

Nigerian elections less exciting than widely supposed

The lengthy run-up to the Nigerian presidential election in February 2019 is underway so we thought we would try to test some of the conventional wisdom on the economic impact of polls. Many companies in the services sector have told their senior staff to book deals in the pipeline in the first half of 2018 on the grounds that business thereafter somehow grinds to a halt. This advice applies to the private sector. The government is not quiet in the run-up and will launch a number of initiatives to enhance its standing with the electorate.

So we have looked at the data for evidence of soaring government expenditure, rampant money supply growth and faltering investment. The data cover the six-month periods leading to the presidential elections of April 2011 and March 2015. We hear an objection from afar that our search will find nothing because the perpetrators of electoral skulduggery know how to hide the traces of their work.

On federal government spending, there was a sharp increase in Q2 2011 of more than 35 per cent y/y and 50 per cent q/q. This can be traced to a vote in National Assembly in February 2011 to raise the national minimum wage from N7,500 to N18,000 per month. The increase was the initiative of the then president (Goodluck Jonathan). The fiscal data leading up to the 2015 elections does not reveal anything of note.

Turning to broad money supply (M3), the growth m/m was consistently below 3 per cent with one exception (12.7 per cent in January 2015). We arrive at a similarly bland conclusion when we look at narrow money (M1).

Our third test leads us to investment flows, for which we have taken the monthly turnover on the Nigerian Stock Exchange as our proxy. The range of N175bn to N260bn (US\$890m to US\$1.32bn at the time) over the six months to March 2015 does not suggest an election-driven flight from trading. Perhaps more significantly, there was no surge in turnover following an election that scored well for conduct.

Some commentators lazily fall back on a basic formula: Nigeria + elections = large-scale macro slippage. Incidentally, if they were to look at Ghana, they would find evidence to support a different formula: Ghana + alternate elections + two parties with support of similar magnitude = critical fiscal slippage. In truth, elections in Nigeria since the return of civil rule in 1999 have not been closely fought so we have not had an instance where the result has been tight enough to justify a plausible call of "fraud" from the loser. The candidate/party which has the backing of two of the three broad regional blocks wins the elections.

Which brings us to February 2019. We have more than 12 months to go but there have been stirrings to report. A campaign of sorts for a second term for Muhammadu Buhari is underway, not that the president has given it his blessing. The president's health must have improved since such a project would have been inconceivable on his return from his latest medical leave of absence in London in August. He has been travelling too, and returned this week from a conference in Paris.

At this point, we feel that the ruling All Progressives Congress (APC) and its presidential candidate, whether it is to be Buhari or another northern heavyweight, will prevail in 2019. They will surely look to extend the victorious alliance with the south-west (Action Congress of Nigeria) but may have to cede more in the negotiations than four years ago. The congress can point to some successes in office on

security, management of the public finances and social interventions yet would have achieved rather more if decision-taking was not overly centralised within the presidency. For the sake of deepening reform, the ideal candidate would be Yemi Osinbajo but the reforming vice-president, is effectively disqualified, being a Yoruba from the south-west.

By all accounts, it is the north's "turn". A contest between northern candidates therefore beckons. For the opposition Peoples Democratic Party (PDP), the candidate may well be Atiku Abubakar. He co-founded the party, defected to the APC before the last election and has now returned to the fold. Clearly he is a big hitter in Nigerian politics but has a huge task to make the PDP fit to govern again.

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