

Report on Master Thesis

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

Student:	Ladislav Habiňák
Advisor:	Jaromír Baxa
Title of the thesis:	Potential Output, Output Gap and Great Recession in the Eurozone

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

This thesis addresses the issue of uncertainty of the real-time estimates of the output gap. The author utilizes several alternative methods (from filters over SVAR to production function models) to estimate output gaps in the euro area on a sample from 1998 till 2014, hence covering also the period of the Great Recession. Beyond this analysis of uncertainty the author contributes to the existing literature on hysteresis effects and low predictability of inflation in low inflation environment.

The author finds that the direction of output gaps has been consistent on real-time and ex-post data only in 60% observations, which is an interesting remark with important policy implications: not only in the area of inflation forecasting mentioned in the thesis but also for application of fiscal rules that utilize the concept of output gap frequently.

From my point of view the thesis is well structured and well written. What should be appreciated is a solid work with the literature, the author reflects even papers written in times of writing of his thesis. The author demonstrates good knowledge of techniques that are relevant in this research area. The analysis itself is done quite carefully, various indicator of accuracy of output gap estimates are presented and the results are presented correctly with respect to the limitation of techniques that were utilized or to the data itself.

Overall, I recommend awarding this thesis with **grade A**.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	92
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: **Jaromír Baxa**

DATE OF EVALUATION: **Septemer 15, 2015**



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	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě