

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Josef Boček</b>
<b>Advisor:</b>	<b>Doc. Roman Horváth, Ph.D.</b>
<b>Title of the thesis:</b>	<b>Evaluation of interest rates predictions: The case of Czech National Bank</b>

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

This thesis focuses on an evaluation of interest rate forecasts of the Czech National Bank. This central bank is one of few in the world publishing these forecasts for several years. This is the first evaluation of interest rate forecasts by external observer. So far, there were some papers examining the Czech National Bank's interest rate forecasts but these papers were written by the central bank experts and covered the period, for which interest rate forecasts were not available publicly. So, at least to my knowledge, Josef is the first to undertake this task.

The paper largely follows the recent methodology of Lim and Goodhart (2011, an article published in International Journal of Central Banking). The methodology was originally applied to the UK data and Josef applies it to the Czech data.

The thesis is well-written and I find the contribution to the existing literature sufficient. Josef finds that, among other things, the central bank forecasts are superior to those of Ministry of Finance and other institutions. The central bank forecasts are more accurate also in comparison to several standard time series econometric models such as random walk or vector autoregressions. This is important finding from the point of view of central banks, as they devote disproportionately more resources into forecasting than other institutions. The thesis is well structured. It addresses an interesting policy question using rigorous methods.

All in all, I suggest the grade A for Josef.

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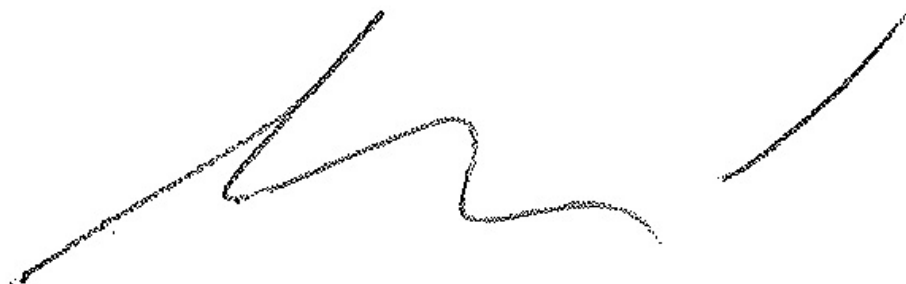
**SUMMARY OF POINTS AWARDED** (for details, see below):

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	28
Contribution (max. 30 points)	27
Manuscript Form (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>91</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

**NAME OF THE REFEREE:** Doc. Roman Horvath

**DATE OF EVALUATION:** August 14, 2013

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong                  Average                  Weak  
20                          10                          0

**METHODS:** *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong                  Average                  Weak  
30                          15                          0

**CONTRIBUTION:** *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong                  Average                  Weak  
30                          15                          0

**MANUSCRIPT FORM:** *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong                  Average                  Weak  
20                          10                          0

**Overall grading:**

TOTAL POINTS	GRADE		
81 – 100	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě