

Governor's Message

Ensuring financial stability is one of the key strategic goals of the State Bank of Pakistan (SBP). A stable and resilient financial system is vital for the sustainable economic growth of a country regardless of its state of development. Accordingly, an assessment of the state of financial stability and identification of underlying systemic vulnerabilities and risks assumes paramount importance. To this end, SBP has established a full-fledged Financial Stability Department (FSD) which is mandated to, inter alia, review and evaluate the level of stability and soundness of the financial sector (particularly, the banking sector), financial markets and financial market infrastructures.

Financial Stability Review (FSR) is the flagship annual publication which aims at conveying our assessment of the stability and resilience of the financial system of the country. The current issue takes a comprehensive look at the risks and vulnerabilities in various segments of the financial sector; including the banking sector and non-bank financial institutions; financial markets i.e. money, equity and foreign exchange markets; and financial market infrastructure including the payment system. Moreover, the resilience of the banking sector to any unanticipated domestic and global shocks has also been assessed. Finally, an attempt has been made to assess the financial behavior of households and the corporate sector for the first time.

The analysis in the report finds that the financial sector vulnerability has eased relative to its past. Macroeconomic indicators, largely, post positive outlook; banking sector remains stable, strong and resilient to moderate shocks; financial markets show better performance and the corporate sector has benefited from favorable macro-financial conditions. This has translated into an improved risk profile of the system as a whole; though, some low to moderate levels risks have emerged in the short to medium term, which are being closely monitored by SBP.

We hope that the stakeholders – in particular the financial markets and the public at large – will find the analysis and assessment of the financial conditions useful and informative. Any feedback and comments on the FSR are welcome.

Riaz Riazuddin
Acting Governor