Impact of Federal Budget on PMEX Commodities | FY27

Friday, June 12, 2026

Total Expenditure	Net Revenue	Primary Surplus	GDP Growth	Inflation Forecast
PkR 18.8tn	PkR 11.8tn	2.0% of GDP	4.0%	8.2%

The Finance Minister presented a growth-oriented FY27 Federal Budget anchored on export-led expansion, defense consolidation, and continued structural tax reforms. This report provides a deep-dive analysis across three commodity-critical dimensions: the geopolitical oil shock from the US-Iran conflict and its transmission into the budget; the impact on PMEX-traded domestic agricultural commodities; and the outlook for gold and precious metals on PMEX.

Section 1: US-Iran Conflict & High Oil Prices — Budget Implications

- **Geopolitical Context: The Iran Factor**

The FY27 budget was formulated against the backdrop of a materially deteriorating Middle East security environment. The US-Iran military confrontation, including US strikes on Iranian nuclear and energy infrastructure and Iran's subsequent closure of the Strait of Hormuz, has introduced the most severe oil supply disruption since the 1970s. Pakistan, which is structurally dependent on imported crude and refined petroleum products, faces a compounding energy shock at precisely the moment when its IMF-mandated fiscal consolidation requires petroleum levies to be raised, not reduced. This budget reviews explicitly identify Iran-US conflict-linked oil price volatility as the primary downside risk to the 4.0% GDP growth target for FY27.

The Ministry of Finance had already warned in its April 2026 Economic Outlook that inflation would spike to 10.9%, well above the 8.0–9.0% forecast range, driven by oil-linked supply chain pressures and Middle East tensions. The FY27 budget inflation projection of 8.2% therefore rests on an assumption of oil market stabilization that the current geopolitical situation does not support. As KTrade Research notes, 'global oil price volatility tied to the Iran-US conflict represents the primary downside risk' to the government's growth and inflation forecasts.

Key Petroleum Fiscal Metrics — FY26 vs FY27

Metric	FY26 Revised	FY27 Budget	Change
Petroleum Development Levy (PDL) Target	PkR 1,468bn	PkR 1,727bn	+Rs 259bn (+18%)
Carbon Levy — Petrol / HSD / Furnace Oil	Rs 2.5/litre	Rs 5.0/litre	DOUBLED (+100%)
Total Petroleum Tax Burden (petrol est.)	~Rs 125/litre	~Rs 135–140/litre	+8–12%
Non-Tax Revenue (total)	PkR 5,093bn	PkR 5,336bn	5%
Power Sector Subsidies	PkR 1,157bn	PkR 1,091bn	-6% (cut)
Circular Debt Growth Cap (IMF benchmark)	—	Rs 300bn max	New constraint
FED on petroleum-based solvents (new)	Nil	Rs 80/litre	New levy

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CFA Society Pakistan — Runners Up in Best Equity Research Analyst 2021
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FinanceAsia Awards 2024 — Highly Commended Best Broker
FinanceAsia 2022 — Best CEO & Most Committed to Best Governance Standards
Top-ranked broker for RDA Equity Accounts
EXTEL — Thomson Reuters Extel Surveys - Europe
ASIAMONEY — Top Analyst for Technology Sector in Pakistan
TIM An Acuris company — Top 10 trade idea generators with best overall idea performance in North America #2 & Asia #1

- **The Carbon Levy Doubling: Pakistan's Costliest Budget Line for Consumers**

The single most consequential budget measure for all domestic commodity prices is the pre-committed doubling of the Carbon Levy from Rs 2.5 to Rs 5.0 per litre on petrol, high-speed diesel (HSD), and furnace oil, effective July 1, 2026. This was not a new announcement in FY27; it was locked in as a structural commitment during the FY26 budget but its implementation now coincides with a global oil price surge driven by the Strait of Hormuz disruption, compounding the consumer impact in a way that was not anticipated when the original commitment was made.

Pakistan's total tax burden on petrol already stands at approximately Rs 125 per litre as of June 2026, comprising the PDL (raised to Rs 117.41/litre), the Carbon Levy (rising to Rs 5 from Rs 2.5), Customs Duty, and Sales Tax components. With the PDL target for FY27 set at Rs 1.727 trillion — a Rs 259 billion increase over FY26's target — the government is structurally committed to maintaining high fuel levies regardless of global oil price movements. Analysts at Profit Pakistan noted that even as international crude declined in some periods of FY26, domestic prices barely moved because rising levies absorbed the benefit that consumers should have received from global market conditions.

A new Federal Excise Duty of Rs 80 per litre has also been imposed specifically on petroleum-based solvents; White Spirit, Naphtha, and Mineral Turpentine Oil; to eliminate fuel adulteration arbitrage. KTrade rates the OMC sector as Neutral overall, reflecting the offsetting effects of the enforcement improvement versus demand suppression from elevated prices.

- **Four Transmission Channels: How Oil Prices Enter Pakistan's Economy**

1. Direct Import Cost Channel: Pakistan imports nearly all of its crude oil requirements. A sustained $10/barrel increase in Brent crude translates to approximately Rs 18–22/litre in higher domestic petrol and diesel costs before domestic tax adjustments. With Brent elevated due to Hormuz closure fears, the government's 8.2% inflation projection faces material upside risk. Pakistan's CPI reached 10.9% in April 2026 and the budget's own numbers acknowledge the 'delayed impact of higher oil prices following recent geopolitical tensions' as the reason inflation is projected to be higher in FY27 than FY26.

2. Freight and Logistics Cost Channel: Pakistan's road freight sector runs almost entirely on HSD. Every farm-to-mandi journey, every factory input delivery, and every FMCG distribution run is costed on diesel. The Carbon Levy doubling alone adds Rs 2.5/litre to HSD costs above already elevated PDL levels, translating to an estimated 8–12% increase in domestic freight rates. This cascades directly and unavoidably into all agricultural commodity prices traded on PMEX, as the logistics network connecting agricultural production zones (Punjab grain belt, Sindh cotton, sugarcane zones) to trading centres and PMEX settlement points is diesel-dependent with no short-run substitution available.

3. Energy Tariff Channel: Pakistan's power sector uses furnace oil as a fuel source for thermal electricity generation. Furnace oil is now explicitly included under both the PDL and the Carbon Levy for FY27, the first time FO has been brought into the Carbon Levy framework. Combined with Nepra's annual rebasing schedule (shifting to January under IMF agreement) and Ogra's bi-annual gas tariff revisions, industrial and agricultural electricity tariffs face sustained upward pressure throughout FY27. This is a direct operating cost increase for fertilizer manufacturing plants, cotton ginning facilities, sugar mills, and cold storage operations serving PMEX-traded commodities — all of which are energy-intensive processes with limited ability to reduce electricity consumption in the short run.

4. Foreign Reserves and PKR Depreciation Channel: A higher oil import bill — Pakistan's largest single import item — directly drains foreign exchange reserves and creates persistent downward pressure on the PKR. The government's new weekly fuel price adjustment mechanism (introduced March 2026) means PKR depreciation is now mechanically passed through into domestic fuel prices within one week. This creates a self-reinforcing inflation cycle: higher global oil to larger import bill to PKR weakens to domestic fuel prices rise further through the weekly adjustment hence CPI accelerates which leads to real wages falling to consumer spending contracts. This channel is particularly relevant for gold pricing (discussed in Section 3). Since gold is priced in USD and PKR depreciation mechanically raises rupee gold prices.

- **Fiscal Risk: The Petroleum Revenue-Inflation Dilemma**

The budget presents a structural contradiction: the government is simultaneously dependent on petroleum levies as its largest non-tax revenue source Rs 1.727 trillion, representing approximately 32% of total non-tax revenue of PKR 5,336bn while being exposed to the macroeconomic damage that high fuel prices inflict on growth, consumption, and inflation. Under the IMF programme, failing to meet the PDL target would constitute a breach of quantitative performance criteria that could jeopardize the Extended Fund Facility tranche releases. Reducing levies to provide consumer relief is therefore fiscally off-limits without IMF permission; a political pressure point that will intensify if the Iran conflict sustains global oil above $90/barrel through Q1-Q2 FY27.

KTrade Research Sector Impact Ratings — FY27 Budget

Sector	Impact	Key Budget Driver
Market (Overall)	**Positive**	Salaried relief, super-tax cut, construction WHT reductions positive for equity
OMCs	**Neutral**	Solvent FED positive; levy-driven demand suppression negative; net neutral
E&P Companies	**Neutral**	Super-tax relief excluded; high oil prices support revenue line
Power Sector	**Neutral**	Subsidy cut -14% YoY to PkR 1,091bn; Nepra rebasing shifts to Jan cycle
Refineries	**Positive**	Sales tax exemption on capital goods for Euro-V upgrade reduces capex.
Fertilizer	**Neutral**	Super-tax carve-out maintained; gas tariff hike risk on urea input costs.
Cement	**Positive**	WHT on property transactions halved significant construction activity demand
Steel	**Positive**	Electricity-based tax assessment in lieu of self-declared production compliance clarity
Textile	**Positive**	Export WHT cut 2%to1.25%; EFS markup to 4.5%.
Food / FMCG	**Neutral**	MRP-based 18% ST on 3,000+ products from July 1 pass-through to consumer prices
Technology	**Positive**	IT export final tax 0.25% extended to FY29; concessionary regime multi-year certainty.
REITs	**Positive**	WHT on property cuts and Section 7E abolition supportive of REIT valuations

SECTION 2: PMEX Agricultural Commodities — Detailed Price And Policy Impact

- **Overview: Agriculture Sector Under Broad Budget Pressure**

Pakistan's agricultural sector contributes approximately 24% of GDP and employs the majority of Pakistan's rural workforce. Despite its macroeconomic significance, the FY27 budget allocates only Rs 3.2 billion to the Ministry of National Food Security — against a request of Rs 117 billion, a funding gap exceeding 97%. This chronic under-investment in agricultural infrastructure, combined with new agricultural income taxes mandated under IMF conditionality, expanded FBR production monitoring, and the systematic cost pressure from fuel levy escalation, creates a predominantly bearish cost-push environment for PMEX-traded agri-futures. The domestic demand-side weakness from household income compression (driven by FMCG tax expansion and fuel price inflation) provides a partial offsetting force but is insufficient to neutralize the structural upward cost pressure facing producers and processors.

The key systemic budget measure affecting all PMEX agri-commodities simultaneously is the doubling of the Carbon Levy on HSD to Rs 5/litre from July 1. Pakistan's agricultural supply chain. From farm to mandi to PMEX settlement, is almost entirely truck-dependent. Freight costs on major agricultural routes (Punjab grain belt to Karachi, cotton from Sindh to ginning centres, sugarcane from agricultural zones to mills) are estimated to rise 8–12% from this measure alone, translating directly into higher basis prices across all PMEX agri-contracts from the start of FY27.

- **Wheat — PMEX Contract: Largest Domestic Agri-Commodity**

Primary budget measures: Carbon Levy on HSD doubled; agricultural income tax (IMF provincial benchmark); PDL escalation (Rs 1.727tn target); ongoing deregulation of wheat trade (medium-term structural reform).

Wheat is Pakistan's most politically sensitive and economically significant grain, historically subject to government support price mechanisms through the Trading Corporation of Pakistan (TCP). These support prices have historically distorted PMEX wheat futures pricing away from true market equilibrium by creating artificial floors. The Finance Bill 2026 and accompanying Dawn commentary signal ongoing deregulation of wheat trade as part of the IMF-mandated structural benchmark programme. If genuinely implemented, this represents a medium-term bearish signal for the government-support-inflated component of wheat futures prices as artificial floors are progressively removed. However, in the near-term (H1 FY27), the dominant price driver is cost-push inflation from the fuel levy stack, not deregulation.

Fertilizer costs — the largest variable input in wheat cultivation after seed and water — face dual pressure under this budget. First, gas tariff hikes under Ogra's bi-annual revision schedule (now twice yearly rather than annually) raise natural gas costs for urea manufacturing plants, with producers facing a structural cost increase that will be passed through to farmers as higher DAP and urea prices. Second, the fertilizer sector has been explicitly carved out from the Super Tax rationalization — alongside banks and E&P; companies — meaning the sector retains the higher tax burden while mid-sized corporates in other industries receive relief. KTrade rates the fertilizer sector as Neutral, reflecting these offsetting forces of retained super-tax versus potential demand uplift from improved farmer incomes if commodity prices rise.

The introduction of provincial agricultural income tax at rates comparable to the standard income tax schedule — a structural IMF benchmark that provinces are required to meet — will increase the effective tax burden on large landowners who have been historically exempt from meaningful income taxation. This can be described as the most politically sensitive component of provincial revenue reforms, with Rs 430 billion in additional provincial revenue expected. While unlikely to immediately change wheat production volumes, it reduces the financial incentive for large-scale agricultural investment and mechanization, and could reduce capital available for post-harvest infrastructure upgrades. Net PMEX wheat futures direction: moderate-to-high upward bias through H1 FY27, driven by freight and fertilizer input cost escalation.

- **Cotton — PMEX Contract: Textile Sector Bellwether**

Primary budget measures: Power subsidy cut -14% YoY; import duty on raw materials cut to 1%; export WHT reduced 2%to1.25%; EFS markup rate cut to 4.5% (extended to 18 months); Production Monitoring System expanded to include textile sector.

Cotton occupies a unique position in Pakistan's commodity landscape: it is simultaneously a domestic PMEX-traded agricultural commodity and the primary raw material input for Pakistan's largest foreign exchange earning industry — textiles and apparel, which account for approximately 60% of total exports. The budget's textile sector measures are therefore relevant both to PMEX cotton futures pricing (through production cost transmission) and to the downstream demand signal for the crop (through export sector health).

On the supply-cost side, cotton ginning is one of Pakistan's most energy-intensive agri-processing activities. Ginning facilities run on electricity (facing Nepra rebasing upward from January 2027) and HSD (facing Carbon Levy doubling). Power sector subsidies have been cut 14% YoY from PkR 1,157bn to PkR 1,091bn — reducing the government's capacity to shield industrial electricity consumers from full tariff pass-through. The combined impact of these energy cost pressures is estimated to raise ginning costs by 10–15%, typically translating to Rs 200–400 per maund increase in ginned cotton prices at PMEX-relevant benchmark delivery points.

On the demand side, the textile sector receives the most substantive export-side relief in the entire FY27 budget. The Export Facilitation Scheme (EFS) markup rate has been sharply reduced to 4.5% — a significant working capital cost reduction for exporters who use EFS to import raw materials and export finished products under the facilitation window. The operational facility period has been extended from 9 to 18 months, further easing liquidity pressure on textile exporters who operate on extended production and shipping cycles. The advance export surcharge of 0.25% has been fully abolished, providing an additional direct cost reduction. Together, these measures should support downstream cotton demand by meaningfully improving textile sector competitiveness — partially offsetting the production cost increases at the ginning stage.

The expansion of the Production Monitoring System to the textile sector introduces new compliance obligations for cotton processors and ginners in FY27. Mandatory electronic invoicing, real-time production data reporting, and algorithmic cross-matching with electricity consumption data will add administrative costs for facilities that have historically operated with limited FBR oversight. Facilities that under-declared production will face significant retrospective exposure. Net PMEX cotton futures direction: moderate upward bias on supply costs, with partial demand-side offset from export facilitation measures. KTrade rates the Textile sector as Neutral.

- **Sugar — PMEX Contract: Maximum Enforcement Exposure**

Primary budget measures: Production Monitoring System explicitly extended to sugar; Third Schedule expanded (MRP-based sales tax at manufacturing stage); video analytics and seizure/confiscation powers; Rs 160bn estimated annual uncollected sales tax in sugar/cement/tobacco sectors targeted. Sugar is the PMEX agri-commodity facing the highest combined budget-driven compliance and structural cost pressure in FY27. The Finance Bill 2026 explicitly names sugar (alongside cement and tobacco) in the Production Monitoring System expansion — a video-analytics-based production surveillance infrastructure that tracks mill output in real-time, cross-matches declared production against electricity consumption data, and feeds directly into the FBR's algorithmic settlement system. This represents a fundamental transformation in how Pakistan's historically opaque sugar sector is taxed and monitored.

Pakistan estimates Rs 160 billion in annual sales tax as uncollected across sugar, cement, tobacco, beverages, and fertilizers combined. The new enforcement architecture — production monitoring, algorithmic cross-matching, faceless audits, and new seizure and auction powers (Sections 40C and 40F of the Finance Bill) for goods without required tax stamps — dramatically raises the compliance risk for sugar mills that have historically operated in the grey zone between declared and actual production. The compliance cost pass-through to PMEX sugar futures is expected to be direct and material in Q1–Q2 FY27, as mills begin to price in the effective tax cost they were previously avoiding.

The Third Schedule expansion — requiring manufacturers to charge sales tax at the consumer (MRP) price at the point of manufacturing, rather than the lower ex-factory price — creates a significant working capital burden for sugar mills. The tax is now assessed on the full retail price (which includes distribution margins, wholesaler markups, and retailer margins) before the mill has received that retail-level revenue. This compresses mill cash flows substantially and will be recovered through higher ex-factory prices passed back to PMEX futures. Manufacturers 'will need to revise pricing/invoicing systems and may face working-capital impact from tax being charged on MRP rather than ex-factory price.' Net PMEX sugar futures direction: high upward bias through H1 FY27, with potential partial moderation in H2 if wheat and sugar trade deregulation policies are operationalized at the provincial level.

- **Palm Oil / Palm Olein — PMEX Contract: Highest Near-Term Price Risk**

Primary budget measures: Custom duty review on imported palm oil and crude soybean oil (upward revision under active consideration); 18% MRP-based sales tax on packaged cooking oil and ghee from July 1; Carbon Levy pass-through on freight; 3% VAT on manufacturers reselling imported raw materials in same state (closing palm oil import arbitrage); PKR pressure via oil import bill.

Palm olein is the PMEX agri-commodity with the most concentrated and immediate budget-driven price risk in FY27. Pakistan imports virtually 100% of its edible oil requirements — predominantly palm oil from Malaysia and Indonesia — making it uniquely exposed to both the import duty review and the PKR depreciation channel that is being amplified by the US-Iran oil shock. Domestic edible oil supply cannot substitute for imported palm oil in any meaningful volume in the short or medium term.

The most immediate price catalyst is the application of 18% sales tax on MRP-based packaging for over 3,000 daily-use products from July 1, 2026 — a category that explicitly includes cooking oil and ghee packaging. This shifts the full retail-level tax liability upstream to the manufacturer while the consumer price must absorb the increase. Retail price spikes of 10–15% for cooking oil and ghee have been projected by domestic market analysts. PMEX palm olein futures will anticipate and reflect these retail price expectations, pulling futures prices upward ahead of the July 1 implementation date. The custom duty review on imported palm oil and crude soybean oil represents an additional, not-yet-finalized risk. If duties are raised, the landed cost of raw palm oil increases directly with no domestic substitute available. Pakistan's edible oil deficit is structural and decades-old — domestic sunflower, canola, and sesame production collectively meets only a fraction of national requirements. Any duty escalation will have a full and immediate pass-through to PMEX palm olein settlement prices with minimal demand elasticity offset given the essential nature of cooking oil.

The new 3% VAT provision on manufacturers who import raw materials under concessionary regimes and resell them in the same state (Finance Bill Section 6 amendment, reinforced by the new Twelfth Schedule provison) directly targets edible oil traders who import crude palm oil under concessionary tariff structures and resell to smaller refiners without adding processing value. This is closing an 'import arbitrage' loophole where 'manufacturers importing inputs under concessionary regimes but reselling them unprocessed' were avoiding the standard tax incidence. Eliminating this arbitrage will raise the effective import cost for crude palm oil throughout the supply chain. Net PMEX palm olein futures direction: very high upward bias — the most exposed PMEX agri-contract to the cumulative impact of FY27 budget measures.

PMEX Agricultural Commodity Impact Summary — FY27 Budget

Commodity	Net Price Direction	Primary Drivers
Wheat	Moderate–High Upward	HSD Carbon Levy doubled; freight +8–12%; agri-income tax.
Cotton	Moderate Upward	Ginning energy costs +10–15%; power subsidy cut -14%; monitoring expansion.
Sugar	High Upward	PMS surveillance expansion; Third Schedule MRP tax; Rs 160bn uncollected sales tax.
Palm Olein	Very High Upward	18% MRP sales tax on packaged oil Jul 1; import duty review.

Section 3: Gold and precious metals — Budget impact and PMEX futures outlook

Budget Day Market Snapshot — June 12, 2026

Instrument	Price (Jun 12, 2026)	1-Day Change	International Reference
24K Gold per tola	Rs 4,39,966	+Rs 7,250 (+1.67%)	USD 4,175.30/oz (+$72.50)
22K Gold per 10g	Rs 3,44,923	+Rs 5,925 (+1.75%)	USD 4,175.30/oz
Silver per tola	Rs 7,079	+Rs 190 (+2.76%)	International gains mirrored
24K Gold — Jun 8 peak	Rs 4,55,327	YTD high	USD 4,328/oz (Jun 8)
24K Gold — Jun 11 (pre-budget)	Rs 4,45,607	Budget-eve dip of Rs 9,720	USD 4,102/oz

Budget Day Price Action: The Market's Verdict on FY27

The Rs 7,250/tola surge in domestic gold prices on June 12 — the day of the budget presentation — is analytically significant beyond the headline number. While the immediate international trigger was a $72.50/oz gain in spot gold (driven by Iran-US escalation fears and renewed Strait of Hormuz closure risk), the concurrent FY27 budget announcement reinforced rather than counteracted the rally. This is the market's forward-looking verdict: the FY27 budget is structurally inflationary for Pakistan, and gold is the preferred domestic hedge instrument against the fiscal and monetary conditions being locked in by the budget's revenue architecture.

The context of the budget-day move is important. Gold had hit its YTD high of Rs 4,55,327/tola on June 8 — just four days before the budget — then corrected sharply by Rs 9,720/tola on June 11 as international prices pulled back by

$97/oz. The budget-day surge of Rs 7,250 partially reversed this correction, confirming that domestic investors view the budget's inflationary content as independently supportive of gold prices beyond the international price signal.

- **Six Budget Drivers for Gold Prices — Detailed Analysis**

Driver 1: Inflation Hedge Demand — The Primary Budget Tailwind: The FY27 budget locks in elevated inflation through multiple simultaneous mechanisms: the Carbon Levy doubling on all transport fuels effective July 1; the 18% MRP-based sales tax imposed on packaging of over 3,000 daily-use consumer products from July 1; bi-annual gas tariff revisions under Ogra's new schedule; reduced power sector subsidies (cut 14% YoY); and the structural absence of any consumer price relief on imported food commodities (cooking oil import duty review is upward, not downward). Pakistan's All Pakistan Sarafa Gems and Jewellers Association data confirms that gold demand historically spikes when CPI sustainably exceeds 8%. The government's own FY27 projection of 8.2% inflation — based on optimistic oil stabilization assumptions that the Iran-US conflict may not permit — represents the floor, not the ceiling, of likely inflation. The larger market explicitly acknowledges that 'if oil supply conditions improve and prices stabilize, inflation could remain lower than expected' — implying their base case already builds in geopolitical risk premium. This is the single strongest budget-driven structural support for PMEX gold futures.

Driver 2: PKR Depreciation Channel — Systematic Rupee Gold Price Uplift: Pakistan imports approximately 95% of its gold requirements, meaning domestic PMEX gold prices are fundamentally denominated in USD and converted at the prevailing PKR/USD exchange rate. The budget's petroleum levy architecture — committing the government to extracting Rs 1.727 trillion from fuel consumers regardless of global oil price trends — means the government cannot reduce the oil import bill by lowering levies in response to PKR weakness. The elevated oil import bill, amplified by the US-Iran conflict's upward pressure on Brent crude, creates persistent downward pressure on the PKR through the current account channel. The weekly fuel price adjustment mechanism (operational since March 2026) ensures PKR depreciation is immediately visible in higher domestic fuel prices, sustaining the inflationary dynamic and reinforcing gold's appeal as a PKR hedge. Every 1% depreciation in PKR mechanically raises domestic gold prices by approximately 1%, independent of any change in the international USD gold price.

Driver 3: Capital Value Tax Abolition — Positive for Formal Gold Holdings: The Finance Bill 2026 abolishes the Capital Value Tax (CVT) on foreign moveable and immoveable assets of resident Pakistanis. This removes a tax that was 'difficult to enforce and verify (foreign asset valuations) and that arguably discouraged voluntary disclosure of offshore assets.' Gold held abroad — whether in safe deposit boxes in Dubai or UAE bullion accounts — was subject to CVT under the prior regime, creating a disincentive for formal declaration. Its abolition may improve the willingness of high-net-worth Pakistanis to formally declare gold and precious metal holdings, which could modestly increase PMEX gold trading volumes and market depth. The abolition also removes a recurring compliance cost and legal risk for Pakistanis with legitimate offshore gold holdings, reducing the incentive to keep gold purchases off-market. This is a structural rather than immediate bullish signal for PMEX gold.

Driver 4: No Import Duty Change — No Supply-Side Price Relief: Unlike India's Union Budget FY26, which reduced gold import duty from 6% to 5% and triggered an immediate Rs 4,000/10g domestic price decline, Pakistan's Finance Bill 2026 contains no change to gold import duties, customs structures, or regulatory requirements for gold imports. This status quo means there is no supply-side mechanism in the FY27 budget that would reduce the landed cost of gold in Pakistan. The only direction of budget impact on gold import costs is through PKR weakness increasing the effective rupee cost of dollar-denominated gold imports. For PMEX gold futures participants, this is a neutral read on the import cost side but a modestly supportive signal overall: no relief means no negative surprise, and all the other budget-driven inflation and PKR channels continue to operate without offset.

Driver 5: Salaried Class Tax Relief — Limited but Present Demand Tailwind: The income tax slab restructuring — reducing rates from 23% to 20%, 30% to 25%, and 35% to 29% and 32% for annual incomes in the PkR 2.2mn to 7.0mn range, with full abolition of the income tax surcharge on high earners — improves disposable income for upper-middle and high-income salaried professionals. This demographic constitutes Pakistan's primary gold jewellery buyers and investment gold purchasers. KTrade research characterize this salaried relief as 'meaningful' for the documented workforce. While the quantum of additional disposable income is modest relative to the concurrent FMCG tax burden increases and fuel cost inflation, it does provide a marginal positive impulse for discretionary spending, including gold jewellery demand during the H2 FY27 wedding and festival season (November–February 2027).

Driver 6: Real Sector Income Compression — The Countervailing Bearish Signal: The concurrent imposition of 18% MRP-based sales tax on thousands of consumer products, higher fixed electricity charges for residential consumers (even as industrial tariffs are reduced), and systematically elevated fuel prices will compress real household incomes — particularly at the middle and lower-middle income levels that form the broad base of Pakistan's 22K and 18K gold jewellery market. The government's own data shows that Pakistan's inflation averaged under 5% in FY15 before surging dramatically over the following decade, with real per capita incomes still below FY14 levels. Adding a new consumer goods tax layer on top of sustained fuel price inflation risks further suppressing the discretionary income available for gold jewellery purchases. This demand compression is a partial offsetting force against the inflation-hedge, PKR, and CVT channels. However, the inflationary and currency-weakness channels are structurally dominant over the demand-compression offset in FY27.

PMEX Gold Futures Framework: Net Driver Assessment FY27

Driver	Direction	Magnitude	Timeline
Inflation hedge demand (CPI 8.2%+ projected baseline)	Bullish	High	Immediate; from Jul 1, 2026
PKR depreciation (oil import bill / current account pres	Bullish	High	Continuous throughout FY27
Carbon levy + PDL escalation driving real income erosion	Bullish	Moderate	From Jul 1, 2026 onwards
US-Iran conflict / Strait of Hormuz supply risk	Bullish	Very High	Episodic; event driven
CVT abolition on foreign assets (formal disclosure inc	Bullish	Moderate	Medium-term structural
Salaried class tax relief (discretionary income support)	Mild Bullish	Low	H2 FY27 (wedding season)
No gold import duty change (status quo maintained)	Neutral	None	Status quo — no change
Consumer income compression from FMCG/fuel tax burden	Bearish	Moderate	From Jul 1, 2026 onwards
Global USD gold price (primary structural driver)	Bullish	High	Continuous

- **Overall Assessment: Gold as FY27's Dominant Hedge Instrument**

Taken together, the FY27 budget constructs a near-ideal macroeconomic environment for gold as a store of value and inflation hedge for Pakistani investors trading on PMEX. The budget simultaneously: (a) commits to maintaining elevated petroleum levies that sustain fuel-price inflation throughout FY27; (b) expands the sales tax burden on consumer goods, ensuring CPI remains elevated; (c) puts structural downward pressure on the PKR through a higher oil import bill amplified by the Iran-US conflict; (d) reduces friction for formal asset declaration through CVT abolition on foreign assets; and (e) provides no countervailing supply-side price relief through import duty reductions on gold. The interaction of these five factors, all operating simultaneously and in the same directional bias, makes the gold-as-inflation-hedge thesis unusually robust for FY27.

The Market consensus confirms that gold's long-term outlook 'remains positive due to its traditional role as a hedge against inflation, currency depreciation, and geopolitical risks' — all three of which are present, intensifying, and explicitly embedded in the FY27 budget's risk profile. With international gold trading between $4,175 and 4,220/oz on budget day and domestic gold at Rs 4,39,966/tola, PMEX gold futures investors are positioned at the intersection of a domestic structural inflationary environment and a geopolitical risk premium that shows no near-term signs of resolution. Of all PMEX-traded instruments, agri or metals, gold offers the clearest, most multi-factor budget-supported investment thesis for FY27. The primary risk to this thesis is a rapid de-escalation of the Iran-US conflict leading to Hormuz reopening, which would reduce both global gold risk-premium and PKR pressure simultaneously. In the absence of such de-escalation, the budget's fiscal architecture independently sustains the gold bid.

Important Disclosures

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•Neutral: 12.5% to 18.5% potential upside

•Underperform <12.5% potential upside