

## Box 1: SBP's Systemic Risk Survey-11<sup>th</sup> Wave (January 2023)

**(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 conducted the 11<sup>th</sup> wave of its biannual Systemic Risk Survey (SRS) in January 2023. The survey aims to capture the market participants' independent perceptions about risks and gauge their confidence in the stability of the financial system. The survey is designed to measure the extent of present and future (over the next six months) risk perceptions of the respondents related to the five broad categories of global, macroeconomic, financial markets, institutional, and general risk.

The respondents of the survey include senior executives of financial institutions, financial journalists, and others. Encouragingly, the number of respondents rose to 215 (101 in 10<sup>th</sup> Wave) with a response rate of 53 percent (51 percent in the 10<sup>th</sup> wave).

### Summary of Results:

1. At present, on aggregate level, the respondents perceive "*Financial Market Risk*" and "*Domestic Macroeconomic Risk*" to be the key sources of risk to the financial system of Pakistan (**Chart A**). For the next six months, the perception remains almost the same as the respondents perceive these two sources of risks to persist (**Chart B**).
2. Among all the risks at present, the highest cited risk is the "*Foreign Exchange Rate Risk*" followed by "*Increase in Domestic Inflation*" and "*Energy Crisis (Electricity and Fuel Shortages)*". Respondents expect these risks as well as "*Political Uncertainty*" to remain high in next six months (**Chart C**).
3. The respondents continue to exhibit their confidence in the stability of the banking sector as well as on the entire financial sector of Pakistan. A higher proportion of respondents also expressed their confidence

in the regulator's ability to ensure the stability of the financial system (**Chart D**).

4. Comparison of results among the last three survey shows that the risk perception of the respondents in general has risen across different risk dimensions, however increase is particularly conspicuous with regard to *political uncertainty, imbalances, inflation and energy crisis*. (**Chart E**)

Chart A: Perception on sources of systemic risk- present

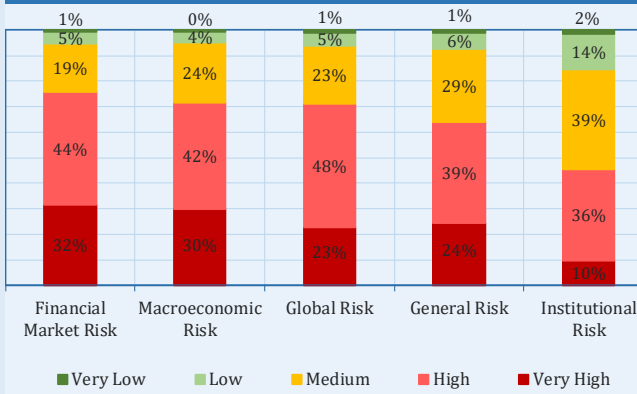


Chart B: Perception on sources of systemic risk- 6 months

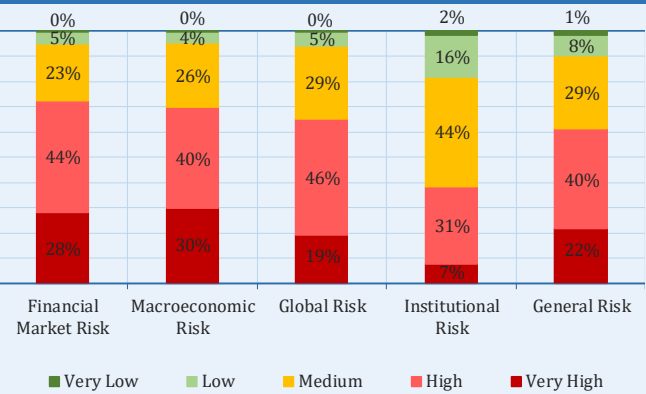


Chart C: Top 10 Risks Identified

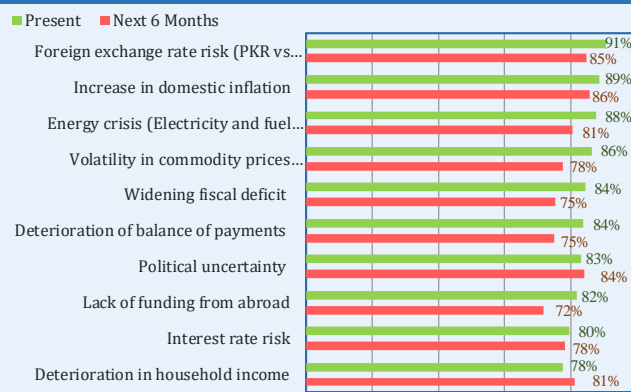


Chart D: Confidence in Financial Stability

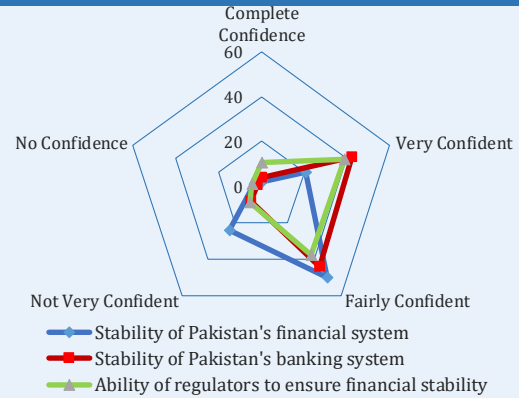


Chart E: Comparison of SBP's Systemic Risk Survey (SRS) Results (9th, 10th and 11th waves)

Risk Category	Risk Description	9th Wave (Jan-22)	10th Wave (Jul-22)	11th Wave (Jan-23)
		Present (Average)	Present (Average)	Present (Average)
Global Risks	Slowdown in global growth	2.52	2.25	2.17
	Sovereign default risk	2.99	2.51	2.38
	Lack of funding from abroad	2.49	1.93	1.93
	Volatility in commodity prices	1.89	1.77	1.82
	Slowdown in domestic growth	2.22	2.10	2.00
Macroeconomic Risks	Increase in domestic inflation	1.99	1.83	1.67
	Widening fiscal deficit	2.09	1.92	1.79
	Deterioration of BoP	2.11	1.88	1.74
	Sovereign rating downgrade	2.47	2.20	1.98
	Slowdown in corporate sector growth	2.63	2.43	2.22
	Slowdown in infrastructure development	2.75	2.67	2.52
	Deterioration in household savings	2.10	1.99	1.91
	Volatility in real estate prices	2.91	2.69	2.69
	Energy crisis	2.34	1.78	1.73
	Political uncertainty	2.49	1.91	1.75
Financial Market Risks	Foreign exchange rate risk	1.91	1.77	1.54
	Equity price risk	2.64	2.42	2.33
	Interest rate risk	2.18	2.04	1.93
	Liquidity risk	2.62	2.33	2.15
	Regulatory risk	2.55	2.70	2.67
Institutional Risks	Legal risk	2.89	3.02	2.91
	Asset quality deterioration	2.53	2.45	2.29
	Shortfall in capital requirement	2.65	2.55	2.39
	Access to funding (deposit mobilization & borrowings)	2.82	2.71	2.63
	Excessive private sector credit	2.83	2.67	2.62
	Concentration risk in PSC	2.80	2.68	2.63
	Concentration risk in mutual fund	3.11	3.15	3.06
	Operational risk	2.70	2.87	2.76
	Cyber security risk	2.13	2.39	2.34
	Disruption in financial market	2.79	2.75	2.61
General Risks	Terrorism	2.66	2.67	2.41
	Geopolitical risk for Pakistan	2.39	2.28	2.21
	Natural disasters/ Increasing threat of climate change	2.73	2.57	2.34
	Social unrest	2.79	2.43	2.29