



**Central Bank of Nigeria**

# **A REPORT ON THE NIGERIAN CURRENCY VALUATION**

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# INTRODUCTION

This is a comprehensive analysis of the currency valuation of the **Nigerian Naira (NGN)** in comparison to the **United States dollar (USD)** spanning the years from **1999 to 2023**. This study seeks to provide a deep understanding of the dynamic exchange rate fluctuations, key trends, and various influencing factors that have shaped this critical aspect of Nigeria's economic landscape over the past two and a half decades.

The exchange rate between the naira and the dollar is a pivotal indicator of a nation's economic health and stability. It impacts various aspects of the economy from trade, and foreign investments to domestic purchasing power and inflation rates.

In this Analysis we will:

- Examine the Naira's valuation against the dollar on a year to year basis, identifying significant turning points, peaks and channels.
- Correlate major economic events, policy decisions, and global influences with exchange rate fluctuations to understand the underlying drivers of this shifts.
- Delve into the implications of exchange rate changes on different sectors, including imports and exports, inflation rates, foreign investments and overall economic growth
- Drawing on historical data and a thorough analysis of influencing factors, we will offer insights and predictions on potential future developments in the Naira dollar exchange.



# OVERALL INSIGHTS

## THE NGN CURRENCY FROM 1999 TO 2023



41.89%

Max\_change



791.82

Max\_Price



86.00

Min\_Price



793.32

Max\_Open\_Value

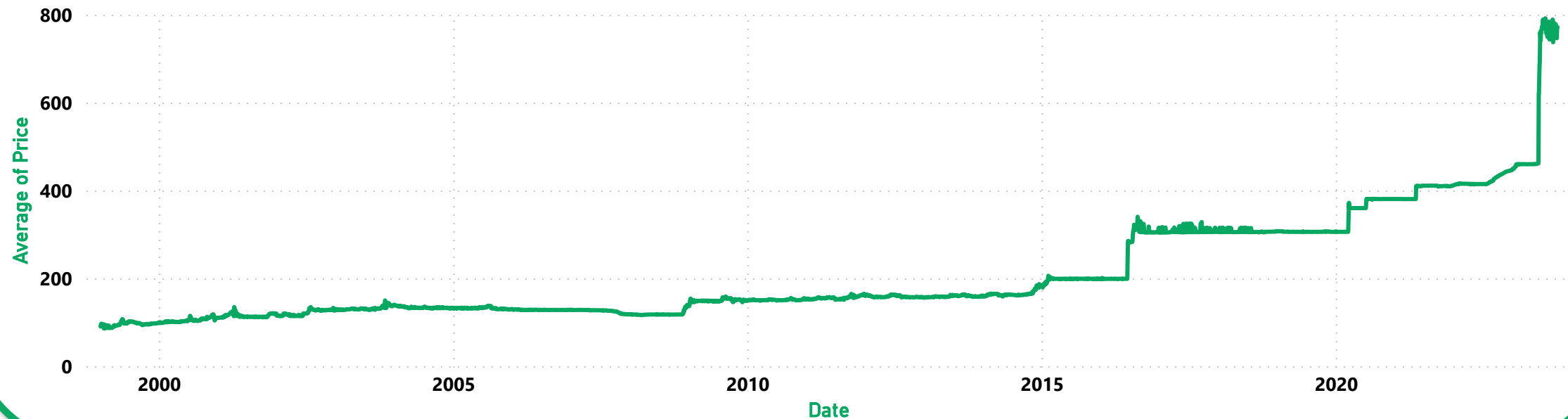


86.00

Min\_Open\_Value



### Average Price Of Dollar In Naira Over the Years

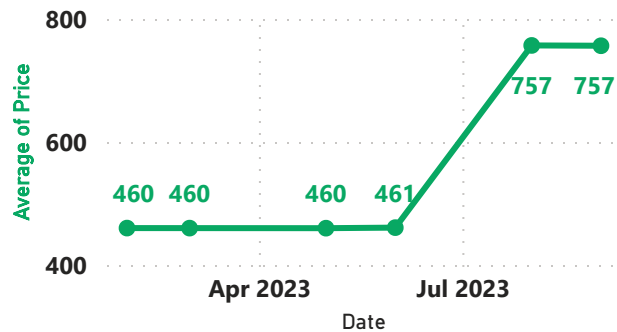


## THE CHARTS DISPLAY THE NAIRA VALUE BEHAVIOUR IN COMPARISON WITH THE FUEL PRICE.

- WE INVESTIGATED THE BEHAVIOR OF THE NAIRA ON A MONTHLY BASIS EVERY
- IN TRYING TO DETERMINE THE EFFECTS OF THE NAIRA DEVALUATION, WE ALSO INVESTIGATED THE FUEL PRICE
- THE FUEL PRICE BEHAVIOR WAS GRAPHICALLY DISPLAYED ON A MONTHLY BASIS



### Average Dollar Price in Naira Per Quarter



626.21

Max\_Fuel\_price

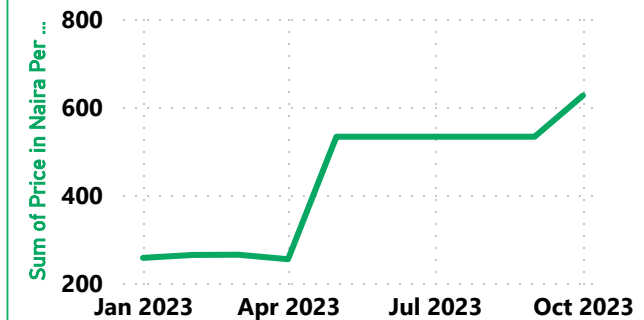


254.06

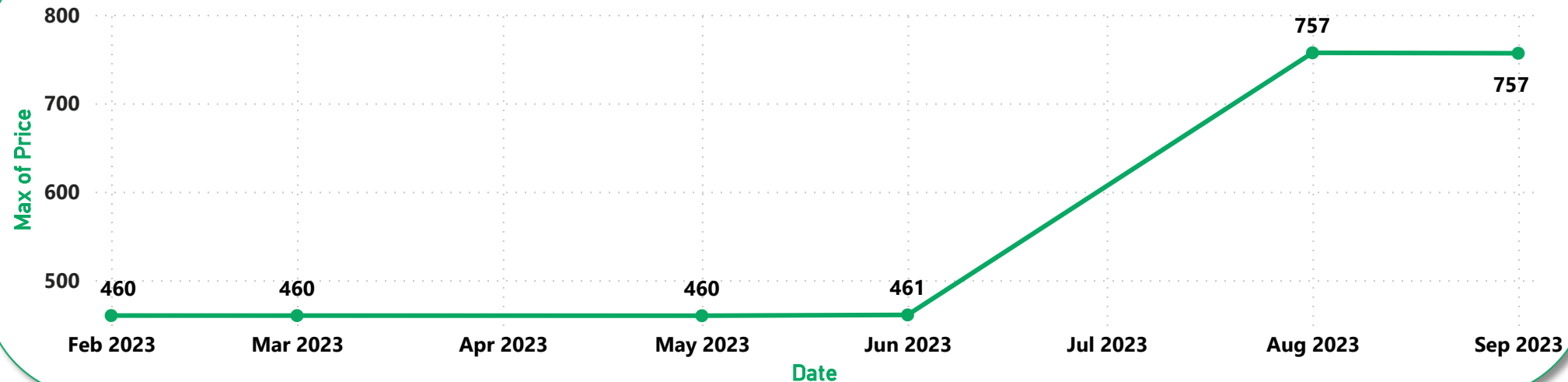
Min\_Fuel\_price



### Price in Naira Per Litre Per Year



### Average Dollar Price in Naira Per Year



Year, Month

- ☒ (Blank)
- ☒ 1999
- ☒ 2000
- ☒ 2001
- ☒ 2002
- ☒ 2003
- ☒ 2004
- ☒ 2005
- ☒ 2006
- ☒ 2007
- ☒ 2008
- ☒ 2009
- ☒ 2010
- ☒ 2011
- ☒ 2012
- ☒ 2013
- ☒ 2014

# ECONOMIC FACTORS THAT AFFECT THE NAIRA VALUE

ECONOMIC CAUSES OF NAIRA DEVALUATION	DEVALUATION EFFECTS
<p>Election periods are a bad time for the naira value The Nigerian government had just transitioned from the military regime to the civilian democracy in May 1999 which led to a -16.3% naira devaluation from 1st of march to 1st of July due to the challenges the new government faced such as ethnic conflicts, and insecurity. Also in 2015 it devalued by -8.8% from January to June due to the elections, The most significant effect happened in 2023 when the naira had its biggest devaluation by an all-time high -64.3% and this was due to the post-election woes.</p>	<p>These naira value fluctuations led to an increase in inflation to an all-time high of 25.80% in September 2023 as an aftermath of the just concluded elections which affected the Nigerian economy badly and rendered more Nigerians into poverty.</p>
<p>Oil price volatility is a major factor that affects the naira value. in January 2012 the fuel subsidy was removed and this led to a 118.4% increase in the fuel price in Nigeria. News of the fuel subsidy removal affected the Dollar price even before the removal was implemented, as people where selling their naira and buying dollars in preparation for the subsidy removal and this weakened the naira by -5.7% from August 2011 till January 2012. Also Subsidy removal still affected the naira value in June 2023 when it was removed, devaluing the naira by a high -64.2% from June to August 2023.</p>	<p>The fuel subsidy removal in June 2023 led to a 10.2% increase in inflation. The high fuel prices affected logistics and the supply chain of goods which made cost of goods expensive.</p>

# RECOMMENDATIONS AND INSIGHTS

After a thorough examination of the data with various charts showing the trends and KPI's the following recommendations were established as a solution to the devaluation of the Naira value in comparison to the Dollar.

- Oil Price anomaly is a big factor in the devaluation of Naira as seen in the charts, and this is as a result of crude oil being Nigeria's most dependent natural resource for export. Therefore the government should improve other natural resources in the country such as Agriculture and mineral resources, so as to have a variety of other resources boosting our exchange rate, thereby weakening the strong hold Oil prices have on value of the naira.
- The government should empower large and small scale farmers in Nigeria by giving them loans with low interest rates and equipping them with expensive equipment to help facilitate the production of agricultural products on a large scale. This will help reduce the high importation of food into the country and thereby reduce the inflation of food prices in the market. This also will reduce the need for dollar currency as it is used for foreign exchange and importation of goods.
- The government should help create better and subsidized means of transportation to support the supply of goods around the country regardless of the price of fuel. The price of fuel affects supply chain and distribution of farm products to the last line of the supply chain, which affects the price of these products, as high cost of transportation brings about inflated market prices. Creating railways and subsidizing heavy duty trucks for farmers to distribute their goods, will go a long way in reducing inflation in the economy and this will affect the value of naira positively.