The primary objective of this study is to delve into the influence of oil price volatility on Pakistan's macroeconomic performance. To achieve this objective, we analyzed comprehensive secondary data spanning from 1979 to 2020, employing rigorous statistical techniques to estimate the coefficients. To ensure the robustness of the data, the stability was confirmed through the Augmented Dickey-Fuller Test. The compelling findings derived from the ARDL Bound Test indicated a clear inverse correlation between oil price volatility and the Macroeconomic Performance Index in Pakistan. This noteworthy association persisted across both immediate and prolonged perspectives. Moreover, our investigation extended beyond oil price volatility, as we observed negative signs for the exchange rate, trade, and capital formation, with capital formation showing a positive sign in the short run. Notably, the error correction term (ECM) demonstrated statistical significance at the 5% level, further strengthening the validity of the results. With a negative coefficient value of -0.718, the calculated ECM suggests that any market disequilibrium will be rectified within an approximate timeframe of eighteen months. These profound insights shed light on the dynamic interplay between oil price volatility and Pakistan's macroeconomic performance, providing a solid foundation for policymakers to formulate effective strategies that enhance economic stability and foster sustainable growth. As we strive to navigate the challenges posed by oil price fluctuations, these research findings serve as a valuable guide to steer the country towards greater economic resilience and prosperity.

Keywords: Oil price volatility (OPV), macroeconomic performance index (MPI), economic performance of Pakistan