

Report on Master Thesis

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

Student:	Mariana Celac
Advisor:	Prof. Michal Mejstřík
Title of the thesis:	The Impact of Devaluation through Price and Non-Price Competitiveness on Trade Balance

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

The submitted master/diploma thesis is focused on examination of the role of exchange rate deviations in rebalancing the current account deficit. While this approach has been developed in number of studies with respect to the price competitiveness, Mariana has made further step forward demonstrating the impact of non-price competitiveness as suggested by a few authors so far. The submitted diploma thesis is not limited to the qualitative analysis and comes up with testing her hypotheses through selected econometric models.

The thesis is well-structured and as I said, has two features complementing each other – theoretical economic and econometric: „The main purpose was to provide reliable estimates of income, price and non-price elasticities of imports and exports demand, so that we can obtain an appropriate recommendation for policy makers“.

While the first part of the thesis analysed both the qualitative background (second chapter) and well written review of literature dedicated to the modelling of different relevant factors (third chapter), the empirical part based upon specification of model and data (fourth chapter) resulted in interesting conclusions (fifth chapter). Namely, the relationship between the real exchange rate and trade balance was tested for eight countries with different level of development (and competitiveness), as well as different trade pattern for the period 1991-2012. Using merely exchange rate to improve the trade balance refers to price-competitiveness and relies on the satisfaction of Marshall-Lerner condition. Additionally, the influence of other underlying factors, defined as “non-price competitiveness”, was proxied with capital stock variable.

The outcome can help to reveal possible risks when the impact of exchange rate deviations on trade balance is reflected only in narrow sense and in the short-term. This thesis is welcome contribution and support my original position (from my 1989 paper) that the skilful researchers (such as Mariane Celac) can provide us with well-structured novel findings disclosing neglected features of traditionally examined trade balance. The methods described in the thesis can be further developed beyond any doubt.

The author should discuss at the defence, which countries and what data should be subject to the further investigation to provide reasonable country specific set with appropriate characteristics.

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Summing up, the thesis demonstrated excellent analytical ability of the author to structure huge volume of non-traditional literature in reasonable way, as well as the skilful application and interpretation of quantitative models reflecting the abstract core of the previous findings.

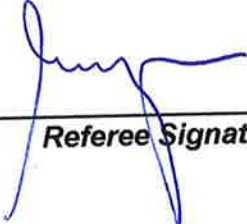
The thesis complies with its defence requirements and the evaluation yields the grade 1 (excellent) and the Dean's award for distinctive master thesis. It would be quite natural for the author to come up with publication and further research follow up of her thesis.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	29
<i>Contribution</i> (max. 30 points)	26
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	93
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *prof. Michal Mejstrik*

DATE OF EVALUATION: 10 June 2014



Referee Signature