Expected macroeconomic developments in Slovakia

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Economic slowdown in the euro area has further weighed on the Slovak economic developments. Despite moderate quarter-on-quarter growth of the Slovak economy, a decline in the countries of Slovakia's trading partners has had a dampening effect on its exports. Investment activities have plummeted due to continued uncertainty, while contained private consumption restrains growth. External demand should recover slightly in the second half of the year, followed by domestic consumption. Economic growth is predicted to decelerate to 0.6% in 2013, and than gradually pick up to 2.3% in 2014 and 3.3% in 2015. The labour market is expected to stabilise towards the end of 2013. Simultaneously with the moderate economic upturn, employment should also increase from the last quarter of this year. Inflation is projected to further decline to 1.7% in 2013 and marginally to 1.6% in 2014, while it should rise in 2015, to 2%. (p. 2)

Monetary policy of selected central banks and a change in their activities in light of the current financial market situation

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The article describes some aspects of the monetary policy of selected central banks (European Central Bank, Federal Reserve System, Bank of England, and Bank of Japan) applied from 2011 to the present. The aim of central banks' activities is to restore the confidence eroded by the financial market situation, which has been worsening since 2007. Moreover, due to weak fiscal policies, countries have to face growing public debts. Many of them are also struggling to hold unemployment at low rates and to avoid further decreases in their economic growth. Central banks continue to support their domestic economies launching various monetary policy programmes. In the environment of slow economic improvements, it is probable that the banks will have to apply these unconventional steps in the coming years as well. (p. 4)

Forget backing major world currencies with gold

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The financial crisis that has evolved into the current debt crisis has significantly increased the level of uncertainty on financial markets. Traditional monetary policy measures that used to kick-start the economy in the past, proved to be insufficiently effective this time. The vast volume of quantitative easing increases the thread of hyperinflation. Some economists argue that backing of major world currencies with gold is the right way to go. The aim of this article is to prove that, when considering the current situation, gold prices and the available amount of physical gold, it is impossible to back major world currencies with gold at any meaningful level. (p. 10)

Management control system in banks

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Banking and financial sector controlling is a dynamically growing area of the controlling methods used in organizations. The difference between bank controlling and the standard controlling methodology is defined by the specific tasks and products, banking transactions (e.g. cash-flow, credit and capital investments) as part of the banks' value creation process. Management tasks of the banks are provided by integrating two well-defined sub-fields (controlling functions of the bank's internal operation and service). This integration can only be achieved by linking planning, plan-fact analysis and information service functions together. (p. 14)

Extended regulation of funds

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Regulation of collective investment has been extended. Along with retail funds, it now also involves professional investor funds. The directive on alternative investment fund managers (AIFMD) is to be transposed into the Slovak law on collective investment from July 2013. Further to the previous recast of the Slovak law in 2011, the new transposition will bring about extensive changes for Slovak management companies and depositaries. The directive also applies to other entities – offerors of assets as well as the private equity segment, which has not been regulated until now. Will this new regulation boost developments on the Slovak capital market? (p. 18)

Data quality and Solvency II

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In comparison with the current solvency regime, the Solvency II regime emphasizes the need of high quality data and proper information systems for processing these data. Suitable data of sufficient quality is one of the key issues for insurance undertakings, not only in the Slovak insurance market. Solvency II aims at creating effective risk management. By implementing Solvency II, the insurance market will improve risk assessment in the European Union. Poor data quality increases the uncertainty, which may result in higher operational risk and higher capital requirements. (p. 20)

EMIR – the new regime for derivative trading

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The Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) represents one of major cornerstones of the EU's reaction to the financial crisis. The framework Regulation is accompanied by numerous implementing measures issued by the Commission in December 2012 and February 2013. The EMIR brings under the regulatory umbrella not only financial institutions but also nonfinancial institutions trading in OTC derivatives. (p. 22)

Analysis and modelling performance of industry
(An econometric approach based on co-integration)

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Among the largest contributors to both domestic and external demand within the Slovak economy is the industry. In this context, the aim of this article is to verify the dependence of industrial production on domestic and external demand and to express their relationship in the form of the error correction model (ECM). The results of co-integration and modelling confirm that both these factors can be considered as statistically significant determinants of industrial production in the analysed time period. The co-integration analysis and econometric modelling are based on the monthly time series of relevant statistical indicators for the period of January 2000 - December 2012. (p. 23)