

Lahore School of Economics Policy Uncertainty Indices

August
2026

A monthly tracker of economic, trade and investment policy uncertainty in Pakistan

ECONOMIC POLICY UNCERTAINTY INDEX

208

▼ 36% MoM

Although the budget was passed but the index remained above 200 due to changes in the fuel-pricing system and IMF-compliance concerns.

Economic Policy Uncertainty Falls but Remains Elevated

- **SBP** held its policy rate at 11.5% amid an improving macroeconomic outlook.
- **FBR** met its revenue target and announced accelerated reforms.
- **Pakistan** Petroleum Dealers Association's concern on daily fuel pricing system were addressed.
- **Pakistan** missed its IMF circular-debt target under the EFF program.

Lahore School Economic Policy Uncertainty Index (EPU):
July 2021-July 2026



TRADE POLICY UNCERTAINTY INDEX

278

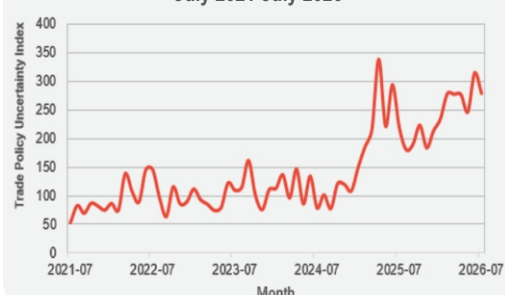
▼ 11% MoM

US tariff resolution offset by renewed Strait of Hormuz shipping risk.

Trade Policy Uncertainty Falls but Remains Elevated

- **US** finalized Section 301 tariffs at a flat 10% for Pakistan.
- **Pakistan-US** trade talks showed substantial progress towards a broader bilateral trade agreement.
- **Auto** Industry Policy 2026-31 has not yet been finalized.
- **Strait** of Hormuz tensions flared back up in July.

Lahore School Trade Policy Uncertainty Index (TPU):
July 2021-July 2026



INVESTMENT POLICY UNCERTAINTY INDEX

188

▼ 42% MoM

Sharpest fall of the three. Finance Bill signed into law and PIA privatization completed.

Investment Policy Uncertainty Falls

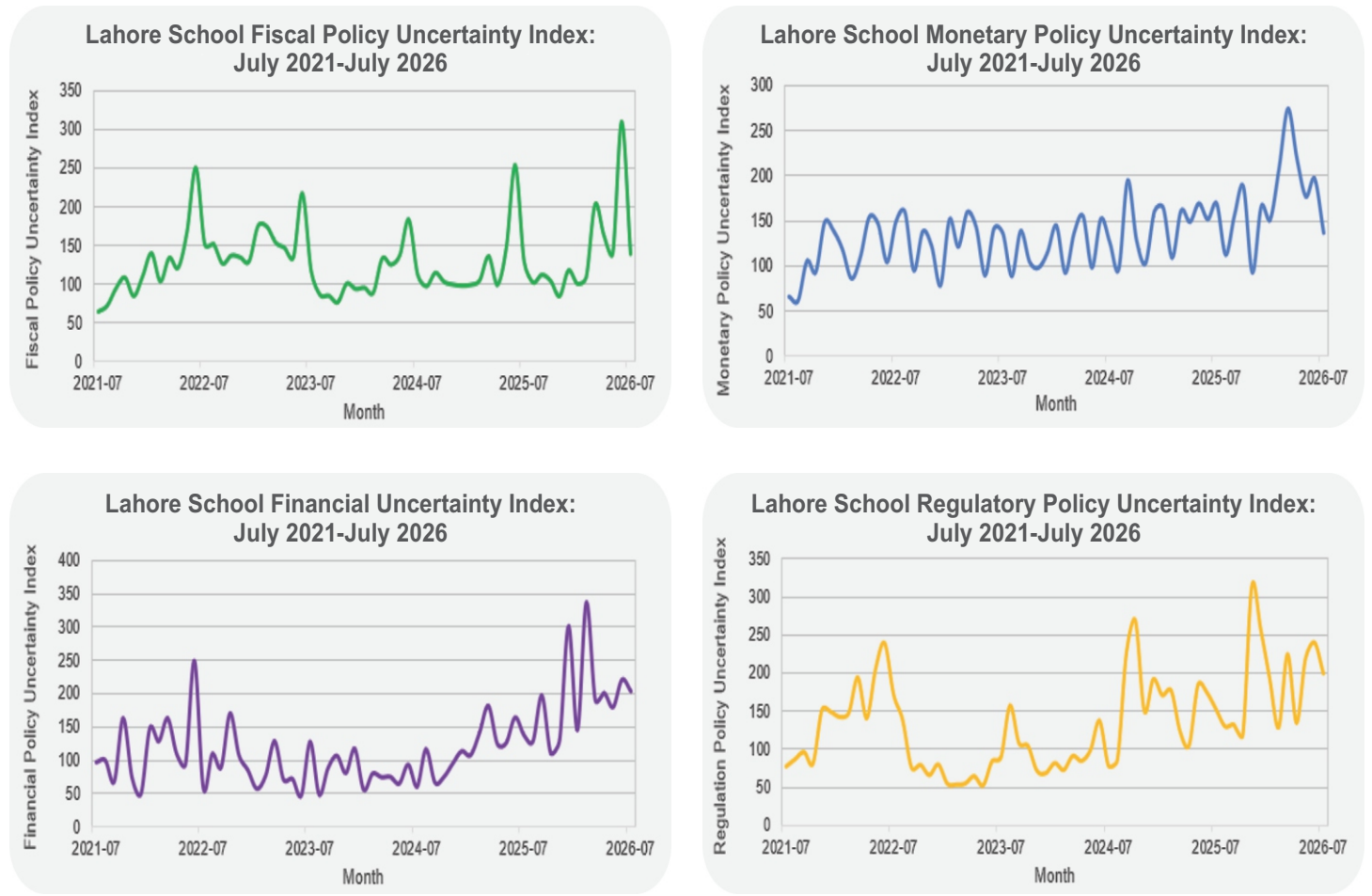
- **Fiscal** policy uncertainty declined as budget was passed.
- **Missed** IMF circular-debt target increased fiscal policy uncertainty.
- **Monetary** policy uncertainty fell as SBP held its policy rate constant.
- **Regulatory** policy uncertainty went up as the telecom bill stalled.
- **Regulatory** policy uncertainty reduced as PIA privatization completed.
- **Regulatory** policy uncertainty further decreased as government advanced privatization of DISCOs.

Lahore School Investment Policy Uncertainty Index (IPU):
July 2021-July 2026



Lahore School of Economics
Innovation &
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Subindices of Investment Policy Uncertainty



METHODOLOGY NOTE

- The policy uncertainty indices are constructed using the Baker, Bloom and Davis (2016) Natural Language Processing based methodology, which applies a standard bag-of-words search to four English-language newspapers (Dawn, The Express Tribune, The Nation, and Business Recorder) to identify uncertainty-related articles and produce a monthly index.
- The IPU comprises four subindices: Monetary Policy Uncertainty, Fiscal Policy Uncertainty, Regulatory Policy Uncertainty, and Financial Policy Uncertainty, which are combined using principal component analysis to calculate the investment policy uncertainty index.

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