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CONFIDENTIAL

November 10, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Nigeria - Real Effective Exchange Rate - Information Notice

The attached information notice on a change in the real effective exchange rate of the Nigerian naira is circulated for the information of the Executive Directors.

Att: (1)

INTERNATIONAL MONETARY FUND

NIGERIA

Real Effective Exchange Rate--Information Notice

Prepared by the African Department and
the Exchange and Trade Relations Department

Approved by R.J. Bhatia and S. Kanesa-Thanan

November 10, 1983

The recent evolution of Nigeria's real effective exchange rate, as measured by the standard index developed in connection with the information notice system, is set out in the attached table and chart. Based on this index, as of September 1983 the Nigerian naira is estimated to have appreciated in real effective terms by more than 10 percent since the last occasion on which the Executive Board had an opportunity to discuss Nigeria's exchange rate policy--the 1982 Article IV consultation in September 1982. The estimated appreciation amounted to 10.3 percent. ^{1/}

Since 1978, the exchange rate for the Nigerian naira has been determined, in principle, on the basis of an import-weighted currency basket. In practice, exchange rate adjustments are also based on other indicators, such as developments in the balance of payments and the level of reserves, and inflation differentials between Nigeria and its main trading partners. Between September 1982 and September 1983, the naira was gradually depreciated relative to the U.S. dollar, the intervention currency, by 8.6 percent. These exchange rate adjustments, however, were not adequate to compensate for the significant appreciation of the U.S. dollar relative to most other currencies, and the relatively high domestic rate of inflation. In particular, the domestic price level, as measured by the seasonally adjusted Consumer Price Index, is estimated to have risen by 15.9 percent during the period September 1982-September 1983.

The staff has recently held discussions with the Nigerian authorities in connection with the 1983 Article IV consultation. The Staff Report will be issued shortly and contain a detailed appraisal of Nigeria's exchange rate policy.

^{1/} The estimate is based on values of the Consumer Price Index for the period May-September 1983 obtained through extrapolation of the rate of inflation recorded over the previous six months.

Table 1. Nigeria: Real Effective Exchange Rate and Related Series

	Real Effective Exchange Rate <u>1/2/</u>	Nominal Effective Exchange Rate <u>1/</u>	Relative Consumer Prices (local currency) <u>2/</u>	Exchange Rate (U.S. dollars)	Consumer Price Index (seasonally adjusted)	Consumer Price Index (not seasonally adjusted)
1978						
I	90.9	93.2	97.6	87.4	75.8	74.8
II	95.1	92.7	102.6	86.7	81.1	82.0
III	88.7	87.4	101.5	85.4	81.9	82.9
IV	86.3	84.2	102.5	84.7	84.2	83.4
1979						
I	86.8	84.6	102.6	84.8	86.1	85.2
II	92.4	90.1	102.6	88.9	88.3	89.0
III	93.9	92.4	101.6	93.9	90.7	91.8
IV	96.5	94.6	102.1	95.0	93.9	93.0
1980						
I	99.4	98.5	100.9	98.7	96.4	95.4
II	96.4	98.3	98.1	97.9	96.8	97.4
III	100.1	99.5	100.6	101.1	102.0	103.2
IV	104.7	104.1	100.6	102.3	104.8	104.0
1981						
I	113.3	106.8	106.1	99.3	113.9	113.1
II	114.2	105.7	107.9	90.4	119.2	119.7
III	112.2	102.6	109.3	81.5	124.0	125.4
IV	111.5	103.3	108.0	85.0	126.0	124.9
1982						
I	111.6	105.6	105.6	83.4	125.8	125.0
II	110.8	106.4	104.2	81.1	126.7	127.1
III	114.8	110.4	104.0	80.2	129.1	130.6
IV	119.7	113.4	105.5	79.9	133.5	132.5
1983						
I	121.8	112.9	107.9	79.4	138.6	137.8
II	124.1	112.7	110.1	76.6	144.1	
III	126.2	113.0	111.6	73.1	149.3	
<u>Monthly</u>						
1982						
Sept. <u>3/</u>	116.1	111.2	104.4	79.9	130.4	130.7
Oct.	118.3	112.5	105.2	79.2	132.5	132.1
Nov.	120.2	114.1	105.3	79.3	133.3	132.1
Dec.	120.5	113.7	105.9	81.3	134.9	133.2
1983						
Jan.	121.2	113.2	107.1	81.1	136.9	135.9
Feb.	121.2	112.5	107.8	79.0	138.4	138.0
March	122.8	112.9	108.8	78.1	140.6	139.4
April	122.9	112.2	109.5	77.1	142.4	142.0
May	124.7	113.2	110.1	77.5	144.1	
June	124.7	112.6	110.8	75.2	145.8	
July	123.8	111.3	111.2	73.4	147.6	
Aug.	126.7	113.5	111.6	73.0	149.3	
Sept.	128.0	114.2	112.1	73.0	151.1	
<u>Percentage change</u>						
Sept. 1982- Sept. 1983	10.3	2.7	7.4	-8.6	15.9	...

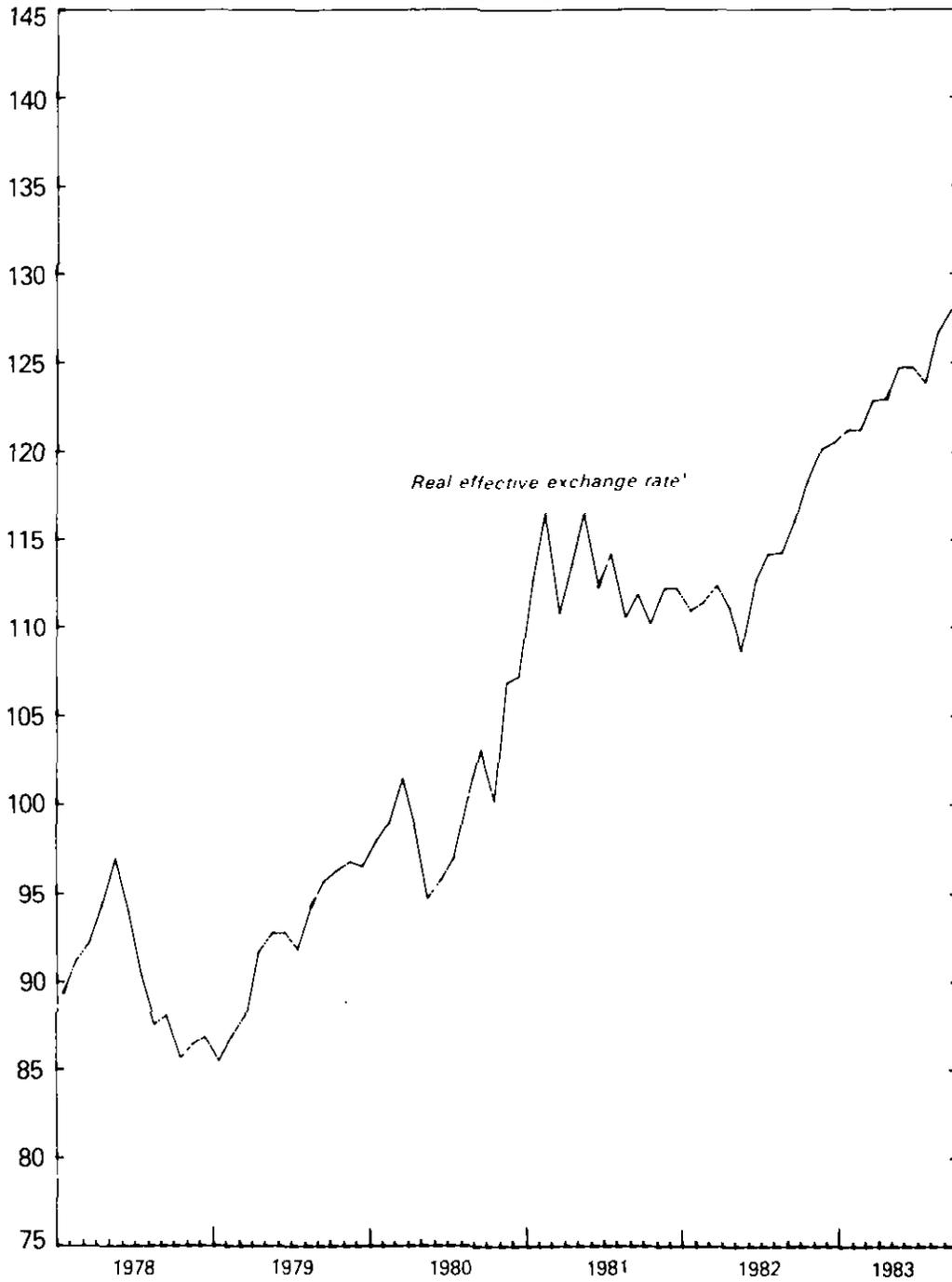
1/ Increase means appreciation.

2/ Using seasonally adjusted price indexes.

3/ Date of latest consideration by Executive Board.

CHART 1
NIGERIA
INFORMATION NOTICE SYSTEM INDEX OF
REAL EFFECTIVE EXCHANGE RATE

(1980 = 100)



¹Trade weighted index of nominal exchange rate deflated by seasonally adjusted consumer prices
increase means appreciation