Dear Reader!

Thank you for your continued interest in the Financial Review and for once again taking the time to read the exciting and informative articles in this issue. As you know, our journal focuses on public finance, with articles on the functioning of the public sector and the national economy, financial and economic policy systems, monetary and fiscal policy analysis, financial innovation, derivatives, corporate and national financial accounting techniques, financial investments, return and risk calculations for various securities, loans and the dissemination of financial literacy. This issue also examines the development of the financial sector in a macroeconomic framework and its social and economic psychology.

The authors of our first paper continue the debate on Europe's competitiveness that the Draghi report has triggered, and on which Magdolna Csath and Péter Juhász have already shared their views in the previous two issues of our magazine. István Ábel and his colleagues address issues that were left out of the competitiveness compass, such as the worrying physical and mental health of potential workers and changes in taxation and fiscal rules. However, the following questions remain open: can the EU's growth and productivity data be interpreted at all when Europe is not one country. Can these data be improved if there are huge gaps between the weighted averages of Member States in innovation and productivity, which are widened by the unequal distribution of development funds? What methods could be used to measure the impact of ICT on productivity? How can we ensure that the measures of the omnibus simplification package (market-oriented regulation) on sustainability, financing and unlocking investment capacity also improve the competitiveness of SMEs at national level? How can a balance be struck between EU environmental objectives and business competitiveness?

In a study that is designed to fill a gap, the Czeczeli-Kutasi team discusses the vulnerable eurodollar market. They use a VEC model to analyse the relationship between US interest rates and emerging market CDS spreads between 2008 and 2024. The market crises in these countries are caused by banks' excessive exposure to dollar-denominated corporate debt, high CDS spreads and thus increased default risk. Flexible exchange rate policies and devaluation increase export earnings, but in the longer term they undermine competitiveness by discouraging innovation. After the US elections, the dollar fell against most currencies, mainly because of fears of a „Trump recession" and the impact of tariffs on inflation. For the time being, the growth outlook is uncertain, with some sceptical analysts predicting that the euro could reach $1.15-1.2 by the end of the year, and the chances of a possible recession in the US are growing.

The authors of our third study (Sisa-Siklósi-Bárczi) examine the manifold possibilities of enforcing ownership interests on the basis of the provisions of company and contract law. The founders and the owners in general, usually provide a guarantee to the company through a syndicate contract with the financial investor for the realisation of the financial investor's planned exit, the optimal timing of which is linked to the maximum size of the ownership value, and is based on the calculation of the future income generating capacity and the continuous measurement of the company's assets, financial and income situation and the system of indicators derived from them. However, it is not possible to calculate the maximum shareholder value from the accounting statements alone. It requires additional information, expectations, free cash flow calculations and various future estimates and forecasts.

In our fourth paper, Mihály Hegedűs and Rita Tóth analyse the report on the last ten years of the European audit firms' performance audit, highlighting the audit errors, documentation deficiencies and recommendations for improvement in revenue recognition, receivables recognition, inventory valuation and risk estimation, including auditor training and the need for the use of advanced auditing technologies (AI). An audit is a specialised, complex control process, carried out on behalf of the owners, during which a team of independent experts reviews, with reasonable assurance, an entity's accounting system, its financial statements, financial and non-financial statements, and its financial position and results of operations, assesses the evidence gathered and, on this basis, draws conclusions, makes an objective judgement and expresses an opinion as to whether it does not contain any material misstatement, whether due to fraud or error, that would affect a financial statement's preparation and fair presentation, thereby verifying its regularity, reliability and accuracy. The audit risk can be significantly reduced if the entity's control risk is low, i.e., internal controls are well established. However, the PCAOB report identified internal control weaknesses as a systemic problem almost everywhere.

Our fifth paper examines the impact of banking digitisation (Begimkulov-Kuti) on financial stability in Central Asian countries, which may be a warning sign not only for policymakers but also for financial institutions. Banking competition and digitalisation interact to have positive and stabilising effects, improving risk management and efficiency, and therefore require balanced competition policies and the development of digitalisation to ensure financial stability in emerging countries. Regulators need to focus on reducing barriers to digitalisation and encouraging innovation to maintain market discipline and prevent monopolistic practices that reinforce risk-taking behaviour, to identify operational vulnerabilities and to address cybersecurity risks.

In the current issue of our magazine, we interviewed Magdolna Csath, a prominent figure in Hungarian economics, who graduated from Marx Károly University of Economics in 1966 and then completed the MBA programme at the London Business School, where she received her PhD in economics in 1991. She taught for five years in the USA and one year in the UK. In the USA, she was awarded the L. J. Buchan Distinguished Professorship Award, and in Hungary she received the Albert Szent-Györgyi Award, the Hungarian Order of Merit, the Order of Merit of the Hungarian Republic and the Hungarian Cross of Merit. Among her more than 100 publications at home and abroad, I would like to highlight her five most cited books: „Strategic Planning in the 21st Century", „Competitiveness Management" (National Textbook Publisher 2010) and „Competitiveness Mosaic" (Academic

Publishers 2023), published in 2023. Important recent papers include „Growth or Development Trap" (Financial and Economic Review 2022.21.2.) and „The role of Intangible Capital Investment and Intangible Assets in Improving Competitiveness" (Financial and Economic Review 2023.22.2.). She is currently a private lecturer at the National University of Public Service and the Budapest Metropolitan University.

In our conference report section, we provide excerpts from the most interesting presentations on accounting, taxation, auditing, bankruptcy forecasting and sustainability (ESG) issues at the VII János Bosnyák International Memorial Conference.

In our book review, we offer you a real speciality: a celebratory volume of studies published in honour of the 70-year-old academic Péter Halmai, which includes contributions by seventy-one renowned experts from Hungary and abroad, covering the fields of European integration, economic development, sustainability of financial stability, economics and law.

János Lukács
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