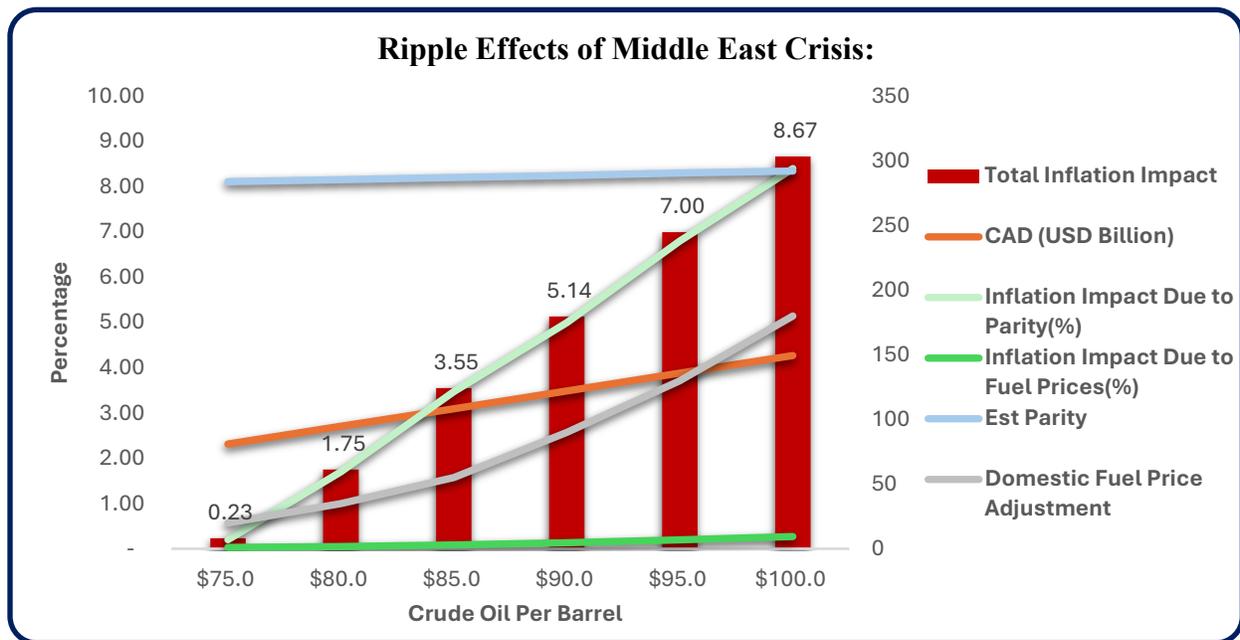


## Possible impact on Inflation, CAD, and Parity due to Middle East crisis:

- The ongoing unrest in the Middle East, coupled with Pakistan’s dependence on imported petroleum, poses a credible risk of Economic disruption.
- Crude oil prices have risen in the last two weeks due to the ongoing Gulf conflict increasing to \$76.31 per barrel on 19<sup>th</sup> June from \$63.76 on 2nd June 2025.
- **There is a dual inflationary impact on Pakistan’s Economy:** firstly, higher crude prices widen the Current Account deficit (“CAD”), consequently putting pressure on the domestic currency against the greenback, which in turn leads to inflation.
- Secondly, the direct impact of higher crude prices on domestic petrol rates may further fuel inflation and make life more difficult for the people of Pakistan.

The data here in below highlights the **compounded impact on the CAD, rupee-dollar parity, and domestic inflation**, at various crude price levels ranging from \$75 to \$100 per barrel.



Crude Price	\$75.0	\$80.0	\$85.0	\$90.0	\$95.0	\$100.0
<b>A. CAD (USD Billion)</b>	\$2.31	\$2.70	\$3.10	\$3.49	\$3.88	\$4.27
<b>B. Estimated Rupee Parity*</b>	283.9	285.4	287.17	288.7	290.5	292.1
<b>C. Inflation Impact Due to Parity (%)</b>	0.2	1.7	3.47	5.0	6.8	8.4
<b>D. Domestic Fuel Price Adjustment</b>	20.0	35.0	55.0	90.0	130.0	180.0
<b>E. Inflation Impact Due to Fuel Prices (%)</b>	0.03	0.05	0.08	0.14	0.20	0.27
<b>F. Total Inflation Impact (C + E)</b>	<b>0.23</b>	<b>1.75</b>	<b>3.55</b>	<b>5.14</b>	<b>7.00</b>	<b>8.67</b>
<i>*Petroleum levy of PKR 89/litre taken, averaging the current PKR 78/litre and projected PKR 100/liter.</i>						