

Report on Bachelor / Master Thesis

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

Student:	David Červený
Advisor:	Mgr. Petr Polák, M.Sc., Ph.D.
Title of the thesis:	PPI and CPI: What is the relationship?

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

Short summary

The thesis tests the relationship between PPI and CPI. A lot of work has been put into the thesis, and I appreciate the careful analysis presented there. That said, I find the research question relatively strange, because in a way it is like testing the relationship between temperature measured in Celsius and temperature measured in Fahrenheit. In the end, it is the same thing, just measured differently, so I don't see what we learn from Granger causality tests such as those conducted in the thesis. In the long run, these two indices measure the same thing (well, perhaps not exactly, because of the potential systematic difference due to the treatment of the substitution effect – but this is a trivial issue, as the substitution effect should not change much with time).

In the short run, there might be differences, and indeed the short-run differences between PPI and CPI might be interesting for the central bank, because PPI can serve as a leading indicator for CPI. But if short-run forecasting performance is the goal, why not to develop a forecasting model, for example based on some form of model averaging? As far as I can tell, there is nothing wrong with the Granger causality modelling presented in the thesis, but I miss an explanation of why they are useful in practice or for further research.

Contribution

As I have mentioned above, I don't see much of a contribution compared to other BA theses I have seen – again, there is nothing wrong about the analysis presented here, but many BA theses defended at the IES approach the level of papers publishable in mid-tier international journals. This is clearly not the case here. This might have been an "A" thesis 20 years ago, but not today.

Methods

Standard time series methods are used. As I have noted, I believe these are correctly applied.

Literature

I don't see any problems with the way relevant literature is treated in this thesis.

Manuscript form

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The thesis is typeset well (but not in LaTeX) and written in good English.

Overall evaluation and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a bachelor's thesis at the IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade C. The results of the Urkund analysis do not indicate significant text similarity with other available sources.

If the author is able to defend his contribution (perhaps I misunderstand it), a better grade than C is possible, because the thesis is conducted carefully. Question for thesis defense: please explain persuasively how people can use your results.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	12
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	16
TOTAL POINTS (max. 100 points)	71
GRADE (A – B – C – D – E – F)	C

NAME OF THE REFEREE: Prof. PhDr. Tomáš Havránek, Ph.D.

DATE OF EVALUATION: 10.1.2023

Digitally signed, Tomas Havranek

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.*

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.*

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

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.*

Overall grading:

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