

Report on Master Thesis

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

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Advisor:	doc. Mgr. Tomáš Holub, PhD.
Title of the thesis:	Price Level Convergence and Real Exchange Rate Determinants in the New Member States of the European Union

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

This thesis deals with price level convergence and long-term real exchange rate determination in the new EU Member States (NMS). It is clearly and logically structured. The first two chapters introduce the topic and present the theoretical framework for the analysis. Chapter 3 provides a comprehensive literature overview. The core of the thesis is the empirical Chapter 4, which analyses the real exchange rate determinants using modern econometric techniques. Chapter 5 concludes.

The key finding of the thesis is that the Balassa-Samuelson effect has been a crucial determinant of long-term exchange rates in the NMS. In particular, the productivity differential between the tradable and non-tradable sectors has the expected sign, plausible size, and seems to be robust to the choice of the econometric technique as well as to the period under review. Other factors seem to matter, too, but they appear less robust and/or less stable over time.

The quality of the thesis meets all requirements for the master level. Its shortened version could be published in a refereed journal, possibly in the Czech Journal of Economics and Finance. The author co-operated with me very actively during the whole work, and has incorporated my comments into the final version. I thus have no further suggestions.

The discussion at the defence may focus on the impact of some variables, the impact of which seems to be less robust than that of the Balassa-Samuelson effect, such as the share of non-tradable employment in total employment, the structure of foreign trade and euro area membership.

Overall, I recommend the thesis to be accepted and graded 1 (A).

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

CATEGORY	POINTS
Literature (max. 20 points)	17
Methods (max. 30 points)	26
Contribution (max. 30 points)	27
Manuscript Form (max. 20 points)	16
TOTAL POINTS (max. 100 points)	86
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Tomáš Holub

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Referee Signature