

# MASHREQ GLOBAL DIGEST

## Pakistan

March 15 – March 21



This edition of the Market Digest reviews Pakistan's recent macroeconomic and financial developments, providing an overview of key trends shaping the country's economic outlook.

### Macroeconomic News

#### Pakistan IMF Talks Continue Amid Energy Risks

Pakistan and the IMF have made considerable progress in the latest review of the country's \$7 billion bailout program, but no staff-level agreement has been reached yet as discussions continue. A key focus is the economic fallout from the Middle East conflict, particularly higher energy prices and the potential impact on Pakistan's balance of payments and external financing needs, given the country's heavy reliance on fuel imports. The talks also covered fiscal consolidation, tight monetary policy, energy sector reforms, and climate resilience measures, showing that while program implementation remains broadly on track, external shocks are adding fresh pressure to Pakistan's reform path.



Reference: [Reuters](#)

#### Pakistan Cuts Public Sector Costs Amid War Pressures

Pakistan has approved austerity measures to cope with the economic impact of the Middle East conflict, including reducing salaries of employees in state-owned and autonomous entities by 5% to 30%. The government will also cut fuel allocations for official vehicles by 50% and suspend the use of 60% of government vehicles over the next two months. Additional measures include eliminating meeting allowances for government representatives. These steps reflect efforts to manage rising oil price volatility and reduce fiscal pressure as the global energy crisis intensifies.

Reference: [Al-Arabiya](#)



#### ADB Commits \$10B to Support Pakistan's Economy

The Asian Development Bank (ADB) plans to provide \$10 billion in financing to Pakistan between 2026 and 2030 as part of its new Country Partnership Strategy. The funding will focus on three key areas: boosting private sector development, promoting social inclusion, and strengthening economic resilience. This support aims to help Pakistan address structural challenges, attract investment, and achieve more sustainable long-term growth, especially as the country navigates external pressures from rising energy costs and ongoing geopolitical risks.



Reference: [Times of India](#)

#### Pakistan Absorbs Fuel Price Increase to Contain Inflation

Pakistan's government has opted to keep fuel prices unchanged despite rising global oil costs, choosing to absorb the financial impact to shield consumers. Prime Minister Shehbaz Sharif rejected a proposed increase of Rs76 (\$0.27) for petrol and Rs137 (\$0.49) for diesel ahead of Eid, even after a recent hike driven by geopolitical tensions pushed prices above Rs320 (\$1.14) per liter. The decision will cost the government approximately \$85.7 million, which it plans to offset through adjustments in development spending. While this move helps ease short-term inflationary pressures, it shifts the burden to public finances, highlighting the trade-off between consumer protection and fiscal sustainability.

Reference: [Arab News](#)



#### Pakistan Aviation Sector Faces Rising Fuel Costs

Pakistan International Airlines (PIA) has increased its fuel surcharge following a 34% rise in fuel costs driven by the ongoing Gulf crisis. The airline announced an additional \$20 charge on domestic flights and up to \$100 on international routes, reflecting mounting operational pressures. This move underscores the direct impact of regional geopolitical tensions on airline cost structures, as higher fuel expenses and disrupted flight routes continue to weigh on profitability. The adjustment is expected to pass through to consumers, contributing to higher travel costs and potentially affecting demand.

Reference: [Zawya](#)



#### Inflation Pressures Reshape Consumer Behavior in Pakistan

Inflation in Pakistan is increasingly impacting how households spend during Eid, a traditionally high-consumption period. Rising costs are pushing prices higher across the board, with services like tailoring up around 40% and fabric costs more than tripling, reflecting broader economic pressures. As purchasing power weakens, families are scaling back and shifting toward more affordable, practical options, highlighting how inflation is directly reshaping even seasonal spending habits.

Reference: [Arab News](#)



#### Solar Boom Helps Pakistan Offset Energy Shock

Pakistan's rapid expansion in solar power is helping cushion the economic impact of rising global energy prices triggered by the Middle East conflict. The country is expected to save at least \$6.3 billion this year by relying more on solar energy instead of costly oil and gas imports. This shift highlights how investment in renewable energy is reducing Pakistan's vulnerability to external shocks, offering both cost savings and greater energy resilience amid ongoing geopolitical instability.

Reference: [Bloomberg](#)

*Rise every day*

### Financial/Tech News

#### Pakistan Enters 5G Era with Nationwide Rollout Plan

Pakistan has officially launched its 5G services following a successful spectrum auction, with telecom operator Jazz deploying the network across major cities including Islamabad, Karachi, and Lahore. The rollout marks a key step in the country's digital transformation strategy, aiming to improve connectivity, boost innovation, and attract investment. While the long-term potential includes advancements in sectors like healthcare, education, and industry, challenges remain around infrastructure costs, affordability, and adoption in a price-sensitive market.



Reference: [Arab News](#)

#### Pakistan Markets Hit by Oil Shock and Regional Conflict

Pakistan's financial markets are coming under pressure as rising oil prices and escalating regional tensions weigh on investor sentiment. The country's dollar bonds are on track for their biggest monthly decline in three years, with losses exceeding 5% since late February—double the drop seen in broader emerging market debt. The selloff reflects growing concerns over Pakistan's external vulnerability, as higher energy costs and geopolitical risks continue to strain economic stability and investor confidence.

Reference: [Bloomberg](#)

#### Pakistan's Digital Payments Surge to Record Levels

Pakistan's digital payment ecosystem continues to expand rapidly, with 3.4 billion transactions worth Rs167 trillion processed in Q2 FY25-26, according to the State Bank of Pakistan. Digital channels accounted for 92% of total transactions, led by mobile apps and wallets handling 2.6 billion transactions worth Rs40 trillion. The growth reflects rising financial inclusion, with 77% of adults now owning bank or wallet accounts, of which 52% are linked to mobile apps. This trend highlights a strong shift toward a cashless economy, driven by technology adoption and expanding digital infrastructure.

Reference: [Bloom Pakistan](#)

### Projects

#### Pakistan Secures Cost Savings in Key Energy Project

Pakistan has secured over \$27 million in savings on the CASA-1000 project, a regional energy initiative designed to transmit surplus hydropower from Central Asia to South Asia. Following negotiations, project-related costs were significantly reduced and will now be shared with Tajikistan, easing Pakistan's financial burden. The development supports progress on a key infrastructure project aimed at addressing energy shortages while managing fiscal pressures.

Reference: [The Nation](#)

### Markets

#### Market Dashboard

- U.S. equities recorded a negative weekly performance, with the S&P 500 declining 1.9%, while the Nasdaq and Dow each fell just over 2% for the week. This marks the fourth consecutive weekly loss across major indices, reflecting sustained pressure from escalating Middle East tensions. The ongoing Iran war has driven oil prices higher, fueling inflation concerns and pushing Treasury yields up, which in turn reduced expectations for rate cuts. Broad-based selling was observed across sectors, with only energy showing resilience on a weekly basis, as geopolitical risks continued to dominate market sentiment.
- Bitcoin showed a flat-to-slightly negative weekly performance, trading around \$70,000 and little changed over the week, despite heightened volatility. The cryptocurrency declined for three consecutive days after nearing \$76,000 earlier in the week, as escalating Iran war tensions and rising oil prices fueled inflation fears across global markets. This macro pressure overshadowed positive regulatory developments in the U.S., with crypto moving more in line with broader risk assets as investors turned cautious.
- Gold recorded an extremely weak weekly performance, plunging more than 10% over the week—its worst weekly drop since 2011. The sharp decline was driven by heightened volatility following the Iran war, which pushed oil prices higher and triggered inflation fears, leading to rising yields and a solid dollar. In addition, a reversal of earlier momentum-driven buying and the exit of short-term investors accelerated the sell-off, marking one of the most significant weekly corrections in the precious metals market in over a decade.
- Oil posted a strong positive weekly performance, with Brent crude rising around 8.8% over the week, while WTI was broadly flat to slightly negative. The surge was driven by escalating Middle East tensions, including disruptions in Iraq and ongoing risks to supply through the Strait of Hormuz, which handles roughly 20% of global oil flows. Markets are increasingly pricing in prolonged supply constraints and infrastructure damage, keeping oil prices elevated at their highest levels since 2022. However, some downside pressure could emerge as the U.S. temporarily eased sanctions on Iranian oil, potentially adding up to 140 million barrels to global supply.
- The U.S. dollar recorded a negative weekly performance, marking its largest drop since late January. The decline was driven by a shift in global monetary policy expectations, as rising oil prices fueled inflation concerns and prompted other major central banks to adopt a more hawkish stance. This narrowed the dollar's relative advantage, leading currencies such as the euro, yen, and sterling to post weekly gains despite reduced expectations for Federal Reserve rate cuts.

Indicators	13-Mar-26	20-Mar-26	% Change
S&P 500	6,632.19	6,506.48	-1.90%
Bitcoin	70,968.27	70,522.59	-0.63%
Gold	5,019.25	4,491.15	-10.52%
Crude Oil	103.14	112.19	8.77%
EUR/USD	1.1522	1.1578	0.49%