# Geopolitical tensions and economic woes cause Pakistan Stock Exchange turmoil



The Pakistan Stock Exchange (PSX) experienced a significant disruption on April 25, 2025, when its website was temporarily taken offline amid a dramatic plunge in the benchmark KSE-100 index. This sharp stock market decline, which saw the index drop by over 2,500 points, was closely tied to escalating geopolitical tensions between Pakistan and India following a terrorist attack on tourists in the Pahalgam region of Jammu and Kashmir.

Shortly after the market opened on April 25, the KSE-100 index fell by 2.12%, or 2,485.85 points, bringing the index down to 114,740.29 points. The sharp downturn followed on the heels of losses from the previous trading day, signalling a continuation of market fragility. The PSX website displayed a brief message, stating, "We’ll be back soon," which suggested maintenance but coincided with the turmoil within the stock market, underscoring the severity of the crisis.

Investor confidence had already been shaken by a series of economic challenges confronting Pakistan. On April 24, the International Monetary Fund (IMF) revised its GDP growth forecast for Pakistan downwards to a modest 2.6% for the fiscal year 2025. This adjustment came amid concerns over Pakistan’s rising fiscal deficit, inflationary pressures, and fragile financial stability, all factors compounding the country’s broader economic uncertainty.

In addition to these economic challenges, currency depreciation and political instability have heightened concerns among investors. The weakening of Pakistan’s currency, coupled with fears over diminishing foreign exchange reserves, has exacerbated worries about the country's economic trajectory. Security concerns in the Kashmir region, particularly related to the recent terrorist attack in Pahalgam on April 22, 2025, have further spooked international investors who fear that ongoing tensions could lead to wider economic and political instability.

Adding to this environment of uncertainty, Fitch Ratings expressed concern over Pakistan’s long-term economic stability. In a statement, the credit rating agency pointed to the deteriorating fiscal position and highlighted the country’s exposure to geopolitical risks, risks that have intensified following the events in Kashmir. Analysts echoed these concerns, warning that the combined weight of political and security risks may deter foreign investment, thereby exacerbating the economic difficulties Pakistan faces.

The Indian government's response to the attack at Pahalgam has notably intensified tensions. India's Ministry of External Affairs announced retaliatory measures, including the suspension of the Indus Waters Treaty—a vital agreement governing water resource sharing between the two countries—and the closure of trade routes at the Wagah-Attari border. These actions have had a significant impact on the already volatile market situation.

The suspension of the Indus Waters Treaty raises critical concerns over access to essential water resources used for both agriculture and industry by Pakistan and India. Analysts warn that this development could further worsen bilateral relations and fuel instability in the region, potentially complicating Pakistan’s fragile economic conditions.

Moreover, the shutdown of the Wagah-Attari border, a crucial trade route, has disrupted cross-border commerce, intensifying economic strain amid Pakistan’s already unsustainable trade deficit. The combination of these geopolitical moves and existing internal challenges has shaken investor confidence, prompting many to retreat from the market in an effort to mitigate losses.

The PSX website outage on April 25 symbolised the deepening financial crisis unfolding in Pakistan’s stock market. While the site’s temporary unavailability may have stemmed from technical issues, it coincided with and reflected the heightened market volatility and instability related to the geopolitical and economic developments. Analysts suggest that with tensions between India and Pakistan continuing to escalate, further market fluctuation and uncertainty are to be expected in both the short and medium term.

This episode at the Pakistan Stock Exchange highlights the vulnerabilities faced by emerging economies that rely heavily on foreign investment and remain susceptible to external shocks. As geopolitical disputes intensify alongside persistent economic challenges, Pakistan's financial markets are positioned for a turbulent period ahead.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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