

## Governor's Message

The global economic environment has been largely supportive in CY17 despite emerging challenges such as firming up of inflation and the policy normalization in some of the advanced economies. The past year has witnessed synchronized real growth in the global economy. While this is beneficial for international trade, risks pertaining to geopolitical tensions and protectionist tendencies in advanced economies continue to be major concerns.

On the domestic front, FY17 is characterized by a decade-high growth in GDP and the momentum has continued in FY18. Nevertheless, macroeconomic vulnerabilities such as stressed balance of payments position coupled with fiscal concerns remain critical going forward.

In this backdrop, the country's financial sector has remained resilient to emerging macrofinancial challenges and maintained its performance trajectory. Particularly, the broad based growth in private sector advances by the banking sector coupled with improved asset quality remain the key highlights. Nevertheless, SBP, cognizant of some emerging low to moderate level risks, is monitoring all developments closely and is taking appropriate measures where necessary.

The current edition of Financial Stability Review undertakes a detailed qualitative and quantitative assessment of the emerging risks to the financial sector and gauges the resilience of the country's banking sector to the hypothetical, but plausible, adverse scenarios. We hope that the stakeholders will find this report informative and useful. We welcome any suggestions and feedback.

**Tariq Bajwa**