

ECONOMIC POLICY UNCERTAINTY AND RISK MANAGEMENT IN REGULATED SECTORS

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ABSTRACT

The economic policy carried out by the government is frequently non-sequential and unpredictable. This is caused by both changes of the environmental factors and those of the government or the approaches. The inconsistent and non-predictable economic policy serves as the problem for both macroeconomic stability and companies operating in the market.

In the circumstances of unstable and non-predictable economic policy companies face growing risks in the market. Therefore, company management considers to either move the capital to other more stable markets or to spend more resources on managing risks.

It is considered that the economically regulated sectors are less risky or completely non-risky. However, this is not always the case. If regulation ensures guaranteed an annual profit of companies, we deal with a less risky or un-risky business. If regulating frameworks are general, separate administrative barriers may even be prevented and place business in a more risky condition.

The paper aims at demonstrating macro and micro-economic reasons of unpredictable economic policy which influence the companies. It also demonstrates to what extent regulatory instruments ensure the companies operating in the sector from the risks caused by the uncertainties of the economic policy.

KEYWORDS: *Uncertainty, Regulation, Sector, Risk Management*

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