



Nigeria

The Nigerian naira was introduced in 1973, replacing the pound at a fixed rate of 2 naira to the pound. Although the naira has gone through multiple regime changes over the years it is at present classified as a managed float.

Nigeria suffers from the unique situation that the government is the main recipient, and therefore supplier, of foreign exchange in the economy, through oil-related taxes and revenues of the NNPC. Meanwhile, the bulk of the private sector has a continuous shortage of FX for imports and other foreign exchange payments. Only authorized dealers are allowed to buy and sell FX with the CBN. An interbank market for FX (IBEM) sets the market rate for the naira.

In February 2015 the WDAS window was scrapped. All transactions are now channeled to the interbank market. The CBN sells USD directly at the interbank market at a fixed rate of currently NGN/USD 197. The CBN further introduced an order based two-way quote (OB2WQ) foreign exchange market. This means that authorized dealers are only allowed to buy USD if they have a matching order from a customer, i.e. an importer. In early July 2015 the CBN restricted the importers of 41 items from access to the interbank market. This pushed demand to the BDC segment of the market and resulted in a spread between the interbank rate and the BDC exchange rate (currently around 15%). The CBN sporadically provides USD to the BDC segment of the market via direct sales.

Nigeria has been grappling with low oil prices and a security crisis in its oil rich delta region where militant strikes on pipelines has seen its production drop to near 30 year lows. In June 2016, the CBN announced it was moving to a free floating FX regime. USD/NGN devalued some 60 pct going from the official rate of 199 to 284 in the first week then stabilizing at 315-320 levels in the months after. The free float did little to entice foreigners back into the market and with CBN being the only supplier of USD, liquidity worsened and the parallel rate widened to 460. In December 2016 Nigeria announced it was delaying its Eurobond issuance till the end of the first quarter 2017 with hints of FX reform underway.

