

# Report on Bachelor / Master Thesis

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

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| <b>Student:</b>             | <b>Bc. Alona Fedorova</b>  |
| <b>Advisor:</b>             | <b>PhDr. Jaromír Baxa, Ph.D.</b>   |
| <b>Title of the thesis:</b> | <b>How Much of the Macroeconomic Variation in Ukraine Originates from External Shocks?</b> |

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

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

### **Contribution**

Alona created and estimated an SVAR model for Ukraine with external blocks for the EU, Russia and commodity prices. Solution for the identification is reasonable. My doubts about the interpretation of results are expressed in suggested questions bellow.

### **Methods**

Methodology applied in this thesis has been used since the 80ies in a lot of studies of shocks' transmission. Methodology is applied reasonably correctly, some steps described bellow in suggested questions make – in my opinion – the interpretation of results very tricky.

### **Literature**

Literature survey is OK for an analytical thesis.

### **Manuscript form**

Manuscript form is OK.

### **Summary and suggested questions for the discussion during the defense**

This thesis is well structured and applies the SVAR methodology on the transmission of shocks from the EU, Russia and commodity prices on the Ukrainian economy. The SVAR methodology has been criticised and defended many times elsewhere, a nice non-technical introduction is e.g. on <https://www.ifw-members.ifw-kiel.de/publications/an-introduction-into-the-svar-methodology-identification-interpretation-and-limitations-of-svar-models/kap1072.pdf> Some of the problems described there are very visible in this thesis, too.

I suggest to discuss following topics during the defense:

- Page 25 – replacing outliers: I understand that the author wanted to get rid of political shocks, but I do not think that political shocks are orthogonal to the shocks she is interested in. Information may have been lost through replacement.
- The author used differenced series. The problem is that after differencing, she does not work with structural shocks but with differences of structural shocks and I have no idea how this can be interpreted. I would suggest trying logs of series, adding trend and hoping for the convergence of the system as a whole.
- Page 36 „External shocks account for about 95-97% of the variance in real output in Ukraine in the short run.“ : In the paper on the link above, page 23, interpretation of equations in SVAR models is explained. I think that this explanation does not support this thesis interpretation.

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- Page 39 „The results (with Choleski specification) are very similar to the baseline specification“ : In fact the author does not give the standard results of estimation (coefficients and standard errors) anywhere, so it is difficult to comment on this.

I think that this thesis fulfills the necessary standard of IES master theses and I recommend it for defense.

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

| <b>CATEGORY</b>                         | <b>POINTS</b> |
|---|---------------|
| <i>Contribution</i> (max. 30 points)    | 15            |
| <i>Methods</i> (max. 30 points)         | 15            |
| <i>Literature</i> (max. 20 points)      | 20            |
| <i>Manuscript Form</i> (max. 20 points) | 20            |
| <b>TOTAL POINTS</b> (max. 100 points)   | <b>70</b>     |
| <b>GRADE</b> (A – B – C – D – E – F)    | <b>D</b>      |

**NAME OF THE REFEREE:** *Doc. Ing. Tomáš Cahlík, CSc.*

**DATE OF EVALUATION:** *January 25, 2018*

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**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.*

|               |                |             |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 30            | 15             | 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.*

|               |                |             |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 30            | 15             | 0           |

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

|               |                |             |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 20            | 10             | 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.*

|               |                |             |
|---------------|----------------|-------------|
| <i>Strong</i> | <i>Average</i> | <i>Weak</i> |
| 20            | 10             | 0           |

**Overall grading:**

| TOTAL    | GRADE    |
|----------|----------|
| 91 – 100 | <b>A</b> |
| 81 - 90  | <b>B</b> |
| 71 - 80  | <b>C</b> |
| 61 – 70  | <b>D</b> |
| 51 – 60  | <b>E</b> |
| 0 – 50   | <b>F</b> |