# The impact of oil price volatility on significant oil exporting economies in the Eurasia region

1. Overview of the topic including its background and potential significance

Crude oil price volatility can have significant impacts on the macroeconomics of oil exporting and oil importing countries. The recent fall in crude oil prices will no doubt impact all oil exporting countries negatively yet differently.

Early studies found a negative effect between oil price volatility and gross domestic product however later studies are reporting no impact of oil price volatility on the economy. Many of the studies relate to oil importing countries or developed economies. There are fewer studies on oil exporting emerging economies. This study conducts an econometric analysis of the effects of oil price volatility on the macroeconomic indicators of top three oil exporter (exception of Russia) countries in the Eurasian geographical area. The chosen countries are Azerbaijan, Kazakhstan and Turkmenistan. Azerbaijan and Kazakhstan are both significant oil-exporting countries. Turkmenistan while primary exports natural gas also does export some crude oil.
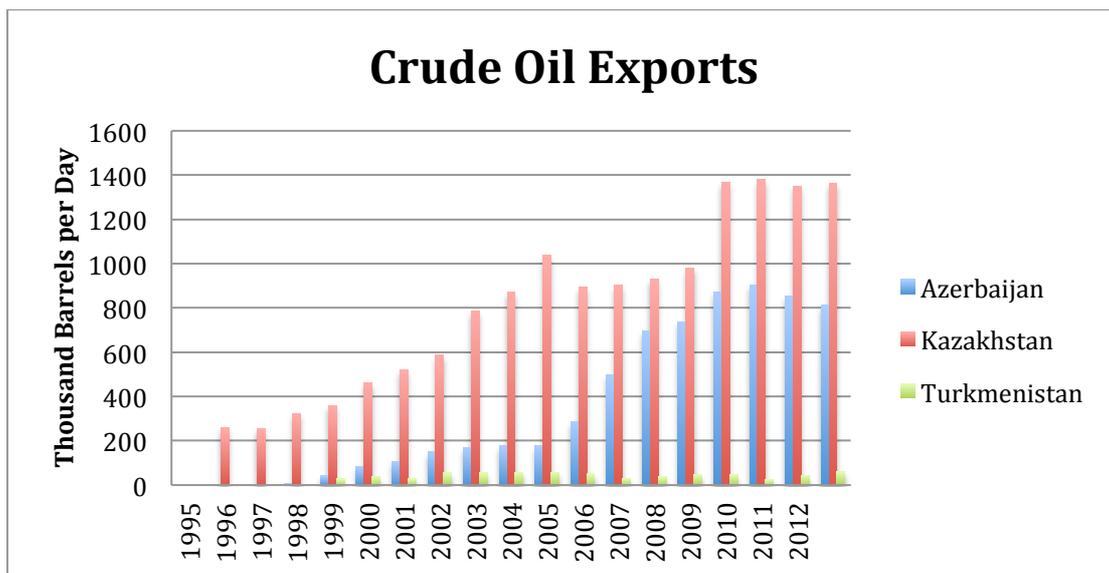
Source: Energy Information Administration

This paper sets out to explore the relationship between benchmark crude prices volatility and macroeconomic indicators for emerging oil exporting countries Eurasian.

Abstract Submission - IAEE Eurasian Conference

Aqeela Ahmed March 2016

2. Methodology: how the matter was addressed, what techniques were used

The overall aim of this study is to understand the causal link between oil prices volatility and macroeconomic indicators for emerging oil exporting countries Eurasian.

The main objective to test the causal link between Brent prices and macroeconomic variables such as real Gross domestic product, government expenditure, inflation, real exchange rate, and net exports. These are all important and relevant indicators for oil exporting economies. This research sets out to test the causal relationship for three key economies in the Eurasian geographical area. Providing scope for multi-country analysis.

The study will include Augmented Dickey fuller (ADF) and cointegration tests.. In order to test the relationship between the variables Engle and Grangers causality test will be employed (Engle and Granger, 1987). The study will also use the impulse response functions, and variance decomposition to assess the relationships. Secondary data from Reuters, Bloomberg and various government websites will be used.

3. Expected results: Key findings

Given the previous academic relationship between crude oil prices and macroeconomic variables, the researcher expects a fall in crude prices will impact the macroeconomic variables of significant oil exporting countries negatively. The paper is more so interested in confirming this for the significant oil exporting Eurasian economies. The researcher expects a difference across the three countries in this study.

References

Engle. R. F and Granger C. W. J (1987) 'Co-Integration and Error Correction: Representation, Estimation, and Testng'. *Econometrica*, 55 (2), 251-276