

# Opponent's Report on Dissertation Thesis

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

Opletalova 26, 110 00 Praha 1, Czech Republic

Phone: +420 222 112 330, Fax: +420 222 112 304

Author:	<b>PhDr. Martina Jašová</b>
Advisor:	doc. PhDr. Adam Geršl, Ph.D.
Title of the Thesis:	Macro-Financial Challenges in Emerging Markets
Type of Defense:	<b>DEFENSE</b>
Opponent:	<b>doc. PhDr. Ing. Ing. Petr Jakubík Ph.D. Ph.D.</b>

Address the following questions in your report, please:

- Can you recognize an original contribution of the author?
- Is the thesis based on relevant references?
- Is the thesis defendable at your home institution or another respected institution where you gave lectures?
- Do the results of the thesis allow their publication in a respected economic journal?
- Are there any additional major comments on what should be improved?
- What is your overall assessment of the thesis? (a) I recommend the thesis for defense without substantial changes, (b) the thesis can be defended after revision indicated in my comments, (c) not-defendable in this form.

(Note: The report should be at least 2 pages long.)

## Content of the Report:

Although macroprudential analysis is relatively new discipline, it has become together with monetary policy one of the most discussed areas by policy-makers and researchers after the Global financial and economic crisis in 2007-2008. Hence, the selected topics for the thesis are highly relevant contributing to the up-to-date research and debates. The author focuses on macro-financial challenges in emerging markets. This segment of the global economy plays increasingly important role. In the current challenging macroeconomic environment with many geopolitical risks, a potential global financial instability could be triggered by materialising risks in emerging markets. Even if some significant instability would emerged in advanced economies, emerging markets would be directly affected and the risks could be amplified via second round effect also in advanced economies. Additionally, in the current low yield environment when policy rates reached their bottom, macroprudential tools are used not only for financial stability purpose, but also as non-traditional monetary policy instruments. Hence, it is important to fully understand how to design economic policy including different macroprudential measures not only for developed, but also for emerging economies. Finally, the Czech Republic belong to transition economies and understanding of



such transmission channels could help to design domestic economic policy to avoid economic crises and support long term sustainable economic growth.

The first essay is focusing on credit growth as one of the most important transmission channel for financial (in)stability. It deals with different policy measures aiming to decrease excessive credit growth. The work use an original survey on implemented measures among Central and Eastern European countries between 2003-2008. It contains monetary as well as prudential and supervisory measures. This unique database conducted by the author is used to empirically evaluate their effectiveness via panel regressions. This work was published in *Economic Systems* and focuses on the effect of policy implementation as well as strengthening these policies on the level of credit extended to the private sector. It has an original contribution for the conducted unique dataset as well as performed analysis.

The second essay is focused on credit based early warning indicators to activate countercyclical buffer mitigating potential systemic risk build-up. In particular, it compares the commonly used indicator of credit-to-GDP with credit growth. The study shows that credit growth could perform better as early warning indicator to detect banking crisis in case of emerging economies. The essay is well written, connected to literature, showing that indicators well performing in advanced economies might not be that efficient in emerging economies. It contributes to the current debates on banking macro-prudential framework providing some evidence that Basel III should keep some flexibility for regulators on the choice of indicators to be used to activate capital counter-cyclical buffers. The essay well connects empirical analysis with policy issues. Additionally, the author provides results on robustness tests and as a part of the robustness check, she split the sample in three more homogeneous regions: emerging Europe, Asia and Latin America. The article was submitted to *Economic Systems* and I believe it will be accepted for its original contribution.

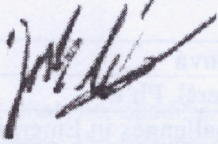
The third essay shift the attention from financial stability to price stability. It empirically elaborates on how exchange rate pass-through to CPI inflation has changed since the global financial crisis. The study focuses on differences between emerging and advanced economies and show that decline in pass-through in emerging economies is linked to declining inflation. Contrary, it suggests that exchange rate pass-through has remained relatively stable over time in advanced economies. The study was already published as the BIS Working Paper confirming its high quality. It is very relevant topic with clear monetary policy implications. Additionally to robustness checks provided, the author further repeated the analysis for sub-samples, EMEs with free-floating exchange rates, inflation targeting regimes or large shares of commodity exports or focusing on more compact the geographic regions such as Asia or Latin America. These results suggest that the main trend of declining pass-through is present broadly among emerging economies.

All in all, Martina is an exceptional PhD student with a broad and extensive knowledge and experience. She gained international academic experience from several universities abroad including the Princeton University. Additionally, she has relevant working experience from the European Central Bank and the Bank for International Settlements allowing her to conduct highly relevant policy oriented research with practical consequences. She demonstrates that she is able to conduct her own high quality empirical research, combine several data sources and connect different economic theories with policy relevant questions. All her extraordinary experience gained during her PhD studies are visible in outstanding quality of her work.

The thesis is well written and all steps taken are properly described and argued. It clearly contains an original contribution using relevant references supported also by the fact that the first essay was published in an international impacted journal and the third in a highly prestigious working paper series. The second paper which was published in IES working



paper series was already submitted to an international impacted journal and has a potential to be accepted. It fully meets the standards for dissertation theses at the Institute of Economics Studies and therefore **I recommend the thesis to be defended in the submitted version.**

Date:	9.12.2017
Opponent's Signature:	
Opponent's Affiliation:	doc. PhDr. Ing. Ing. Petr Jakubík Ph.D. Ph.D. IES FSV UK