

Bachelor thesis defense

The impact of foreign currency exchange rate on
foreign trade: Case study of the Republic of
Kazakhstan

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TERMS

□ Nominal exchange rate

- **P_d** – domestic price level
- **P_f** – foreign price level

$$NER = \frac{P_f}{P_d}$$

□ Real exchange rate

$$RER = NER \times \frac{P_f}{P_d}$$

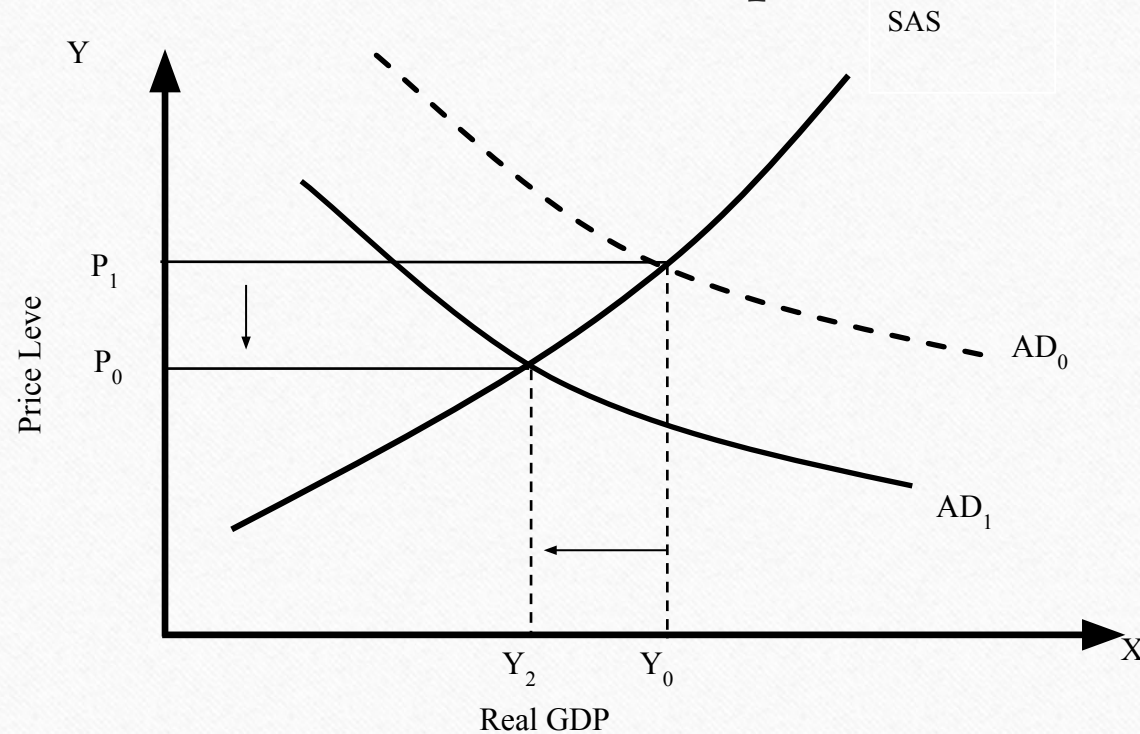
□ Currency Pair

$$EUR/USD \ 1.2500 \ 1EUR = 2500USD$$

- **EUR** – is a base currency
- **USD** – is quote currency

Appreciation

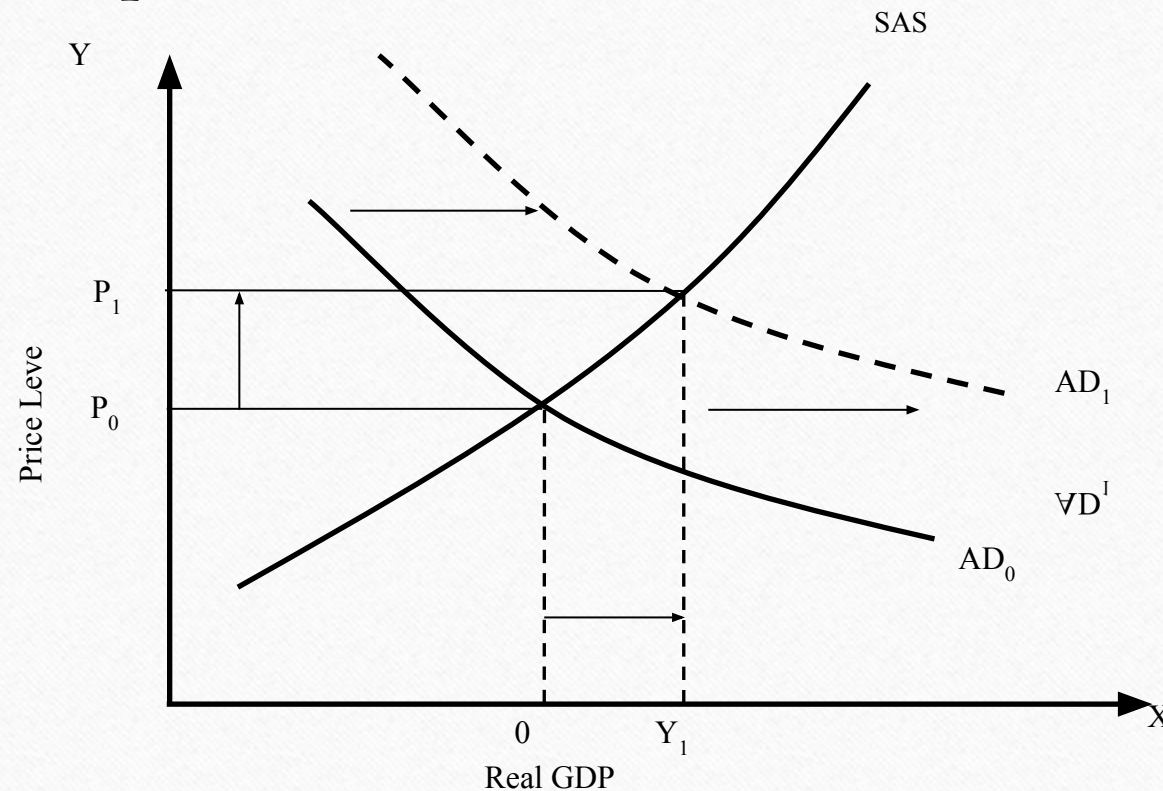
- Graph shows appreciation of national currency, which causes fall in net export and leads to decline in both GDP and price level.



(Source: Made by author, based on sources from the Internet.)

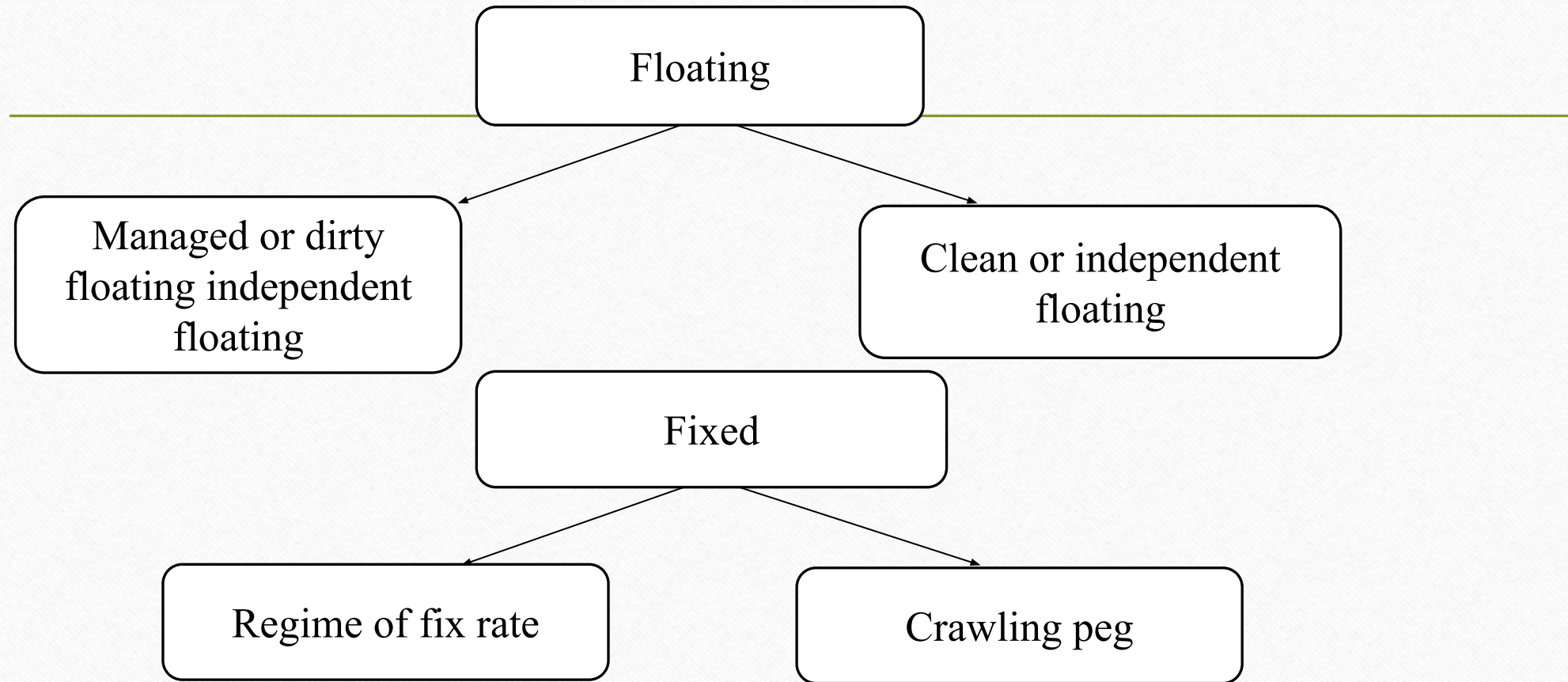
Depreciation

- Graph shows depreciation-caused net export's rise which leads to the increase in both GDP and price level.



(Source: Made by author, based on sources from the Internet.)

Exchange rate systems



(Source: Personal made, representation of exchange rate regimes)

Foreign exchange interventions

- Support domestic export to boost domestic economy
- Influence the exchange rate of the domestic currency
- Stabilize the exchange rate and to correct misbalance.



Objectives and reasons of foreign trade

- Optimum allocation and utilization of resources
 - Production and consumption
 - Promotes World Peace
- Raises Standard of Living of the people
- Ensures quality and standard goods

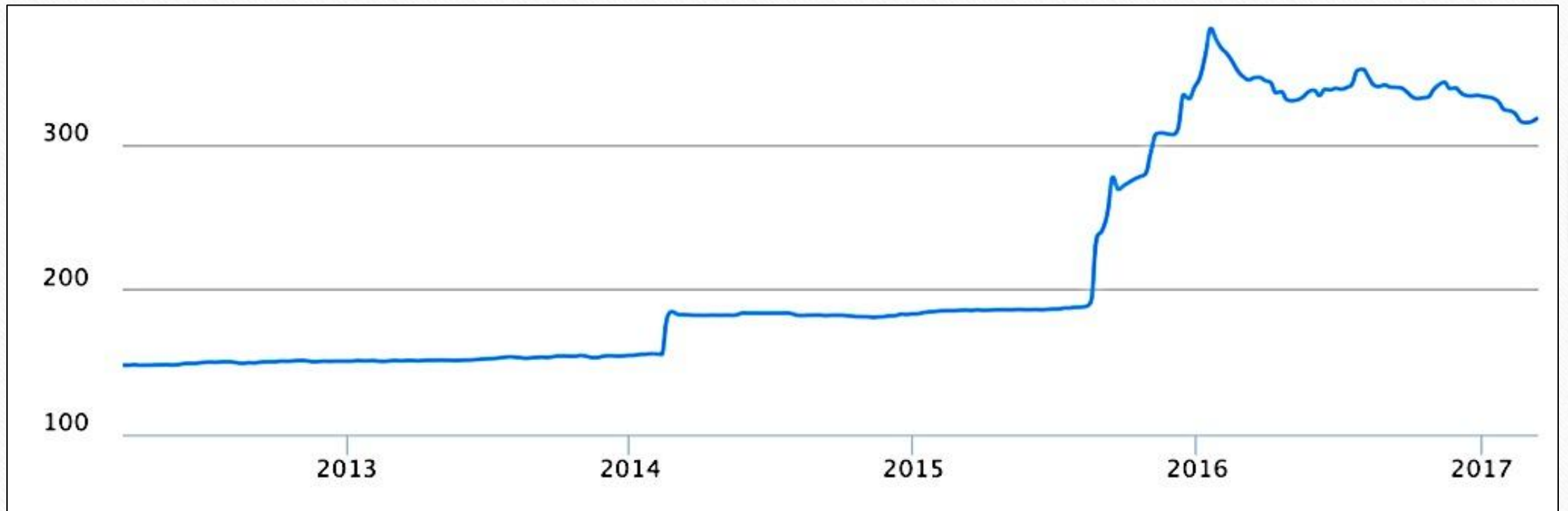


Historical Currency Exchange Rate Development

- ❑ Collapse of Soviet Union in 1990
- ❑ 1993 total collapse of Ruble
- ❑ November 15, 1993, national currency of Kazakhstan³
- ❑ In early 2014 – devalue tenge
- ❑ 2014 Russian Ruble began to fall
- ❑ August of 2015 the country decided to float the currency freely



Currency pair KZT and USD



(Source: TRADING ECONOMICS)

List of imported markets for a product exported by Kazakhstan (2016)



Top potential export products of Republic of Kazakhstan

Product description	Export (USD thousand)	Europe and Central Asia
Copper Cathodes and sections of cathodes unwrought	2,326,588	27 %
Natural uranium compounds; mixtures cntg natural uranium/its compounds	1,967,943	76 %
Ferro chromium containing by weight more than 4 % or carbon	1,595,377	28 %
Wheat and meslin, except durum	913,206	18 %
Wheat or meslin flour	569,929	57 %
Wheat and meslin, except durum	433,519	46 %
Aluminum unwrought, not alloyed	369,980	56 %
Aluminum oxide	245,141	18 %
Hot roll iron/steel, coil > 600 mm x < 3 mm	215,994	80 %
Ferro-silico-manganese	191,934	55 %
Ferro-silico-chromium	130,984	83 %
Phosphorus	120,952	32 %
Cotton, not cared or combed	79,310	77 %
Fish fillets, frozen	76,870	39 %
Cotton-seed oil crude, whether or not gossypol has been removed	15,453	96 %

(Source: ITC's calculations based on country data)

Export strategy of Republic of Kazakhstan

“National Export Strategy of Kazakhstan” for 2018-2022.

- ✓ Aims to achieve strategic goals determined by so-called “Kazakhstan 2050”
- ✓ Double export in non-oil sectors by the year 2025 comparison with 2015
- ✓ Proposed to setup increase of the scope of non-resource based products export for 1.5 times by 2022 in comparison with 2015,
- ✓ Increase export of non- resource based goods to the countries of important contribution to the economy strategy.
- ✓ Sole operator or “Sole windows”
- ✓ To speed up the process of mutual application of the electronic declaration of goods

Tables of exports to EEU

	2012		2013		2014		2015	
	Exports in mln USD	Year to year % change	Exports in mln USD	Year to year % change	Exports in mln USD	Year to year % change	Exports in mln USD	Year to year % change
Exports to EEU-member states	6 228.7	-12.3	5 933.6	-4.7	6 449.9	8.7	5 120.3	-20.6
Agriculture	159.4	91.4	394.0	147.2	163.1	-58.6	201.3	23.4
Extractive Sector	2 576.5	-25.1	2 239.9	-13.1	2 337.2	4.3	1 990.1	-14.9
Manufacturing	2 878.7	-8.9	2 784.6	-3.3	3 186.8	14.4	2 048.6	-35.7

(Source: Eurasian Economic Commission)

Tables of exports to non-EUU members

Exports to non-EEU countries	73 991.5	5.5	72 833.3	-1.6	66 560.1	-8.6	35 715.1	-46.3
Agriculture	1 639.2	120.1	885.1	-46.0	1 179.9	33.3	734.3	-37.8
Extractive Sector	57 637.9	3.1	58 561.9	1.6	54 588.2	-6.8	26 622.0	-51.2
Manufacturing	10 329.2	5.0	10 268.5	-0.6	8 958.0	-12.8	6 717.3	-25.0

(Source: Eurasian Economic Commission)

Tables of Total exports to EEU and non-EEU members

Total Exports	80 220.2	3.9	78 766.8	-1.8	73 010.0	-7.3	40 835.5	-44.1
Agriculture	1 798.6	117.2	1 279.1	-28.9	1 343.0	5.0	935.5	-30.3
Extractive Sector	60 214.4	1.5	60 801.8	1.0	56 925.3	-6.4	28 612.0	-49.7
Manufacturing	13 207.8	1.6	13 053.1	-1.2	12 144.8	-7.0	8 765.9	-27.8

(Source: Eurasian Economic Commission)

The foreign trade balance



(Source: tradingeconomics.com; Agency of Statistic of the Republic of Kazakhstan)

THANK YOU
FOR YOUR ATTENTION

Reference

- Currency Pair KZT and USD <https://blog.continentalcurrency.ca/kazakhstani-tenge/>
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<http://www.intracen.org/layouts/CountryTemplate.aspx?pageid=47244645034&id=47244652104>
- Foreign trade balance of Kazakhstan <https://tradingeconomics.com/kazakhstan/balance-of-trade>
- Reason for foreign trade (Political Stability and Economic Performance) <http://currencyinformation.org/>