

Abstract

This Master thesis is devoted to research of the economic development of Kazakhstan based on the economy of oil.

This study is an attempt to analyze the relationship between oil price, GDP, inflation and oil exports in Kazakhstan on the basis of quarterly data from 2000Q1 to 2010Q4. We explored the role of oil price for the Kazakhstani economy by using time-series Vector Error Correction Model (VECM) approach. Moreover, we applied the Johansen cointegration test to examine the sensitivity of economic growth to changes of oil prices in the long term. The key result shows that oil price shock has no significant impact on real economic growth in Kazakhstan. However, the price of oil has significantly positive effect on GDP in the short-term.

In addition, we investigated a relationship between FDI and economic growth of Kazakhstan. Foreign direct investment plays a significant role in the development of republic. For the analysis we used the annual data for the period 1993 to 2011 (almost from the period of independence of Kazakhstan). Regression analysis of Ordinary Least Square (OLS) was used in analyzing the data. Based on the empirical results, the analysis shows that there is a positive relationship between the FDI and economic growth. Our findings confirmed that Kazakhstan as a new developing economy attracts FDI to country. However care should be taken when attracting FDI, because the investment potential of the republic largely based on natural resources.