OIL PRICES AND EXCHANGE RATE FLUCTUATION IN NIGERIA:
AN EMPIRICAL ANALYSIS

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ABSTRACT

Nigeria is a mono-cultural economy, the main source of her foreign earning is crude oil, hence fluctuation in its price has far reaching implications for the country’s economy. The exchange rate is arguably the most difficult macro-economic variable to model empirically, that is why the adoption of different exchange rate regimes to minimize fluctuations in the Nigerian economy. This study examined the effect of oil price fluctuations, foreign exchange, real gross domestic product on exchange rate fluctuations; using the co-integration, VAR and GARCH techniques to examine the long-run relationship. The study found out that real exchange rate fluctuation in Nigeria is significantly influenced by oil price fluctuations and therefore recommend that any policy to address the issue of exchange rate fluctuations in Nigeria should give priority attention to oil price fluctuations and the rest of the variables as this will help to enhance the real exchange rate in Nigeria.

Keywords: GARCH, Foreign Exchange, Crude Oil Pricing.
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