

# Report on Bachelor Thesis

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

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<b>Advisor:</b>	<b>doc. Mgr. Tomáš Holub, Ph.D.</b>
<b>Title of the thesis:</b>	<b>How is the Swiss economy coping with the CHF appreciation after the SNB's exit?</b>

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

This thesis deals with the impact of jump appreciation of the CHF against euro following the sudden exit of the SNB from its exchange rate „floor“ in January 2015. This topic has received attention even in the domestic policy debates related to the CNB's exchange rate commitment. Therefore, it is clearly relevant. After an introduction, chapter 2 provides a brief overview of the Swiss economy and the SNB's monetary policy framework. Chapter 3 describes the developments leading to the introduction of the exchange rate floor, while chapter 4 focuses on the period of the floor itself. Chapters 5 and 6 are the core of the thesis, as they present the end of the exchange rate floor and evaluate its economic impact, both looking at stylized facts and using a simple econometric analysis. The thesis finds out that the jump appreciation of CHF had a visible, but relatively short-lived, negative effect on Swiss GDP and inflation; the impact was, however, disproportionately strong in some sectors of the economy. In this regard, the thesis confirms the findings of previous studies on this subject.

As regards the methods used, the combination of stylized facts and econometric analysis based on a VAR model is an appropriate approach. In the stylized facts chapter 5, I welcome the section on the microeconomic level, but I would welcome some further details (e.g. the impact on producer prices and firm profitability by individual industries) The econometric evidence in chapter 6 is relatively simple, but fully satisfactory for the bachelor level of the thesis, and providing relatively intuitive results, supporting the stylized facts findings. Some robustness checks, for example regarding the ordering of variables in the VAR, could be beneficial (but the chosen ordering looks logical to me).

The literature review covers mainly applied pieces of work, such as reports by the SNB, which is quite understandable for the chosen topic, which allows for an empirical evaluation only very recently But a few recent pieces from the academic literature could have been perhaps found (e.g.; <http://www.ccsenet.org/journal/index.php/ibr/article/view/60875/33188> or [https://www.wiwi.europa.uni.de/de/forschung/publikationen-projekte/dp/\\_dokumente/391\\_Berhold\\_Stadtman.pdf](https://www.wiwi.europa.uni.de/de/forschung/publikationen-projekte/dp/_dokumente/391_Berhold_Stadtman.pdf))

The structure of the thesis is clear. The thesis is written in decent English and relatively easy to read.

The author consulted with me his work several times. I thus have no further comments.

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	24
<i>Methods</i> (max. 30 points)	23
<i>Literature</i> (max. 20 points)	12
<i>Manuscript Form</i> (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>77</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** Tomáš Holub

**DATE OF EVALUATION:** 2 June 2017

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**Referee Signature**