# Lahore School of Economics

# Policy Uncertainty Indices

October 2026

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

## ECONOMIC POLICY UNCERTAINTY INDEX SEPTEMBER 2026

**162.46** ▼ 24.21% MoM

Fell sharply as SBP held its policy rate at 11.5%, reserves rose to $26.8bn and FBR met its first-quarter target, despite persistent fuel-pricing concerns.

## TRADE POLICY UNCERTAINTY INDEX SEPTEMBER 2026

**192.89** ▼ 22.1% MoM

Fell but remained elevated as August's trade deficit narrowed and tariff reforms stayed on track, while Hormuz disruption and the unfinalized auto policy persisted.

## INVESTMENT POLICY UNCERTAINTY INDEX SEPTEMBER 2026

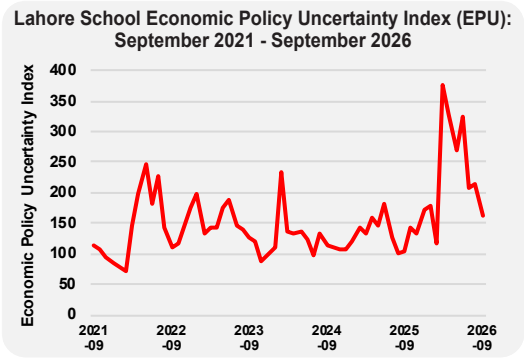
**145** ▼ 6.45% MoM

Fell slightly as DISCO privatization progressed and a record $3bn Eurobond eased regulatory and financial uncertainty, despite higher inflation and fuel-subsidy concerns.

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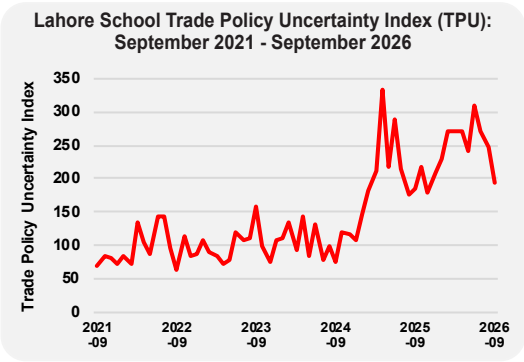
## Economic Policy Uncertainty Falls Sharply in September 2026

- SBP held its policy rate unchanged at 11.5%.
- Foreign reserves rose to $26.8bn.
- FBR met its FY27 first-quarter target but fell short of income tax target.
- IMF review talks stalled over fuel subsidy, gas receivables and circular debt.
- Daily fuel pricing mechanism continued and petroleum levy stayed high as concerns over them persisted.
- Fuel subsidy scheme was implemented though it drew IMF concerns.



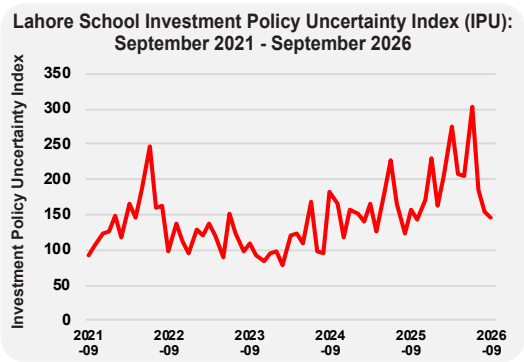

## Trade Policy Uncertainty Falls in September 2026 but Remains Elevated

- August's trade deficit narrowed whereas July-August exports rose 7% YoY.
- Tariff rationalization policy stayed on schedule, with duties on imported mobile phones reduced.
- Auto Industry Development and Export Policy (AIDEP) 2026-31 remained unfinalized and is currently under IMF review.
- Strait of Hormuz shipping stayed disrupted, with Brent recorded above $100.

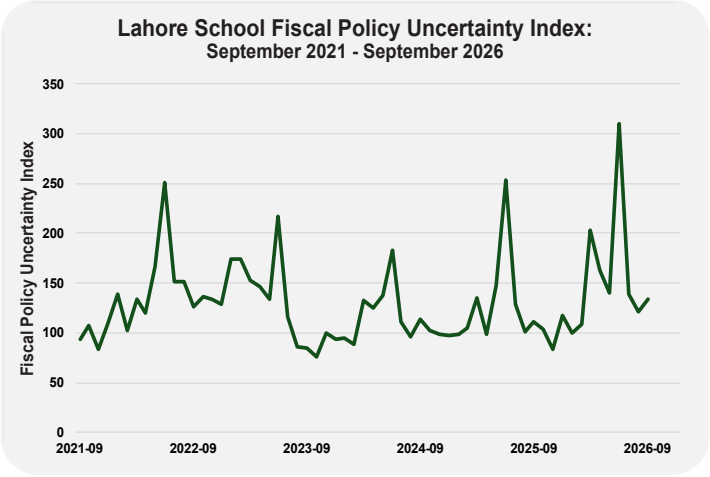


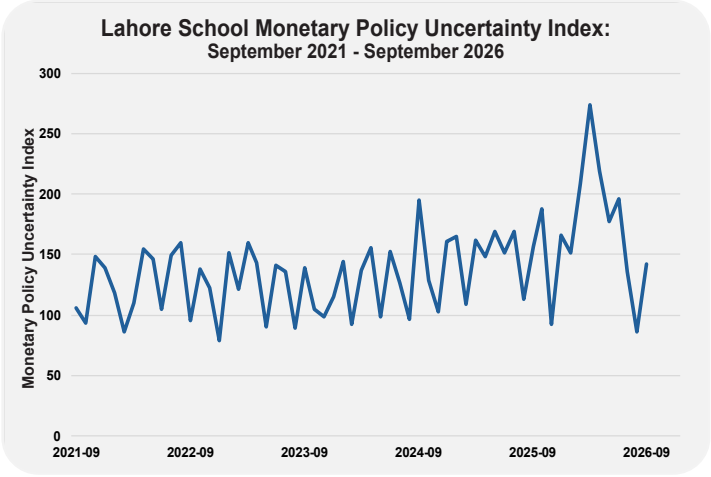

## Investment Policy Uncertainty Falls in September 2026

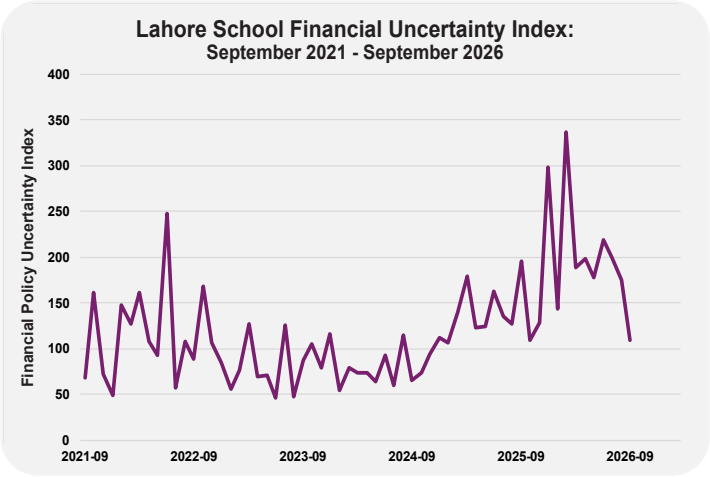
- Monetary policy uncertainty increased as inflation rose to 11.1% and global commodity prices hiked.
- Fiscal policy uncertainty rose as concerns related to circular debt, fuel subsidy and petroleum levy cut were raised by the IMF.
- Fiscal policy uncertainty eased as FBR met its first quarter revenue target, though income tax fell short.
- Regulatory policy uncertainty fell as DISCO privatization advanced despite Senate concerns and a revised telecom bill draft was prepared.
- Financial uncertainty fell as Pakistan raised a record $3bn Eurobond.
- Financial uncertainty rose as PSX fell about 4% amid oil-price and US-Iran concerns.

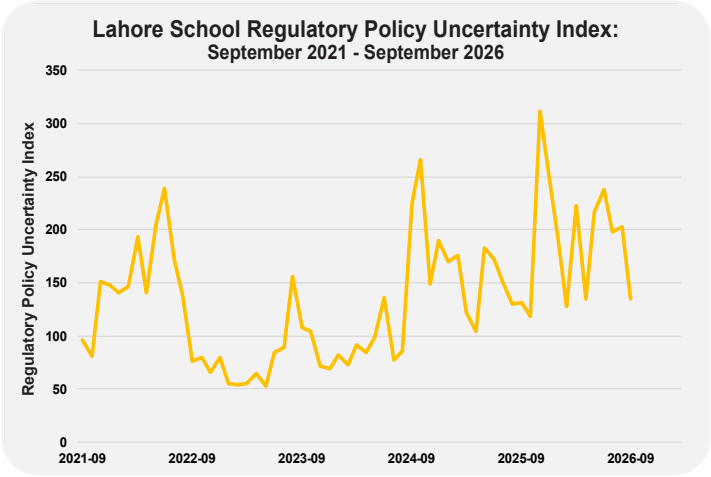


## Subindices of Investment Policy Uncertainty




## 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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