

Review report on MS 3381

MS 3381 analyses the relationship between stock market capitalization and real GDP in ten Central and Eastern European countries (CEECs) that joined the European Union in 2004 and 2007. The study uses a methodology based on the application of three different relevant measures of causality. The study finds evidence of the existence of relationship between stock market and economic development in these countries.

Main strengths:

The research is well structured and conducted;

The paper is clear and easy to read;

The methodology enables to make results robust.

Main weaknesses:

The issue raised is quite documented;

They could be a problem of heterogeneity of data as they come from different databases for the same variable (market capitalization);

The variable used to proxy stock market development is by construction is correlated with GDP;

Paper is too long due to useless annexes (annex 2-4);

Results are not enough discussed. They should be discussed according to countries' particularities and economic theory.

Conclusion:

1. Is the contribution of the paper potentially significant?

Yes (6.5 on a scale of 10).

2. Is the analysis correct?

Yes (7 on a scale of 10).