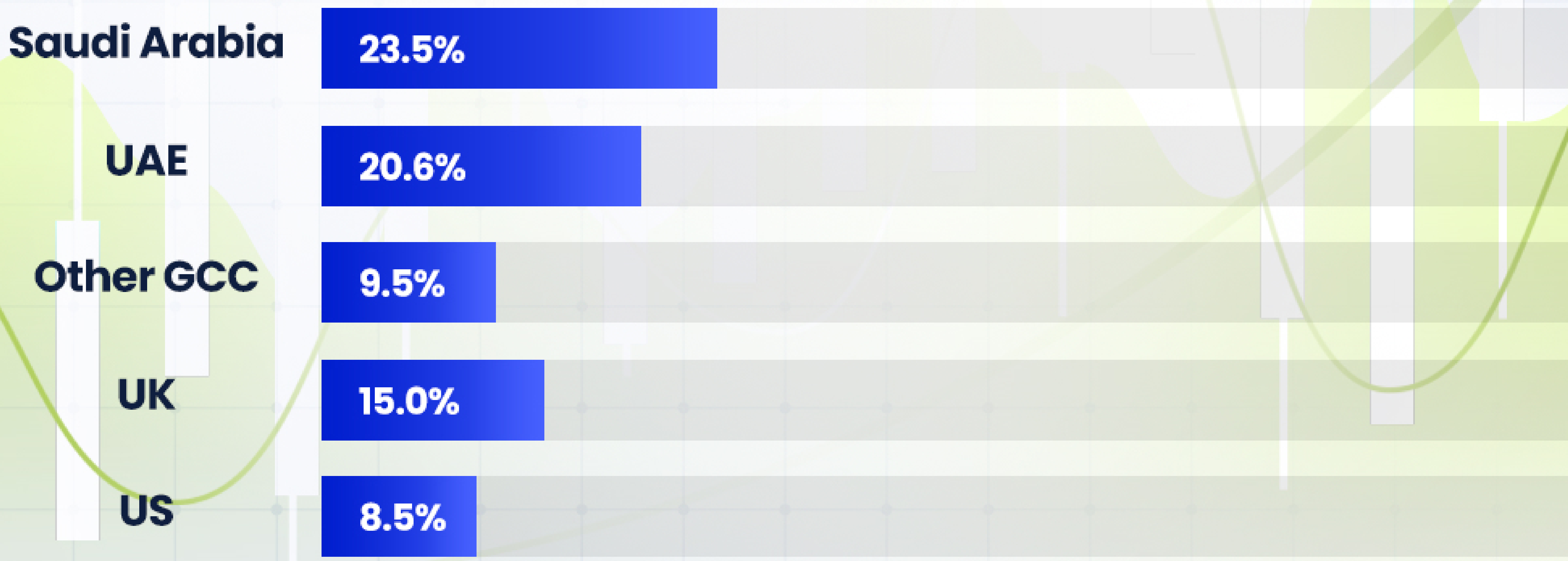
Remittances Landscape of Pakistan

Gulf Economic Disruption → Lower Worker Incomes → Lower Remittances → Reduced FX Inflows → Pressure on Banking Sector Liquidity

Share of Pakistan International Inward Remittances (Highlight Saudi, UAE, Other GCC)



Pakistan's external sector remains closely linked to economic conditions in the Gulf region, which accounts for more than half of remittance inflows.

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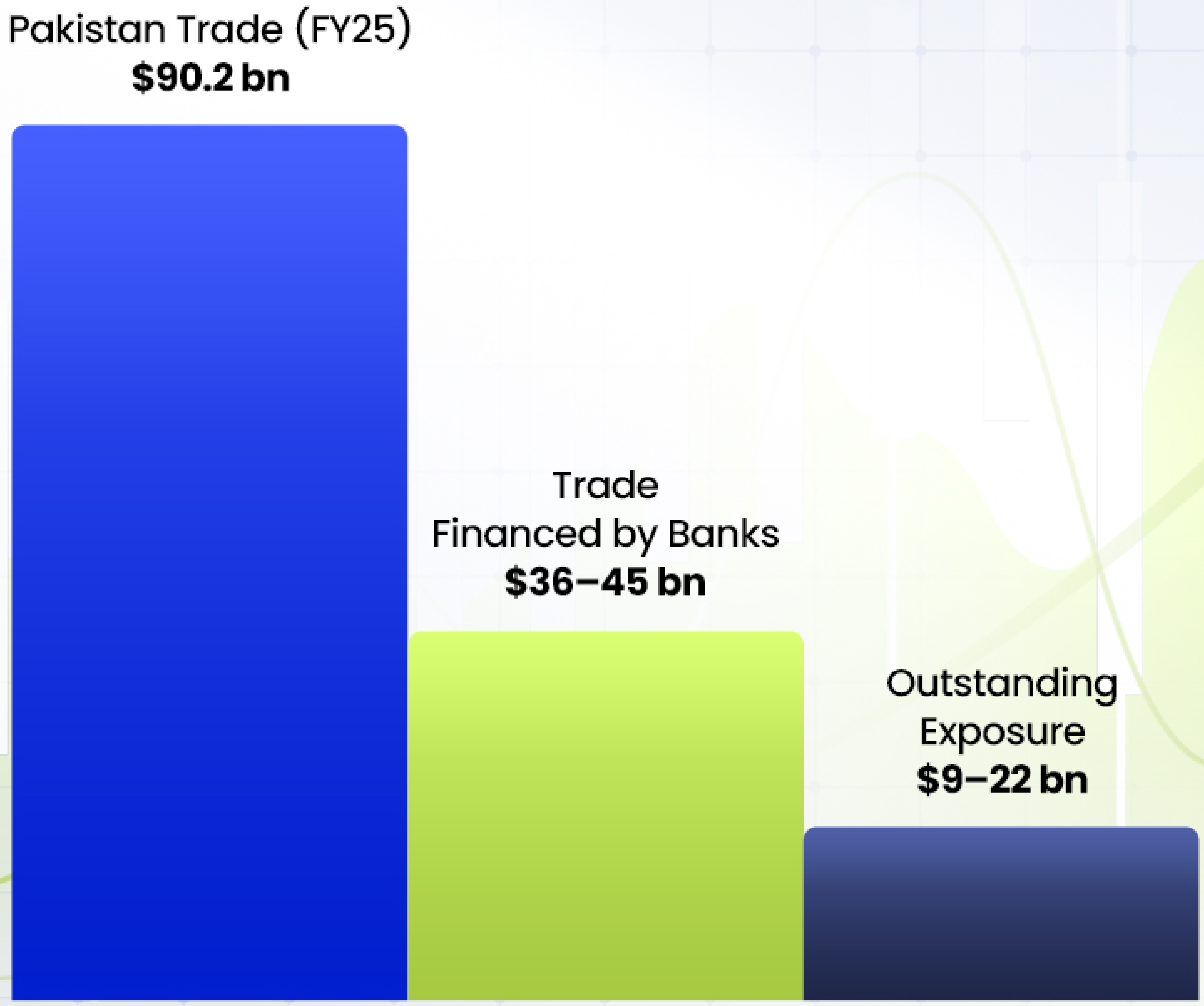
Vulnerability of Trade Finance and Banking Exposures



(Assuming 40-50% of the trade is intermediated through banks)

Disruptions to global shipping routes, commodity prices or foreign exchange markets could directly affect trade financing activity in Pakistan's banking sector.

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Potential Shock to the Current Account

Indicator	Value
FY25 Current Account	+$2.1 bn surplus
Moderate shock	−$5.7 to −$5.9 bn
Elevated shock	−$7.1 to −$7.5 bn
Severe shock	−$8.5 to −$9.0 bn

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