

Research Question

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Transmission of Global Oil Price Shocks to Nepal's Foreign Exchange Reserves

Guiding Question:

How do global oil price shocks transmit to Nepal's foreign exchange reserves, and what role do exchange rate volatility, inflation, and central bank interventions play in mediating this transmission?

Expected Contribution:

This research will help policymakers and economists understand how external oil shocks impact reserve adequacy and inform future interventions. It offers a rare Nepal-specific quantitative analysis linking global energy markets to macroeconomic stability.

Objectives:

1. Quantify the effect of oil price shocks on foreign exchange reserves.
2. Identify the mediating role of inflation and exchange rate volatility.
3. Evaluate the role of central bank interventions in this transmission.
4. Analyze whether the impact has changed across time periods (e.g., before/after COVID-19).

Mentor Note:

In this 12-week we will be investigating the transmission of global oil price shocks to Nepal's foreign exchange reserves using time series analysis and econometric modeling. By integrating datasets on global crude oil prices, Nepal's import volumes, remittances, and foreign exchange reserves, the study applies Vector Autoregression (VAR) to identify causal relationships and the magnitude of oil price impact.

- Alexander Dukart

Conceptual Framework

