Abstract of the articles

FRAMEWORK OF MONETARY POLICY IN HUNGARY

JUDIT NEMÉNYI

The performance assessment of the independent central banks triggers heated debates all over the world, especially if inflation accelerates or financial stability is shaken. The monetary policy decisions are attracting great interest and criticism in Hungary as well. The Hungarian National Bank faces the challenging task of sustainable disinflation under strong external shocks (stub-prime crisis consequences and oil price hike), while market participants have not yet rewarded the 2006-08 large-size fiscal adjustments in terms of risk premium. In addition the first fifteen years of economic transition was not enough for a national consensus to emerge in the crucial points of monetary policy making with respect to at least the basic principles and regime choice. The article is dealing with the building blocks of and experience in the inflation targeting regime between 2001-08 in the light of international standards and aims at identifying preconditions for achieving price stability in Hungary.

STRATEGIC BENCHMARKS IN GOVERNMENT DEBT MANAGEMENT

TAMÁS LÁSZLÓ BÁTYI

The main goal of government debt management agencies are financing the cental government debt with the lowest possible cost and low risk in the long run. During the construction of the government debt management strategies, the debt management agencies determines benchmark values as strategic objectives for some parameters of the debt portfolio, for example for the duration.

In this paper I will introduce some basic questions about fixing these benchmark values, some possible ways of modelling cost and risk of a portfolio, and several frequently used specific dynamic-stochastic interest rate models.

REPORT ON INTEGRATION OF EUROPEAN FINANCIAL SERVICES MARKETS

EUROPEAN BANKING FEDERATION – EBF

The integration of financial markets is key to consolidating and strengthening the banking sector and therefore to furthering EU economic development and prosperity.

With this in mind, the report has depicted the most urgent priorities on the agendas of the banks and the EU policy makers. These priorities evolve around creating an internal market for retail customers, optimising European supervisory structures, eliminating prudential, legal and fiscal obstacles to mergers and acquisitions in the financial sector and achieving a true level playing field among financial institutions. Attaining these significant milestones will help European banks become stronger, more flexible and adaptable to the challenges of the unfolding global environment of today.

QUEUING AS A DEGENERATED FORM OF TRADE CREDIT

Nóra Szűcs

In this article a possible definition is given for the phenomena called credit cycles or queuing. Queuing can be described as a degenerated form of trade credit. Creditors and debtors constitute trade credit chains, where a single default can cause a contagion. So the chosen point of view examinating queuing is based on the literature on trade credit, but it could be also explained in the framework of contagion, systematic risk or credit rating literature. First, I give a short description about the firms and the market of building industry, which is the most affected by queuing. Then the results of the international literature of trade credit – especially results from the region of post-socialist countries – are shortly reviewed and tested based on a sample of 32 firms. Finally, lending technologies are examined which could be appropriate to treat the moral hazard and asymmetric information appearing in the SME lending; how industry structure, product characteristics influence SME financing and more exactly forms of trade credit.

GROUP LENDING BASED CREDIT CONTRACTS

Ágnes Lublóy–Eszter Tóth–Ákos Vermes

Banks have always looked for possibilities to lend efficiently. The success of group-lending schemes in low income countries and the spreading practice of microfinance in Hungary add new insights to the lending process. In this paper we show by means of simulations that under certain conditions and parameter values group lending based on joint liability is more efficient than lending with individual liability. On one hand joint-liability credit contracts used by group-lending schemes result in higher repayment rates for the banks. On the other hand, it also provides benefits for the whole society as it leads to higher net cash flow for the borrowers. By means of sensitivity analysis we also analyse the impact of changes in interest rates, loan sizes and penalties on the recovery rate and net cash flow of the borrowers. By analysing the loan size and the borrower productivity jointly we are able to explain the inconsistent results of the theoretical literature.