

Abstract

This research paper presents South Africa's first news-based policy uncertainty index, constructed at monthly intervals for the period January 1994 to June 2014. Research on policy uncertainty and its economic consequences has proliferated since 2008, but the literature remains methodologically heterogeneous. Section one of this paper addresses this heterogeneity and argues for the appropriateness of a news-based index *vis-à-vis* other typical policy uncertainty measures, particularly event studies and time-varying volatility series. Section two outlines the construction of this index, which departs methodologically from Baker, Bloom and Davis' (2013) pioneering work but is adjusted to take account of South Africa's political and economic context. Lastly, section three subjects the index to several formal and informal robustness checks.