Abstract

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Oil and the Macroeconomy of Kazakhstan

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Abstract

This paper studies the influence of oil on the macroeconomy of Kazakhstan. The economy is heavily dependent on its major natural resource and sending exports to foreign markets. We examine relationship between Kazakhstan’s GDP and, total investment, government revenue, government consumption and international oil price. A general to specific modeling approach is used to identify long run and short run relations that exit among these macroeconomic variables. Applying the cointegrated vector autoregressive (CVAR) modeling approach and ADL-error correction modeling approach, we found that in the long run, increase of Kazakhstan’s GDP depends on the increase of investment and oil price. And in the short run, the GDP growth rate depends on the contemporaneous growth rates of investment, oil price and their lagged growth rates. The empirical results are used to create scenarios for the economy to oil price shocks and supply disruptions.