Pakistan Business Sentiment Turns Negative as Iran War Hits 81% of Firms and Drives Energy Shock

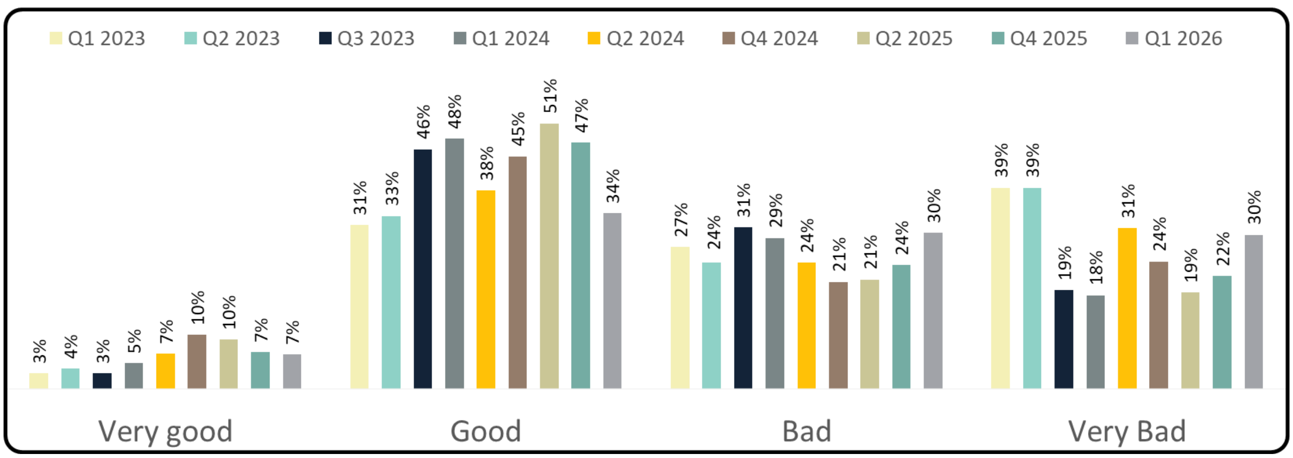
Business Confidence Declines Sharply in Q1 2026

Islamabad, Lahore , Karachi [22nd April 2026]– Gallup Pakistan has released the findings of its **17th quarterly Business Confidence Survey**, conducted in April 2026, capturing responses from **510 businesses across Pakistan**. The survey provides timely insight into private sector sentiment, assessing current business performance, expectations for the future, and perceptions regarding the direction of the country. The detailed report can be accessed here:

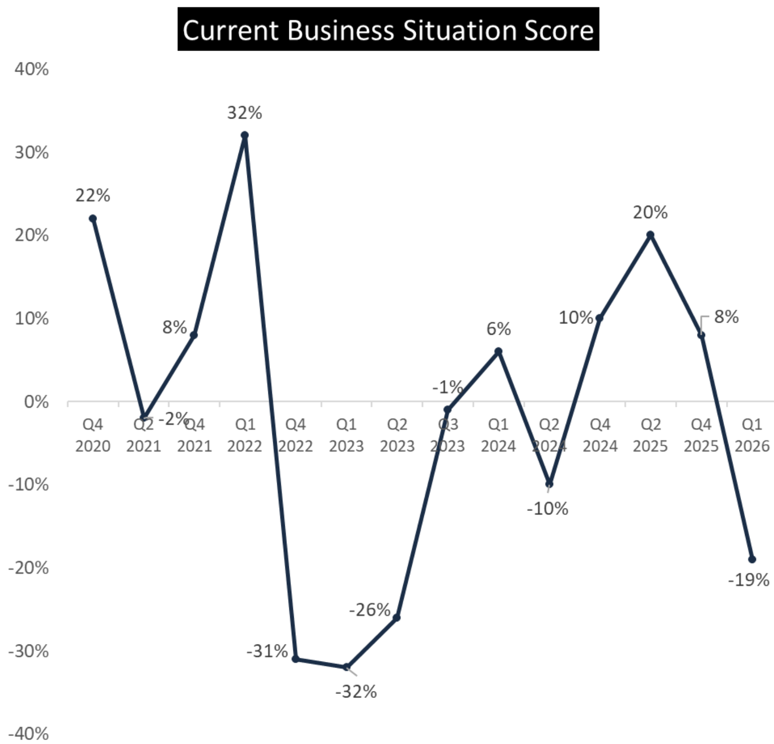
Key findings:

1) Perceptions of Current Business Conditions Weaken After Previous Gains

In terms of present business performance, 41% of businesses report that their operations are "good" or "very good," reflecting a 13% decline since Q4 2025. At the same time, there has been an increase in businesses reporting poor conditions, indicating a reversal of earlier improvements.

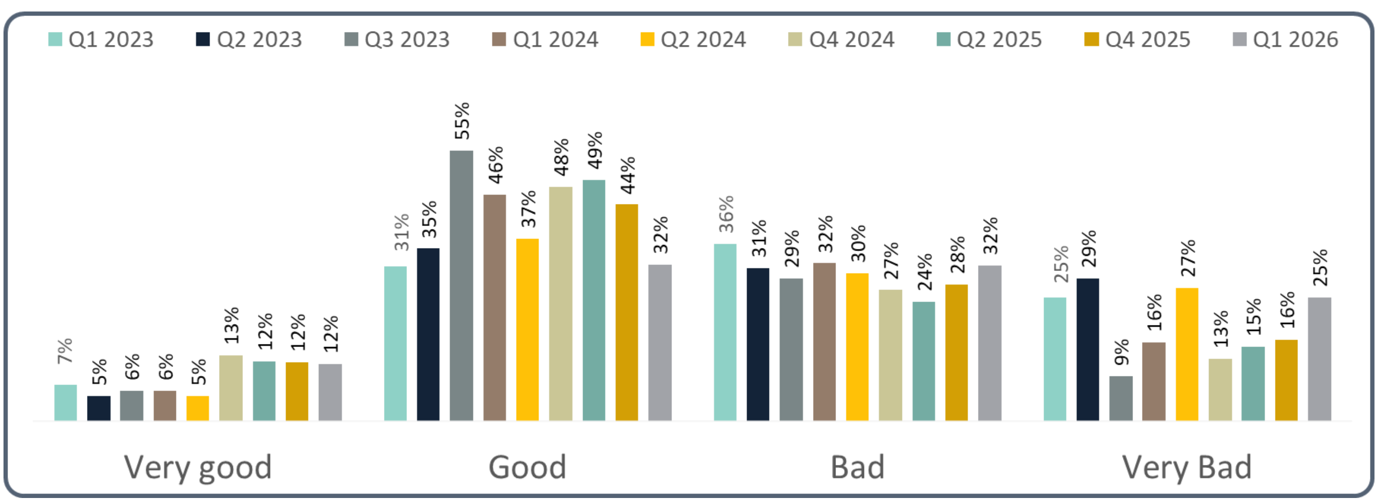


Since Q4 2025, the current business assessment has declined, with a 27% decrease in the net proportion of businesses reporting positive conditions, suggesting a notable shift toward pessimism in the business environment.

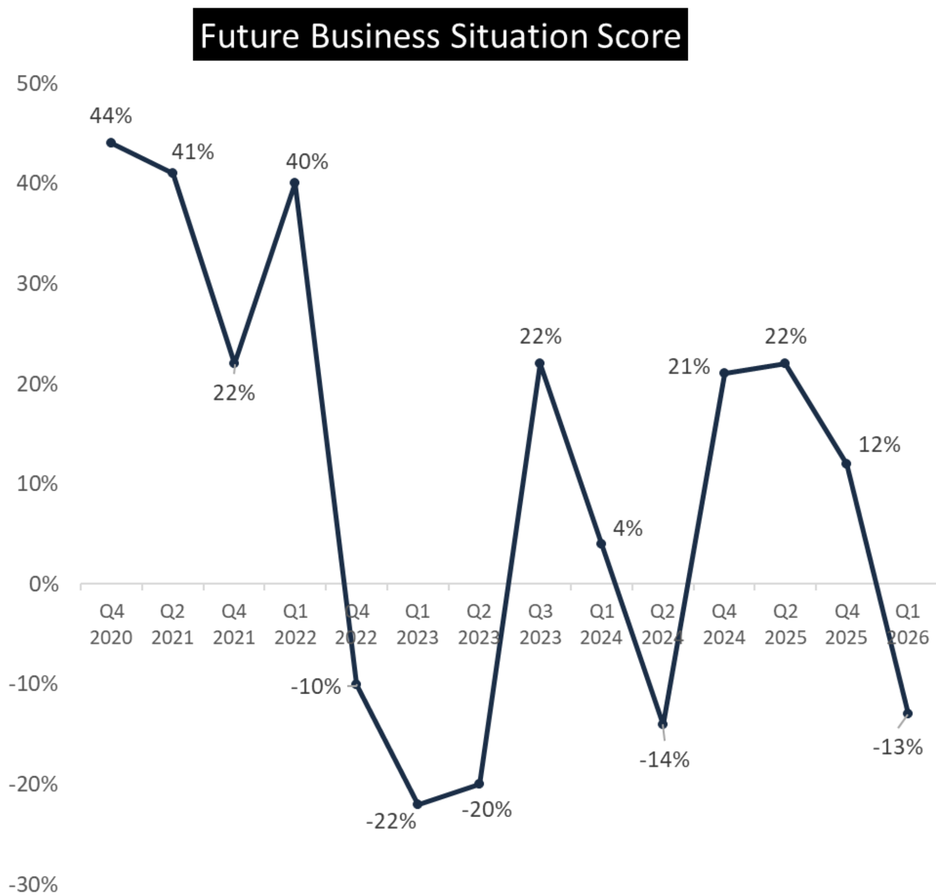


2) Future Business Outlook Turns Increasingly Pessimistic

Expectations for future performance have also weakened considerably. In Q1 2026, 44% of businesses express optimism about the future, while 57% expect conditions to worsen, marking a clear shift toward pessimism.

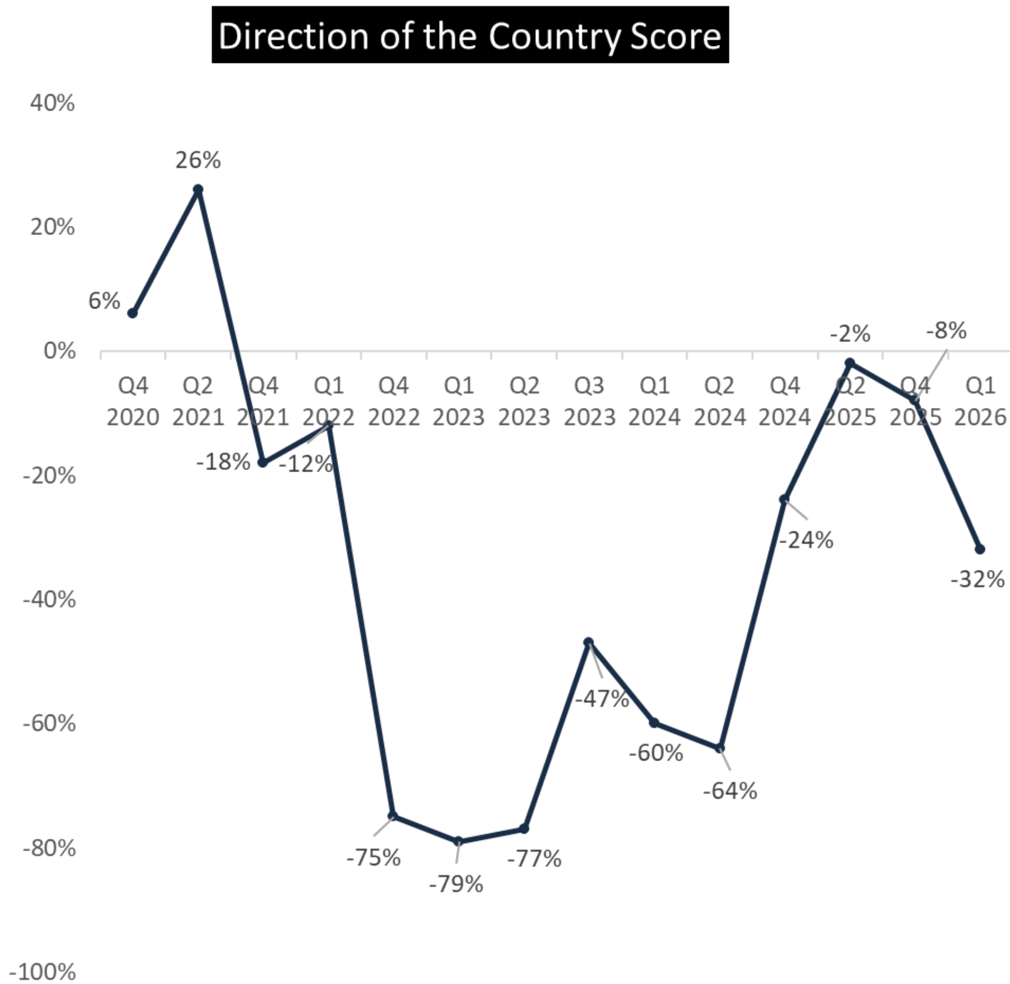


The net Future Business Confidence Score has declined by 25% since Q4 2025, indicating that businesses are increasingly uncertain about short-term prospects. Unlike previous quarters where expectations had stabilized, the current findings suggest a loss of forward momentum in business sentiment.



3) Deterioration in Perceptions of National Direction

In the current quarter there is the sharp decline in the Direction of the Country Score, which has fallen to -32%, compared to -8% in Q4 2025. This represents a substantial deterioration in sentiment and places the indicator firmly within negative confidence territory.

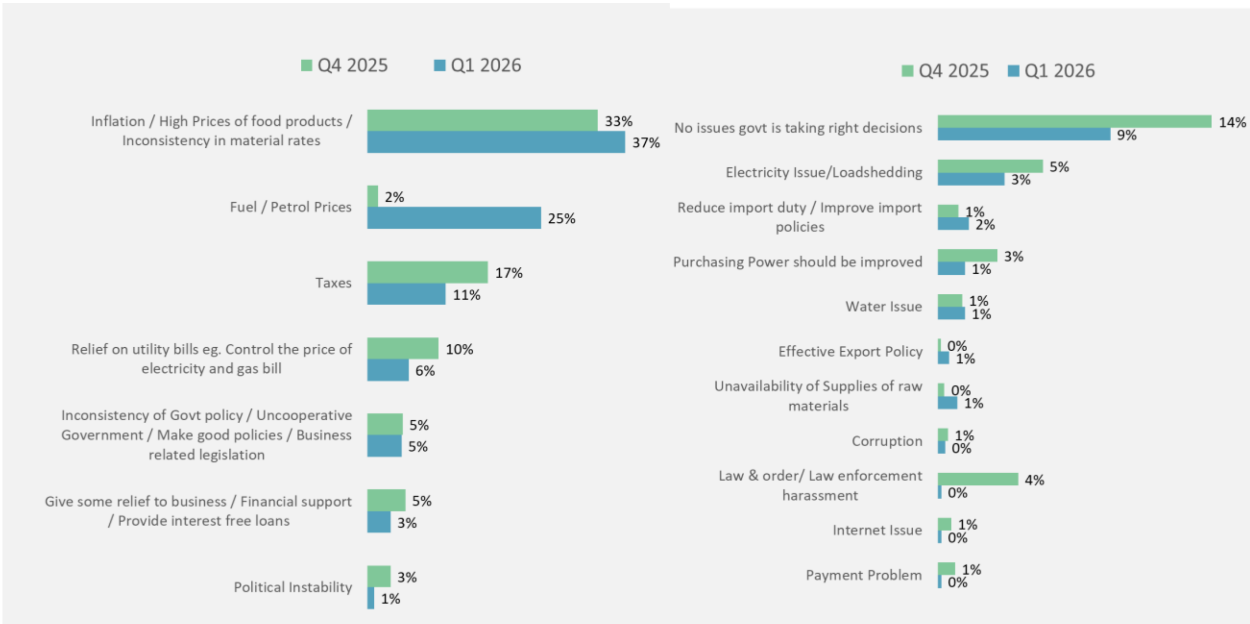


While the score remains above the deeply negative levels observed in earlier years, the current decline suggests a renewed sense of pessimism among businesses regarding the broader national trajectory, likely influenced by Iran war and its impact on Pakistani economy which has already led to major fuel price increase and electricity shutdowns of several hours.

4) Persistent Structural Challenges Continue to Weigh on Businesses

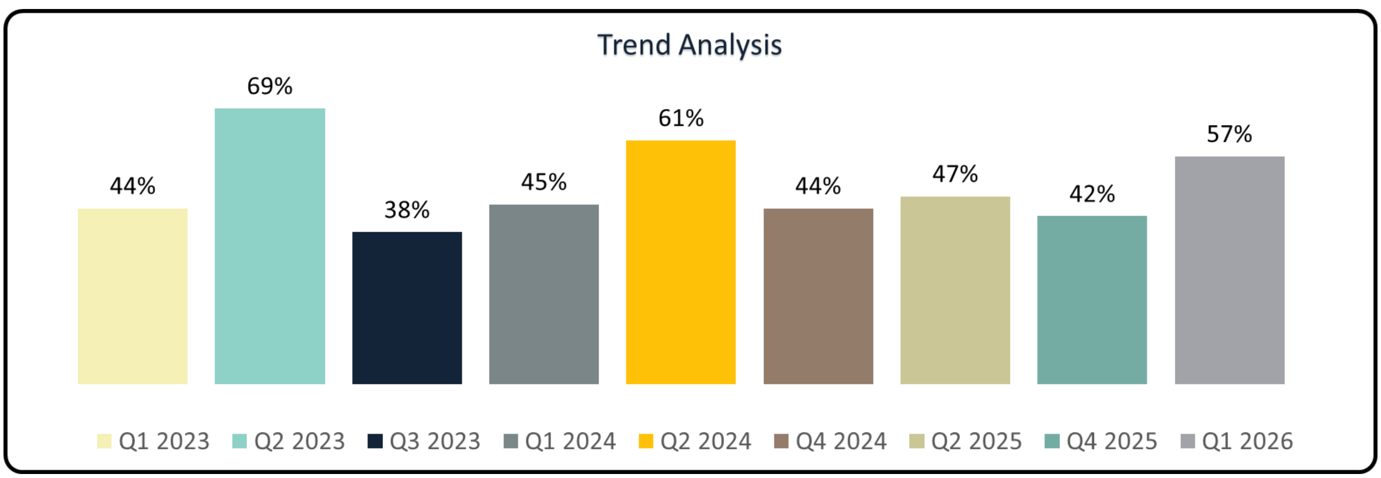
Despite fluctuations in sentiment, businesses continue to highlight structural challenges as key constraints.

Inflation remains the most pressing concern, with 37% of businesses identifying it as the primary issue requiring government attention. Notably, concern over fuel and petrol prices has surged to 25%, representing a sharp increase from the previous quarter and underscoring intensifying cost pressures.



Energy reliability also remains a challenge. 57% of businesses report experiencing load shedding on the day of the survey, reflecting a 15 %point increase since Q4 2025. This indicates worsening energy disruptions, which continue to affect operational efficiency across sectors.

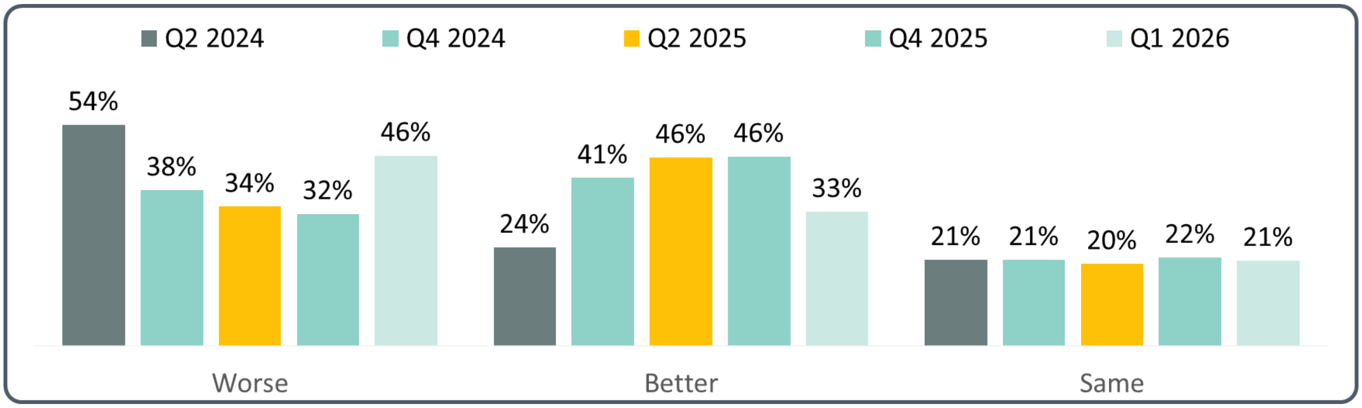
Furthermore, 62% of businesses identify inflation and rising costs as the single biggest operational risk to their business, underscoring the severity of cost pressures facing Pakistan's private sector.



5) Declining Confidence in Economic Management

The survey also captures perceptions of government performance in managing the economy. In Q1 2026, 46% of businesses believe that economic management has worsened, while only 33%

report improvement.

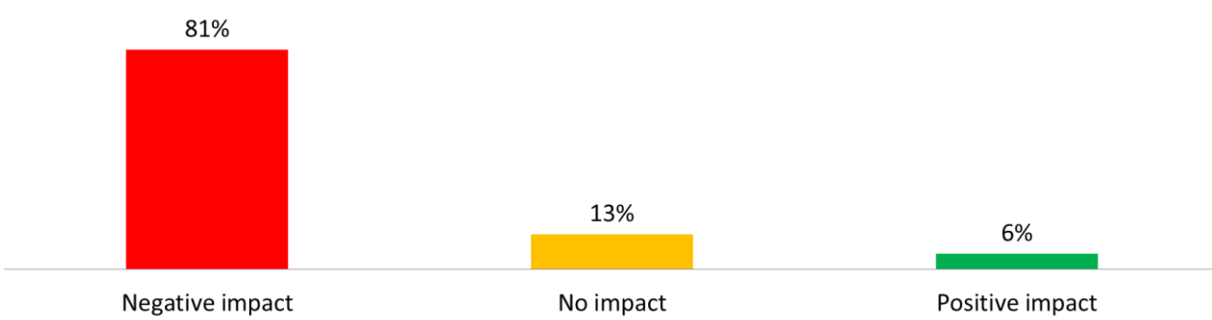


Compared to the previous quarter, this represents a notable decline in positive sentiment, suggesting that confidence in policy direction and economic governance has weakened alongside broader business sentiment. Although much of the current worsening of the Pakistani economy is due to Iran War the current economic team has not been able to convince the business community that it is doing all it can to mitigate the effects. Many see the economic indicators decline as its failure. Perhaps a better communication strategy and engagement is needed by the government on one hand and more steps to shield Pakistani businesses from the negative effects of Iran War.

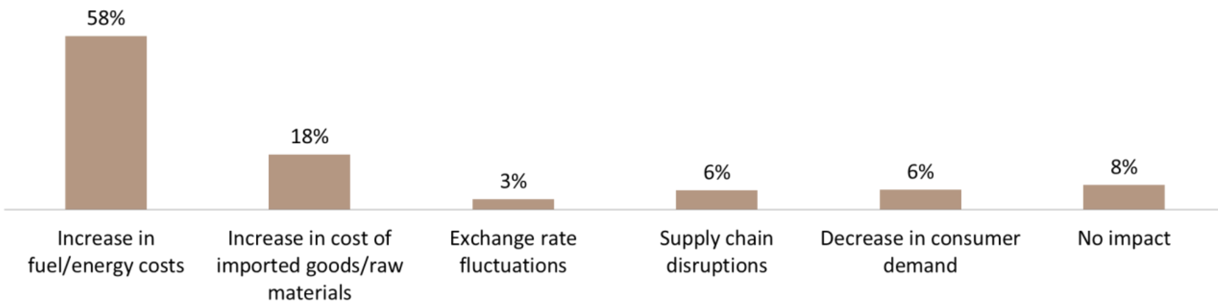
SPECIAL SECTION ON IRAN WAR AND ITS IMPACT ON PAKISTANI BUSINESSES

6) Regional pressures Intensify Through Cost Channels

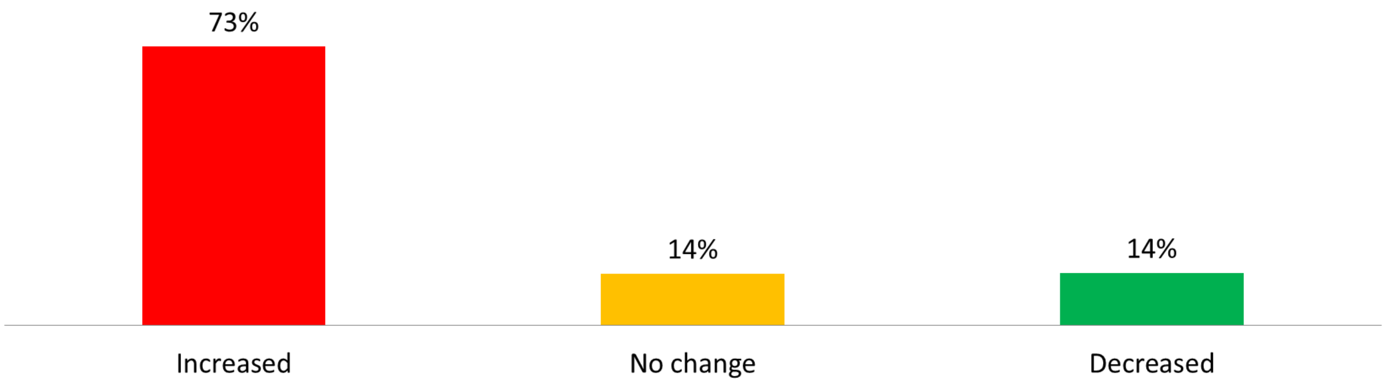
A defining feature of the current quarter is the strong impact of regional developments on domestic businesses. A substantial 81% of businesses report negative effects from ongoing Middle East conflicts, highlighting the interconnected nature of Pakistan's economy with regional dynamics.



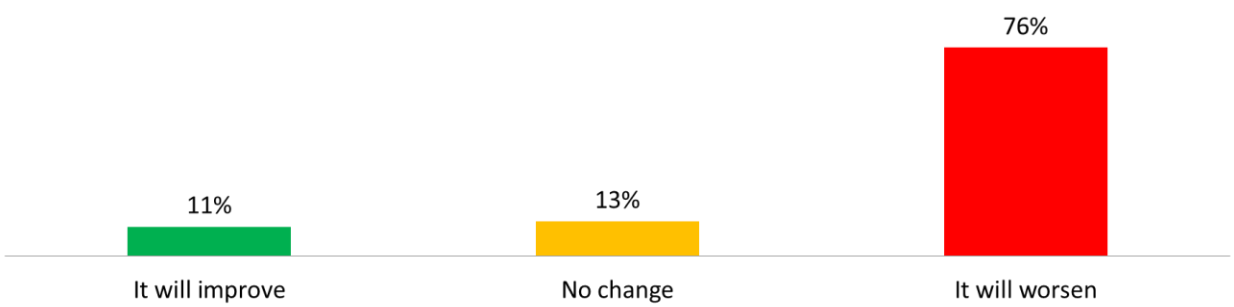
The primary transmission channel appears to be rising costs. 58% of businesses report increased fuel and energy expenses. Other impacts, such as supply chain disruptions and reduced demand, remain relatively limited.



73% indicate overall cost increases compared to the previous quarter.



Looking ahead, expectations remain subdued. 76% of businesses anticipate that conditions will worsen if regional conflicts persist over the next three months, reflecting sustained uncertainty in the external environment.



7) Conclusion

The Q1 2026 Business Confidence Survey indicates a clear and broad-based deterioration in private sector sentiment. All three core indicators, current business conditions, future expectations, and perception of national direction have declined compared to the previous quarter.

The findings suggest that rising inflation, increasing energy costs, weakening confidence in economic management, and regional geopolitical pressures are collectively weighing on business sentiment. While some sectors continue to show resilience, the overall outlook points toward stagnation and heightened uncertainty in the near term.

Note from Bilal I Gilani, Executive Director, Gallup Pakistan

"The Q1 2026 findings reflect a noticeable shift toward pessimism within Pakistan's business community. The most concerning trend is the simultaneous decline across all three confidence indicators. The main driver for the decline is the Iran War and its effect on Pakistani economy. The present economic team is however bearing the brunt of it and there is rising criticism of its policies nevertheless."

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