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## Systemic Inflationary Risk As A Factor To Investment Climate Formation.

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### ABSTRACT

The article outlines the criteria for assessing investment risks (by the method of "Expert RA"); the features of inflation risk in modern Russia, the components of inflation and the factors that determine it. The influence of liquidity preference on the demand for alternative assets and investments is indicated. The conclusion is made about the need to regulate the level of inflation risk by monetary authorities.

**Keywords:** inflation, risk, system, system, the investment climate

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**SHORT REVIEW**

Investment risks as an element of the investment climate play an important role in its evaluation. This is evidenced by the studies of the rating agency "Expert RA" (Table 1). Investment risk of the subject (region of Russia), according to the methodology of this rating agency, consists of 6 private risks, each of which is characterized by a group of indicators: economic, social, financial, managerial, environmental, criminal.

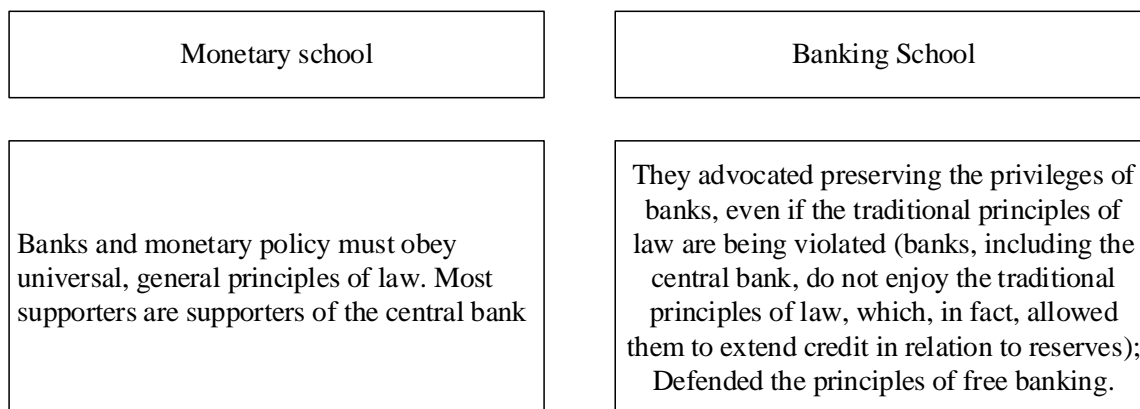
**Table 1: Risk grades in the regions of the southern and North-Caucasian federal districts**

Risk rank		The rank of the potential	Region (subject of federation)	Weighted average risk index
2016	2015	2016		2016
1	1	4	Krasnodar region	0.142
16	25	23	Stavropol region	0.210
21	21	8	Rostov region	0.217
48	48	56	Vologda Region	0.271
53	49	75	Republic of Adygea	0.278
59	67	70	city of Sevastopol	0.293
61	57	58	Astrakhan Region	0.293
66	79	28	Republic of Crimea	0.324
77	78	84	Republic of Kalmykia	0.412
78	76	65	Kabardino-Balkaria Republic	0.415
79	73	79	Karachay-Cherkess Republic	0.417
80	80	64	Republic of North Ossetia-Alania	0.438
81	82	69	Chechen Republic	0.453
83	83	30	The Republic of Dagestan	0.489
84	84	78	The Republic of Ingushetia	0.559

Inflationary risks are systemic (in terms of macroprudential analysis of financial stability conducted by the Central Bank of Russia and other countries

- since 1987 1) and, at the same time, are systematic.

The impact of this type of risk on the economy is universal, all-embracing. The inflationary component is objective, played and plays an important role, as in regulated centrally to the system of financial markets, the banking system with 100% redundancy, and decentralized, both in banking, based on traditional principles of law, the justice of which was advocated by representatives of the "money school", and when banking institutions were given certain privileges by the state ("banking school ") (Figure 1).



**Figure 1: System of views on the forms of exercising supervisory functions in the banking sector (compiled by the author on the basis of [4])**

Moreover, in the conditions of freedom of banking activity, as well as in the sphere of the parallel banking system (shadow banking [3]) - sometimes it is called "shadow", uncontrollable or weakly, indirectly, indirectly adjustable due to withdrawal from the sphere of influence of the central bank inflation risks increase significantly.

On the one hand, insurance is one of the effective tools for risk management, including inflation. On the other hand, a high degree of influence of inflation, as a form of systemic risk, on the activities of the insurers themselves. The high degree of influence of inflation risk on economic processes, the significance of inflation risk for insurers is confirmed by the results of the survey conducted among the leading insurers in the 1st quarter of 2015 (Table 2). The survey involved 22 companies, whose total market share in 2014 was 73%.

**Table 2: Actual problems of the insurance market (according to the survey of insurers)**

Problems	The significance of the problem, scores (from 0 to 100)
The devaluation of the ruble and the growth of inflation	77,6
Increase in the number of fraudulent activities	69,2
Decrease in demand in retail types of insurance	68,2
Complexity of activity planning	66,8
High share of payments by court order	64,3
Decrease in demand, dumping in corporate types of insurance	61,9
Dependence on intermediaries, high level of commissions	55,9
Inefficient regulatory changes	49,3
Low-efficiency policy of the regulator	37,1
Problems in cooperation with international reinsurers	32,9
Difficulties in attracting capital in the domestic market	26,6
Difficulties in attracting capital in foreign markets	22,4
Other problems	8,7

Registration of prices in the process of statistical observation by the Federal State Statistics Service is carried out for goods and services of mass demand purchased by the population for non-productive consumption in three main groups: food products, non-food products and services (Table 3).

**Table 3: Contribution to the increase in inflation for the period from the beginning of 2017 by groups of goods and services (%)**

	Foodstuffs	Non-food products	Paid services	Fruit and vegetable products	Base inflation	Non-base inflation
January	18,8	27,0	21,6	33,2	42,1	57,9
February	19,6	28,5	24,7	27,6	45,8	54,2
March	21,2	32,7	21,4	25,2	50,9	49,1
April	18,7	29,1	19,2	33,7	46,3	53,7
May	13,3	25,8	20,4	41,2	41,3	58,7
June	10,5	20,6	22,8	46,7	33,6	66,4
July	11,2	21,2	40,2	28,0	36,6	63,4
August	14,6	30,4	57,9	-2,3	53,3	46,7
September	15,3	38,5	65,0	-18,3	71,7	28,3

The growth of consumer prices leads to a reduction in retail turnover; reduction of living standards, real incomes of the population; increases the risks of adverse changes in the financial affordability of food, especially for "vulnerable" groups of the population; helps to reduce effective demand and production level, exacerbates stagnation, recession, grows into stagflation, which reduces the country's competitiveness, stimulates capital outflow, reduces the possibilities of import substitution.

The influence of monetary and non-monetary inflation factors can now be presented by reading the results of a survey conducted on January 29, 2017 by the Public Opinion Foundation (Table 4).

**Table 4: Results of a survey of the population conducted to find out the opinion of Russians about the cost and quality of products**

Question	Answers, the percentage of respondents who gave the answer is%		
	Increased, increased, changed	Have not changed, not changed	Decreased
According to your observations, in the past two or three months in the grocery stores that you usually use, the prices for products as a whole have grown, decreased or not changed?	72	20	1
And the quality of products in stores that you usually use, over the past two or three months as a whole, has increased, decreased or has not changed?	5	69	20
Speaking in general, how do you eat, change, or nothing has changed?	19	×	79

The inflationary growth of the money supply, on the one hand, has, like money, a credit nature, on the other hand, as J. Hicks noted, an economy using large-scale long-term capital goods could not arise if it did not find in more or less ready-made form of what we call a bank (money) loan [1].

In monetary (banking) systems regulated by the central bank, monetary authorities, having the intermediate goal of monetary policy, targeting inflation, influence price growth by means of certain instruments regulating the volume of credit in the economy, and through it - the amount of money supply and monetary base. Since economic goods and financial assets differ significantly in terms of liquidity and cost of ownership, the attractiveness for the accumulation of an asset with the highest level of liquidity cleared from the costs of maintaining this asset (according to J.M. Keynes) can prevent investments in other assets, thus inhibiting production and employment [1], which necessitates the state impact on the economy, including on its monetary sphere, due to the mutual conditioning of inflationary factors of investment "Attractiveness" and investment climate in the real sector of the economy.

**CONCLUSION**

Thus, the conducted studies allowed us to come to the conclusion that inflation in any economic system is one of the determining factors influencing the country's food and economic security, its social calmness and stability. Inflationary processes in modern Russia should be subject to strict control by the state using economic and, at certain periods, administrative measures of influence.

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