

# ON THE LINKS BETWEEN OIL PRICES SHOCKS AND NOMINAL EXCHANGE RATE VOLATILITY: EVIDENCE FROM SOME SELECTED MENA COUNTRIES

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## **Abstract**

The aim of this paper was to investigate the exchange rate consequences of oil-price fluctuations across selected MENA countries (including both commodity importers and exporters) and to examine the dynamic relationship between such shocks. We refer to impulse responses functions in order to test the dynamic relationships. Empirical results reveal that there is a dynamic relationship among oil price shocks and exchange rate volatility. Indeed, in the short run, oil prices shocks had a significant impact on exchange rate changes. Finally, we found that in the case of oil-exporting country, the oil prices rise may experience exchange rate appreciation, while, the decrease of oil price leads to appreciation of the currency of oil importing countries. This implies that oil prices are a key variable in determining the strength of the currency and its volatility. Therefore, policy makers of most MENA countries should consider exchange rate and oil price fluctuations on their macroeconomic policies and diversify more their economics.

**Keywords:** Oil price shocks, nominal exchange rate volatility, causality test, impulsion function, MENA countries

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