

**CZECH UNIVERSITY OF LIFE SCIENCES  
PRAGUE  
FACULTY OF ECONOMICS AND MANAGEMENT  
DEPARTMENT OF ECONOMICS**



**BACHELOR THESIS**

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

**Author: Tarek REBAI**

**Supervisor: Assoc. prof. Ing. Mansoor Maitah Ph.D. et Ph.D.**

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**Summary:**

Nowadays, the increasing globalization of foreign trade is one of the most important parts of their national economy. Its size is influenced by numerous factors. One significant factor is the exchange rate. Now the exchange rate is a value considerably volatile and hard to predict. The aim of the thesis to this is to analyze the evolution of the exchange rate to determine its effect on foreign trade.

The work is divided into two parts do. The theoretical part explains the basic concepts of this issue. Described herein are regularities in currency markets, including foreign exchange differences, which are a major problem in the implementation of foreign trade. In the practical part, then we pay attention to the development of the exchange rate since 2000 to 2015 make the development of the range of export and import according to developments in the foreign exchange rate.

**Key words:**

trade, exchange rate, foreign, export, import, deppretiation, appretiation, intervention, value, forex,

**Souhrn:**

V současné době stále rostoucí globalizace je zahraniční obchod jednou z nejdůležitějších součástí národního hospodářství. Jeho velikost je ovlivněna mnoha faktory. Jedním významným faktorem je směnný kurz. Směnný kurz je hodnota značně volatilní a těžko předvídat. Cílem práce s tím je analyzovat vývoj směnného kurzu a určit jeho dopad na zahraniční obchod.

Práce je rozdělena do dvou částí. Teoretická část vysvětluje základní pojmy této problematiky. Jsou zde popsány pravidelnosti na měnových trzích, včetně kurzových rozdílů, které jsou hlavním problémem při provádění zahraničního obchodu. V praktické části pak věnujeme pozornost vývoji směnného kurzu dvěma hlavními měnám pro zahraniční obchod v ČESKÉ Republice a to euru a dolaru. Vývoj kurzů budeme sledovat v období od roku 2000 do 2015, a

dále se budeme věnovat analýze rozsahu exportu a importu v závislosti na vývoji devizových kurzů.

**Klíčová slova:**

zahraniční obchod, směnný kurz, export, import, apreciacie, depreciace, intervence, hodnota, forex,

**The aim of the thesis and methodology**

Aim of this thesis is to observe the impact of the foreign exchange rate fluctuations on foreign trade in the Czech Republic. We will use real nominal exchange rate observe development and describe the relation between exchange currency rate and foreign trade. Thesis uses comparative and descriptive methods to perform the analysis of the impact of foreign exchange rate fluctuation on foreign trade of the Czech Republic.

In theoretical part we use internet sources, and economic literature to explain important topics of monetary policy that are related with foreign trade. The practical part is devoted to the analysis of the exchange rate from 2000 to 2015 and foreign trade in Czech Republic. The data required for this analysis are drawn primarily from the pages of the Czech National Bank's Czech statistical database, and the pages of the Czech Statistical Office, and pages of Ministry of Industry and Trade

**Conclusion**

Foreign trade development depends to some extent on the development of the exchange rate. Because the Czech Republic as a member of the European Union is not yet among the 19 eurozone countries, the problem of dependence of the exchange rate and foreign trade is still current. Assuming that the Czech Republic enter the eurozone and will therefore be used as an

official currency with the same currency as other states with which most trades, this problem will reduce, but not disappear completely.

The aim of this study was to analyze the evolution of the exchange rate between 2000 and 2015 and determine the impact of currency on foreign trade.

The analyzes of the exchange rate clearly indicates that the Czech koruna against the euro since 1999 strengthens. The last eleven years have seen significant depreciation, causing the good condition of the Czech economy. This evolution leads to increasing exports, which has also resulted in greater competitiveness of Czech products on world markets. However, much more strengthening Czech koruna reached against the dollar. The course of this currency pair has appreciated from 2000 to 2008. In recent years, there has been only a slight increase in the average value of 17 CZK / UDS. Volatility of this rate for the last nineteen years was so great that the difference between the maximum and the minimum exchange rate was 29 CZK.

The exchange rate is a key determinant of foreign trade. It must however be noted that the size of exports will certainly influence other factors which can not be quantified. Such as the central bank intervened size of interest rates, consumer preferences, political and other. These other variables could be eg. The size of the rate of inflation in the country and in the Czech Republic, the size of import into the country, etc.

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