

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Patricia Pavlikova
Advisor:	doc. Mgr. Tomáš Holub. Ph.D.
Title of the thesis:	Equilibrium Exchange Rates and Exchange Rate Misalignments in the Visegrad Group

OVERALL ASSESSMENT:

Contribution

The topic of equilibrium real exchange rates and exchange rate misalignments is very relevant for small open economies, especially if they are at the same time catching-up countries. Exchange rate misalignments are a significant element of the overall monetary conditions in such economies, and are therefore crucial for assessing the overall monetary policy stance.

I see the main contribution of the thesis in updating the earlier estimates of equilibrium real exchange rates in order to capture the whole post-crisis period. Moreover, the thesis provides estimates comparable across the CEE countries.

The contribution, however, is reduced by the chosen way of presenting the conclusions. Mostly the author comments on the evolution of exchange rate misalignments over time and differences between individual models. But I miss a kind of „pig picture“, i.e. interpreting the results more deeply in order to contribute to some relevant policy debates. For example, do the results for the Czech Republic tell us anything useful for the – still ongoing – debate on the CNB's exchange rate commitment in 2013-2017? Can they contribute to the debate on the Slovakia's experience with entry and subsequent membership in the euro area? Do the real exchange rates in CEE countries more often work as shock-absorbers or shock-generators. From that point of view, the empirical results are underutilized, presumably due to time constraints in the final stage of drafting.

Methods

The methods applied in the thesis are fairly standard for the literature in this field. This is true both of the theoretical models, as well as of the applied econometric techniques. The author presents standard econometric tests, but sometimes without dealing with their results in terms of the chosen econometric technique.

Literature

The author surveys various alternative ways of measuring the equilibrium real exchange rates. The applied models range from relatively simple ones used by analysts in financial institutions to more complex ones used in the academic literature. The list of references is sufficiently long and up to date (even though it would benefit from better editing).

Manuscript form

The structure of the thesis is standard and logical. However, the text is sometimes hard to read, e.g. due to very long sentences. The text would definitely benefit from language editing by a native English speaker. Some of the econometric results in the tables could also be presented in a more self-explanatory way. In general, the manuscript form is affected by the time pressure that the author got under in the last stage of drafting.

Summary and suggested questions for the discussion during the defense

Overall, the thesis focuses on an important topic and brings some potentially interesting results, but these results are under-utilised in the text from the policy point of view. The author consulted with me

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Patricia Pavlikova
Advisor:	doc. Mgr. Tomáš Holub. Ph.D.
Title of the thesis:	Equilibrium Exchange Rates and Exchange Rate Misalignments in the Visegrad Group

the thesis actively in several rounds, and many of my comments have been incorporated in its final version. But some more work would be needed to get a better overall assessment and proposed grade from my side.

Question for the defense:

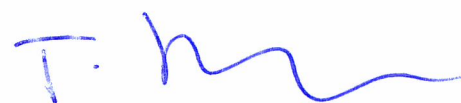
i) What „big-picture“ policy conclusions can you draw from you empirical findings, e.g. related to the assessment of the CNB's exchange rate commitment in 2013-2017, Slovakia's entry into the euro area, or the shock-absorber vs. shock-generator debate for the CEE currencies?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
Contribution (max. 30 points)	18
Methods (max. 30 points)	20
Literature (max. 20 points)	18
Manuscript Form (max. 20 points)	13
TOTAL POINTS (max. 100 points)	69
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: doc Mgr. Tomáš Holub, PhD.

DATE OF EVALUATION: 29 August 2019



Referee Signature