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THE INFLUENCE OF INFLATION ON THE VITAL ACTIVITY OF A SOCIETY IN THE CONDITIONS OF A DYNAMICALLY DEVELOPING ECONOMY

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Аннотация. *Основным индикатором инфляционных процессов в потребительском секторе страны показывается индекс потребительских цен (ИПЦ). Отмечается, что в динамично развивающихся условиях инфляция наиболее наглядно выражается и определяется ростом цен. Показывается и обосновывается схема расчета показателя индекса потребительских цен и индекса инфляции через зависимость между ними.*

Ключевые слова: *инфляция, индекс потребительских цен, жизнедеятельность населения, факторы инфляции.*

Abstract. *In this article, the authors show the consumer price index (CPI) as the main indicator of inflation in the consumer sector of the country.*

It is noted that in dynamically developing conditions, inflation is most clearly expressed and determined by the increase in prices.

The scheme for calculating the consumer price index and inflation index through the relationship between them is shown and justified.

Keywords: *inflation, consumer price index, livelihoods of the population, factors of inflation.*

Statement of the problem. The impact of inflation on the life of society in a modern dynamic economy does not need any special evidence or confirmations. Inflation, according to the figurative expression of most economists, is an «incompatible deficit» which is understandable as debt, illiquidity, arrears, penalties, non-payments, etc. They are economic categories and components of finance that link the national economy with larger value chains (providing raw materials, financial payments, financial services, component segments of financial relations). They can be found in the course of management, mitigate, regulate, and weaken their influence on the processes of economic activity. Financial institutions with their own funds can also participate in their prevention. In addition, these segments full-time economy compared with inflation, they are characterized by relatively high maneuverability and efficiency in making management decisions. Being receptive to innovative financial and credit services, they can more quickly adapt to changes in demand, both on credit and in foreign markets, and in a timely manner accept and respond to any negative market segments.

Therefore, inflation in relation to the above-mentioned market economy segments and occurring in the course of cash flow to business entities is, under current conditions, neither a production nor economic "fashion", but rather an objective necessity, a law; accounting, regulation of inflation is an important task of the state. And, most importantly, the current inflationary phenomena in most countries with transitional economies can cause a crisis, reduce the level of relations between the subjects, develop the economy, create new jobs, promote employment and incomes, although in subsequent stages the employment and welfare of the population will «boomerang» in turn, it can adversely affect the development of the life activity of society as a whole and, in particular, of economic entities and those engaged in useful work by the worker, no less, if not more. The fact is that any segment of a market

economy, including the smallest in size, is created as if by people and in their interests, but the process of economic activity turns into a negative consequence, which can lead to inflationary phenomena with a subsequent impact on society's livelihoods.

Analysis of recent research and publications. In Uzbekistan, inflation and inflationary processes various aspects are investigated to varying degrees by N. Jumaev [1], A. Nabihodzhaev [2], S. Chepel [2], E. Khojaniyazov [3], Kh. Khuzhakulov [2] and others. However, the problem of inflation in Uzbekistan remains relevant, requiring further research and ways to find solutions.

Justification of the obtained scientific results. In dynamically developing economic conditions, the very existence of inflation as a non-constant economic value, which will be influenced by many factors, makes us wonder where such a phenomenon arises, what factors contributed to the emergence of this phenomenon, when all risks are insured, all conditions are created to support the life of society as a whole, and, in particular, economic entities. Why in the rapidly developing conditions of prices are not able to suppress inflation, there is an increase in the price of goods (products, services).

It should be noted that the main indicator of inflation in the consumer sector of the country is the consumer price index (CPI). The CPI calculation system has been implemented since January 1994

with technical assistance from the International Monetary Fund. The CPI was formed at the initial stage in accordance with the Methodological Guidelines on the Organization of Consumer Price Observation (Tariffs) for Goods and Services, developed on the basis of the «Consumer Price Index Manual: Theory and Practice» (IMF, OECD, Eurostat, UN-ECE, World Bank and ILO).

Currently, to calculate the CPI in the Republic of Uzbekistan, a consumer set of goods and services from 350 items are used, divided into three major groups: food products (96 items), non-food items (188 items) and services (66 items). Thus, the consumer mix, on the basis of which the CPI is calculated, is a single sample for all regions of the country of the groups of goods and services most frequently consumed by the country's population [5].

When calculating the CPI, in addition to the price factor, the specific weight of specific goods and services also influences. Thus, in the consumer price index, price movements are aggregated (averaged) throughout the territory of the republic.

The study of price changes in the context of enlarged groups showed that prices for services and non-food products rose in price for 9 months of 2018 more significantly than for food products. Thus, food products for this period became more expensive by 6.0%, non-food products — by 9,1 %, services — by 10,1 % (*Fig. 1*).

Fig. 1. Consumer price indices for 9 months of 2018 (% by December 2017) [8]

As follows from *fig. 2*, the change in the consumer price index relative to December 2017 for non-food products and paid services is characterized by a steady upward trend, while food products were characterized by a decrease in prices in June and July, which is illustrated by the diagram (*Fig. 2*).
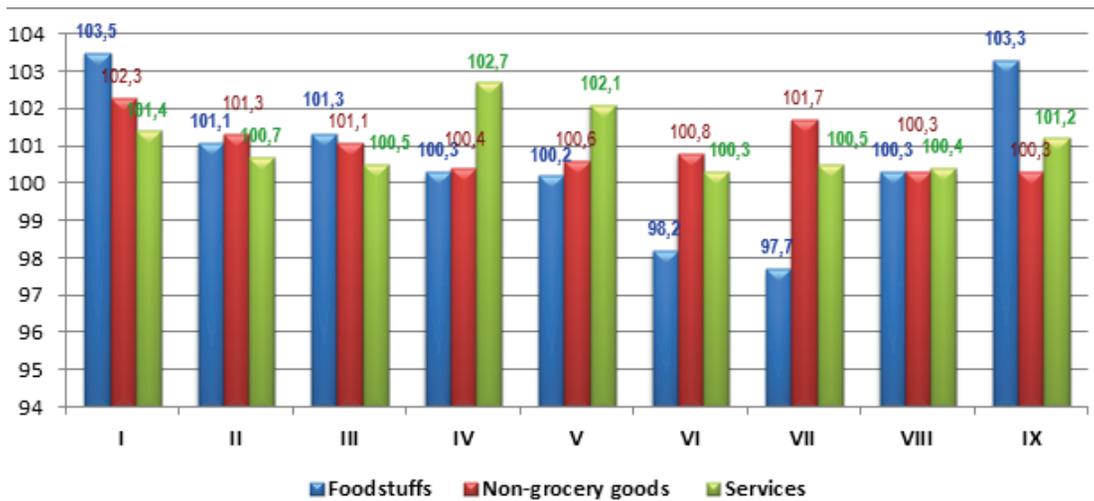
Fig. 2. Consumer price index for goods and services for 9 months of 2018 (in% to the previous month) [8]

In fact, inflation and the fight against it is an interesting concept and in many respects is useful. However, first, domestic adherents (supporters) of inflation, for some reason, reduce it to the harmfulness of «living beyond their means» or using a printing press to cover the budget deficit. Firstly, in Uzbekistan since 2005, the budget has been surplus (*Fig. 3*), the monetary system is still de facto regulated quite differently than in developed market countries (i.e., the United States, the United Kingdom or Germany).

It should be noted that financial institutions can use open market operations not to regulate the money supply, but for disguised lending to the budget of all levels. Setting a refinancing rate of 14 % at an inflation rate of 14,4 %, it deprives credit resources of even solvent borrowers; the insolvent is doomed to ruin. Finally, the required reserve ratios change frequently and in different directions, which lead to a decrease in banks' liquidity. All this differs from the transparent monetary policy of developed countries, where refinancing rates are a few percent, statutory reserve requirements are low and stable, government bonds have a long maturity (and, of course, their repayment in any budget year does not lead to bankruptcy).
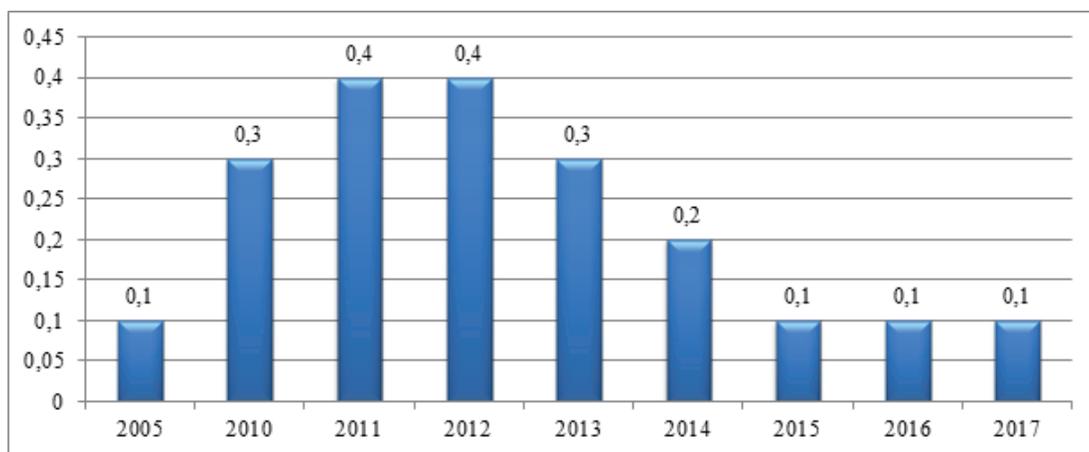

*Fig. 3. T*he dynamics of the state budget surplus for 2005—2017, % [6]

Taking into account this, Western experts have introduced the term «suppressed inflation» for countries with similar pricing systems, indicating that inflation always exists, but it takes on different, non-price forms: permanent excess of household income over expenditure, significant unsatisfied effective demand, budget deficit, queues for luxury goods or cars, finally, the «black» market with its prices. In countries with transitional economies it is impossible to deny these facts, since even the

experts themselves acknowledged the existence of a discrepancy between monetary and material flows, a violation of the unity of financial and material proportions, etc [4].

These non-transparent formulations, in essence, conceal the recognition of excess monetary incomes both among the population and enterprises, the depreciation of the national currency, the lack of financial equilibrium in the economy, i.e. the very repressed inflation that is officially recognized.

In dynamic conditions, inflation is most clearly expressed and determined by rising prices. The price index (global or by type of price) is the most accurate of the possible indicators of inflation.
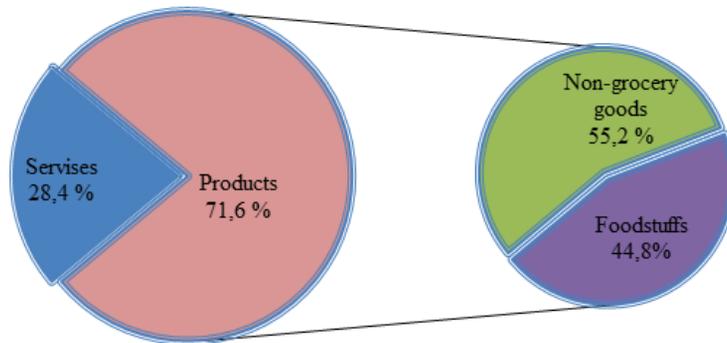

Fig. 4. The share of the impact of higher prices of goods and services on the growth of the consolidatedCPI for 9 months of 2018 [8]

As follows from *fig. 4* the ratio of the impact of price changes in the context of enlarged groups is characterized by more significant inflationary pressure from the side of goods (71,6 %) compared with the growth of tariffs for services (28,4 %).

During the third quarter of 2018, of the main groups of food products, the strongest rise in prices for the month was noted for bread products (in September by 10,9 %), the most significant decrease was recorded for fruits and vegetables (in July by 15,2 %) (*Fig. 5*).
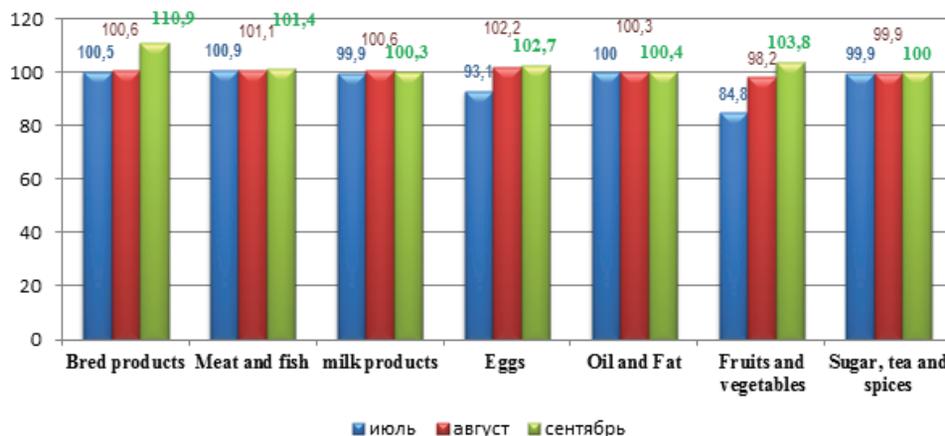

Fig. 5. Changes in prices for the main groups of food products during the III quarter of 2018 [7]

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated September 13, 2018 № 731 «On measures to reliably provide the population and sectors of the economy with grain, flour and bread based on competition and the introduction of market mechanisms», the wholesale selling price for Class I flour was increased in addition, free prices for bakery products sold to the public were introduced.

In the absence of a normal market with centralized regulation of the predominant part of prices, the price index cannot be considered as the only indicator of inflation dynamics. The functional mutual relationship between the movement of income and

the movement of prices in many countries in transition is broken: prices do not balance supply and demand, production is not elastic at prices, i.e. the volume of production does not respond to the price level, and prices are not elastic in terms of income, i.e. do not reflect the volume and structure of demand. To characterize inflation in a dynamically developing economy, only a price index is not enough; it must be supplemented with an index of the ratio of expenditures and incomes in the economy. It becomes obvious that part of the income intended for the acquisition of wealth by their owners cannot be realized, and therefore also depreciates.

According to the Decree of the President of the Republic of Uzbekistan Sh. Mirziyoyev «On the Strategy of Action for the Further Development of the Republic of Uzbekistan» (2017), the financial situation began to soften, and the inflation rate was reduced to a minimum. An attempt was made to determine the rate of inflation. Nowadays, it has become generally accepted to divide inflation in the conditions of a planned economy and in the period of its transition to the market into two components: hidden inflation and price inflation. Various approaches to their definition, including quite rigorous, based on the achievements of the economy, have been developed.

If there are restrictions on the use of cash income, we can talk about the different degree of depreciation of money in relation to the needs of the population, the current turnover of enterprises. But since there are no absolute bans in the transfer of money from one sphere to another, and there is no tendency for economic development to eliminate all partitions in the movement of funds, it is advisable to try, taking into account the available information, to determine the measure of the total depreciation of money due to their excess output besides changing prices. In the most general form, this depreciation of money can be determined by comparing the dynamics of revenues from the production of goods and services, including revenues from the budget, with the dynamics of cash expenditures, including funds generated due to budget deficit and credit growth. Since this may be a specific problem of the depreciation of money, in order to observe the methodological unity, a comparison must be made within the framework of the now-forgotten consolidated financial balance. The revenue part of this balance must be cleared from double counting and from all incomes of a credit nature, accompanied by the amount of income actually received from production. This will be the primary income.

It should be noted that the expenditure, including the use of the budget deficit, the increase in credit resources, including emissions, can be considered as the total mass of monetary expenditures in the country's farms. And here it is not the set of incomes and expenses that is important in itself, but the unity of the methodology throughout the entire period of its preparation. This depends on which real indicator (aggregate) of products will correspond to the given balance: gross social product, gross national product, etc., as well as incomes and expenses of which subjects of reproduction will be reflected in it (state, population, etc.).

Hence, the excess of the growth rate of expenditures over the growth of income will show the depreciation of money due to their excess output.

Combining two indicators (indices) of inflation (prices and excess incomes) into one can be done as follows: if prices did not change at all, then inflation would be reduced to the depreciation of money due to the excess of expenditure over income. But since prices change both officially and hidden, the price index must be taken into account as a factor in the growth of income. Since the economic meaning of the inflation index consists in determining the measure of depreciation of money due to the action of all factors, the dynamics of income derived from production (the revenue part of the consolidated financial balance sheet) needs to be adjusted by the price index. This will be consistent with objective processes, as rising prices in and of themselves are a factor in increasing revenues.

Introduce the notation:

IC — price index; I_{inf} — inflation index (depreciation of money); II_{cfb} — income index, for example, according to the consolidated financial balance of the country; IE_{cfb} — an index of expenses in the same balance (*formula 1*). The relationship between them looks like this:

$$IC = IE_{cfb} \div (II_{cfb} \div I_{inf}) \qquad (1)$$

or in another form (*formula 2*):

$$IC = \frac{IE_{cfb}}{II_{cfb} : I_{inf}} \ . \qquad (2)$$

The second expression is preferable: it gives a clear economic interpretation of the processes in question. If $IE_{cfb} = II_{cfb}$, then $I_{inf} = IC$. In other words, if expenses grow only in proportion to revenues, then inflation is entirely determined by the dynamics of prices. If $IE_{cfb} > II_{cfb}$, then, in addition to the price of inflation, the formation of excess (not realizable) incomes also influences. This situation is currently in our economy. If $IE_{cfb} > II_{cfb}$, then infla-

tion will be less than price increases. This is unlikely. Regarding this, it can be noted that in general for the first 9 months of 2018, the consumer price index for services was influenced by the following main factors: an increase in regulated tariffs in the utility sector by an average of 13,8 %, an increase in the fare in passenger transport — by 9,1 %, for recreation services — by 18,2 %, educational services, including tuition for language courses and driving courses — by 15,7 % and personal services — by 8,1 % [8].

Tariffs for housing and utilities services rose most significantly in April and May 2018. In general, for 9 months, the contributions of members of partnerships in the PTSHZH increased by 26,7 %, payment for cold water supply and sewerage — by 24,3 %, heating — by 13,9 %, hot water supply — by 12,6 %, electricity — by 11,9 %, export of household waste — by 10,6 %, network gas — by 10,0 %, liquefied gas — by 63,7 % [8].

It should be noted that, other things being equal, the rise in prices contributes to the convergence of the dynamics of income and expenditure, i.e. an increase in prices can reduce IE_{cfb}, II_{cfb}.

Here it is necessary to consider the following: the terms «income» and «expense» are used from the point of view of the public sector, for it, in particular, incomes of the population are expenses. The proposed method of counting inflation reflects, in essence, the domination of monopoly economy.

Conclusions. Calculations of the inflation rate under the proposed scheme are primarily related to the determination of the price index. From here, the official State Committee of Statistics index, reflecting price changes, gives a very limited idea of price dynamics. Therefore, the approach of expert adjustment of the official price index was adopted. Taking into account the opinion of experts who published their calculations, the average price increase index was also adopted for goods.

Consequently, the change in the price index can be applied to the gross national product (GNP), which can be simply represented as the sum of goods turnover, paid services and investments. Discrepancies between inflation and price indices should be understood as a measure of the necessary price increases to achieve a balance. But this is not an indicator of additional price increases in the event of a transition to a floating price change. In this case, prices will rise more and they will be affected not only by demand, but also by production and sales. The inflation index will rise sharply and there is already strong evidence for this. Starting from 2018, the price component apparently dominates in the general inflation index, but hidden inflation will continue to achieve a stable equilibrium of supply and demand.

In our opinion, this method should be assessed as approximate, its main advantage — compliance with the information that is usually «at hand» in the central economic departments. The data of the state budget and the balance of monetary incomes and expenditures of the population can be used. But the financial balance is larger in volume than the state budget and the sum of incomes of the population and therefore more representative, although money flows remain outside it. Ideally, it would be necessary to find the ratio of income and expenses throughout the national economy, which includes the income of the population and all other economic entities. This requires additional development, which would allow to establish a measure of depreciation of money for each of the participants in the reproduction process.

The severe dependence on the price index makes the final results obtained according to the described scheme largely unstable, since the official data on the indices include elements of subjectivism. Therefore, the main importance of the results obtained is rather in characterizing the dynamics of the inflation process, in determining the direction of development, and not in specific quantitative data on the inflation measure, which, of course, would be more important.

The value of the method in a normal market and with a reliable scheme of collecting and processing information about inflation will be exhaustively represented by price indices, supplemented, if necessary, taking into account the income and expenses of all economic entities of the country.

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