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DOES THE PARALLEL EXCHANGE RATE MATTER FOR NON-OIL EXPORTS? EVIDENCE FROM NIGERIA'S DUAL EXCHANGE RATE SYSTEM

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ABSTRACT: This study examined the impact of the parallel market exchange rate on Nigeria's non-oil export performance using the Autoregressive Distributed Lag (ARDL) framework and monthly data from 2008 to 2024. The ARDL bounds test confirmed a stable long-run relationship among the variables. Empirical findings indicated that the parallel exchange rate exerted a significant negative influence on non-oil exports, reflecting the adverse effects of currency misalignment and market fragmentation. In contrast, the official exchange rate had a positive and marginally significant effect, suggesting that moderate depreciation enhances export competitiveness. The study concludes that exchange-rate stability, particularly convergence between official and parallel markets, is critical for sustainable export growth. The study concludes that sustainable growth in Nigeria's non-oil exports depends less on exchange-rate depreciation itself and more on achieving stability and convergence between the official and parallel foreign exchange markets through coordinated monetary and exchange-rate policies.

Keywords: Parallel Exchange Rate, Non-Oil Export, Official Exchange Rate, Inflation, Money Supply, Interest Rate

INTRODUCTION

Exchange rate dynamics remain a central determinant of a country's external performance, particularly in developing economies where trade structures are narrow and foreign exchange markets are imperfect. A stable and competitive exchange rate can stimulate export earnings and growth, while persistent volatility and misalignment weaken production incentives and revenue stability (Adelowokan et al., 2015; Ehikioya, 2019). Exports serve not only as a source of foreign exchange but also as a mechanism for employment generation, income growth, and macroeconomic stabilization, especially in economies seeking to reduce inflationary and balance-of-payments pressures (Jayathilaka, 2023). Within this framework, the exchange rate functions as a critical price signal that shapes international competitiveness and guides investment and production decisions (Emerenini & Ajudua, 2014).

For developing economies, exchange-rate movements exert stronger and more destabilizing effects than in advanced countries, largely due to shallow financial markets, weak institutions, and heavy dependence on imported inputs (Aghion et al., 2009; Slavtcheva, 2015; Tule et al., 2018). Empirical

evidence consistently shows that exchange-rate volatility in such settings amplifies uncertainty, discourages private investment, and constrains trade performance (Vo & Tran, 2020; Yip et al., 2020). In Nigeria, these vulnerabilities are compounded by a mono-product export structure dominated by crude oil, persistent inflationary pressures, and repeated episodes of exchange-rate depreciation despite successive reform efforts (Olisadebe, 1991; Mohammed & Maduechesi, 2021; Abnikanda & Akinbobola, 2023).

Although Nigeria has implemented numerous export-promotion initiatives, including the establishment of NEXIM, NEPC, and export processing zones, non-oil export performance has remained weak and uneven (Okosodo & Imoughele, 2019). Structural constraints such as limited domestic productive capacity, import dependence, and chronic foreign exchange shortages continue to undermine competitiveness in agriculture and manufacturing (Owuru & Farayibi, 2016; Rilwanu & Elisha, 2021). These weaknesses have been intensified by the coexistence of official and parallel foreign exchange markets, which has generated persistent price distortions and widened exchange-rate premiums (World Bank, 2022; CBN, 2023).

Theoretically, the presence of a large and volatile parallel exchange rate undermines the transmission of monetary policy and weakens export incentives by distorting relative prices and raising transaction costs. Drawing on the Keynesian framework, exchange-rate misalignment affects liquidity conditions, interest rates, and firms' access to credit, thereby influencing production and export decisions (Keynes, 1936; Jahan, Mahmud, & Papageorgiou, 2014). From a structural perspective, the Prebisch–Singer hypothesis highlights how reliance on primary commodities and weak diversification expose developing economies to adverse terms-of-trade shocks, making exchange-rate stability essential for sustaining non-oil export growth (Prebisch, 1950; Singer, 1950; Hesse, 2008). Against this theoretical background, this study adopts the analytical expectation that the parallel exchange rate exerts a stronger and more adverse influence on Nigeria's non-oil export performance than the official exchange rate. This expectation is grounded in the argument that exporters often transact at or reference parallel-market rates due to limited access to official foreign exchange, making the parallel rate a more relevant price signal for production costs, profitability, and investment decisions (Oyetayo, Olaifa, & Olubiyi, 2024; Okpaga, 2024). Consequently, even when official depreciation appears competitive on paper, widening parallel-market premiums may negate potential export gains by increasing uncertainty and eroding margins.

Empirical evidence on this issue remains mixed. While some studies report that exchange-rate movements stimulate exports (Doyle, 2001; Odungweru & Ewubare, 2020; Usman & Yusuf, 2023), others document significant negative effects arising from volatility and misalignment, particularly for non-oil exports (Pozo, 1992; Chowdhury, 1993; Owuru & Farayibi, 2016; Bello, 2024). This lack of consensus, combined with Nigeria's widening exchange-rate dualism and persistent export underperformance, underscores the need for renewed empirical investigation. Accordingly, this study examines the effects of both the parallel and official exchange rates on Nigeria's non-oil export performance using monthly data from 2008M1 to 2024M12 within an Autoregressive Distributed Lag (ARDL) framework. By explicitly distinguishing between the two exchange-rate channels, the study contributes to the literature by clarifying which rate dominates export outcomes

in a dual-market context and by providing policy-relevant evidence on the importance of exchange-rate convergence and stability for sustainable non-oil export growth in Nigeria.

LITERATURE REVIEW

The relationship between exchange rate movements and export performance has received extensive attention in both theoretical and empirical literature. Conventional trade theory suggests that currency depreciation improves export competitiveness by lowering the foreign-currency price of domestically produced goods, thereby stimulating external demand (Pozo, 1992; Chowdhury, 1993). Empirical evidence from developed and emerging economies, however, indicates that this relationship is neither linear nor automatic, especially in environments characterized by structural rigidities and market imperfections (Aghion et al., 2009; Vo & Tran, 2020).

In developing economies, exchange rate volatility often undermines export growth by increasing uncertainty, discouraging long-term investment, and raising hedging costs for firms (Emerenini & Ajudua, 2014; Yip et al., 2020). Studies focusing on Africa and other commodity-dependent regions show that depreciation-induced gains are frequently offset by import dependence, weak supply responses, and inflationary pressures (Slavtcheva, 2015; Tule et al., 2018). These findings suggest that the effectiveness of exchange rate adjustments depends critically on domestic production structures and access to foreign exchange. Nigeria-specific studies reveal mixed evidence on the export effects of exchange rate movements. Some empirical works report that depreciation enhances non-oil export performance by improving price competitiveness (Doyle, 2001; Odungweru & Ewubare, 2020; Usman & Yusuf, 2023). Conversely, a growing strand of literature emphasizes the adverse role of exchange rate volatility and misalignment in suppressing export growth, particularly in the non-oil sector (Owuru & Farayibi, 2016; Rilwanu & Elisha, 2021; Bello, 2024).

Several studies highlight structural constraints that weaken the transmission of exchange rate changes to export outcomes in Nigeria. These include heavy reliance on imported inputs, limited industrial capacity, infrastructural deficits, and weak financial intermediation (Olisadebe, 1991; Mohammed & Maduechesi, 2021; Abnikanda & Akinbobola, 2023). As a result, depreciation often raises production costs and inflation rather than stimulating export supply, thereby diluting potential competitiveness gains. An important limitation of much of the existing literature is its reliance on the official exchange rate as the sole measure of currency valuation, despite the persistent coexistence of official and parallel foreign exchange markets in Nigeria. Empirical evidence suggests that parallel exchange rates often diverge significantly from official rates, reflecting liquidity shortages, expectations, and market-clearing conditions (World Bank, 2022; CBN, 2023). This divergence creates price distortions and weakens the effectiveness of exchange-rate-based export policies.

Literature argue that the parallel exchange rate may be more relevant for exporters, particularly when access to official foreign exchange is rationed or uncertain (Oyetayo, Olaifa, & Olubiyi, 2024; Okpaga, 2024). Firms frequently source inputs and price contracts using parallel-market rates, implying that official exchange rate movements may have limited practical relevance for production and export decisions. Yet, empirical work explicitly comparing the export effects of official and

parallel exchange rates remains scarce. From a Keynesian standpoint, exchange rate instability affects exports through liquidity constraints, interest rates, and investment expectations, thereby weakening aggregate supply responses (Keynes, 1936; Jahan, Mahmud, & Papageorgiou, 2014). Structuralist theories further emphasize that economies dependent on primary commodities and narrow export bases are particularly vulnerable to exchange rate misalignment, reinforcing the arguments advanced by the Prebisch–Singer hypothesis (Prebisch, 1950; Singer, 1950; Hesse, 2008). These perspectives suggest that exchange rate management alone is insufficient for export diversification unless accompanied by structural reforms and market convergence. In Nigeria's case, the persistence of exchange-rate fragmentation may therefore represent a binding constraint on non-oil export growth, regardless of the direction of official exchange rate movements.

The literature provides valuable insights into the relationship between exchange rates and export performance, but reveals three key gaps. First, existing studies offer conflicting conclusions on whether depreciation enhances or suppresses non-oil exports in Nigeria. Second, most analyses focus exclusively on the official exchange rate, neglecting the growing influence of the parallel market. Third, limited attention is paid to how exchange-rate dualism alters exporters' cost structures, expectations, and competitiveness. This study addresses these gaps by explicitly distinguishing between the official and parallel exchange rates and examining their respective effects on non-oil export performance using high-frequency monthly data and an ARDL framework. By doing so, it contributes to the literature on exchange rate misalignment, export diversification, and macroeconomic management in developing economies with segmented foreign exchange markets.

METHODOLOGY

This study investigates the impact of the parallel exchange rate upon the non-oil export performance of Nigeria by utilising the relevant series of parallel exchange rate, official exchange rate, interest rate, money supply, inflation rate, as well as the monthly non-oil export value. The paper utilised monthly secondary data obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin. Non-oil export performance (NEXP), proxied by the nominal value of non-oil export of goods and services, is measured in Naira million. The parallel market exchange rate (PEXR), official exchange rate (OEXR), maximum interest rate (MLR), and inflation rate (INFL) are expressed in rates. Money supply (MS) is expressed in Naira Million.

The data used range from 2008M1 to 2024M12 and were chosen based on availability and literature (Odungweru & Ewubare, 2020; Ashamu, 2020; Okosodo & Imoughele, 2019; Owuru & Farayibi, 2016; Demez & Ustaoglu, 2012). In order to investigate the above objective, this study adapts the empirical model by Oyetayo, Olaifa, and Olubiyi (2024), who analyse trade effects of parallel exchange rate in Nigeria using an autoregressive distributed lag model with data from January 2008 to December 2024. The modified functional form of the model is expressed in equation [1]:

[1] $$NEXP = f(PEXR, OEXR, MLR, M2, INF)$$

Where: NEXP = Non-oil Export Performance proxied by nominal value of export (Naira Million), PEXR = Parallel Exchange Rate (N/US$), OEXR = Official Exchange rate (N/US$), MLR = Maximum Interest Rate (rate), M2 = Money Supply (nominal), INF = Inflation (Rate).

To minimise the sharpness in time series data and produce effective outcomes, the low-frequency data, non-oil export and money supply (NEXP & MS) in nominal form, were log-transformed following the approach of Shahbaz et al. (2013).

The ARDL is a dynamic model suitable for impact studies and is also chosen because it is suitable when the variables in the model are integrated of orders zero [I(0)] and one [I(1)]. It can also be used even with a small sample size, irrespective of whether some of the regressors are endogenous. The ARDL model specification of the above functional form in equation [1] is expressed in equation [2];

$$[2] \quad \Delta NEXP_t = \delta_o + \delta_1 NEXP_{t-1} + \delta_2 PEXR_{t-1} + \delta_3 OEXR_{t-1} + \delta_4 M2_{t-1} + \delta_5 MLR_{t-1} + \delta_6 INF_{t-1} + \sum_{i=0}^{p} \varphi_1 \Delta NEXP_{t-1} + \sum_{i=0}^{q} \varphi_2 \Delta PEXR_{t-1} + \sum_{i=0}^{q} \varphi_3 \Delta OEXR_{t-1} + \sum_{i=0}^{q} \varphi_4 \Delta M2_{t-1} + \sum_{i=0}^{q} \varphi_5 \Delta MLR_{t-1} + \sum_{i=0}^{q} \varphi_6 \Delta INF_{t-1} + \lambda ECM_{t-1} + \varepsilon_t$$

where $\delta_1 - \delta_6$ are the long-run parameters; $\varphi_1 - \varphi_6$ are the short-run parameters; $\delta 0$ and ε are the intercept term and the white noise stochastic term, respectively. λ is the parameter of the error correction mechanism (ECM); ln is the natural logarithm of the variables, and Δ is the difference operator. A shock to any of the regressors may not result in an immediate long-run effect on NEXP, which creates disequilibrium in the system and requires that the short-run adjust to its long-run equilibrium through the error correction mechanism $(ECMt-1)$. The $ECMt-1$ is a one lag error correction term that accounts for the speed of adjustment to the long-run equilibrium.

The study's primary estimation method was the Autoregressive Distributed Lag (ARDL) Model. Other econometric diagnostic techniques include the Heteroskedasticity Test, the Breusch-Godfrey Serial Correlation LM Test (Breusch-Pagan-Godfrey), and the Ramsey Test. RESET Tests. The analysis began with the summary of descriptive statistics and the preliminary Augmented Dickey Fuller unit root test.

RESULTS AND DISCUSSION

Table 1: Descriptive Statistics

	NEXP	PEXR	OEXR	MLR	M2	INF
Mean	458.2771	365.5289216	340.7931863	26.41289	28840820	14.64074
Median	374.8	355.91	294	27.01	21809848	12.79
Maximum	2627.87	1670.47	1670.47	31.56	1.13E+08	34.8
Minimum	114.14	118.7	117.73	17.58	6527673	7.71
Std. Dev.	338.3884	326.9387382	330.0780389	3.476309	23606349	6.31456
Skewness	3.000901	2.64895764	2.781591395	-0.51421	1.950986	1.604888
Kurtosis	15.00077	9.905837996	10.34792012	2.558125	6.479771	5.313021

Jarque-Bera	1530.34	643.9472903	721.9979289	10.64968	232.3406	133.0481
Probability	0	1.47E-140	1.66E-157	0.004869	3.53E-51	1.29E-29
bservations	204	204	204	204	204	204

Source: *Extract from EViews 13 Output*

Table 1 represents descriptive statistics, which reveal notable disparities and volatility across Nigeria's key macroeconomic and financial indicators. Non-oil exports (NEXP) averaged ₦458.28 billion, with a wide spread and a sharp right-skew (3.00), indicating a few unusually high export values during the period. The parallel exchange rate (PEXR) averaged ₦365.53 per US $, marginally above the official exchange rate (OEXR) mean of ₦340.79, reflecting the persistent exchange-rate premium that characterises Nigeria's dual-rate system. Both rates exhibit high volatility and strong positive skewness and kurtosis, signifying frequent sharp depreciations. The maximum lending rate (MLR) averaged 26.41 percent, with mild dispersion and near-normal distribution, suggesting moderate policy variation. Money supply (M2) shows the largest variability, consistent with episodes of monetary expansion. Inflation (INF) averaged 14.64 percent, ranging from 7.71 to 34.8 percent, and displayed positive skewness (1.60) and leptokurtosis (5.31), indicating occasional price surges. The high Jarque–Bera statistics across most variables confirm significant departures from normality, emphasising structural distortions and shocks that influence Nigeria's non-oil export performance and macroeconomic stability. One of the preconditions for modelling time series data is determining the stationarity status of the variables of interest. As a result, Table 2 presents the unit root testing results obtained from Augmented Dickey Fuller unit root tests considered.

Table 2: Unit Root Test

Augmented Dickey-Fuller Unit Root Test								
Variables	*ADF @ Level*	*Prob.*	*ADF @ 1st Diff.*	*1% Critical Value*	*5% Critical Value*	*10% Critical Value*	*Prob.*	*Order of Integration*
NEXP	-2.944**	0.0423	-4.876***	-3.464	-2.876	-2.574	0.0001	I(0)
PEXR	1.257	0.9984	-13.031***	-3.462	-2.875	-2.574	0.0000	I(1)
OEXR	1.648	0.9996	-13.600***	-3.462	-2.875	-2.574	0.0000	I(1)
MLR	-2.914	0.0454	-12.599***	-3.462	-2.875	-2.574	0.0000	I(1)
M2	1.422	0.9991	-14.518***	-3.462	-2.875	-2.574	0.0000	I(1)
INF	0.1897	0.9714	-6.587***	-3.462	-2.875	-2.574	0.0000	I(1)

Source: *Extract from EViews 13 Output*

The Augmented Dickey-Fuller (ADF) unit root test results in Table 2 indicate that the variables exhibit mixed orders of integration. Specifically, non-oil export (NEXP) is stationary at a level, implying it is integrated of order zero, I(0), and thus mean-reverting in its natural form. Conversely, the parallel exchange rate (PEXR), official exchange rate (OEXR), maximum lending rate (MLR), money supply (M2), and inflation (INF) are non-stationary at the level but become stationary after first differencing, signifying that they are integrated of order one, I(1). However, the first approach,

the ARDL bound test, is to establish the existence of long-run co-integration, which is presented in Table 3.

Table 3: Bounds Cointegration Test

Bounds Test						
Test Statistic			Value			
F-statistic			20.45669780357597			
Bounds Critical Values						
	10%		5%		1%	
Sample Size	I(0)	I(1)	I(0)	I(1)	I(0)	I(1)
Asymptotic	2.08	3	2.39	3.38	3.06	4.15
* I(0) and I(1) are respectively the stationary and non-stationary bounds.						

Source: *Extract from EViews 13 Output*

The ARDL bounds cointegration test in Table 3 reveals an F-statistic of 20.46, which far exceeds the upper critical value of 4.15 at the 1% significance level. This indicates a strong rejection of the null hypothesis of no long-run relationship among the variables. In other words, despite the mixed order of integration (I(0) and I(1)) among the series, there exists a statistically significant long-run equilibrium relationship between non-oil export and the parallel exchange rate model. This validates the suitability of the ARDL framework for further estimation and long-run coefficient analysis.

Table 4: Conditional Error Correction

Selected model: ARDL (1,0,0,0,0,0)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOG(NEXP(-1))*	-0.845	0.071	-11.943	0.000
LOG(PEXR)**	-1.133	0.420	-2.696	0.008
LOG(OEXR)**	0.947	0.515	1.841	0.067
LOG(M2)**	0.478	0.241	1.985	0.049
INF**	-0.014	0.017	-0.805	0.422
LOG(MLR)**	-0.112	0.603	-0.186	0.852
C	-1.364	2.438	-0.559	0.576
Error Correction				
COINTEQ*	-0.845	0.070	-12.118	0.000
* p-values are incompatible with the t-bounds distribution.				
** Zero-lag variable.				

Source: *Extract from EViews 13 Output*

Table 4 reports the short-run ARDL estimates of the relationship between exchange rate variables and non-oil export performance in Nigeria. In the short-run (Table 4), the parallel market exchange rate exhibits a negative and statistically significant coefficient, indicating that depreciation in the parallel market undermines non-oil export performance. Beyond statistical significance, the

elasticity is economically meaningful, implying that a one-percent increase in the parallel exchange rate leads to a proportionate decline in non-oil exports. This result reflects the reality that many exporters source foreign exchange inputs through the parallel market, where depreciation raises effective production costs, increases uncertainty, and compresses profit margins. Exchange-rate fragmentation, therefore, acts as a distortionary tax on export activity rather than a competitiveness-enhancing mechanism. This finding aligns with Nigerian evidence emphasizing the adverse effects of exchange-rate misalignment and volatility on real sector outcomes (Nwosa & Amassoma, 2014; Saidu et al., 2018; Okonkwo et al., 2021).

By contrast, the official exchange rate displays a positive but marginally significant long-run effect on non-oil exports. The smaller magnitude of this elasticity suggests that moderate official depreciation may improve price competitiveness, but only weakly so. The divergence in sign and strength between the official and parallel rates indicates that exporters respond primarily to the rate at which transactions actually occur, rather than to administratively quoted benchmarks. This result supports the view that exchange-rate dualism, rather than depreciation alone, constrains export growth in Nigeria, consistent with broader evidence from developing economies where segmented foreign exchange markets weaken policy transmission (Combes, Kinda, & Plane, 2011; Morrissey & Udomkerdmongkol, 2014).

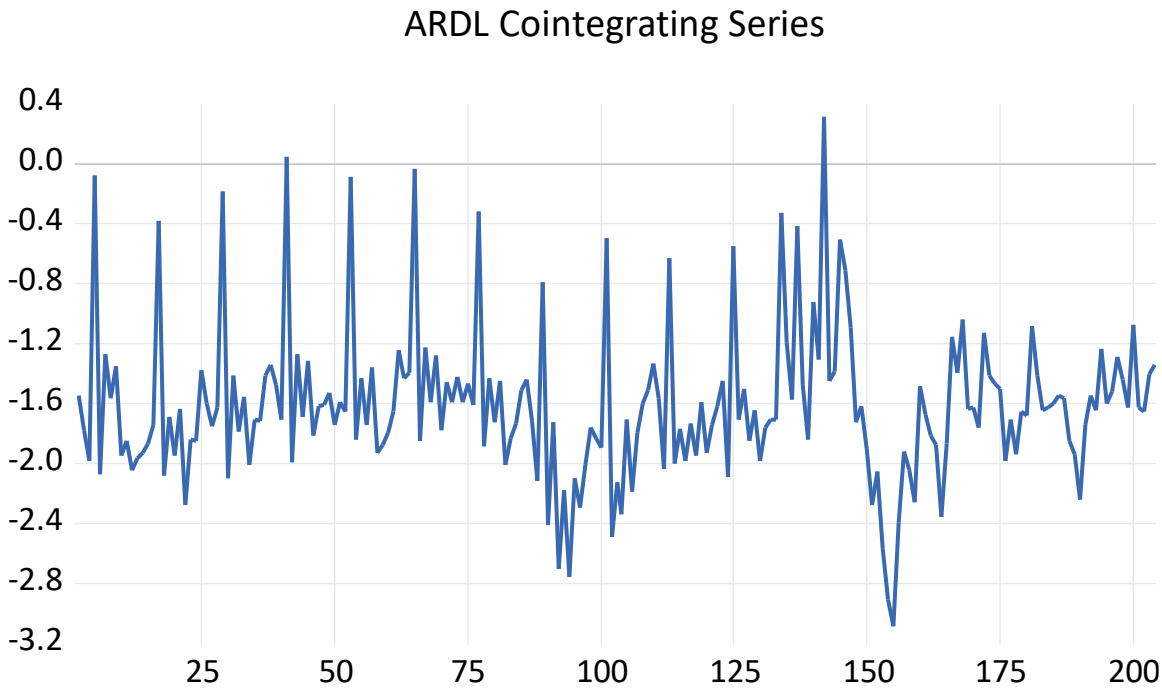
Relative to earlier Nigerian studies that examine exchange rates in aggregate form, the present findings add value by explicitly distinguishing between exchange-rate segments and by employing monthly data over an extended period (2008–2024). This higher-frequency approach captures short-lived market pressures, policy shifts, and episodes of heightened parallel-market premiums that are often smoothed out in annual data. As such, the results go beyond confirming earlier conclusions by demonstrating that the parallel market dominates the export response channel, especially in periods of foreign exchange scarcity. The significant and correctly signed error-correction term (-0.845) implies a rapid rate of adjustment toward equilibrium, confirming a stable long-run relationship. The error-correction coefficient is negative and statistically significant, confirming the existence of a stable long-run relationship among the variables and indicating a relatively fast adjustment toward equilibrium following short-term shocks. This speed of adjustment suggests that non-oil exports are responsive to exchange-rate disequilibria, consistent with evidence that exporters react quickly to changes in cost conditions and market access (Adokwe et al., 2019; Arotiba & Osemene, 2018).

Table 5: Cointegrating Coefficients

Variable *	Coefficient	Std. Error	t-Statistic	Prob.
LOG(PEXR)	-1.340	0.488	-2.745	0.007
LOG(OEXR)	1.120	0.603	1.859	0.065
LOG(M2)	0.565	0.280	2.018	0.045
INF	-0.016	0.020	-0.809	0.419
LOG(MLR)	-0.133	0.712	-0.187	0.852

Note: * Coefficients derived from the CEC regression.
Source: *Extract from EViews 13 Output*

Similarly, Table 5 presents the associated long-run dynamics and the error-correction mechanism. In the long-run, fluctuations in the parallel exchange rate continue to exert a negative effect, reinforcing the argument that parallel-market volatility transmits rapidly to export performance through expectations, liquidity constraints, and pricing uncertainty. While the results are robust, it is important to acknowledge potential concerns relating to reverse causality and omitted variables, particularly the possibility that weak export performance may itself intensify foreign exchange pressures. The ARDL framework remains appropriate in this context because it accommodates variables with mixed orders of integration, captures both short- and long-run dynamics, and mitigates simultaneity concerns through its lag structure (Pesaran, Shin, & Smith, 2001). Nonetheless, the estimates should be interpreted as conditional relationships rather than strict causal effects.



Source: *Extract from EViews 13 Output*

Figure 1: *ARDL Cointegrating Series*

The plotted ARDL cointegrating series shows fluctuations that oscillate around a stable mean, indicating that the residuals from the long-run relationship are mean-reverting. The pronounced spikes suggest temporary deviations from equilibrium, possibly due to short-term shocks in exchange rates or monetary variables, but the subsequent corrections back toward the zero line confirm the existence of a stable long-run equilibrium among the variables. This visual pattern supports the earlier bounds-test result, affirming cointegration and validating the ARDL model reliability for explaining the long-run dynamics of non-oil exports in Nigeria.

Table 6: Post-Estimation Results

Linearity Test	Autocorrelation test	Heteroscedasticity test
Ramsey RESET	**LM Test**	**ARCH**
0.168216	0.387026	0.1668021
(0.6821)	(0.6801)	(0.6834)

Source: *Extract from EViews 13 Output*

Note that probability values for the post-estimation test are in parentheses

Table 6 presents the post-estimation diagnostic results for the model. The probability values indicate that the null hypotheses of linearity, no autocorrelation, and homoscedasticity cannot be rejected, confirming that the model is correctly specified and stable. The Ramsey RESET test supports the adequacy of the model's functional form, while the LM and ARCH tests reveal no evidence of serial correlation or heteroscedasticity in the residuals. Overall, these outcomes suggest that the estimated ARDL model for non-oil exports is well-behaved, with efficient and reliable coefficients suitable for sound policy interpretation.

Conclusion and Policy Remarks

This study provides new empirical insight into Nigeria's non-oil export performance by explicitly distinguishing the roles of the official and parallel exchange rates within a unified ARDL framework using high-frequency monthly data from 2008 to 2024. Beyond confirming the existence of a stable long-run relationship, the study contributes to the literature by demonstrating that parallel market exchange-rate dynamics exert a stronger and more economically meaningful influence on non-oil exports than the official rate. This finding is particularly relevant in the context of Nigeria's recent exchange-rate liberalization episodes, where persistent spreads between official and parallel markets continue to shape exporters' pricing decisions, cost structures, and expectations. The evidence shows that while moderate depreciation in the official market can enhance competitiveness, distortions and volatility in the parallel market significantly undermine export performance by weakening price signals and increasing uncertainty. By highlighting the empirical dominance of the parallel market channel, this study extends earlier Nigerian studies that relied on shorter samples or annual data and underscores the importance of informal market dynamics in understanding trade outcomes.

The policy implications follow directly from these results. First, exchange-rate reform efforts should prioritize convergence between official and parallel markets, as sustained fragmentation erodes the potential gains from depreciation-led competitiveness. The Central Bank of Nigeria should therefore deepen market-based foreign exchange allocation by expanding access to the Investors' and Exporters' window, improving liquidity through export proceeds and diaspora remittances, and strengthening oversight against speculative practices that widen market premia. Second, the positive role of monetary expansion observed in the estimates suggests that liquidity support can aid non-oil exports only when coordinated with credible exchange-rate management and channelled toward export-oriented sectors such as manufacturing, agro-processing, and logistics.

Finally, it is important to acknowledge that the analysis relies on aggregate non-oil export data and does not capture sector-specific export dynamics or firm-level heterogeneity, which may moderate exchange-rate effects across industries. Future research could extend this framework by incorporating disaggregated export categories or firm-level evidence to deepen understanding of how exchange-rate distortions transmit across Nigeria's export base.

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