Testing the Theoretical Proposition of Exchange Market Pressure: The Nigerian Experience

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In this paper, monetary model of Exchange Market Pressure (EMP) is applied to Nigerian economy over the period 1970 to 2010. In support of the EMP propositions, dynamic ordinary least squares (DOLS) results reveal that domestic credit has stable significant negative relationship with exchange market pressure. The findings also provide evidence that Nigerian monetary authorities absorbed most of the exchange market pressure by adjusting the foreign reserves. The overall results indicate that the Nigeria’s experience provides another good example to test the theoretical propositions of the Girton-Roper monetary model of exchange market pressure.

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