

Box 1: SBP's Systemic Risk Survey-9th Wave (January 2022)

(Disclaimer: The results presented here represent the opinion of the respondents of the survey and do not reflect the views of the State Bank of Pakistan (SBP))

SBP completed the 9th wave of its biannual Systemic Risk Survey (SRS) in January 2022. The survey helps in the assessment of market participants' perception about risks faced by the financial system and evaluate their confidence in the stability of the system. As was the case in previous iterations, the core questions of the survey remained unchanged. However, to gauge the perceptions of the participants about the stability implications of ongoing COVID-19 pandemic, the survey questionnaire has been supplemented with a set of additional questions since the sixth wave (conducted in July 2020).

Besides risks emanating from the pandemic, the survey gauged the present and future (over the next six months) perceptions of the respondents related to five broad categories of risk i.e. global, macroeconomic, financial markets, institutional and general. The respondents for the current iteration included a broad spectrum of stakeholders.⁶ Ninety-four participants took part in the current wave yielding a 47% response rate.

Summary of Results:

1. At present, on the aggregate level, respondents rank the "Financial Market Risks" category as the most vital, followed by "Domestic Macroeconomic Risks". The perception remains similar for the next six months **(Chart A & B)**. In the context of financial market risks, the risk perception for next six months with respect to exchange rate, interest rate, and deterioration in Balance of Payment (BoP), however shows some moderation **(Chart C)**.
2. In terms of key risks at present, the highest rated are "volatility in commodity prices", "foreign exchange rate risk", and "deterioration of BoP". Likewise, respondents' perception regarding the key risks for the next six months remains the same **(Chart C)**.
3. Comparison among the last three waves (7th, 8th and 9th waves) indicates that the risk perception has slightly increased with regards to domestic inflation, exchange rate risk, deterioration in BoP and volatility in commodity prices **(Chart E)**.
4. Encouragingly, respondents' confidence on the stability of the financial and banking system remains strong **(Chart D)**. While respondents' showed satisfaction regarding the efficacy of SBP's overall policy measures, in the pandemic's perspective, for the economy **(Chart F1 & F2)**.
5. In comparison to previous waves, the current wave indicates improvement in risk perception regarding COVID-19's impact on the financial industry **(Chart G)**.
6. Overall, respondents' views regarding the impact of the pandemic on financial stability at present remains largely unchanged compared to the last wave. However, respondents' views slightly worsened for medium and long term, due to the uncertainty around Omicron variant which was in full swing in Jan-2022 when the 9th wave of the survey was conducted. **(Chart H)**. Incidentally, the prevalence and impact of COVID-19 has significantly subsided in following months and NCOC has also waived the related restrictions.

⁶ 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 A: Perception on sources of systemic risk- present

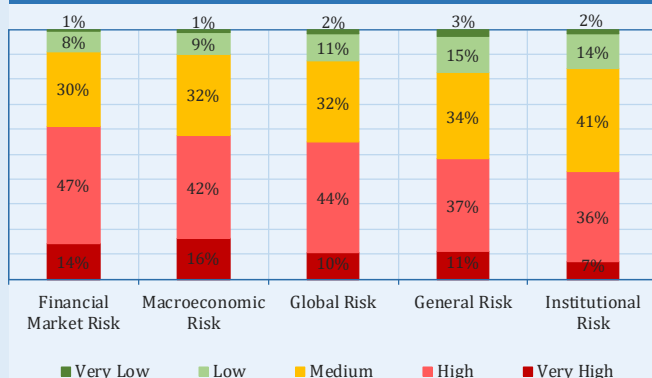


Chart B: Perception on sources of systemic risk- next 6 months

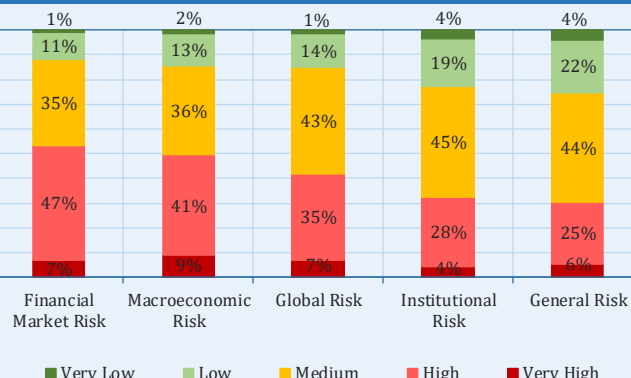


Chart C: Top 10 Risks Identified

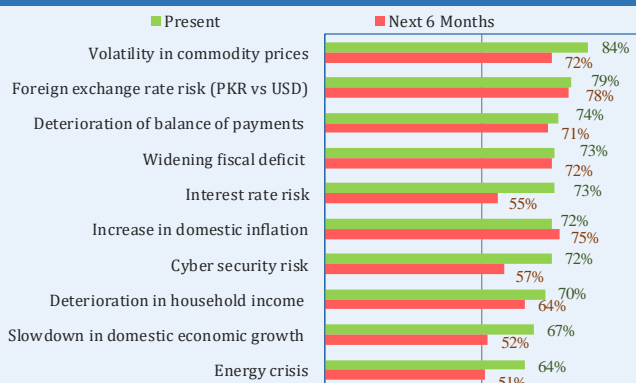


Chart D: Confidence in Financial Stability

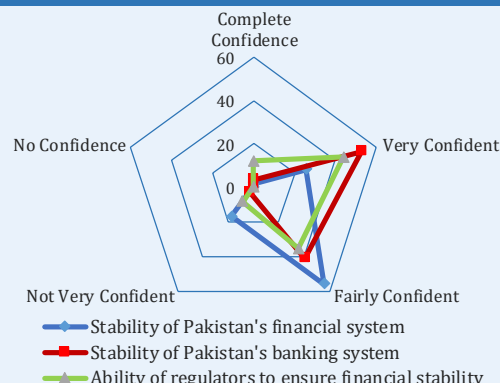


Chart E: Comparison of SBP's Systemic Risk Survey (SRS) Results (7th, 8th and 9th waves)

Risk Category	Risk	7th Wave (Jan-21)	8th Wave (Jul-21)	9th Wave (Jan-22)	
		Present (Average)	Present (Average)	Present (Average)	
Global Risks	Slowdown in global growth	2.42	2.73	2.52	
	Sovereign default risk	3.03	3.12	2.99	
	Lack of funding from abroad	2.61	2.76	2.49	
Macroeconomic Risks	Volatility in commodity prices	2.25	2.18	1.89	
	Slowdown in domestic growth	2.26	2.51	2.22	
	Increase in domestic inflation	2.19	2.33	1.99	
	Widening fiscal deficit	2.40	2.45	2.09	
	Deterioration of BoP	2.58	2.48	2.11	
	Sovereign rating downgrade	2.77	2.71	2.47	
	Slowdown in corporate sector growth	2.53	2.74	2.63	
	Slowdown in infrastructure development	2.88	2.79	2.75	
	Deterioration in household savings	2.12	2.36	2.10	
	Volatility in real estate prices	2.97	3.04	2.91	
Financial Market Risks	Energy crisis	2.39	2.34	2.34	
	Political uncertainty	2.43	2.71	2.49	
	Foreign exchange rate risk	2.39	2.42	1.91	
	Equity price risk	2.79	2.89	2.64	
	Interest rate risk	2.62	2.72	2.18	
	Liquidity risk	2.79	2.75	2.62	
	Institutional Risks	Regulatory risk	2.63	2.67	2.55
		Legal risk	2.89	2.96	2.89
		Asset quality deterioration	2.54	2.56	2.53
		Shortfall in capital requirement	2.72	2.83	2.65
Access to funding (deposit mobilization & borrowings)		2.92	2.82	2.82	
Excessive private sector credit		2.98	2.90	2.83	
Concentration risk in PSC		2.94	2.89	2.80	
Concentration risk in mutual fund		3.11	3.34	3.11	
Operational risk		2.77	2.74	2.70	
Cyber security risk		2.18	2.25	2.13	
General Risks	Disruption in financial market	2.84	2.82	2.79	
	Terrorism	2.58	2.63	2.66	
	Geopolitical risk for Pakistan	2.44	2.24	2.39	
	Natural disasters/ Increasing threat of climate change	2.88	2.74	2.73	
Social unrest	2.71	2.93	2.79		



Chart F1: Respondents confidence on the SBP's measures to mitigate the implications of Covid -19 Shock

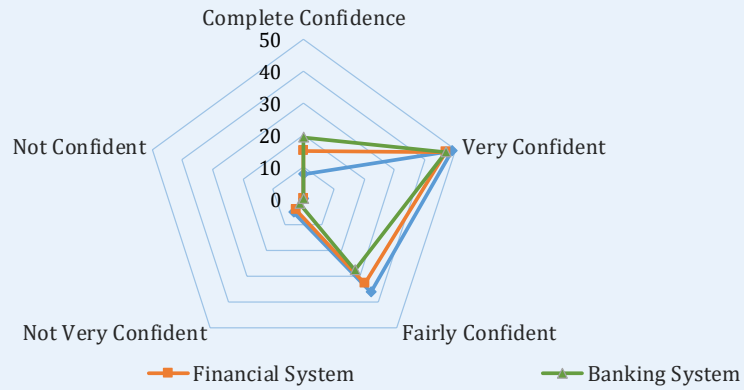


Chart F2: Respondents' views about the efficacy of SBP measures for the economy

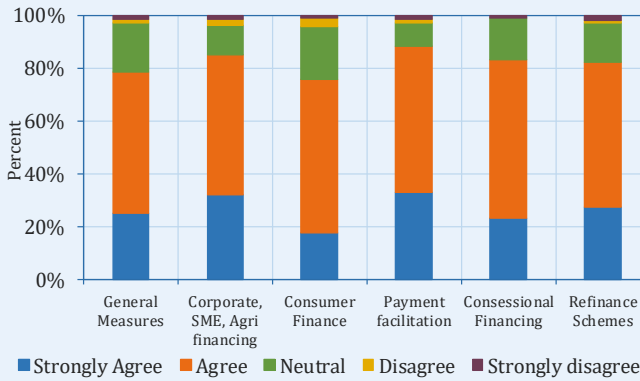


Chart G: Respondents views about the likely impact of COVID-19 on key areas of the financial industry

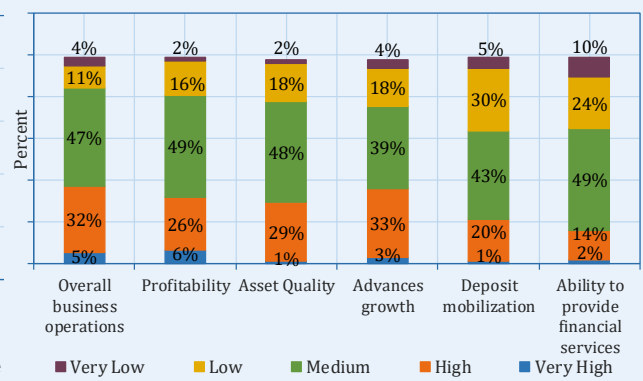


Chart H: Likelihood of COVID-19 pandemic undermining the stability of Pakistan's financial system - Comparison with 8th wave of SRS

