

NIGERIA'S EXCHANGE RATE

POLICIES AND REGIMES



1960 -1970

Fixed regime (gold value under Bretton Wood system)

■ 1974 - 1978

Adjustable peg regime

■ 1978 - 1985

Managed float regime

■ 1986

Second-tier Foreign Exchange Market (SFEM)

■ 1987

FFEM and SFEM merged into Foreign Exchange Market (FEM)

■ 1992

Complete float

■ 1995

Autonomous Foreign Exchange Market (AFEM)

■ 1999

Interbank Foreign Exchange Market (IFEM)

■ 2002

Retail Dutch Action System (RDAS)

■ 2006

Wholesales Dutch Auction System (WDAS)

■ 2009

Reintroduction of RDAS (Q1) and returning to WDAs (Q2)

■ 2011

Wholesales Dutch Auction System-Forward (WDAS-FWD)

■ 2015

RDAS reintroduced (Q1) and IFEM (from Q2) and Forex restriction on 41 items

■ 2016

Two-way quote IFEM on FMDQ-advised FX systems

■ 2017

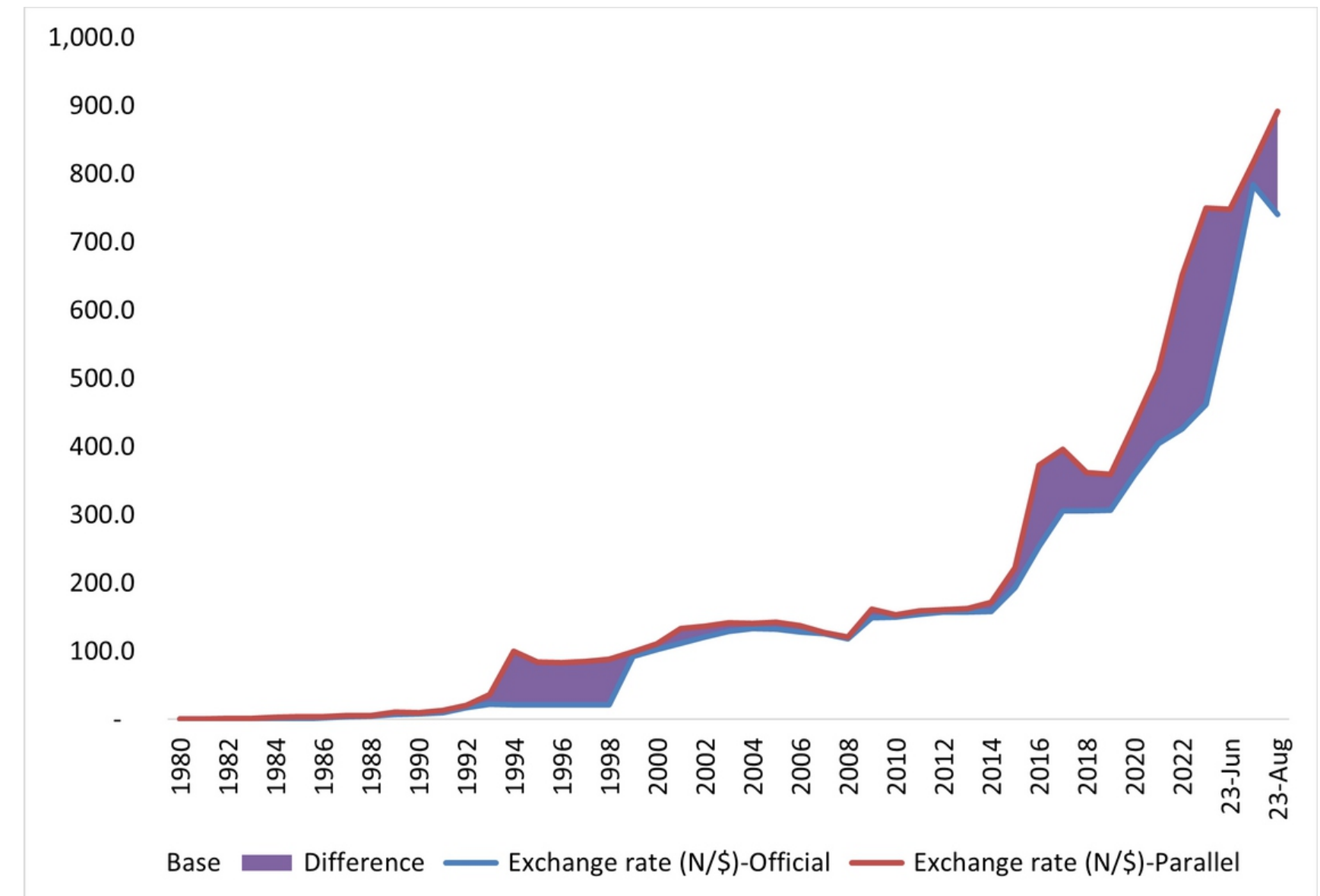
I&E window

2023

Harmonisation of exchange rates

TREND OF EXCHANGE RATES AND DEVALUATIONS IN NIGERIA

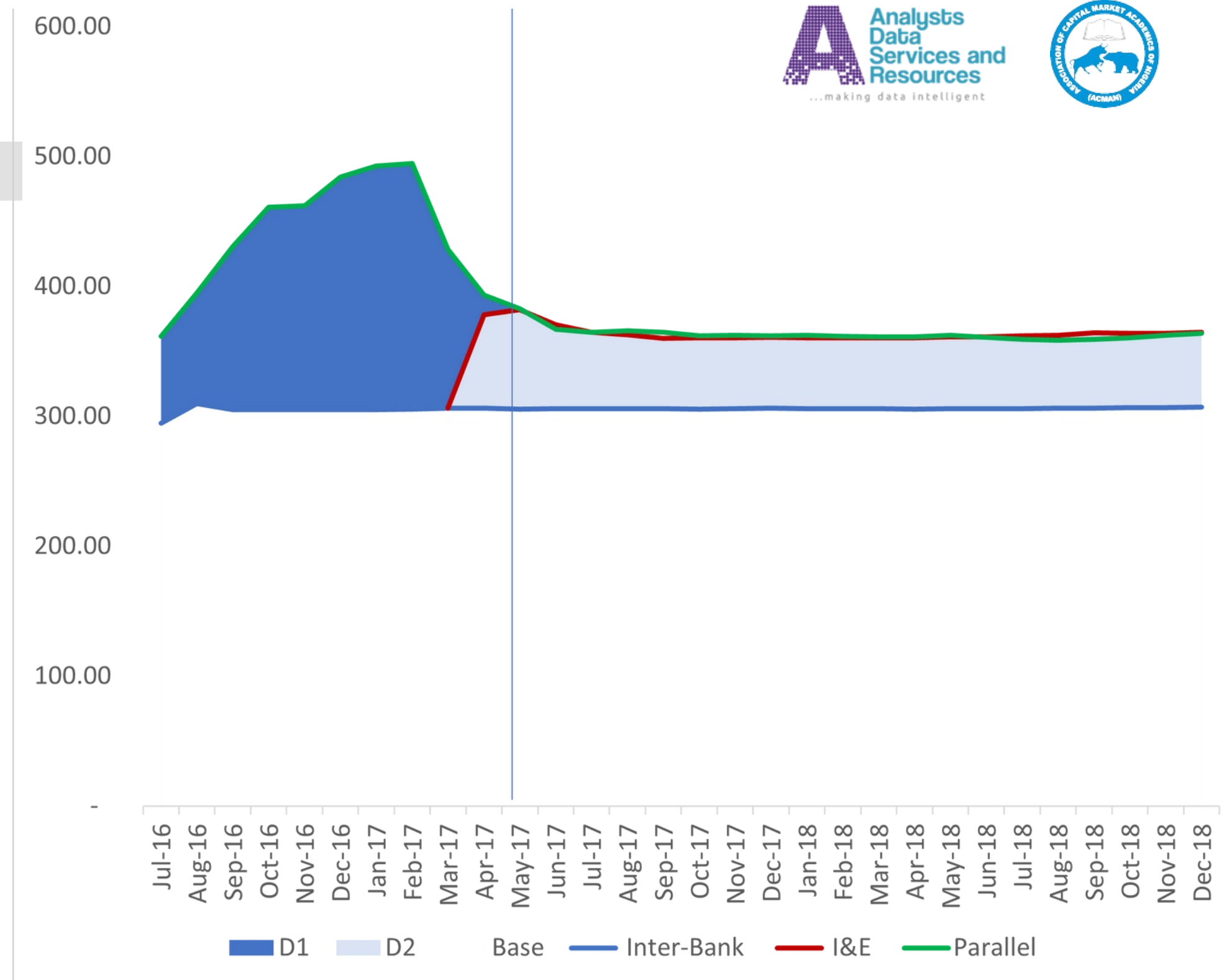
- Nigeria's exchange rate has experienced major devaluation over the years. It increased from N0.50/US\$1 in 1980 to N2.0 in 1986.
- In 1999 it also rose to N92.7 and further to N148.9 in 2009.
- The naira continued to depreciate as it rose to N193.3, N253.5 and N305.8 in 2015, 2016 to 2017 respectively.
- The official exchange rate ended 2022 at N448.6/\$1.
- It increased from N466 to N755 in June 2023, following the harmonization of the country's multiple exchange rates
- Generally, the official and parallel exchange rates exhibit similar trends in most of the years, with the latter usually higher.
- They diverged significantly between 1993 and 1999.
- Divergence was also pronounced from 2015, until the introduction of the I&E window in April 2017.
- Another round of divergence commenced from 2020 until June 2023 when the unification policy was announced.
- However, the convergence following the policy announcement was short-lived as the parallel market rate continued to move upward recording N915/US\$1 with the official at N773/US\$1 on 28th August, 2023.



I&E WINDOW

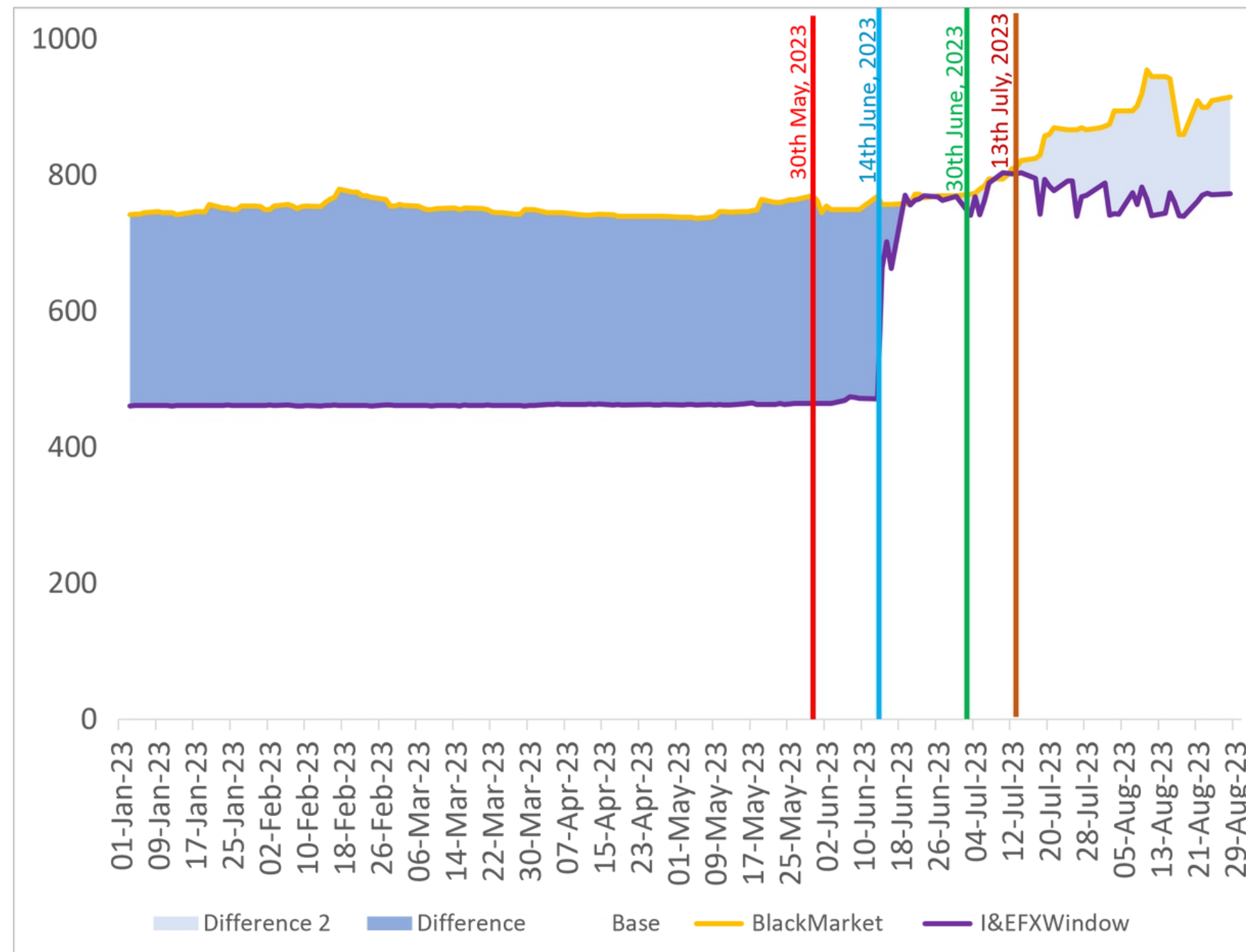
CASE STUDY (APRIL, 2017)

- In February 2016, the divergence between official (interbank) and parallel markets was very high.
- While the official rate was relatively stable around N306/US\$1, the parallel rate rose to about N500/US\$1.
- The I&E Window was introduced in April, 2017 average of N378.11, depicting a 24% depreciation from the Interbank rate.
- Following this, the parallel market rate crashed to meet the I&E rate at around N382/US\$1 in May 2017.
- Thereafter, the Naira appreciated and stabilized in the two markets to about N361 for some months.
- Meanwhile, the interbank rate continued to operate at a lower rate of N306.5/US\$1 over this period.



EXCHANGE RATES

BEHAVIOUR FOLLOWING UNIFICATION



30 May 2023 : Following the President's promise at his inauguration to look into the country's multiple exchange rate, the parallel rate depreciated from N764 to N770

14 June 2023: Following CBN's announcement of market unification, the official exchange rate depreciated from N471.7 to N664.0

20 Jun – 30 June, 2023: Official and Parallel rates were very close and stable.

06 July – 13 July, 2023: Both rates were very close but depreciated

14 July, 2023 till date: The official exchange rate has been fluctuating around a constant mean while the parallel rate has continued to depreciate; recording N773/US\$1 and N915/US\$1 on 28-Aug-23 respectively.

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Theme:
Halting The Decline
in The International
Value of The Naira