

Opponent's Report on Dissertation Thesis

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| Author: | PhDr. Martina Jašová |
| Advisor: | doc. PhDr. Adam Geršl, Ph.D. |
| Title of the Thesis: | Macro-Financial Challenges in Emerging Markets |
| Type of Defense: | DEFENSE |
| Date of Pre-Defense: | January 11, 2017 |
| Opponent | Dr. Christian Schmieder |

Overall evaluation:

The dissertation thesis of Ms Martina Jašová comprises three pieces of empirical work: two of which relate to financial stability and one to price stability, namely:

- i. An essay on the effectiveness of macroprudential measures that target credit growth to tame credit booms,
- ii. A study on the usefulness of different indicators of credit growth to predict banking crises; and
- iii. An empirical analysis of shifting patterns of exchange-rate pass-through (ERPT) to consumer prices.

All three essays are empirical in nature, focus explicitly on emerging market economies (EMEs) and cover issues that are very relevant from a policy perspective. As such, the work by Ms Jašová recognises the important role of macroprudential policies, and contributes to the key challenge of making those policies operational to prevent or (at least) tame future financial crises. Her work on monetary policy contributes to the recent policy debate that is characterised by unconventional policies many central banks around the world have been engaged in for some time.

Overall, the thesis is carefully elaborated and – documented, in all cases, by publications in a refereed economic journal and as working papers – meets solid academic standards in the area of applied macro-financial research. The analyses fill specific gaps in the literature – particularly in terms of geographical coverage, but also by touching upon specific previously uncovered issues that are relevant from a policy perspective. Given that EMEs have been particularly active in using macroprudential policies (and more so than advanced economies), and have been looking for solutions how to cope with macro-financial volatility through macroeconomic policies, the contributions by Ms Jašová are an important yardstick.

Ms Jašová has done a thorough job in revising the thesis so as to reflect the comments and ideas I had raised during the pre-defense stage – and the section on policy lessons in the introduction is a welcome addition to the thesis as it relates the analytical findings to (current) policy discussions and connects the three papers with one another.

My overall assessment is therefore very supportive, and **I recommend the thesis to be defended without major changes.**

Below are some specific notes on the three papers.

1st paper: Measures to tame credit growth: Are they effective?

The first essay uses a newly established database (in 2010, based on survey data) to study the effectiveness of policy measures that seek to curb bank credit growth in Central and Eastern Europe (CEE) during the pre-crisis period from 2003-2007. The study documents that there has been significant policy intervention in the CEEs during the last decade, and finds that certain measures (including LTV/ DTI limits as well as measures based on provisioning rules/asset classification) were effective in taming bank credit growth, while several other potential measures (including monetary policy instruments, other macroprudential and supervisory tools and other instruments such as reserve requirements and capital controls) had less or no effect. The study also finds that macroprudential policy measures tend to be circumvented after some time, or that this was true at least in the underlying case.

This work is relevant in two respects: i) it uses a novel dataset, which has recently been embedded into a wider European database; and ii) explicitly covers eleven CEE countries during a time period which was characterised by substantial credit growth in both emerging market and advanced economies, followed by the global financial crisis, which mainly affected advanced economies, though. The study was published in a refereed journal in 2014.

2nd paper: Banking crises in EMEs and credit-based early warnings

The second essay deals with the effectiveness of early warning indicators, and specifically with the role of credit growth (as well as the limited evidence for other indicators) to anticipate banking crises in emerging market economies (EMEs). Ms Jašová evaluates whether the widely used credit-to-GDP gap (which is the key indicator referred to by the Basel Committee on Banking Supervision for its members to set countercyclical capital buffers, along with judgement) is also the most effective indicator for EMEs. She finds that credit growth significantly outperforms credit-to-GDP gaps for a sample of 38 emerging market countries, which holds true for different periods in terms of the (lead) time (before crises) and for different country groups.

The contribution of this paper is two-fold: i) providing cross-country experience from EMEs on the effectiveness of different credit indicators (and other indicators, as available) to detect banking crises (based on a novel dataset covering the period from 1987-2015); and ii) pointing to challenges and future research in this area that would enhance early warning exercises and related macroprudential policies (e.g., countercyclical capital buffers) for EMEs. An earlier version of the paper was published as an IES working paper.

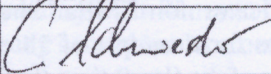
3rd paper: Exchange rate pass-through: What has changed since the crisis?

The third paper deals with price stability, focussing on recent changes in the exchange rate channel of monetary policy. It documents a drop of exchange rate pass-through (ERPT) to consumer prices in EMEs in recent years. This trend is shown to be robust with respect to different exchanges rate metrics and time windows. This work has been published as a BIS working paper.

The paper is an important contribution to the literature as it takes a comprehensive look at trends on ERPT during the past 20 years for about 30 countries, including both advanced economies and emerging market economies. In addition to presenting evidence on the evolution of ERPT, Ms Jašová and her co-authors show a causal link between changes in ERPT observed in EMEs and inflation levels and document that there is a non-linear relationship between the magnitude of changes of exchange rates and ERPT.

Based on the above, I would like to answer your overarching questions as follows:

- a) Can you recognize an original contribution of the author?
Yes
- b) Is the thesis based on relevant references?
Yes
- c) Do the results of the thesis allow their publication in a respected economic journal?
Yes
- d) Are there any additional major comments on what should be improved?
No
- e) Were the comments raised at the pre-defense, addressed in the dissertation submitted to the regular defense?
Yes
- f) What is your overall assessment of the thesis? (a) I recommend the thesis to be defended without major changes; (b) The thesis is not defensible.
(a) I recommend the thesis to be defended without major changes

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| Date: | 2 June 2017 |
| Opponent's Signature: |  |
| Opponent's Affiliation: | Dr. Christian Schmieder Financial Stability Board |