

Report on Bachelor / Master Thesis

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

Student:	Milan Hanousek
Advisor:	Ing. Vilém Semerák, M.A. Ph.D.
Title of the thesis:	China's equilibrium exchange rate

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

Given Bachelor thesis is a thorough analytical work on the equilibrium exchange rates – case example China. Overall 87 pages of thesis are separated between 21 pages of theoretical coverage, 20 of analytical data, 20 pages of empirical/analytical work and 23 pages of supplementary materials/conclusions.

There is very little to say, if any, with regard to Chapters 1-3, which essentially cover evolution of exchange rate regimes in China as well as general theoretical backgrounds and concepts of equilibrium exchange rates. Main literature as well as data sources are of both domestic as well as foreign origin but mainly IMF and People's Bank of China.

Main work that corresponds to requirements of Bachelor thesis was produced in Chapter 4 and covers empirical estimation of fundamental equilibrium exchange rate (FEER) of Chinese currency. Performed research is without a doubt meets required criteria, however a number of concerns are worth to be raised, namely:

- Although partial equilibrium approach used in estimation is rather transparent, it does not take into consideration number of dynamic factors, making results of estimation rather questionable.
- Keeping in mind that empirical part of this Bachelor thesis heavily depends on data availability I am concerned with the data being used. In particular the periodicity (yearly observations).
- I am not quite satisfied with conclusion, as it seems like Bachelor thesis raises more questions than resolves.

Suggested question for the defence is:

„Why was the partial equilibrium approach used in empirical part and which factors does it ignore. How do those factors influence estimation results“

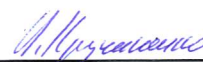
In case of successful defence I recommend **good, 2**

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	16
<i>Methods</i> (max. 30 points)	25
<i>Contribution</i> (max. 30 points)	22
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	79
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: PhDr. Ihor Kruchynenko

DATE OF EVALUATION: 26/05/12



Referee Signature

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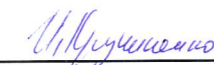
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