EXPECTED MACROECONOMIC DEVELOPMENTS IN SLOVAKIA ACCORDING TO NBS'S MACROECONOMIC FORECAST (MTF-2016Q4)

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Slovakia's economy maintained relatively strong growth in the third quarter of 2016, and this trend is expected to continue over the medium term. Domestic demand is expected to accelerate and to be accompanied by export growth, with annual GDP growth projected to be 3.1% in 2017, increasing to 4.2% in 2018 and 4.6% in 2019. The acceleration in growth in the last two years of the projection horizon should be supported by the launch of production at a new car plant. The economic situation is expected to remain conducive to job creation and to a falling unemployment rate. Labour market tensions and labour productivity growth should be reflected in nominal wage growth. With this growth expected to stimulated demand-side pressures and with the fading of the impact of low commodity prices, the headline inflation rate is projected to rise to 2% over the forecast horizon. (p.2)

PREDICTIVE MODEL OF CORPORATE FAILURE IN THE SLOVAK BUSINESS ENVIRONMENT

Martin Gulka

The paper presents the results of the construction and estimation of a predictive model for corporate failure in the Slovak business environment. The model is based on logistic regression. The explanatory variables of the model consist of financial ratios calculated using data from financial statements. The resultant model is able to predict the probability of corporate failure within a period of 12 months within a certain margin of error. We also compared the discrimination power of our model with that of a Z-score model, which is often used in financial analyses. (p. 5)

A MARKOV CHAINS APPROACH TO FINANCIAL RISK MEASUREMENT

Jozef Jackuliak

This paper looks at the problem of financial risk in the financial sector and highlights the importance of correctly assessing and steering credit risk. The main goal here is to describe the principal methods for estimating transition matrices, which are essential to subsequent credit risk modelling of credit instruments. The paper examines credit risk dynamics through rating migrations and shows linkages between rating migration and prevailing macroeconomic conditions or business cycle stages. Markov chain methodologies are considered appropriate for the estimation of transition matrices. Aggregate proportional data are used here to examine transition probabilities for different business cycles. (p. 10)

ECONOMIC INTEGRATION OF THE VISEGRAD COUNTRIES INTO THE EUROPEAN UNION

Martin Hulényi

Inspired by Oosterhaven and Van Der Linden (1997), Oosterhaven and Hoen (1998) and Hoen (2002), this paper uses structural decomposition analysis to examine structural changes in the Visegrad countries (the Czech Republic, Hungary, Poland and Slovakia) that took place in the course of their integration into the European Union. Two variables, value added and employment, are decomposed for the period 1996-2008 as well as 1996-2004 and 2004-2008, thereby allowing a comparison between the pre-accession and the post-accession periods for all four countries. The results show that both variables were driven by changes in domestic final demand that may have resulted from an increase in productivity. Interestingly, the impact of the changes on exports to the older Member States declined after the accession, while in all the Visegrad countries apart from Hungary the impact on exports to the other new Member States and the rest of the world increased in the post-accession period. (p. 16)

CHANGES TO THE LEGAL FRAMEWORK FOR RESOLUTION

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On 15 November 2016 amendment to the Resolution Act (No 371/2014 Coll.) has entered into force in Slovakia. The amendment's most significant provision is to allow the signing of an agreement on a bridge financing mechanism between the Slovak Government and the Single Resolution Board. The amendment also adds further details to certain provisions of the Resolution Act and of other laws related to the implementation of the EU's Bank Recovery and Resolution Directive. This article summarises the key aspects of the amendment and explains their purpose and significance within the resolution process. (p. 20)

MIFID II – SELECTED ISSUES OF THE NEW LEGAL PACKAGE (SECOND PART)

Filip Oller

The new package of European Union legal acts concerning investment, known collectively as MiFID II, is a response to the financial crisis in Europe and to the deficiencies it revealed in investor protection and the legal regulation of certain investment-related issues. The MiFID II package strengthens the original legal framework for investment services and activities, including ancillary services. MiFID II comprises a Directive and Regulation, and they in turn are the basis for a number of technical standards and delegated acts which specify additional details of the MiFID II framework. MiFID II enters into application on 3 January 2018. This paper follows on from its first part, to extend the scope of the impact analysis of the new legislation on investment banking in Europe. (p. 23).

TO KNOW WHAT I AM BUYING IS THE BASIS FOR PRODUCT SATISFACTION

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Financial literacy is typically tested by means of questions on banking products, investment, and financial mathematics. One would almost think that insurance is not part of the financial world. In fact, ordinary customers find insurance products even more complicated than banking products. In a survey of economics undergraduates in their final year of university, 109 respondents answered 18 questions, with 64% achieving a score higher than 71% in ten technical questions. The paper looks in detail at the answers given to selected questions from the survey. (p. 26)