

Annex 1

Systemic Risk Survey

The Systemic Risk Survey (SRS), the tenth in the series, was conducted in April-May 2016¹ to capture the perceptions of experts, including market participants, on the major risks presently faced by the financial system. The results indicate that global risks continued to be perceived as major risks affecting the financial system. The risk perception on macroeconomic conditions have relatively increased in the current survey though remained in the medium risk category. Market risks have been perceived to be moderated. On the other hand, the Institutional risks moved to the high risk category (Figure 1).

Within global risks, the risk of a global slowdown, though marginally receded, remained in high risk category, whereas the global inflation risks indicated a downward shift within the medium risk category. Within the macroeconomic risk category, risk of domestic inflation increased to the medium risk category, while risk on account of capital flows declined. The corporate sector risks remained elevated in the high risk category. The respondents have felt that the equity price volatility and funding risk have increased, while the foreign exchange risk has moderated. Among the institutional risks, the asset quality of banks was still perceived as a high risk factor, with the risk on account of capital requirement increased (Figure 2).

Figure 1 : Major Risk Groups identified in Systemic Risk Survey (April 2016)

Major Risk Groups	Apr-16	Changes	Oct-15	Changes	Apr-15	Changes	Oct-14	Changes	Apr-14
A. Global Risks		↓		↑		↔		↑	
B. Macro-economic Risks		↑		↓		↓		↔	
C. Market Risks		↓		↑		↓		↑	
D. Institutional Risks		↑		↔		↑		↓	
E. General Risks		↔		↓		↑		↓	

Note:

Risk Category

Very high	High	Medium	Low	Very low

Change in risk since last survey		
↑	↔	↓
Increased	Same	Decreased

The risk perception, as it emanates from the systemic risk survey conducted at different time points (on a half yearly basis in April and October), may shift (increase/ decrease) from one category to the other, which is reflected by the change in colour. However, within the same risk category (that is, the boxes with the same colour), the risk perception may also increase/ decrease or remain the same, which have has been shown by the arrows. The shift in risk perception pertains to the comparative analysis of two consecutive surveys.

Source: RBI Systemic Risk Surveys (April 2014 to April 2016) (Half yearly).

¹ These surveys are conducted on a half-yearly basis. The first survey was conducted in October 2011.

Figure 2: Various Risks Identified in Systemic Risk Survey (April 2016)

Risk Groups	Risk Items	Apr-16	Changes	Oct-15
A. Global Risks	Global slow down	High	↓	High
	Global Inflation / Commodity Price Risk (including crude oil prices)	Medium	↓	Medium
	Other Global Risks	Medium	↓	High
B. Macro-economic Risks	Domestic Inflation	Medium	↑	Low
	Current Account Deficit	Low	↑	Low
	Capital inflows/ outflows (Reversal of FIIs, Slow down in FDI)	Medium	↓	High
	Corporate Sector Risk (High Leverage/ Low Profitability)	High	↑	High
	Lack / Slow pace of Infrastructure development	Medium	↔	Medium
	Household savings	Low	↑	Low
	Other Macroeconomic Risks	Medium	↓	Medium
C. Market Risks	Foreign Exchange Rate Risk	Medium	↓	High
	Equity Price Volatility	Medium	↑	Low
	Funding Risk / Liquidity Risk/ Interest Rate Risk	High	↑	Low
	Other Market Risks	Low	↓	Medium
D. Institutional Risks	Asset quality deterioration	High	↑	High
	Additional capital requirements of banks	Medium	↑	Medium
	Low credit off-take	Low	↓	Medium
	Other Institutional Risks	Medium	↑	Low
E. General Risks	Natural disaster/ Unfavorable Weather Conditions	Low	↑	Low
	Other General Risks	Low	↔	Low

Note:**Risk Category**

Very high	High	Medium	Low	Very low
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Change in risk since last survey		
↑	↔	↓
Increased	Same	Decreased

The risk perception, as it emanates from the systemic risk survey conducted at different time points (on a half yearly basis in April and October), may shift (increase/ decrease) from one category to the other, which is reflected by the change in colour. However, within the same risk category (that is, the boxes with the same colour), the risk perception may also increase/ decrease or remain the same, which have has been shown by the arrows. The shift in risk perception pertains to the comparative analysis of two consecutive surveys.

Source: RBI Systemic Risk Surveys (October 2015 and April 2016).

Participants in the current round of survey felt that the possibility of a high impact event occurring in the global financial system in the short term period is medium, however, such a possibility could be high in the medium term. Their confidence in the global financial system was moderate, although a greater number respondents indicated that their confidence has marginally increased during the past six months. It was further felt that there is 'medium' possibility of an occurrence of a high impact event in the Indian financial system in the period ahead (short to medium term) even as the respondents continued to show their high confidence in the Indian financial system (Figure 3 and Chart 1).

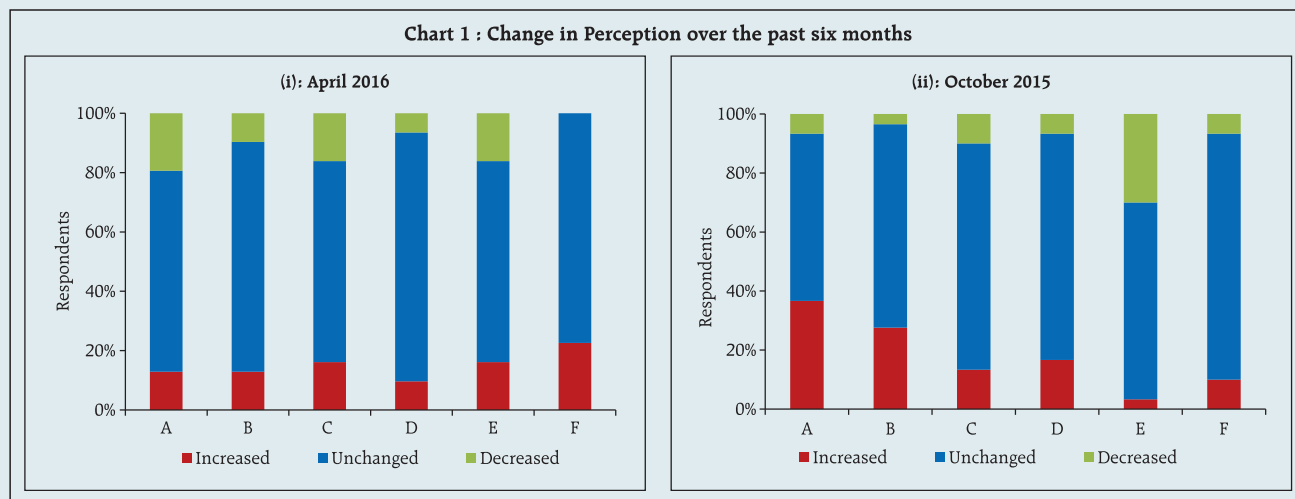
Impact	Apr-16	Oct-15
A : High impact event occurring in the global financial system in the period ahead (In Short Term : upto 1 year)	Medium	High
B : High impact event occurring in the global financial system in the period ahead (In Medium Term : 1 to 3 years)	High	High
C : High impact event occurring in the Indian financial system in the period ahead (In Short Term : upto 1 year)	Medium	Medium
D : High impact event occurring in the Indian financial system in the period ahead (In Medium Term : 1 to 3 years)	Medium	Medium
E: Confidence in the stability of the global financial system as a whole	Fairly confident	Fairly confident
F: Confidence in the stability of the Indian financial system	Highly confident	Highly confident

Note:

Risk Category

Risk	Very high	High	Medium	Low	Very low
A - D	Very high	High	Medium	Low	Very low
E - F	Highly confident	Confident	Fairly confident	Not very confident	Not confident

Source: RBI, Systemic Risk Survey (April 2016)



Note: A: A high impact event occurring in the global financial system in the period ahead (in the short term: up to 1 year).
 B: A high impact event occurring in the global financial system in the period ahead (In the medium term: 1 to 3 years).
 C: A high impact event occurring in the Indian financial system in the period ahead (in the short term: up to 1 year).
 D: A high impact event occurring in the Indian financial system in the period ahead (in the medium term: 1 to 3 years).
 E: Confidence in the stability of the global financial system as a whole.
 F: Confidence in the stability of the Indian financial system.

Source: RBI, Systemic Risk Surveys (October 2015 and April 2016).

On the issue of likely changes in demand for credit in the next three months, the majority of the respondents were of the view that it might increase marginally, while others felt it may remain unchanged. A majority of the respondents indicated that the average quality of credit would remain unchanged in the next three months, though, a large group of respondents also perceived that it is likely to deteriorate further (Chart 2).

