Impact assessment of subsidised loans in Hungary

Álmos Telegdy and Gábor Tóth

This study analyses the impact of subsidised investment loans disbursed by Exim Hungary between 2015 and 2019, the country's export credit agency. We examine the effect of the loans on tangible assets, sales, employment and labour productivity. Matching and panel econometric methods are employed to mitigate the selection bias caused by the substantial representation of high-performing companies in the program. According to our results, investment loans increased tangible assets by 61% relative to unsubsidised companies. The higher capital level resulted in a 10% increase in the number of employees and an 8% increase in sales, but had no effect on productivity. Larger loans (relative to the company's tangible assets) result in greater growth.

Industry policy in a portfolio-theory approach

András Bethlendi

The study aimed to examine the structural changes in the Hungarian national economy in a growth-stability coordinate system based on the data of the past quarter of a century. We have identified industries that change below, close to, and well beyond the pace of national economic development. Our methodology was the approach of modern portfolio theory applied to financial portfolios. We showed that compared to the current structure of the national economy, even a significant positive shift is possible in the longer term. Our analytical framework is also suitable for evaluating economic policy goals. Among the industries most supported by economic policy, the shift towards construction, accommodation and food service activities, and agriculture was not found to be efficient from a growth-stability point of view. Our approach confirms the expert opinions criticising the reindustrialisation policy, according to which reindustrialisation will not significantly increase the country's average growth rate. We add to this that forcing it is not practical from a stability (risk) point of view either. A more specific, networked industrial policy might result in improvements.

Share repurchases instead of dividend payments? The evolution of payout policies and possible reasons for the prominence of share repurchases

Dániel Szládek

The goal of corporate finance is to maximize the value of the firm, and to achieve this, firms seek optimal investment, financing, and dividend policies. In recent decades, the latter has undergone a significant change, with companies increasingly relying on a different method of returning money to shareholders: share buybacks or repurchases, in addition to the classic dividend payment. In a share repurchase, the firm buys back its own shares, paying the selling shareholder out of the firm's cash, similarly to a dividend payment. The rise to prominence of share repurchases is a fresh topic for corporate finance researchers and finance executives alike, as the issue regarding payout is now not only about quantity but also about the form of the payout. Accordingly, it is better to refer to this aspect of corporate finance by the term payout policy rather than dividend policy. In this study, I focus on how much of the total shareholder payout is done via share repurchases, how share repurchases are perceived and valued by the market, and explore the theoretical background of this novel payout method.

Outsourcing strategies and the learning effect in the semiconductor industry

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Many industries are affected by outsourcing and the relocation of production to other countries, mainly due to cost optimisation. The main idea behind in-house production is to exploit the benefits of learning-by-doing; however, learning is a slow process, so the short-term benefits of outsourcing manufacturing may override the long-term benefits of accumulating productivity knowledge. The semiconductor industry – in addition to the fact that there are clear examples of both 'make' and 'buy' models – has acquired a key role since the outbreak of the pandemic: the chip shortage has rippled through many sectors, slowing down or even paralysing production. In this study, we construct a model to capture the outsourcing decision of a chip production company, considering the effect of learning-by-doing and supply resilience. Numerical simulations are used to present the situation of the semiconductor industry before and after the pandemic. We show that although outsourcing was the optimal strategy in the pre-pandemic period, since then the relevance of in-house production has increased. The stability of the current strategies is greatly influenced by external conditions such as relative production costs and the economic effects of chip shortages, which underlines the relevance of industrial policies aiming to the semiconductor industry.

European banks' implementation of IFRS 9 in the shadow of the pandemic

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In our study, we analyse the results of the implementation of the new IFRS 9 standard introduced in 2018, through the Non-Performing Loans (NPL) ratio and the factors affecting it, using the quarterly data of 177 European banks for the time period from 2017 Q4 to 2022 Q1. Among the factors influencing the Non-Performing Loans ratio, we analyse the effects of the COVID period, the reclassifications between the impairment baskets (STAGE) and the cost effectiveness (Cost to Income, CIR). As a result of our analysis, we find that the banking regulations of the COVID period and the reclassifications between baskets according to IFRS 9 rules have a significant negative relationship with the NPL ratio, while the Cost to Income ratio has a positive effect on the NPL ratio. Based on our results, we conclude that the implementation of banking supervisory and central bank recommendations, as well as IFRS 9, has been successful during the pandemic and will help banks to properly manage their non-performing portfolio in the post-COVID (and post-war) period.