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The demand for international reserves and monetary equilibrium: the case of nigeria.

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Abstract

The purpose of this paper is to empirically evaluate a dynamic error correction model that incorporates monetary disequilibrium in the demand for international reserves using Nigerian data for the period 1970 – 2007. The results show that reserves movement respond both to actual and desired reserves divergences and equally to monetary disequilibrium conditions; implying a high level of international reserves sterilization and equilibrium adjustment correction in the Nigerian financial system.

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