How much are reserves worth? Estimating interbank liquidity demand in Hungary

Pál Péter Kolozsi and Gábor Horváth

After the global financial crisis had erupted in 2008, monetary-policy frameworks at the global central banks, and after 2013, at the Central Bank of Hungary, changed in a direction that enhanced the role of interbank liquidity management. This study based on segmented regressions estimates the interbank liquidity demand function of Hungarian banks in 2016–2019 for overnight interest rates. The authors estimate that the main breaking points in the demand curve can be detected at around HUF 130–410 billion in excess liquidity. The slope in each section of the demand function is negative and the coefficients decrease in absolute value with the increase of excess liquidity. The Hungarian data show that the distribution of liquidity became more balanced and activity in the interbank market decreased along with the increase in excess liquidity. The Hungarian market for liquidity displayed substantial frictions due primarily to the high concentration of liquidity among banks.

Rating migration, credit risk contagion and Credit Valuation Adjustment

Péter Boros

The significance of default contagion in Credit Valuation Adjustment (CVA) modelling has already been stated. Empirical research suggests that not only defaults, but rating-change announcements by large rating agencies are contagious. The paper investigates the impact of rating-migration contagion on CVA. It proposes a model in which the latest empirical observations are drawn in and develop an extended total hazard-construction algorithm to solve the looping problem. The results suggest that the impact of rating-migration contagion on bilateral CVA can be significant in industries with a larger rating concentration.

Coopetition versus collusion, or fraud at network level?

György Jóna

The paper focuses on whether collusion could appear in a coopetitive network (rivals' collaboration). Does the coopetition cause collusion in reality? To answer this, an

informal bakeries' network in Gdansk (Poland) was studied within a 40-week longitudinal inquiry. The primer network dataset was drawn up by integrating tool kits of network science and econometrics as well. Empirical results depict that in this coopetitive network, collusive relations did not emerge in the 40-week period. Higher profits rate could be realized at network level by reducing purchasing prices, not by increasing selling prices, which drive the utilities of both buying and sellers.

Gazelles and industrial policy, Part II

Olivér Kovács

Part I of the study showed the economic effects on the nature of gazelles (firms capable of high growth). Part II looks at gazelles through the lens of the complex system of global economic challenges, by asking whether modern governance can (or should) abandon the principle of neutrality in the age of Industry 4.0 and digital transformation, through a new kind of industrial policy focused exclusively on gazelles, with the aim of strengthening the trust in governance via productivity enhancement and more inclusive growth.