Projected macroeconomic developments in Slovakia

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The ongoing sovereign debt crisis in the euro area and the related uncertainty and concerns among investors and consumers continue to weigh on the Slovak economy. These developments, along with the effects of fiscal consolidation measures, will act as a drag on economic growth, which is expected to fall from 2.4% in 2012 to 1.6% in 2013. Growth should accelerate from 2014 as first external demand and then domestic demand pick up. With the economy accelerating, the labour market situation should improve. The average inflation rate over the projection horizon is expected to be close to 2% (p. 2).

Overall, financial stability conditions remain unchanged in Slovakia

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Since the publication of the previous Financial Stability Report in May 2012, conditions for financial stability in Slovakia have not changed overall and remain difficult. Although the worst manifestations of systemic crisis in euro area financial markets have receded – due in large part to the ECB's new non-standard measures – global economic activity has fallen and the outlook for 2013 has deteriorated owing to heightened uncertainty. The domestic economy has been relatively resilient to unfavourable developments in the external environment, but considering the worsening economic situation in other countries and the effects of fiscal consolidation at home, growth projections have been revised down. Conditions for domestic financial stability are expected to become somewhat more adverse over the short-term horizon, amid a prevalence of negative risks, particularly in the external environment. Nevertheless, there continue to be solid grounds for assuming that the domestic financial sector will be resilient to tougher conditions and mounting risks (p. 4).

Sovereign bond market developments and their reaction to the Outright Monetary Transactions programme of the ECB

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The debt crisis in the euro area has forced certain countries to seek direct financial assistance from European institutions and the International Monetary Fund. The European Central Bank has also taken certain operative measures to recover bond markets and safeguard the monetary policy transmission mechanism. In May 2010 it launched the monetary-policy Securities Market Programme (SMP) for government bond purchases. When assessing the results of this programme, it must be highlighted that yields on peripheral euro area government bonds would probably be much higher if the programme was not launched. The recent programme of the ECB – Outright Monetary Transactions (OMT) – unlike the SMP programme, is based on conditionality. It can only be used for sovereign debt instruments of those countries that have requested for assistance from the European Financial Stability Facility or the European Stability Mechanism or participate in the IMF's prevention programme. However, a success of this programme is conditioned upon early cooperation of European institutions, euro area Member States or all EU members. It must be promoted even before the programme will be launched in order to achieve economic stabilisation and eliminate impacts of the debt crisis (p. 7).

Labour market in central European countries: Small search and matching DSGE model

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The main goal of this paper is to compare structural characteristics of labour markets in selected countries including Slovakia, the Czech Republic and Austria. As a tool to accomplish this goal, the small search and matching model was chosen that is incorporated in the standard macroeconomic dynamic stochastic general equilibrium (DSGE) model. The results imply that this type of model can reliably describe developments in employment in these countries while model estimates provide evidence of the particular labour market behaviour. The results confirm that the wage bargaining process is mainly determined by the negotiation power of firms, and are in line with the results for the U.S. labour market (p. 12).

Financial derivative markets development

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With their double-digit average annual growth, financial derivatives have been the financial market segment with the highest rate of growth during last twenty years. The total nominal amount outstanding of all financial derivatives was USD 701 trillion as at 31 December 2011. This figure represents nearly a nine-fold of global GDP. Their total market turnover was even higher in 2010, at USD 3,124 trillion. However, existing statistics are not fully compatible and they overestimate volumes of over-the-counter (OTC) derivatives. Nevertheless, derivatives are actively used by dealer banks, as well as by corporations and institutional investors, although they have some negative aspects. Low transparency and misuse of OTC derivatives have contributed to the extension and deepening of the global financial crisis in 2007-09. The measures that the G-20 countries adopted in 2009 have had the main objective: to standardize OTC derivatives, settle trades through central counterparties and increase transparency by reporting all OTC trades to trade repositories (p. 17).

Operational risk in banking business

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The article deals with the "operational risk in banking business", its description, analysis and definition, as well as possible ways of its management and elimination. In the first part, the operational risk is defined, the second part focuses on loses resulting from this risk, while the third section is dedicated to the ways of its management and elimination (p. 24).

Approaches to measuring operational risk in banks, Part 2

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The article deals with existing approaches to measuring operational risk in the Slovak Republic. Approaches comprise three main methods – Basic Indicator Approach, Standardized Approach and advanced methods. Each method is further described, while attention is paid to the calculation of capital requirements for operational risk. In Part 2 of the article, the fifth quantitative impact study is introduced. The study examines the potential impact of quantitative methods used for measuring operational risk of banks in selected countries. In the end of Part 2, Slovak banks are analyzed as to the methods they use for measuring operational risk. For the banks that employ advanced approaches, these methods are characterized in detail (p. 27).