

# 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>Impact of the Oil Price Drop on the Czech Economy</b>

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

This thesis deals with a very relevant topic, the assessment of macroeconomic implications of the recent oil price drop for the Czech Republic. The strong part of the thesis is chapters 3 and 4, which describe in detail on the functioning of the global crude oil market and past oil price shocks. These two chapters could serve as a very useful introduction into the subject for someone, who is not fully familiar with the oil market. Chapter 6 summarizes the stylized facts related to the impact of the 2014-2015 oil price drop on the Czech economy. Chapter 7 presents a VAR model, the main contribution of which is demonstrating a statistically significant positive / negative response of Czech CPI inflation to oil price increases / declines.

In terms of methods used, the stylized facts in chapter 6 are relatively simple, relying mainly on statistical decompositions from the CNB's Inflation Reports. My impression is that this part is sufficient, but could have nevertheless gone a little bit more in depth. The econometric evidence in chapter 7 is much more advanced; its results are not totally convincing (apart from the impact of oil prices on domestic CPI), but taking into account the bachelor level of the thesis, I consider it perfectly acceptable.

The literature review is very extensive especially as regards the chapters on global oil market. The impact of the 2014-2015 episode on the Czech economy has so far not been covered in academic literature, and thus no in-depth references could be provided.

The thesis has a logical structure and is relatively easy to read. However, it would benefit from some further language editing and correction of typos (e.g. in the conclusions: "IRF results, which suggest a negative response of CPI to oil price shocks", while the estimated response is clearly positive).

The author consulted with me her work very actively. I thus have no further comments.

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

<b>CATEGORY</b>		<b>POINTS</b>
<i>Contribution</i>	<i>(max. 30 points)</i>	22
<i>Methods</i>	<i>(max. 30 points)</i>	20
<i>Literature</i>	<i>(max. 20 points)</i>	18
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	17
<b>TOTAL POINTS</b>	<i>(max. 100 points)</i>	<b>77</b>
<b>GRADE</b>	<b>(1 – 2 – 3 – 4)</b>	<b>2</b>

**NAME OF THE REFEREE:** Tomáš Holub

**DATE OF EVALUATION:** 2 June 2017

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**Referee Signature**