

FORECASTING OF ECONOMIC RISKS IN THE CONTEXT OF STRATEGIC DEVELOPMENT PROGRAMS

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Introduction. Our study of the problems of economic risk management and improving competitiveness proves that neither the isolated efforts of the state, nor the private sector, nor the civil society can lead to the desired results. Targeted and deep cooperation between the state, the private sector and the civil society, especially the expert community of the latter, is necessary in the processes of effective management of economic risks in the country and beyond, and in the processes of increasing the competitiveness of the economy and the country's international standing. All of this, in turn, implies that the aforementioned principles must necessarily be included in the current, mid-term and prospective strategic planning programs of the RA economy. Moreover, the forecasts of economic risks and the inflation rates and calculations based on them are increasingly important in strategic plans.

Methodology. We have used methods of comparative analysis in our study to reveal the causes of different ratings of countries depending on the levels of economic development. On the one hand, for the micro level, we use the method generalizations to examine and summarize the uncontrollable forces (changes in tax laws, capture of dominant positions by competitors), and at the macro level, when they can turn into internal or controllable factors (stabilization of the legal framework, the state's fight against monopolies, etc.). Therefore, internal and external factors are also considered. In turn, they not only dependent on each other, but can also condition each other's spheres of influence. Since the predicted phenomenon precedes the reflection of reality and is based on knowledge of the laws of nature, society, and thinking, two main approaches are considered for the forecasting process: inductive and deductive. At the same time, it can be considered as a set of scientifically justified assumptions, expressed in qualitative and quantitative ways, in relation to the parameters of the future of the economic system.

Literature review. The forecasting institute is separately analysed by a number of experts with less attention on either one of the most important issues of tripartite cooperation between the state - the private sector - the expert community. While some experts justify that during forecasting, the state of the object in the future is determined by the laws revealed by the laws (experience) of private results, past and present behavior [Ferlie and Ongaro, 2015, 49-54; Boyne and Walker, 2004, 231–252], others believe that the forecast is carried out from the existing level of knowledge (over time), and the final results of the object's development form the content of the forecast [Frølich,

et al., 2019, 21-53; Pandey, 2017, 245–270]. Finally, in some expert opinion the normative forecast is focused on the fact that the final goal of the development of the object or process in the future is defined [Bryson, 2004; Desmidt, et al., 2018, 340-359]. In reality, the content of the forecast is the determination of private forms, means and conditions for achieving the goal. In this case, the prediction is carried out from the given goal, as was the passage of time [Saffo, 2007, 92].

Scientific novelty. We have examined the role institute of forecasting in close relationship with strategic planning process based on the outcome of economic reforms in Armenia. Also, we paid special attention to the impact of internal and external factors on the process of economic forecasting. In addition, the role of the cooperation between the government, civil society and the private sector is evaluated in forecasting.

Analysis. Obviously, the strategic plan is a document derived from forecasts, which contains a system of indicators and measures aimed at solving socio-economic problems, defines ways and means of development in accordance with tasks, justified by management decisions [Petropoulos, 2022, 705-871]. A forecast and a forward-looking plan mutually complement each other, as the forms of combination of a forecast and a plan can be very different. For example, the forecast can precede the development of the program, in most cases, follow it (in terms of predicting the consequences of the decision made) and is carried out in the development process, while the program has an independent role, especially in large economic systems (region, state), when it is impossible to ensure accurate indicators. decision, that is, the program acquires the character of a document developed with probability and practically turns into a forecast. Because forecasting always precedes strategic planning in the management cycle, it is often considered a sub-function of planning. The outcome of forecasting and planning is decision-making about what to do and how to do it. In carrying out these management functions, alternative options for further actions are developed and evaluated, from which the best one is selected. Forecasts are necessary at micro, meso and macro levels, as well as at global levels. In recent years, every country has been closely following the forecasts of international authoritative structures¹.

The process of state regulation of the economy includes the implementation of many functions. These include forecasting and planning, organization, coordination and regulation, accounting, control and analysis, activation and promotion. As a rule, management functions are always aimed at achieving management goals. Since the goal of management is formed within the functions of predictive programming, it can be noted that these functions are key in the system of state regulation of the economy. In modern conditions, forecasting is of unprecedented proportions. The role of predictability is con-

¹ <https://www.weforum.org/agenda/2023/02/imf-raises-growth-forecasts-for-2023>

stantly increasing with the acceleration of scientific and technological progress, the implementation of complex management tasks, and the effective functioning of uncertainty [Knight, 2003, 112-114]. Forecasting is the primary basis in economic development management, as any management decision has a forecasting component or programmed orientation. Forecasting reveals uncertainty in the system, justifies the factors through which business and other goals are realized.

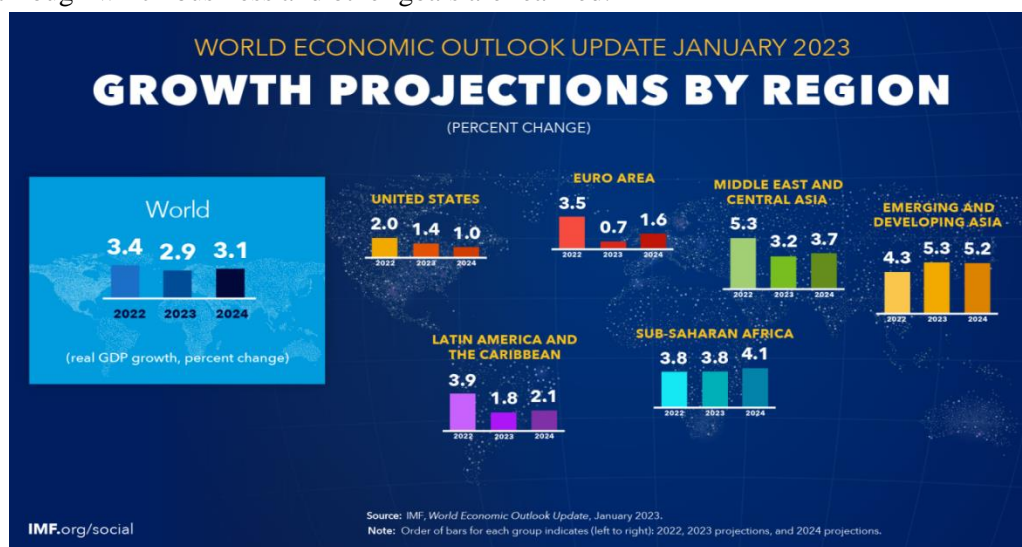


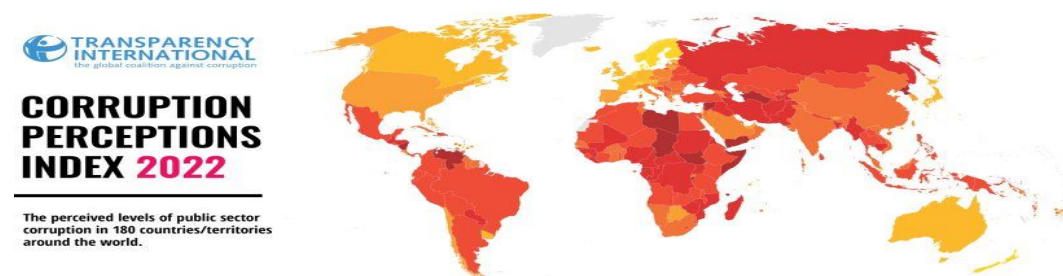
Figure 1. Global forecasts by region, 2023.

The identification of risks, their assessment and management, as well as the study of the factors influencing the emergence of risks, have a special role in forecasting practice [Shoumen, et al., 2008, 11-14]. Experience shows that business risks can arise as a result of the implementation of activities due to the influence of many factors. They can be caused by internal company decisions, problem solving, or the general influence of the higher business environment. Analysis of the current state of the economy allows us to distinguish the following reasons leading to business risks: the economic crisis, increasing criminalization of society, high level of inflation, political instability, irresponsibility shown by business entities, imperfection and continuous variability of legislative acts regulating business activities, the absence of a real entrepreneurial right, which does not prevent a decrease in the overall level of risk, the lack of personal responsibility of a significant part of entrepreneurs for the results of their activities, which increases the "moral" risk of any transaction, the dependence of some forms of entrepreneurship on the criminal world, the inability of law enforcement agencies to protect businessmen, unreasonable intervention of politicians in the economy, unjustified increase of management apparatus at macro and local levels, unstable tax legislation, changes in the tax burden and mandatory payments, low level of awareness of entrepreneurs about market and entrepreneurship issues, etc.

External factors affecting the level of business risk taken into account during forecasts are divided into two groups: direct impact factors and indirect factors. Direct influence factors have a direct impact on the results of business activities and the level of risk. Indirect factors cannot have a direct impact on business activity and risk level, but contribute to its change [Young, et al., 2016]. Using time series statistics, the probability of adverse events and the amount of damage can be estimated. This method is particularly suitable for forecasting frequent and homogeneous events. There are also a number of fundamental difficulties associated with developing and evaluating scenarios.

Currently the forecast of economic development cannot be made without developing risk situations, the possibility of their occurrence, identifying such situations, identifying such risks and their combination in each period of development, and developing tools and methods [Dvorsky, et al, 2020, 1690-1708].

The index of perception of corruption calculated by "Transparency International" is an important indicator during forecasts, which has also declined in recent years. According to the data, it ranked 94th among 177 countries with 36 points, next to a number of weakly developing countries in Africa and Asia. Armenia has worsened the results in the index of perception of corruption. If in 2020, 2021 Armenia had 49 points according to this number, now it has 46. This is troubling because Armenia has dropped by 3 points and reflects the problems of maintaining counterbalances, benevolence of law enforcement officers, independence of the judicial system and protection of civil space. Georgia's corruption perception index scores are higher than Armenia's. In 2019, when Armenia's anti-corruption strategy for the next 3 years was adopted, the goal of that document was to increase the perception of corruption to 55. 3 years have passed, Armenia's successes have stopped in terms of the perception of corruption, and according to the index of 2022, we have even retreated. According to CEC data, Denmark, Finland and New Zealand have the best indicators in the world¹.



Map 1. Corruption perception index in the world in 2022²

¹ <https://www.civilnet.am/news/690469/>

² Corruption perceptions index, 2022, Transparency International, <https://www.transparency.org/en/cpi/2021>

Taking into account the developments of recent years, the current main trends in the economy of Armenia, regional and global processes, as well as using the modern methodology of strategic planning, the following possible predictable scenarios of economic development can be presented. In our opinion, the RA economy can be restored in 2024. and in the following years, exceeding the pre-crisis level, and in the future it may continue to develop at a stable, but slightly slower rate, which will also be due to the relatively low growth rate of the world economy, providing an annual economic growth of about 3-4 percent.

As for the main macroeconomic indicators, the following developments can be expected. GDP may be on an upward trend over the next ten years, surpassing the average growth rate of the early 2000s. These developments may take place as a result of the following predicted changes in the currently formed GDP branch structure: In the sectoral structure of the GDP, the exportable sector of the economy can play a leading role and become a driving force of economic growth, mainly due to industry, as well as the service sector, acting as a branch serving economic activity. Incentives for economic development will be gradually shifted to branches operating on the basis of increasing capital and scientific potential. In other words, sectors with high productivity can gradually become leaders.

Taking into account recent world market developments, a certain slowdown in the pace of development of the world economy, as well as the instability of the geopolitical situation, it can be predicted that the inflationary environment formed in 2022 (8.8% inflation¹) will be further formed under the influence of various economic factors, conditioning the possible fluctuation of inflation. preservation.

At the same time, in general, the impact of these factors on inflation is expected to be mostly balanced. Developments in the domestic economy, with a certain reduction in consumption growth rates and a progressive increase in savings, will also have a balanced impact on the inflationary environment. In the next five to ten years, the projected inflation can be within the central value of the target target - 4%, and under the influence of some external factors, it can be even higher. Developments in the external sector can be mainly influenced by the development of the domestic economy, the continuation of qualitative changes in the structure of the economy, as well as the process of deepening the integration of the RA economy into the international economy. In this context, it is predicted that the external openness of the country will have an increasing trend during the forecast period, which will be mainly due to a significant increase in the volume of export-oriented industrial output. Under these conditions, the increase in import demand can generally coincide with the GDP growth rate. In addition, both the internal and

¹ <https://hetq.am/hy/article/152018>

external economy may have a significant impact on the implementation of CEPA, as well as the EAEU Armenia's membership process and the expected results, which may also create certain challenges for the strategic planning of the country's economic development and the effective national model. in terms of application.

Experience shows that strategic planning is impossible to imagine without economic development forecasts. In this regard, taking into account the factor of global uncertainty, which is becoming increasingly large in the world, the question arises as to whether it is possible to make any realistic predictions in such a situation. In fact, forecasts are conditioned by several, sometimes, contradictory factors and possible development scenarios at the same time. Their multi-faceted analyzes allow us to assume that, for example, at the initial stage of the global financial crisis, even if an agreement was reached between the negotiating parties, the protracted process of the negotiations itself had already increased the probability of a decline in the credit rating of the United States¹.

Consequently, the economic condition of Americans also worsened significantly, taking into account the high unemployment rate and the slow economic recovery. During the period of the Russian-Ukrainian conflict, many people attribute the further pace of development of the Armenian economy to the weakening of the Russian economy and the prediction of new, crisis phenomena in it. In particular, in 2022 After double-digit economic activity of more than 14 percent in 2023. For 2015, Fitch predicted less than half of the economic growth, around 6.4 percent, due not only to the global recession, but also to the weakening of Russia's economic position². In our opinion, the role of the US economy and the national currency of that country is less important, and in some cases more important for our country.

And what effect could the further instability of the US financial system have on Armenia? Our studies suggest that the effects can be varied and multifaceted. In the case of the implementation of the targeted scenario of socio-economic development, the expected growth of industrial output by 2030 compared to 2022 can be doubled.

Conclusions. In general, the forecasting of economic risks, the problems of increasing management efficiency and competitiveness are not only important, but also vital in the current and prospective development programs of economic development. Moreover,

¹ In fact, the world-famous Moody's, Standard and Poor's and other international agencies had already revised and downgraded the former super-excellent AAA rating of the USA precisely because of the possibility of further shocks. According to Bart Melek, head of strategy at TD Securities, another authority, a financial default can seriously hinder the recovery and recovery of the economy. A US downgrade could and did have a far-reaching impact on the US economy, as the cost of servicing government debt would also increase, which we believe could lead to interest rate hikes in everything from the mortgage market to credit cards and student loans.

² Fitch have predicted 6,4 % economic groth for Armenia, <https://news.am/arm/news/745064.html>

they require continuous cooperation of the state, the private sector and the expert sector of civil society, not only within the country, but also in the sphere of Armenia's external economic relations. Therefore, it is important to evaluate the development models since independence compared to the entire socio-economic development of the country.

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Despite the non-coordinated trends of technological modernization of various sectors of the economy, the problem of structural reforms of the economy has not yet been resolved. The continued instability of the global economic system and the uncertainty about its development prospects, combined with the decrease in resources available to the state, and the decrease in profitability in the production sectors, make it more difficult to predict the future. The high interest rates of loans given to non-financial organizations also make it difficult to solve the priority problems of the development of the industrial branches of the economy. There is a slowdown in the growth rate of loans to non-financial organizations, as well as a decrease in investments in fixed assets. The programs implemented in the high-tech industry and services sector, although they contribute to the rapid development of the relevant sectors of the economy, are still not able to contribute to the rapid growth of the GDP due to the still underdeveloped nature of the mentioned sectors and insufficiently high competitiveness of their products.