

# Report on Bachelor Thesis

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Title of the thesis:	Baltic States: Lessons from the Crisis

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

This thesis focuses on the large external imbalances which emerged in the Baltic States before the global financial economic crisis, followed by a painful adjustment process when the crisis started. It discusses mainly the role of exchange rate regime, capital inflows and credit growth in this process.

The structure of the thesis is logical. After an introduction in Chapter 1, some basic stylized facts on the current account sustainability in the Baltic States are provided in Chapter 2. Chapter 3 contains an empirical analysis of the link between exchange rate regimes and current account balances. Chapter 4 focuses on capital inflows and credit booms in the Baltic countries, and Chapter 5 concludes.

The literature cited in the thesis is comprehensive, the manuscript form broadly appropriate, and the main conclusions are formulated clearly. The quality of the econometric analysis presented in Chapter 3 is adequate for the bachelor level. It finds some support for the hypothesis that more rigid exchange rate regimes led to higher current account deficits in the analysed period. In this regard, the author's conclusion that this is not the case for his Model 3 may be put too strongly. In particular, it is true that the rigid pegs have an insignificantly negative coefficient in this model, but intermediate exchange rate regimes and floating exchange rates have significantly positive coefficients, implying that the exchange rate regimes play a role even in Model 3, with more flexible regimes performing relatively more positively compared to the hard pegs. This issue could be discussed at the defence.

Overall, the thesis meets all requirements for the bachelor level. The author consulted his work with me actively, and has incorporated my major comments into the final version. Moreover, the final editing has improved the manuscript form compared to the semi-definite version which I saw. I thus have no further suggestions (except the one presented above). **I recommend the thesis to be accepted and graded 1 (A).**

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	25
Contribution (max. 30 points)	25
Manuscript Form (max. 20 points)	16
<b>TOTAL POINTS</b> (max. 100 points)	<b>86</b>
<b>GRADE</b> (1-2-3-4)	<b>1</b>

**NAME OF THE REFEREE:** Tomáš Holub

**DATE OF EVALUATION:** 13 August 2013



**Referee Signature**