

Central-bank announcements and macroeconomic stability

Ákos Valentinyi

Announcements by the central bank do not simply provide market participants with information. They also coordinate market expectations. So even announcements that seem to provide very little new information can elicit strong market reactions. Market participants uncertain about what information others have will also be uncertain whether other market participants know what they know. In a review of recent literature on global games, the paper shows how central-bank announcements may trigger or prevent speculative attacks.

Corporate job creation and job destruction

Gábor Kőrösi

The level of employment in Hungary in 2002 was essentially the same as in 1993 and only 150,000 higher than at its low point in 1997. But this macroeconomic stability disguises exceptionally fast changes in the structure of corporate employment. The article describes the Schumpeterian process of corporate job creation and job destruction in the decade from 1993 to 2002.

Effectiveness of central-bank intervention on foreign-exchange markets. International experiences and theoretical considerations

Norbert M. Kiss

Although recent years have seen a decline in major central banks' FX market activity, such intervention has remained an active policy tool in several emerging economies and/or countries applying inflation targeting. The paper surveys the literature on its effectiveness, presenting relevant theories and international empirical evidence and trying to identify aspects that increase effectiveness under various circumstances. Only cautious conclusions can be drawn. Central-bank intervention *can* be effective, mainly because FX activity by central banks can shape market expectations and influence the process of information aggregation. The effectiveness can be improved by matching objectives with appropriate intervention techniques and matching intervention strategy to circumstances in a flexible way. Intervention aiming at delivering strategic policy objectives is likely to be more efficient if pre-announced, transparent, coordinated with other central banks, and in line with macroeconomic policy. But to reach tactical objectives, central banks should conduct intervention in secret, paying heed to timing, around macro news an-

nouncements or during heavy trading volume. Central bankers should keep in mind that intervention – regardless of the chosen technique – affects the exchange rate mainly in the short or medium run. A more permanent shift in exchange rates calls for a change in fundamentals such as monetary-policy action.

Micro-simulation model-development environments

István Molnár

The study describes some findings of micro-simulation research and analyses software technologies (including Internet-based application development) that can be used for developing micro-simulation environments. It first presents the field of application and some features and requirements of this. A short account and classification of the micro-simulation models is followed by an outline of a basic technological approach to the applications of models. Two technologies – one database-oriented and one Internet-oriented – are then analysed in detail. Two important solutions to realizing this with Internet services, J2EE and .NET are compared, and their effects on micro-simulation and in related fields are outlined.

Business services in Hungary

Judit Hamar

The article makes an international comparison of the part played by services, notably services to business associations, in Hungary's economic development. After estimating the extent of these business services, the author analyses in more detail the corporate and economic attributes of business services (knowledge-intensive, professional) in the narrow sense. Services have helped to boost Hungary's economic development (in structural change, employment and productivity increases) in the last decade. Business services in the narrow sense have contributed to the greatest extent to the positive economic results, but despite an outstanding initial level, the intensity of their development has fallen behind that of the acceding countries including Hungary, with signs of breaks in the trend since 2000. The detailed examination of the economic characteristics of professional services has shed light on the extremely heterogeneous nature of their markets, the competitive disadvantage for domestic firms, and the dominance of foreign capital. The main lesson is that knowledge of this field is still patchy, due to lack of measurement (measurability) and important data, even though the catch-up process depends increasingly on developing these services and improving their efficiency.