

Abstract

The thesis focuses on the estimation of the effective lower bound for the Czech National Bank's policy rate. It is the first attempt of this kind in the Czech context and also one of few in the international scale. The effective lower bound is determined by the value below which holding and using cash would be more favourable than depositing money in a bank account with a negative rate. This bound may be approximated based on costs of storage, insurance and transportation of cash and also based on the loss of convenience associated with cashless payments. We estimate that costs of the former lie in the interval from 0.2% to 0.6%. The latter, costs of loss of convenience, are relatively high in the Czech market as they attain around 1%. The estimate based on interest charges which present a direct cost and decrease in the bank profitability asserts slightly lower values, in particular with respect to a high share of deposits and repo operations at the CNB. Altogether we get a value below -1%, in the interval (-1.5%, -1.0%), under shorter term duration possibly lower, in the interval (-2.0%, -1.0%). The second part of the thesis offers modelling of transmission of interest rates. The results state that under the assumption of the average transmission over the past years it would be necessary to decrease the interest rate below its lower bound in order to provide sufficient monetary easing. Therefore the CNB's exchange rate commitment appears to be a more appropriate and effective variant for achieving goals of monetary easing.

JEL Classification E43, E44, E52, E58, C32, G01

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