

# Report on Master Thesis

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

<b>Student:</b>	<b>Muhammed Siraj Muhammed</b>
<b>Advisor:</b>	<b>doc. Mgr. Tomáš Holub, PhD.</b>
<b>Title of the thesis:</b>	<b>Exchange Rate Transmission In the case of Ethiopia</b>

## **OVERALL ASSESSMENT** *(provided in English, Czech, or Slovak):*

This thesis deals with the exchange rate pass-through (ERPT) in Ethiopia. It is an applied piece of work for a country that has not been covered very well by the literature – its contribution is thus easy to identify. It uses a VAR analysis, and as part of it an analysis of impulse responses and variance decomposition, which is a standard approach in the ERPT literature.

The structure of the thesis is clear. Chapter 1 is an introduction, which is perhaps a little bit too long and somewhat repetitive. The literature review, which is provided in Chapter 2, is relatively broad, and definitely sufficient for a master thesis. However, the list of references related to the literature review would warrant some further editing – sometimes the authors are ordered by their first name rather than by the surname, etc. Chapter 3 presents the methodology, while Chapter 4 provides the empirical results. Chapter 5 summarizes and concludes.

The empirical analysis brings several interesting results. Some of them are intuitive, e.g. the fact that the exchange rate pass-through is relatively large but incomplete. On the other hand, some results go against the intuition and previous studies' results, such as the finding that the ERPT appears higher for the low-inflation than for the high-inflation episode. It was also interesting to see that positive shocks to output on average lead to lower inflation in Ethiopia, rather than to higher inflation, which is presumably due to the supply-side shocks to the agricultural sector. The biggest weakness of the empirical part is, however, the fact that the ERPT – even though quite large – is statistically insignificant. This is not necessarily a failure of the author; it may just reflect the challenges of identifying the ERPT in a reliable way for a developing country. I would, nevertheless, welcome some more detailed comment by the author on why he thinks the ERPT is statistically insignificant. This could be a question for his defence.

The biggest weakness of the thesis is the manuscript form. It is far too obvious that the author got under time pressure in the last stage of his work. The thesis contains many typos and sentences that are hard to understand. It would certainly benefit a lot from proofreading by a native speaker.

Overall, **I recommend the thesis to be accepted and graded 2 (B).**

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

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	25
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	6
<b>TOTAL POINTS</b> (max. 100 points)	<b>74</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** Tomáš Holub

**DATE OF EVALUATION:** 7 August 2012

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*Referee Signature*

