

Effect of Exchange Rate Regimes on Exchange Rate Determination in Uncertain Times

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Abstract

The focus of the study was to determine the regime that is favourable for Nigeria between fixed and floating exchange rate regimes and also compared exchange rates among COVID-19, Lassa fever and Ebola periods. The researchers used secondary data which were collected from Central Bank Statistical Bulletin of 2020. Ordinary Least Square estimator and Dummy variables were adopted to achieve the stated objectives of the study. The result revealed that flexible exchange rate regime is ₦100.88 higher than the fixed regime when taking the balance of payments theory of exchange rate into account. The value of the flexible exchange rate dummy was found to be significant and this implied that there is a strong difference between the mean exchange rate value of the two regimes and flexible exchange rate regimes has inherent distortions to the economy that fixed regime. The results for uncertain times during global disease periods such as Ebola, Lassa Fever and COVID-19 for exchange rate fluctuations showed that COVID-19 exchange rate mean value is significantly different from Ebola and Lassa Fever periods with higher value of ₦428.05, while Ebola and Lassa Fever is ₦164.92 and ₦218.71 respectively on average. These results proved that exchange rate values were higher in flexible exchange rate regimes and during COVID-19 Pandemic. Therefore, government should use managed float exchange rate management to curb the persistence depreciation of exchange rate during pandemic and monitor judiciously the activities of foreign exchange rate market.

Keywords: Exchange Rate, Regimes, Fixed, Floating, Uncertain Times

Introduction

Exchange regimes are very crucial in influencing or determining the exchange rate in most economies. Nigeria has witnessed several exchange rate regimes since the SAP era in 1986. Exchange rate regime is a crucial element in the process of directing economic policies in any country because of its impact on real economic performance, especially the determination of exchange rate (Guellil, Marouf & Benbouziane, 2017). Most likely, the shocks in exchange rate are been influenced by the various exchange rate regimes the monetary authority adopts. According to Guellil *et al* (2017), exchange rate regimes are an element of modern financial thinking because they are important in adjusting and stabilising the exchange rate and maintaining the stability of economic growth rates in developing countries.

Conceptually, CBN (2016) defined exchange rate regimes as the method or system adopted by a country monetary authority (usually the central bank) to determine the value of its currency in relation to other currencies. Traditionally, exchange rate regimes are classified into fixed and flexible regimes based on the degree of flexibility the central bank shows toward

changes or variations in the exchange rates. In recent times, the regimes have been re-classified into three broad categories by the international monetary fund (IMF) which are hard exchange rate pegs, soft exchange rate pegs and the floating exchange rate regimes based on the detected country's practices and the monetary policy independence. The Fixed, which involves pegging a currency to the value of another currency and floating is freely determined by the forces of demand and supply in foreign exchange market (Akintude *et al* 2019). Nigeria adopted the fixed exchange rate during pre-SAP era, from 1960 to 1985 and in 1986, adopted the SAP and post-SAP eras; the flexible exchange rate regime remains in use until date (Ehinomen & Oladipo, 2012).

According to Ehinomen & Oladipo (2012), the fixed exchange rate was espoused between 1962 and 1985. At initial stage, the Nigeria currency was fix at par with pound sterling, but in 1907, when the British pound was devalued, Nigeria government decided to peg the domestic currency to the dollar at an overvalued rate in order to make imports cheap for the import substituting industries. In 1970 when the USA decided not to desist from converting the dollar into gold, the value of naira was adjusted in relation to the America dollar against a basket of twelve (12) currencies. Between 1971 -1985, Nigeria government witnessed increase revenue and foreign exchange earnings due to earnings from crude oils, naira was appreciated and this triggered a number of problems in the external sector, such as rapid erosion of country external reserve. By 1985, the naira was quoted against the US dollar, which became the intervention currency to date.

The management of the flexible exchange rate started by introduction of different ties, which was controlled and determined by the private sector and by forces of demand and supply in exchange rate market in this regime, the Central Bank of Nigeria (CBN) determines the supplies of the foreign exchange on a weekly basis through weekly bidding of recognised dealers (Onyejiuwa, 2019). Unfortunately, the Nigeria foreign exchange market has not performed maximally, even with the introduction of various institutional reforms like Bureau De Change in 1989, the Autonomous Foreign Exchange Market (AFEM) in 1995 and the Inter-Bank Foreign Exchange Market (IFEM) in 1999 up to the regime of Retail Dutch Auction System in different periods (Ayodele, 2014).

Historically, the consequences of the two main exchange rate regimes on the economy over time appear to have a divergent effect on the external balance disequilibrium and macroeconomic indicators in Nigeria. Jimoh (2004) revealed that during fixed exchange rate regime between 1960 and 1985, Nigeria recorded balance of payments deficit more frequently, and the exchange rate was rather constant. The static exchange rate during fixed exchange rate regime was not in consonance with the underlying principles of demand and supply. The period from 1986, propose a tendency towards continuous exchange rate depreciation and exchange rate volatility in Nigeria, which have been contrary to monetary stability objective. This period was characterised as high volatility in domestic prices and interest rate (Onyejiuwa, 2019).

The changes in the rate of exchange rate have enormous implications on the real output, for a country's balance of payment equilibrium attainment and its income distribution and economic growth in general. Record has shown that exchange rate has been depreciating over the years and it affects macro-economic management. Onyejiuwa (2019), Folorunso (2000) identified these. The persistent depreciation has also been identified in Obadan (2001 and 2002), Folorunso (2000). In 1973 and 1979, the exchange rate was relatively stable because of the oil boom. Nigeria, however, started recording huge balance of payment deficit and very low foreign

reserve in the 1980's (Afolabi & Adekunle, 2017). Currently, the nation's exchange rate has fallen and has since been fluctuating. This so far has been due to unfavourable nature of the competing powers of the domestic currencies and the currencies of the world.

In the 1980s, specifically from 1981 to 1985, the exchange rate of Naira against the US dollar was very stable. Now, the Naira was superior to the US dollar. For instance, \$1 was exchange for ₦0.64, ₦0.67, ₦0.75, ₦0.80 and ₦0.99 in 1981, 1982, 1983, 1984 and 1985 respectively. However, with the Structural Adjustment Programme (SAP) of 1986, the Naira started depreciating against the US dollar. The year 1986, which saw the introduction of SAP, ₦3.32 was exchange for \$1. Henceforth, the Naira never rebound rather it kept deteriorating yearly. From ₦3.32, ₦3.05, ₦3.05 3.06 and ₦4.75 in 1986, 2017, 2018, 2019 and 2020 based on the official exchange rate. Similarly, the parallel market rate hovered between ₦480 to ₦520 in 2021. The depreciation in the exchange rate after SAP has terrifically slowed the pace of economic growth (Anyanwu *et al* 2017).

The volatile inherent in exchange rate in Nigeria since the adoption of Structural Adjustment Programme (SAP) in 1986 is more pronounce in uncertain times, most especially during the COVID-19 pandemic. Disease outbreak has been occasioned with distortion in macro-economic variables, and globally, the means of exchange (that is, exchange rate) has been grossly affected. Most of developing countries macroeconomic indicators, most especially Nigeria exchange rate, were negatively affected during the because of their reliance on developed countries for the importation of goods and services, emerging and developing countries are expected to experience spillover effects as a result of globalisation (Ozili & Arun, 2020). The reprisal policy of lockdown by many economies and the fear of contracting the deadly diseases slow down the economy recovery and trade relationships in the international markets. These uncertain times due to outbreak of contagious diseases such as AIDS, Ebola virus, Lassa fever and COVID-19 culminated to disregard the effectual exchange rate policy implications. Exchange rate regimes were expected to realize macroeconomic stability and sustainable development in Nigeria. However, the country fails to meet the expectation because the different regimes of exchange rate have been with instability and uncertainties (Ezenwakwelu *et al* 2019) coupled with problems of uncertain times caused by deadly disease outbreak. The problem of exchange rate regimes has led to low level of savings and investment, high rate of inflation, high level of unemployment and poverty (Bakare, 2011). Obviously, a stable exchange rate and macroeconomic stability can be achieved by adopting sound exchange rate regimes.

Most studies were mainly concerned on the effect of exchange rate management and policies on exchange rate determination and the inherent fluctuations (Oladele, 2015, Anyanwu *et al* 2017; Ufoeze *et al* 2018 & Adenekan *et al* 2019). Guellil *et al* (2017) looked at the relationship between on exchange rate regimes and economic growth. His notion necessitates the issue of possible and divergent effects of different regimes on macroeconomic variables. It is fundamentally possible that the effect of fixed or pegged exchange rate regime could be different from the floating regime. On the other hand, the ambiguity of choosing an optimal exchange rate, which will reduce the volatility, in exchange rate has become an academic debate and proven to be difficult. Thus, the identification of exchange rate regimes that can to an extent, achieve a stable exchange rate be is very crucial. The period of pandemic and disease outbreak could necessitate the high volatility in exchange rate compared with periods that are not associated with disease outbreak. These uncertain times, therefore, influence this study to focus on examining

these issues by filling the gap of and investigate, empirically, the relationship of exchange rate regimes on exchange rate determination in Nigeria during Ebola Virus, Lassa Fever and COVID-19 periods. Hence, this study investigates the effect of exchange rate regimes on exchange rate movement in uncertain times.

Research Questions

The researchers attempt to provide answers to the following research questions:

- i. Which periods among Ebola Virus, Lassa fever and COVID-19 have compelling effect on exchange rate determination in Nigeria from 2004 to 2020?
- ii. What are the different effects of fixed and floating exchange rate regimes on exchange in Nigeria from 1961 to 2019?
- iii. Which exchange rate regimes have more, adverse effects on exchange rate in Nigeria from 1961 to 2019?

Scope of the Study

The study used monthly data from 2004 to 2020 to achieve objective one. The choice of the data period put into cognisance the periods of Ebola Virus, Lassa Fever and COVID-19 outbreaks in Nigeria. To investigate into the effect exchange rate regimes on exchange rate determination in Nigeria, the study concentrated on annual data from of 1961-2019. The choice of the period limited due to dearth of data for some variables employed and to review the different exchange rate regimes from independence. The period divided into two parts: the fixed regime period from 1961 to 1985 and the floating exchange rate period from 1986 to 2019.

Theoretical Framework

Mundell Fleming Theory

Two different writers, Robert Mundell (1962, 1963) and Marcus Fleming (1962), developed Mundell-Fleming model. The model describes an open economy based on short- run relationship between output, interest rate and exchange rate in an economy. The theory assumes that, there is always equilibrium between domestic and world interest rate. Based on this theory, in a floating exchange rate regime, the increase in money supply will bring about the fall in domestic interest rate; as a result, investors will find it beneficial to invest abroad. This will cause a lower demand for the domestic currency in the foreign exchange market, and this will consequently result in high exchange rate and lower export. Under the fixed exchange rate regimes, the central bank stands ready to buy or sell the domestic currency so, to maintain the exchange rate at the announced level (Utazi, 2017).

One of the most striking implications of the Mundell-Fleming Model, Obstfeld (2001) discovered is that uncertainty in exchange rate regime can affect the first moments of endogenous variables such as the terms of trade and real output. The model is suitable in Nigeria in relationship due to uncertainty in exchange rate that can have a huge influence on real output. This can also relate to sector real output, like manufacturing sector output. From theoretical point of view, the argument posited by Obstfeld (2001) that an open economy such as Nigeria, its Manufacturing sector will be affected by exchange rate fluctuations. This is because the sector mostly relies on import of intermediate and capital goods and it is likely that the cost of input will be high, which will invariable reduce the sector competitiveness (Onyejiuwa, 2019). More

extension of this model has been advanced by Yaaba, Bawa & Idrisa (2012). They suggested that under an open economy, fiscal policy is not effective to influence aggregate demand under a flexible exchange rate, but monetary policy. Ohyama (2007) also supported this assertion. Mankiw (2003) attempted to illustrate that any effort to increase the money supply will not be effective, because, for the exchange rate to stay at its prevailing level, the money supply must be adjusted to ensure that level. Mankiw (2003) also supported the claim that monetary policy influences aggregate income under floating exchange rates. However, their own reason is that in Mundell–Fleming model, a rise in the risk premium will lead to increase in interest rate and depreciation in the currency of that country. The theory is related to the study in a way, it talks about the fixed and flexible exchange rate even during uncertain times.

Empirical Review

There is dearth of studies on the relationship between exchange rate regimes and exchange rate determination in relationship to global disease outbreak, especially in developing countries like Nigeria. Most studies in tandem with this issue concentrated more on exchange rate regimes or management or policies and economic growth. However, as Guellil *et al* (2017) opined that exchange rate regime is a factor to improve macroeconomic performance and lessen the onset of financial crises, especially currency crises. They further argued that floating exchange rate regimes could affect growth in the medium term directly by absorbing and/or curbing the shocks to which the economy is exposed. As a result, it controls the fluctuations that occur in economic growth rates as they can also indirectly influence economic growth. They can influence the main determinants of economic growth, such as investment, foreign trade, financial sector development and foreign capital flows.

Yeyati & Sturzenegger (2003) argued that floating exchange rate regimes cripple economic growth and through inconsistency in adopting a lasting regime, exchange rate fluctuations tremendously. This assertion is also supported by the study of Rogoff *et al* (2013). Rogoff *et al* (2003) analysed the behaviour of real GDP of 160 countries during the period 1940-2001, and found out that there is no strong correlation between exchange rate flexibility and economic growth; this is regardless of the type of classification used in the study. However, studying each sample separately, they found that exchange rate elasticity is negatively correlated with economic growth, but this effect was not statistically significant. For emerging economies, the impact of exchange rate flexibility on economic growth has been very ambiguous. For developed countries, the free float regime is the best for economic growth.

Frankel *et al* (2019) examined the flexible Exchange Rate Regime (ERR) for 145 countries during the post-Bretton Woods period. They investigated the global changes of flexible exchange rate regimes over time, and examined the relationship between exchange rate regimes and economic growth. Their findings challenge both the corner hypothesis and the fear of floating. It noticed that exchange rate regimes are positively and significantly related to economic growth and their relationship varies among countries at different income levels. The choice of exchange rate is more essential for developing countries rather than developed countries. With the use of estimated structural breaks to build a panel database, it first examined the global evolution of floating exchange rate regimes, the result was against the corner hypothesis and did not agree to the fear of floating but rather toward increased flexibility. They used panel data of de facto flexibility that measured a continuous degree of ERR between the purely fixed and the completely floating. Our

findings not only strongly suggest that ERR matter when it comes to the growth rate of GDP per capita, but further reveal that, in contrast to some previous findings, a relatively fixed de facto EER is associated with higher economic growth.

Adeniyi & Daud (2019) examined the efficiency of the floating-managed exchange rate policy adopted by the monetary authorities as part of the measure to ensure that the economy get out of the recession. They discovered that the managed-flexible exchange rate does not stimulate export as anticipated by drawing foreign direct investment into the real market, and thus concludes that in order to restore the Nigerian naira's relationship with the US dollar (and other foreign currencies) and keep the economy from sliding deeper into recession in the immediate future, the managed-flexible exchange rate should be introduced.

Ozili (2020) conducted a study titled "Spillover of COVID-19: impact on the Global Economy." A multivariate model was estimated using a least square regression to analyse the impact of the lockdown on global economy and macroeconomic performance. His findings revealed that the increasing number of lockdown days, monetary policy decisions and international travel restrictions severely affected the level of economic activities, domestic prices, exchange rate and the stock price of major stock market indices. In contrast, the imposed fiscal policy spending had a positive impact on the level of economic activities, although the increasing number of confirmed Coronavirus cases did not have a significant effect on the level of economic activities in Nigeria. The study concluded that First, the spread of the virus encouraged social distancing which led to the shutdown of financial markets, corporate offices, businesses and events. Second, the exponential rate at which the virus was spreading, and the heightened uncertainty about how bad the situation could get, led to flight to safety in consumption and investment among consumers so there was panic in the economic activities and policies on the part of individuals and the government.

Methodology

Theoretical Framework

The relationship between exchange rate regimes and exchange rate determination is elucidated by different theories basically by the Classical, Keynesian, neo-Keynesian and Monetarist especially on national income, the quantity theory of money, interest rate and its reformations. But in this study, the Mundell-Fleming model of monetary policy under fixed and flexible exchange rate will be used as the theoretical framework. The flexible exchange rate regimes goals are usually interpreted by keeping the inflation rate to the inflation target, which is freely determined by the monetary authority and stabilising output around it potential. The choice between absolutely fixed exchange rate regimes and perfectly flexible exchange rate regimes is a matter of debate in the open economy in Mundell Fleming (MF) model.

This paper proposes an open economy model that adheres to the New Keynesian (NK) macroeconomic tradition. It gives basic analytical and graphical study of monetary policy aspects using both fixed and flexible exchange rates. In an open economy of NK model, the fixed exchange rate explained by MF model demonstrated that monetary policy under fixed exchange rate regime is completely ineffective and also destabilises the domestic economy, in comparison to the MF model, the sources of demand shocks (particularly the global real interest rate and the risk premium) can be made clearer, and the consequences of supply shocks can also be examined. In terms of fiscal policy's impact, the NK model also concludes that it is an important policy

instrument and that it is much more effective than in a closed economy. The destabilising essence of the fixed exchange rate law obviously magnifies the initial impact on the export difference (Yaaba *et al* 2012).

The NK model demonstrates that a much more distinct approach is needed for flexible exchange rates than is required by the MF model. Above all, if monetary policy is pursued by an interest rate rule rather than the monetary targeting rule or exchange rate targeting rule on which the MF model is based, the MF model on fiscal policy stance are no longer relevant. In all three versions of stable exchange rates in the NK model, monetary policy under flexible exchange rate regimes remains a strong policy instrument for determination of a stable exchange rate that conform to the fundamentals of foreign exchange rate market activities (Utazi, 2017).

Model Specification

Stemming from the theoretical foundation above, the model incorporates the two exchange rate regimes, fixed and flexible regimes, as dummy variables in model 1. In model 2, three periods' global disease outbreaks were considered as dummy variables. These are Ebola (1 for Ebola period; 0 otherwise), Lassa fever (1 for Lassa fever period; 0 otherwise) and COVID-19 (1 for COVID-19 period; 0 otherwise). Therefore, the functional relationship and OLS estimator for model 1 are presented thus:

$$EXR = f(EXDUM, BOP_s) \quad 3.1$$

$$EXR_t = \alpha_0 + \alpha_1 EXDUM_t + \alpha_2 BOP_s_t + \mu_t \quad 3.2$$

Model 2 the functional relationship and OLS model are presented thus:

$$EXR = f(EBO, LAS, COV)$$

$$EXR_t = \beta_0 + \beta_1 EBO_t + \beta_2 LAS_t + \beta_3 COV_t + \varepsilon_t \quad 3.3$$

where, EXR is the exchange rate, EXDUM is the dummy exchange rate regimes, BOPs is balance of payments, NON is the non-pandemic or disease outbreak period, EBO is the Ebola Virus period, LAS is the Lassa fever period and COV is COVID-19 period. α_0 and β_0 are the constant values of model 1 and 2 respectively. Lassa fever dummy variable is the reference group in model 2 dummy variables estimation.

α_i and β_i Are coefficients to be estimated according to equations specified above.

μ , ε are stochastic term in their respective equations and sub-script 't' is time

In equation 3.2, the A priori expectation is $\alpha_1, \alpha_2 > 0$.

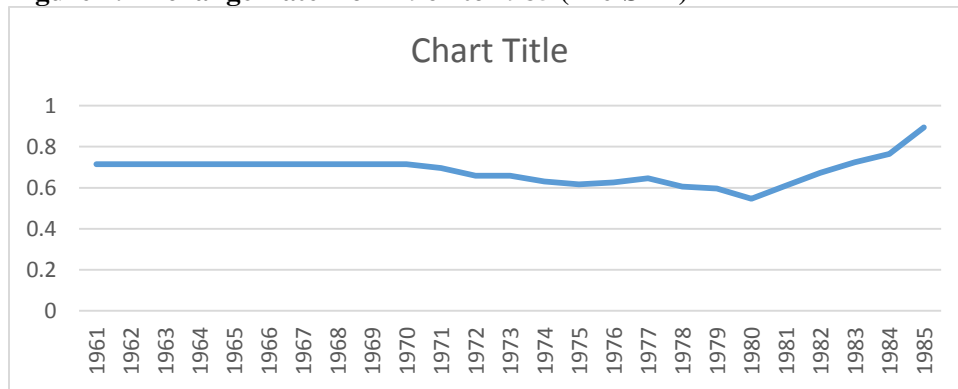
In equation 3.4, the $\beta_i > 0$.

The choice of dummy variables in this analysis helps to categorise the different periods of exchange rate regimes and global disease outbreaks. The coefficient of these variables shows the average exchange rate for each period dummy. Ordinary Least Square (OLS) estimator was adopted to estimate the model. The choice of the estimator helps to eliminate biasness and solve the problems associated in OLS which are also tested to verify.

Data and Results Analysis

The fixed regime of exchange rate started from 1961 and practically ended in 1985. The trend movement in Figure 1 showed a steady rate from 1961 to 1970 with an exchange rate value of ₦0.71 to USD and slightly appreciated to ₦0.70 to USD in 1971. The Naira became stronger than USD in 1980 at ₦0.55 and later depreciated to ₦0.89 in 1985 in the advent of SAP period. Generally, the graph showed a relative consistent exchange rate during the fixed regime. This study was supported by (Anyanwu, Ananwude & Okoye, 2017; Ehinomen & Oladipo, 2012).

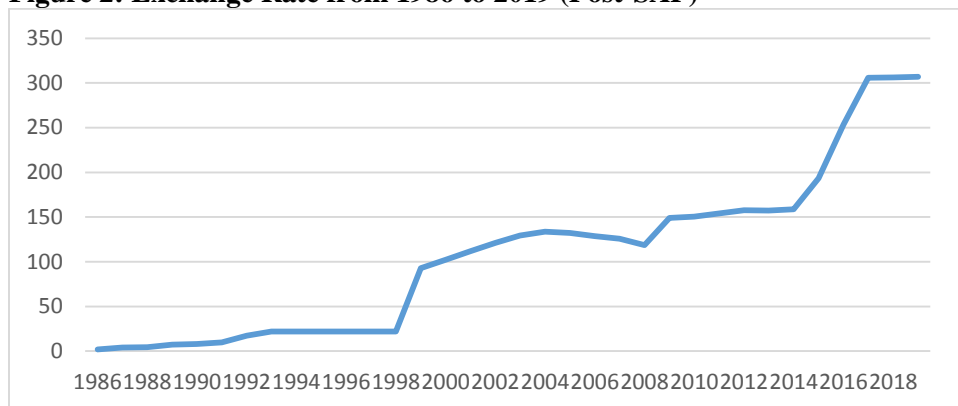
Figure 1: Exchange Rate from 1961 to 1985 (Pre-SAP)



Source: Author's computation from Microsoft Excel, 2013.

The SAP period introduced the flexible exchange rate regime in 1986, and since then the exchange rate started depreciating constantly. Figure 2 revealed slow depreciation from ₦2.02 in 1986 to ₦21.87 in 1998. There was a sharp increase in the value of exchange rate to ₦92.69 in 1999 and continue to increase to ₦158.55 in 2014. The Naira became so weak in 2017 at ₦305.80 and slightly depreciated again to ₦306.08 and ₦306.92 in 2018 and 2019 respectively. The trend movement showed a persisted depreciation over the period in flexible exchange rate regime.

Figure 2: Exchange Rate from 1986 to 2019 (Post-SAP)

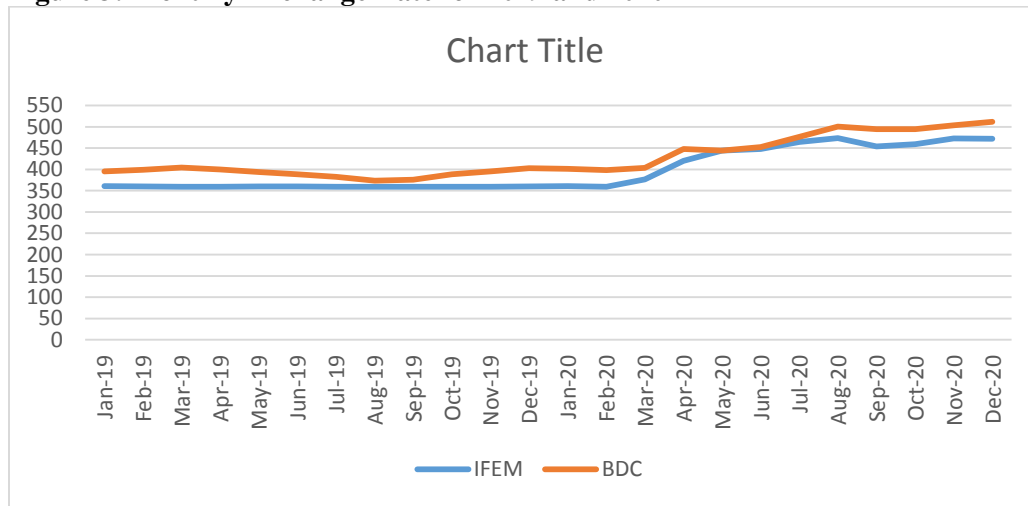


Source: Author's computation from Microsoft Excel, 2013.

The information in Figure 1 and 2 strengthened the notion that fixed exchange rate regime resulted to constant exchange rate throughout the period it was implemented, unlike the flexible exchange rate regime. The fixed exchange rate regime is managed and regulated by the monetary authority and exchange rate was pegged at a value against other currencies. The flexible exchanger rate regime allows market forces in exchange rate market to determine the rate of exchange among currencies. The flexible regime is anchored on the principle of Balance of Payments theory of exchange rate, which incorporates the exchange rate determination by the interplay of demand and supply of currencies in the exchange rate market

Figure 3, showed the values of exchange rate in 2019 (non-pandemic period that represents certain times) and 2020 (Pandemic period that indicate uncertain times).

Figure 3: Monthly Exchange Rate for 2019 and 2020



Source: Author's computation from Microsoft Excel, 2013.

The graphical illustration in Figure 3 exposed the persisted depreciation of exchange rate during COVID-19. The lockdown that started in March shoot up the Interbank Foreign Exchange Market (IFEM) exchange rate from ₦359 in February to ₦376.89 in March 2020. Before the end of 2020, the exchange rate stood at ₦472.62 against US Dollar. The Bureau de Change (BDC) values of exchange rate followed the same pattern in the trend movement in 2019 and 2020, although, recorded a slight higher values compared with IFEM. The BDC exchange rate stood at ₦397.96 in February 2020 and later depreciated to ₦403.79 in March. There was a continuous depreciation from thence to a highest value of ₦511.67 in December, 2020. Comparing with exchange rate in 2019, the information on Figure 3 revealed a relative stable exchange rate than the ones in 2020. Sharp depreciation of Naira against US Dollar is as result of COVID-19 lockdown, which affected inflow and outflow of goods and services in Nigeria. Dollar became very scarce due to decrease in the supply and the demand for it became excess in the exchange rate market

Results Estimation and Analysis

The results in Table 1 revealed the coefficient value of EXDUM to be 100.88, which is positive and significant at 5% level. the results further buttress that flexible exchange rate regime has

higher rate than fixed regime with ₦100.88 when taking the balance of payments theory of exchange rate into account. The average value of exchange rate in fixed regime is at ₦0.68 to US Dollar. The value of the flexible exchange rate dummy was found to be significant and this implied that there is a strong difference between the mean exchange rate value of the two regimes and flexible exchange rate regimes has inherent distortions to the economy that fixed regime. Therefore, it is believed that an economy that what to pursue stability in the exchange rate should adopt fixed exchange rate regime. However, flexible exchange allows the exchange rate to be determined by the interplay of demand and supply, which is the real fundamental of any economy.

Table 1: OLS Estimation of Exchange Rate Regimes

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXDUM	100.88	17.23	5.85	0.00
BOPS	-6.29E-07	2.01E-07	-3.132845	0.003
C	0.68	12.99	0.05	0.96
R-squared	0.47	F-statistic	24.58*	
Adjusted R-squared	0.45	Durbin-Watson stat	2.28	

Source: Author's computation, 2021.

The results for uncertain times during global disease periods such as COVID-19 (COV), Ebola (EBO) and Lassa Fever (LAS) for exchange rate fluctuations are presented in Table 2.

Table 2: OLS Estimation of Uncertain times of Global Disease Outbreak

Variable	Coefficient	Std. Error	t-Statistic	Prob.
COV	209.34	27.26	7.68	0.00
EBO	-53.79	17.47	-3.08	0.00
C	218.71	7.58	28.85	0.00
R-squared	0.27	F-statistic		37.64*
Adjusted R-squared	0.27	Durbin-Watson stat		2.04

Source: Author's Computation, 2021.

From the results, COVID-19 exchange rate mean value is significantly different from Ebola and Lassa fever periods with higher value of ₦428.05, while Ebola and Lassa fever is ₦164.92 and ₦218.71 respectively on average. These results imply that COVID-19 exchange rate is highly volatile and unnecessary unbearable, and it is more than the targeted exchange rate and benchmark of the government in their budget preparation. Exchange rate mean value of ₦428.05 against the US Dollar during the Pandemic could be inimical to investment and trade because of the over reliance on import.

Conclusion and Recommendations

The reason for high depreciation of Naira is stemmed from the high propensity to import and the over dependence of imported consumable, intermediate and capital goods. It further exposed the low productive capacity and utilisation in the manufacturing sector, which the production volume cannot sustain the level of consumption in the economy. The inflow of foreign exchange of US Dollar diminished drastically due to fall in oil price and lockdown of so many economies across

the globe as a result of COVID-19 Pandemic. These are great uncertain times with grave concern on how to revamp the economy through viable economic policies in monetary and fiscal stances.

These results proved that exchange rate values were higher in flexible exchange rate regimes and during COVID-19 Pandemic. Therefore, government should use managed float exchange rate management to curb the persistence depreciation of exchange rate during pandemic and monitor judiciously the activities of foreign exchange rate market.

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