

Report on Bachelor / Master Thesis

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

Student:	Bc. Klára Hálová
Advisor:	Doc. Roman Horváth, Ph.D.
Title of the thesis:	The Impact of Unconventional Monetary Policy of ECB to Central and Eastern European Countries: A Panel VAR

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

The thesis examines an important current macro policy topic. It investigates how the unconventional monetary policy of the European Central Bank affect output and prices in Central and Eastern Europe. European Central Bank implemented a number of unconventional policy measures during the crisis to support the European economy in general, or it focused to support some financial disbalances such as low liquidity in certain segments of financial markets or the functioning of monetary transmission mechanism. A number of studies has been conducted to assess the effect of these unconventional policies but these studies focus on the effect on the euro area countries. Much less is known about international spillovers of European Central Bank's policies, especially the effects on Central and Eastern Europe. The Czech National Bank published a working paper this year dealing with this issue and to my knowledge, no other study exists. The thesis differs sufficiently from the central bank working paper and in some aspects it is even superior (for example, the Czech National Bank estimates the individual country vector autoregressions and this thesis estimates both individual country vector autoregressions as well as panel vector autoregressions, and it is well known that it is often beneficial to employ the panel data).

The thesis first discusses how to measure unconventional policies because this is far from easy. The paper employs the size of balance sheets of the European Central Bank as well as the shadow rate of the European Central Bank. Especially the shadow rate represents a novel approach. The shadow rate is taken from the recent paper by Wu and Xia (2014), which had a great impact on the profession and even U.S. Fed started publishing the shadow rate estimates on their web. The shadow rate comes from the nonlinear term structure model and it is useful especially in the environment of zero lower bound on interest rates because the estimates of shadow rate can be negative and are not bounded by zero. It has been shown that they approximate very well the stance of monetary policy.

Next, the thesis estimates panel vector autoregression and evaluates the effect of ECB unconventional monetary policy on macroeconomic stability in Central and Eastern Europe. The results are sensible and econometrics is carried out correctly. The thesis also includes very well written literature survey. A sufficient robustness checks are carried out.

All in all, the thesis employs advanced econometric modelling to important but highly under-researched macroeconomic policy topic. I strongly recommend the grade A (vyborne).

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

CATEGORY	POINTS
Literature (max. 20 points)	19
Methods (max. 30 points)	29
Contribution (max. 30 points)	29
Manuscript Form (max. 20 points)	19
TOTAL POINTS (max. 100 points)	96
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Doc. Roman Horváth, Ph.D.

DATE OF EVALUATION: May 26, 2015



Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong Average Weak
20 10 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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě