

Abstract

This thesis examines the exchange rate pass-through into consumer prices in Central and Eastern Europe. The study is based on quarterly data of 12 countries from 2003 to 2013. Estimations are conducted using heterogeneous panel cointegration methods, namely the mean group and the pooled mean group estimators. Fixed effects are used as a reference. The thesis provides short-run and long-run estimates of the exchange rate pass-through for the individual countries and for the region as a whole. Based on the results, we conclude that the exchange rate pass-through is highly variable across Central and Eastern Europe. We find that there is no clear distinction between the pass-through rates in euro area countries, EU countries not using the euro and non-EU countries. Further, we find that the generally accepted concept of higher exchange rate pass-through in developing countries does not hold in this region.

JEL Classification

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Keywords

exchange rate pass-through, pooled mean group, mean group, heterogeneous panel cointegration

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