



Research Agenda

2026-2029

June 2026



State Bank of Pakistan

Foreword

Research and analysis are at the heart of informed policymaking at SBP. The contemporary economic landscape is marked by rapid technological advancements, recurring supply shocks, climate change, and growing geopolitical concerns amidst longstanding structural challenges. This calls for even stronger emphasis on research aimed at addressing the challenges posed by increasingly complex and evolving dynamics.

In this context, it gives me great pleasure to launch SBP's First Research Agenda for 2026-2029, through which we aim to address these challenges in a more holistic manner. In line with SBP's statutory objectives and the SBP Vision 2028, the Research Agenda outlines a roadmap for our research and analysis efforts over the coming years. While SBP's Vision 2028 provides the broad strategic guidance that we remain committed to, the Research Agenda 2026-2029 lays out details about the research gaps that need to be addressed or reinvestigated for more informed decision-making.

With the overarching aim of meeting our objectives vis-à-vis price stability, financial stability, and supporting government policies to contribute to economic development, the Research Agenda is organized across three broad themes:

- Theme I: Inflation Dynamics and Monetary Policy
- Theme II: Financial Sector Deepening, Soundness and Efficiency
- Theme III: Structural Transformation and Economic Development

Through this Research Agenda, we aim to identify the underlying factors that weaken the efficiency of the regulatory framework and the effectiveness of policy instruments, enabling more informed, timely, and effective policy and regulatory responses. The Research Agenda also aims to facilitate macroeconomic reforms through targeted research and analysis on structural issues faced by Pakistan's economy. Moreover, in the spirit of collaboration, the Research Agenda invites research partnerships with academics, policy researchers, and policymakers both at individual and institutional levels, where SBP also plans to fund some of the priority research questions.

We look forward to a vibrant collaboration and dialogue with all the stakeholders in general and potential research partners in particular, as we embark on this ambitious Agenda to improve our collective understanding of the identified themes and to come up with actionable policy and regulatory interventions to achieve our overarching objectives.

Jameel Ahmad
Governor
State Bank of Pakistan

Introduction

Institutionalized research orientation is essential for effective central banking, particularly in an increasingly uncertain and rapidly evolving global environment. For SBP, research not only provides the basis for policymaking but also for anticipating emerging risks, understanding structural shifts, and strengthening the overall policy framework.

The economic landscape in which central banks operate has become significantly more complex. Inflation dynamics have become less predictable, financial systems are becoming more interconnected, and external vulnerabilities – ranging from commodity price volatility to trade disruptions and geopolitical tensions – continue to influence domestic macroeconomic stability. At the same time, technological innovation, digital finance, cybersecurity and climate-related risks are reshaping both the real economy and the financial sector. These developments, along with the persistent structural challenges facing Pakistan’s economy, strengthen our resolve for a more adaptive, data-driven, and forward-looking research approach for policymaking, regulatory design, and research support for macroeconomic and structural reforms.

In this backdrop, the SBP Research Agenda for 2026–2029 sets out a framework to guide research activities across key policy areas. It aims to improve monetary policy transmission, reevaluate the financial sector’s role amidst rapidly evolving landscape, and facilitate collaborative and research-led policy and regulatory interventions to ensure price and financial stability and to put the economy on a sustainable and inclusive growth trajectory.

Through this Research Agenda, we aim to actively engage with external stakeholders – including the government, academia, policy researchers, and industry groups – to produce actionable policy and regulatory insights, and thereby meaningfully contribute to better informed economic policy decisions. To this end, we encourage collaboration between SBP staff and external researchers.

This 3-year Agenda is structured around three strategic themes, in line with SBP’s statutory objectives and SBP Vision 2028. These are further divided into sub-themes (see Chart 1) to enable SBP staff and external collaborators to focus on the important research gaps. Moreover, under each theme, indicative sets of research questions and topics that SBP’s Research Agenda 2026–2029 seeks to prioritize are identified. These indicative questions and topics aim to serve as broad guidance and do not limit the scope of the Research Agenda. SBP staff as well as external collaborators are encouraged to undertake research across any of the themes and sub-themes outlined in this document. Over time, SBP may update the list of questions, depending on as and when these research gaps are addressed, and on evolving economic and financial sector developments.



Theme I: Inflation Dynamics and Monetary Policy

Given SBP's primary objective of ensuring price stability, deeper research into inflation dynamics and monetary policy transmission is central to the Research Agenda 2026–2029. The identified sub-themes reflect the need to generate policy-relevant insights on how monetary policy operates in Pakistan's evolving macroeconomic environment and given the longstanding structural constraints in the economy.

In recent years, a series of severe and overlapping supply shocks, both global and domestic, have contributed to elevated and volatile inflation in Pakistan, as well as in other emerging and advanced economies. These shocks and their lingering aftermath have prompted central banks to reassess the design and calibration of their policy frameworks. In Pakistan's context, climate-related disruptions, including erratic rainfall patterns and floods, have further complicated inflation dynamics by affecting agricultural output, food prices and trade flows, thereby increasing the frequency and persistence of supply-side pressures.

Against this backdrop, strengthening the analytical underpinnings of inflation dynamics is critical. This includes examining the role of expectations formation, the persistence and pass-through of shocks, and the interaction between supply disturbances and policy responses. At the same time, structural, institutional, and market frictions—such as informality, financial access constraints and segmentation—may weaken and delay monetary policy transmission. Addressing these gaps requires focused research on transmission channels, as well as on the role of expectations, communication strategies, and central bank credibility in enhancing policy effectiveness. These

efforts will also support the development of an actionable roadmap towards the potential adoption of a flexible inflation targeting framework in Pakistan.

In parallel, emerging structural and technological developments are reshaping the monetary policy landscape. The growing relevance of digital financial services, virtual assets, central bank digital currencies, and artificial intelligence – as well as the ongoing transition toward a more Shariah-compliant banking system – raises important questions about their implications for monetary policy transmission, financial intermediation, and overall policy effectiveness. Similarly, climate change is introducing new sources of volatility and persistence in inflation, requiring their systematic incorporation into policy analysis.

As part of the Research Agenda 2026–2029, SBP will reassess and strengthen its modeling and forecasting framework to better capture these evolving dynamics. This includes extending the policy-relevant forecasting horizon, integrating new data sources, and developing complementary empirical and structural models. A holistic, research-driven approach will be adopted to enhance existing analytical tools, evaluate alternative monetary policy regimes and their design features, and deepen understanding of price-setting behavior in the economy.

Following are examples of relevant research questions in this theme:

1. How effective is monetary policy transmission in Pakistan, and how do non-linearities and asymmetries—arising from shock size, shock type, and prevailing macroeconomic conditions—shape the strength, direction, and speed of transmission across key channels?
2. What are the macroeconomic implications of Pakistan’s monetary policy response to supply shocks, particularly with respect to inflation dynamics and the credibility of the central bank?
3. What are the defining features of a Shariah-compliant monetary policy framework, and how might they affect the channels, speed and effectiveness of monetary policy transmission in Pakistan?
4. How do emerging structural shifts – particularly technological acceleration, evolving communication dynamics, and climate-related supply shocks and their interactions – affect inflation dynamics in Pakistan?
5. What factors drive the formation of inflation expectations in Pakistan; how do different factors impact inflation expectations of different segments of economic agents; and to what extent are these expectations adaptive or forward-looking? How do these factors shape inflation dynamics? How can SBP’s communications strategy better anchor expectations and strengthen monetary policy transmission?
6. Is flexible inflation targeting an optimal monetary policy regime for Pakistan, and how should its key design features – such as the inflation target level, tolerance band, and policy horizon – be calibrated considering the economy’s structural characteristics?
7. What role can big data and business intelligence gathering—such as insights from the Economic Agents Network—play in addressing data gaps, particularly in the analysis of labor market conditions and demand-side dynamics?
8. What are the potential implications of investments in virtual assets, expansion of digital financial services, and introduction of a central bank digital currency (CBDC) in Pakistan for monetary policy transmission, financial stability, and financial intermediation?

9. How do demographic factors, economic informality, gender dynamics, and technological shifts affect inflation dynamics and monetary policy trade-offs in Pakistan?
10. Diagnostic review of issuance of Sukuk/Shariah compliant sovereign securities through PSX, and prospects of issuance of and trading of T-bills and PIBs through PSX?

Theme II: Financial Sector Deepening, Soundness and Efficiency

A well-functioning financial system is central for effective monetary policy transmission, macroeconomic stability, and sustained economic growth. In Pakistan, financial intermediation remains relatively shallow, with persistent gaps in credit penetration, financial inclusion, and efficiency. Despite ongoing reforms, the banking system continues to dominate, while capital markets and non-bank financial institutions remain underdeveloped, raising concerns about the financial system's ability to effectively support broader economic objectives.

The financial system is also shaped by the interaction of structural constraints and cyclical macroeconomic volatility. Periods of tight liquidity, high inflation, exchange rate pressures, and shifts in fiscal-monetary dynamics have repeatedly affected the risk-taking behavior and asset mix of the banking sector. In this context, separating structural bottlenecks – such as institutional weaknesses, concentration, and informational frictions – from cyclical factors is essential for designing effective and targeted policy and regulatory responses.

Recent developments further highlight the evolving nature of the financial system. These include changes in liquidity management operations, increased reliance on open market operations, and the expansion of concessionary financing schemes for priority sectors. In addition, the financial sector is expected to transition towards a Shariah-compliant system, with important implications for liquidity management, intermediation structures, and monetary policy transmission. These shifts call for a reassessment of the interaction of central bank operations with commercial banks' balance sheets, e.g., deposit behavior, and credit allocation.

Against this backdrop, several key policy and research questions arise regarding the determinants, constraints, and trade-offs shaping financial intermediation in Pakistan.

An indicative list of relevant research questions under this theme is as follows:

1. What are the key determinants of low financial intermediation in Pakistan, and what is the relative contribution of structural versus cyclical factors in constraining financial depth, efficiency, and inclusion?
2. How can concessionary financing schemes be optimally designed and targeted to effectively expand credit access for underserved segments in Pakistan?
3. How does the composition of banks' funding – particularly deposits versus interbank and open market operation borrowing – influence credit allocation to the private sector in Pakistan?
4. Does SBP's liquidity management framework affect deposit mobilization in the banking sector?
5. What are the causes and implications of Pakistan's bank-dominated financial sector?
6. What trade-offs arise from regulatory and macroprudential policies in Pakistan in balancing financial stability and financial deepening to support economy growth?

7. How does the efficiency of financial intermediation in Islamic banks compare with that of conventional banks in Pakistan in terms of cost, pricing, credit allocation, and resilience to financial shocks?
8. How does the minimum deposit rate affect monetary policy transmission and financial sector stability in Pakistan?
9. How do macroprudential tools interact with monetary policy in Pakistan, and how can their coordination be optimized to achieve both price stability and financial stability objectives?

Theme III: Structural Transformation and Economic Development

Pakistan's economy must undergo structural transformation to break out of recurring boom-bust cycles and overcome persistent macroeconomic vulnerabilities. This entails not only reallocating resources from low-productivity sectors towards higher value-added manufacturing and modern services but also strengthening economic governance frameworks that will support this transition. A central research priority is to identify the required structural and institutional reforms, along with their optimal sequencing, to enhance policy credibility and effectiveness. Achieving this transformation requires coordinated efforts across public and private sectors, underpinned by strong institutions and effective governance.

At the same time, the large undocumented economy undermines the reliability of key macroeconomic indicators and weakens policy transmission. The Research Agenda therefore prioritizes research on informality and reforms that would promote formalization, such as tax simplification, digitalization, and streamlined regulations. Complementary investments in technology, human capital, and innovation are essential to boost productivity, competitiveness, and external sustainability, particularly in the face of rising climate-related shocks.

Building on this, the Research Agenda will explore alternative development models, including lessons from export-led growth experiences, and assess their relevance for Pakistan. It will also examine financial intermediation, industrial and competition policies, and reforms in tax policy and corporate governance in light of international best practices for mobilizing savings and encouraging investment. Additionally, research on technological change, education, and demographic transitions – including migration, R&D, and AI adoption – will be critical for addressing skills gaps, enhancing firm productivity, and improving labor market outcomes.

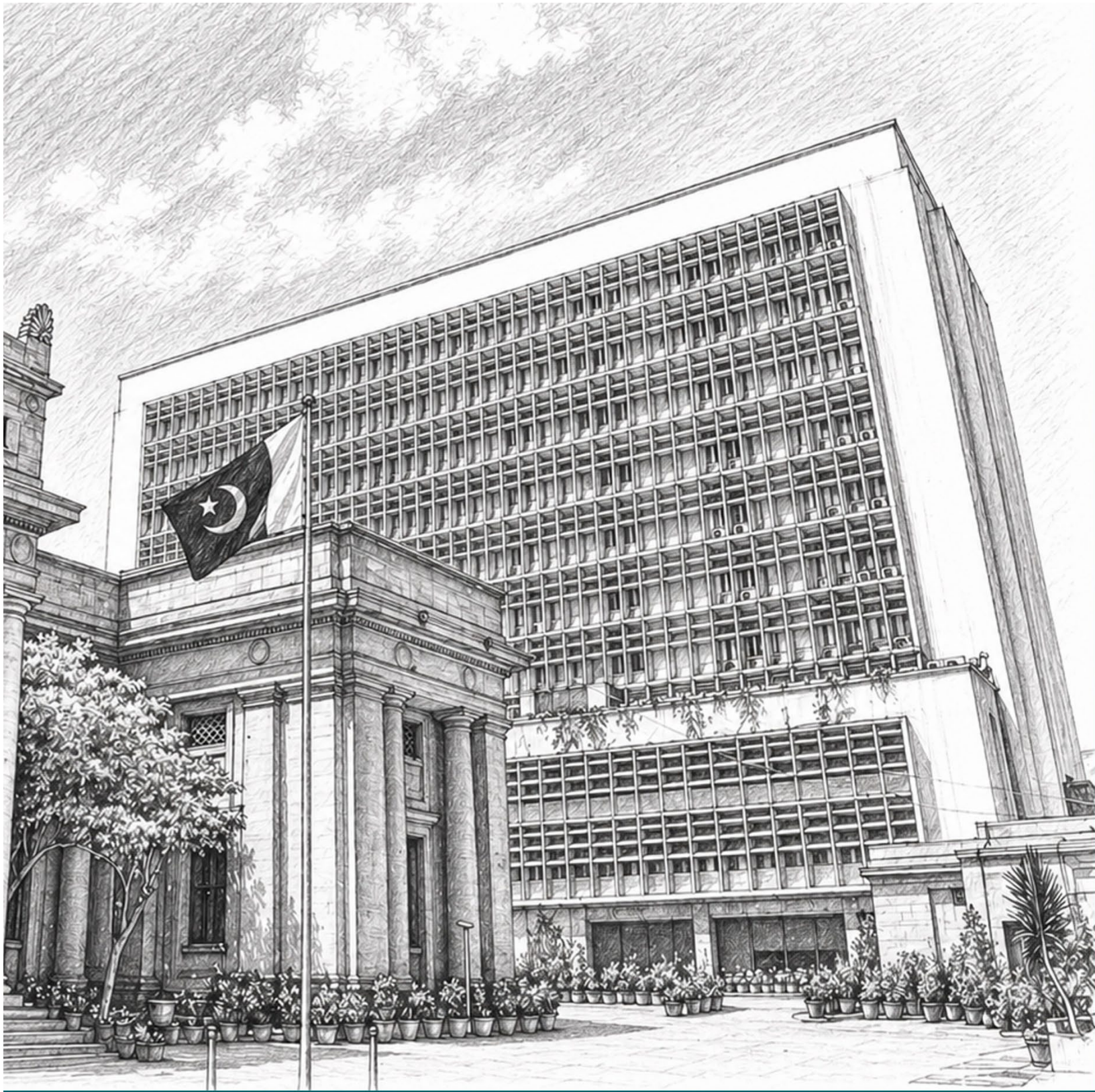
From an external sustainability perspective, the Agenda will analyze how the composition and stability of financial inflows – including foreign direct investment, portfolio flows, and external borrowing – affect macroeconomic resilience, and identify the constraints to attracting private inflows. It will also assess the role of workers' remittances in supporting external balances and long-term sustainability. Further areas of focus include the implications of evolving global value chains for export competitiveness, strategies for export diversification, and the adequacy of external buffers as part of a transition toward a more sustainable and resilient growth model.

Following is list of priority research questions under this theme:

1. What institutional reforms are needed to improve economic governance in Pakistan, and how should these reforms be sequenced for maximum effectiveness?
2. How does the size of the undocumented economy influence the reliability of macroeconomic indicators and the transmission of economic policies? What policy and institutional reforms are required to reduce informality in Pakistan's economy?
3. How do productivity gains, technological upgradation and other structural factors influence Pakistan's export competitiveness? What lessons can Pakistan learn from export-led growth strategies adopted by high-growth countries?
4. Does the composition of financial inflows matter for external sector sustainability in Pakistan? What factors constrain private foreign inflows to Pakistan?
5. How do technological change, migration, and demographic shifts affect labor market outcomes and productivity in Pakistan?
6. Do workers' remittances in Pakistan act as a macroeconomic boon or bane for external sector sustainability?
7. In what ways does Pakistan's current tax structure differ from international best practices in encouraging capital formation and savings mobilization?
8. How do climate change and productivity disruptions impact financial stability?
9. What are the short- to medium-term macroeconomic effects of Pakistan's transition to a low-carbon economy?

Disclaimer

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