

Box 2: SBP's Systemic Risk Survey-5th Wave (January 2020)

SBP launched the 5th wave of its biannual Systemic Risk Survey in January 2020 to capture the risk perception of market participants and evaluate their confidence in the stability of the financial system. The respondents of the survey included senior executives of financial institutions, private sector, and academia.⁷²

The survey intends to gauge the present and future (over the next six months) risk perceptions of the respondents related to five broad categories i.e. global, macroeconomic, financial markets, institutional and general risks. The results presented here are based on responses to the survey and do not necessarily reflect the SBP's views on risks to the financial system. 152 participants took part in the fifth wave of SRS, representing a 47% response rate.

Summary of Results:

1. At present, the perception of sources of risks at the aggregate level ranks macroeconomic risk as critical followed by global, financial market, general and institutional risk. **(Chart B2.1)**
2. In the next six months, the critical sources identified by respondents is macroeconomic risk followed by general and global risk. **(Chart B2.2)**
3. Overall, among the top ten risks identified, the highest cited risks are increase in general inflation, slowdown in economic growth and volatility in commodity prices. In the next six months, respondent's perception of sources of risks remains the same. **(Chart B2.3)**
4. The respondents are more confident about the stability of the financial and banking system compared to the previous wave of the survey. **(Chart B2.4)**

Comparison of results among the last three surveys shows that the risk perception of the respondents relating to domestic inflation, geopolitical risks, and slowdown in global growth has increased, whereas risk perception for foreign exchange rate and equity price has diminished. **(Chart B2.5).**

⁷² The respondents included executives from commercial banks, insurance companies, exchange companies, MFBs, DFIs, major

financial market infrastructures, financial journalists, members of academia, SECP officials and think tanks.

Chart B2.1: Perception on sources of systemic risk- presents

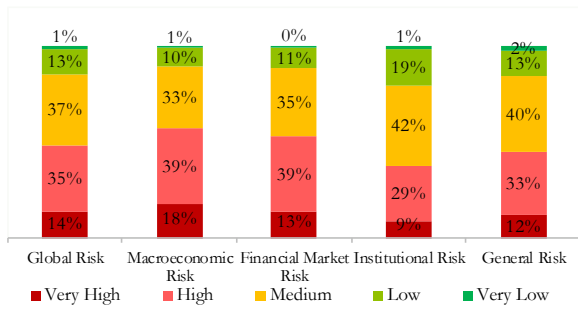


Chart B2.2: Perception on sources of systemic risk- next 6 months

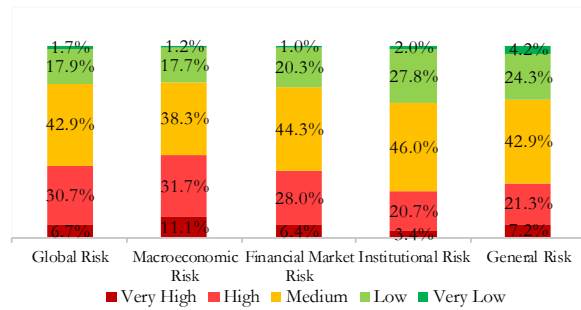


Chart B2.3: Top 10 risks identified

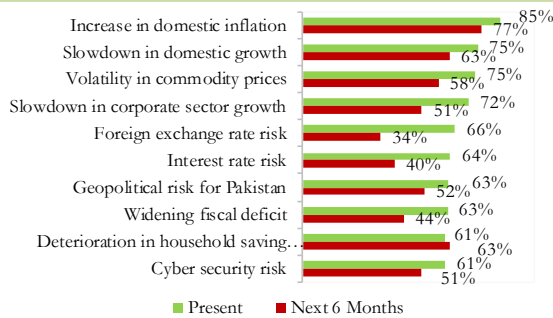


Chart B2.4: Confidence in financial stability

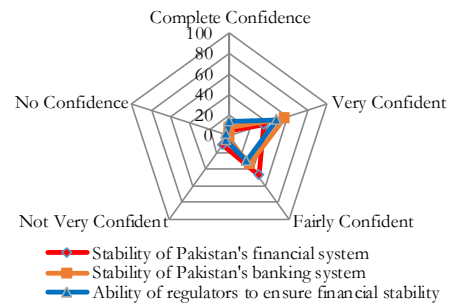


Chart B2.5: Comparison of Results (3rd, 4th and 5th waves)

	3rd Wave (Jan-19) Present (Average)	4th Wave (July-19) Present (Average)	5th Wave (Jan-20) Present (Average)		3rd Wave (Jan-19) Present (Average)	4th Wave (July-19) Present (Average)	5th Wave (Jan-20) Present (Average)
Slowdown in global growth	2.85	2.83	2.65	Interest rate risk	2.40	2.17	2.32
Sovereign default risk	3.29	3.13	2.99	Liquidity risk	2.67	2.65	2.66
Lack of funding from abroad	2.34	2.32	2.43	Regulatory risk	2.55	2.56	2.62
Volatility in commodity prices	2.28	2.05	2.07	Legal risk	2.94	2.83	2.85
Slowdown in domestic growth	2.27	2.08	2.10	Asset quality deterioration	2.55	2.38	2.41
Increase in domestic inflation	2.16	1.96	1.79	Shortfall in capital requirement	2.77	2.63	2.57
Widening fiscal deficit	1.84	2.04	2.24	Access to funding (deposit mobilization & borrowings)	2.87	2.59	2.72
Deterioration of BoP	1.71	2.12	2.43	Excessive private sector credit	3.11	2.93	3.03
Sovereign rating downgrade	2.29	2.48	2.68	Concentration risk in private	2.95	2.83	2.97
Slowdown in corporate sector growth	2.47	2.23	2.21	Concentration risk in mutual fund	3.35	3.20	3.28
Slowdown in infrastructure development	2.88	2.87	2.56	Operational risk	2.78	2.79	2.78
Deterioration in household savings	2.60	2.37	2.26	Cyber security risk	2.23	2.35	2.28
Volatility in real estate prices	3.01	2.82	2.96	Disruption in financial market	2.92	2.68	2.78
Energy crisis	2.36	2.68	2.50	Terrorism	2.78	2.74	2.67
Political uncertainty	2.41	2.47	2.29	Geopolitical risk for Pakistan	2.63	2.41	2.25
Foreign exchange rate risk	1.80	1.71	2.19	Natural disasters/ Increasing threat of climate change	3.09	2.88	2.68
Equity price risk	2.44	2.37	2.67	Social unrest	3.07	2.92	2.82

