

Nigeria's naira hits record low on black market ahead of central bank meeting

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21 Jul 2023

Nigeria's naira traded at a record low of 860 per dollar on the black market on Thursday, 20 July, according to traders, weakening below its official rate a month after the country devalued the currency ahead of a central bank policy meeting next week.



Source: Reuters.

The bank last month allowed the naira to weaken by more than a third in a bid to unify Nigeria's multiple exchange rates and to lure foreign investment to shore up liquidity in an economy struggling with dollar shortages.

Last month's devaluation helped narrow the gap between the naira's exchange rates on the official window and the black market but pressure is gradually building up especially from individuals paying for expenses abroad.



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15 Feb 2023



The naira has been swinging widely on the official market since the devaluation. It touched a new low of 853 naira per dollar on Wednesday, 18 July according to OTC market regulator, FMDQ Exchange.

The currency closed at 742 naira against the dollar on the official market on Thursday, Refinitiv data showed.

Dollar shortages on the official market have seen customers turning to the black market, helping to widen the gap between the spot rate and the black market, one trader said.

Nigeria has embarked on its boldest reform agenda in decades, including the removal of a popular but costly petrol subsidy and the loosening of restrictions on foreign-exchange trading, a gamble President Bola Tinubu hopes will boost sluggish economic growth.

Analysts have warned that a weaker currency and the fuel subsidy removal would likely push inflation higher in the short term.

The central bank will meet on Monday and Tuesday to set interest rates with investors looking for measures to support the currency.

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