

Political Economic Update

Nigeria | Political Economy | Presidential Election | February 28, 2019

PAC RESEARCH

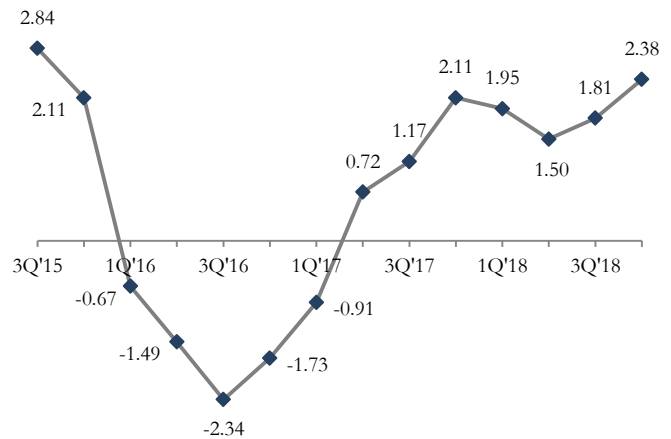
2019 presidential election: What's in it for the economy?

Nigeria held her presidential and National Assembly election on February 23rd 2019, the presidential candidate of the ruling party - President Muhammadu Buhari - was declared the winner by the Independent National Electoral Commission (INEC). President Buhari scored 15.19 million votes to defeat his main challenger, former Vice President Atiku Abubakar of the opposition party who scored 11.26 million votes according to the votes collated and released by INEC. Generally, the election was adjudged by some international observers to be relatively credible, free and fair, notwithstanding the pockets of violence that took place in some part of the country.

In the second term of President Buhari we expect to see intense drive on the economic programmes of the Administration such as ERGP with focus on achieving more tangible results. In addition, a new economic plan is expected to be crafted and put in place by 2020 since the ERGP is meant for a period of four years, i.e. 2017 to 2020. On the monetary side, we expect to see a continuation of the objective of price stability which has been the focus of the monetary policy committee, through intervention in the foreign exchange market, this in line with the policy of the Administration. That is, exchange rate stability and the pursuit of a single-digit headline inflation objective. Although, this depends on whether the tenure of the current Governor of the Central Bank of Nigeria (CBN) will be renewed or not when it ends in June 2019. Furthermore, we expect to see more efforts at strengthening the economic growth rate. Since the economy exited recession in the second quarter of 2017, the GDP growth rate has been sluggish and fragile, compounded by the weak performance of the oil sector. In addition, the current efforts to boost activities in the agriculture sector are expected to be sustained, supported by increased resources through subsidised inputs and soft loans such as the Anchor Borrowing Programme of the CBN. However, the full results of these efforts might be dampened by the elevated tension between food crop farmers and herders that has been persistent in some part of the country.

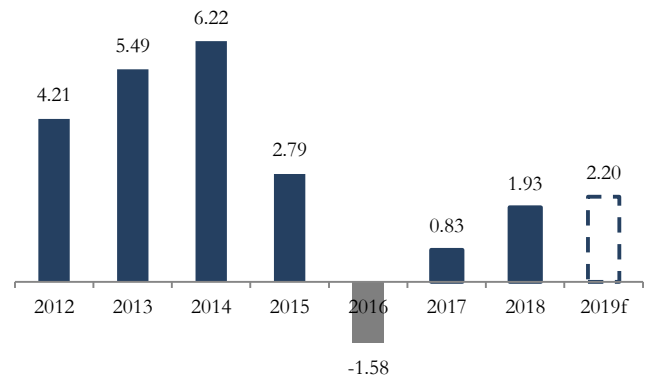
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Fig. 1: Quarterly real GDP growth rates (%)



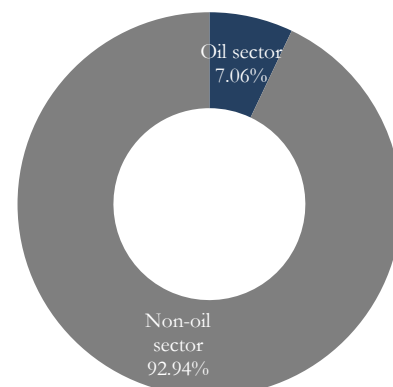
Source: NBS, PAC Research

Fig. 2: Yearly GDP real growth rates (%)



Source: NBS, PAC Research

Fig. 3: Contribution to GDP in 4Q'18 – oil sector and non-oil sector



Source: NBS, PAC Research

Relatively successful election to rob off on the equity market. The fact that the election was relatively successful and peaceful is expected to have positive impact on the equity market in the short term. The projections of the likelihood of violence before, during and after the election did not materialise substantially, although there were pockets of violence in some parts of the country during the election. We expect this development to strengthen the belief of foreign investors on the potential of the nation's economy and to alleviate the political risk associating with the nation.

Moreover, there is likely going to be more focus on anti-graft war which is one of the main cardinal points of the current Administration. However, this is expected to be carried out within the ambit of the rule of law. Ease of doing business efforts is likely going to receive more attention in the years ahead in order to consolidate on the improvement in the growth rate of the non-oil sector. We expect to see more efforts in improving and diversifying the revenue base of the economy, by reducing the incidence of tax evasion, through enforcement of the relevant tax laws and collaboration among various government agencies and the relevant private sector operators. The current focus on infrastructure development with emphasis on transportation is expected to be sustained in the next four years. This might be achieved at the expense of increased borrowings, considering the gap between revenue generating capabilities of the government and the level of infrastructure deficit. However, the achievement of the expectations depend on the composition of the members of the Administration's economic team in particular and the entire cabinet in general. On the flip side, the processes of decision making is expected to be slow and there may not be sufficient political will to embark on some much-needed economic reforms.

The performance of the "Third Force" is less impressive. A cursory look at the data from INEC revealed that 28.6 million voters were accredited and valid votes were 27.3 million. This translates to a turn-out rate of 34% relative to the total registered voters of 84 million. Seventy-three political parties participated in the election which comprises the ruling All Progressive Congress (APC), the main opposition Peoples Democratic Party (PDP) and the remaining seventy-one political parties which were termed the "Third Force". The APC recorded 56% of the total valid votes, while the opposition PDP had 41% and the Third Force recorded 3%. The performance of the "Third Force" whose presidential candidates comprises of mostly new breed politicians is not impressive with about 3% of the total valid votes considering the persistent agitation among the younger people for power shift. Furthermore, on a geographical basis, the north-west geopolitical zone recorded the highest number of valid votes, i.e. 8.3 million and this translates to 31% of the total valid votes. Also, the north-east and the north-central recorded 4.5 million votes each, this translates to 17% of the total valid votes while the south-west followed with 3.8 million votes (14%). Also, the south-south and the south-east recorded 3.3 million and 2.1 million votes in that order, translating to 13% and 8% of the total valid votes. Therefore, northern region contributed 65% to the total valid votes and the southern region accounted for 35%.

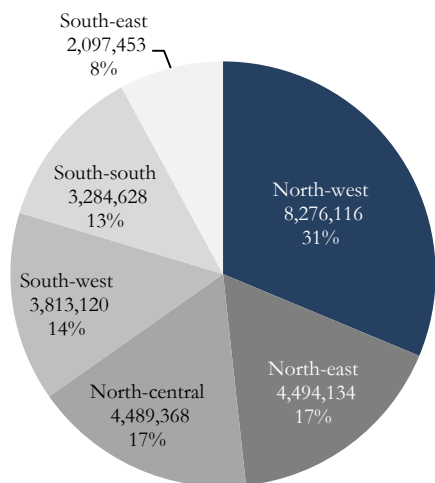
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Fig. 4: Distribution of Total valid votes

APC	15.1 million	56%
PDP	11.2 million	41%
Third Force	0.870 million	3%

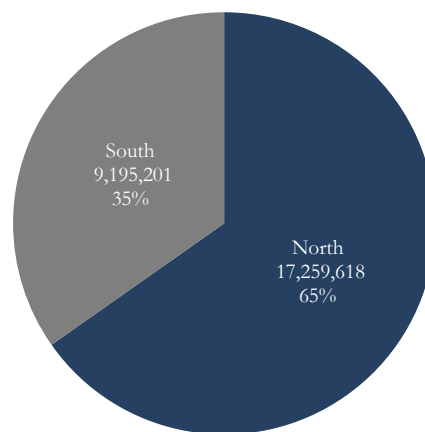
Source: INEC

Fig. 5: Geographical distribution of total valid votes



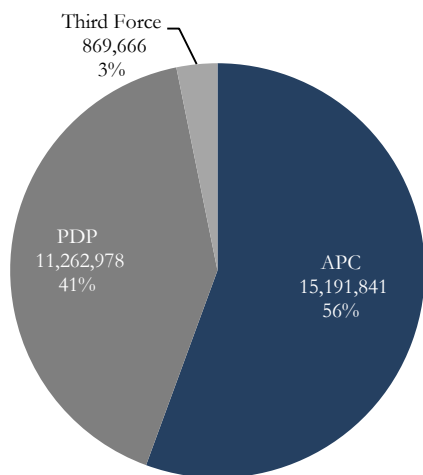
Source: INEC

Fig. 6: Geographical distribution of total valid votes



Source: INEC

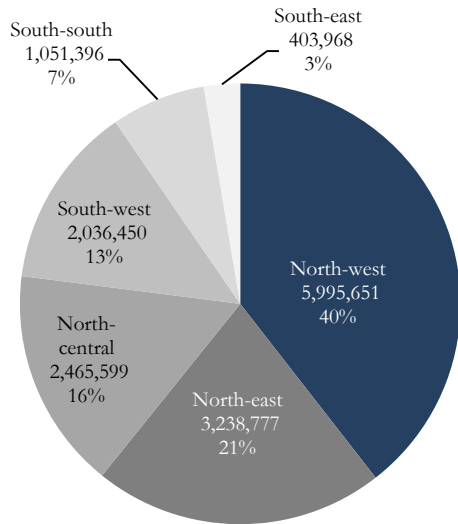
Fig. 7: Distribution of total valid votes among political parties



Source: INEC

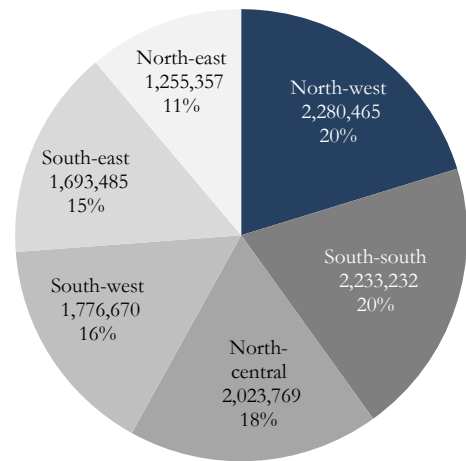
Geographically skewed voters versus geographically balanced voters. For the recently concluded presidential election, the votes garnered by the opposition PDP had geographical spread, while the bulk of the votes of the ruling APC came from the north. The PDP recorded 20% of the total votes cast for the party in each of the north-west and the south-south geopolitical zone and 18% from the north-central. The south-west and the south-east recorded 16% and 15% accordingly, while the north-east contributed 11% to the total votes of the PDP. Also, the party gathered 51% vote from southern region and 49% from the northern region of the country. On the other hand, the ruling APC got 40% of its vote from the north-west, 21% and 16% from the north-east and the north-central respectively and 13% from the south-west. While the south-south and the south-east accounted for 7% and 3% of the total vote of the party in that order. In addition, the party recorded 77% votes from the northern region and the southern region contributed 23% to the total votes of the ruling party.

Fig. 8: APC: Geographical distribution of votes



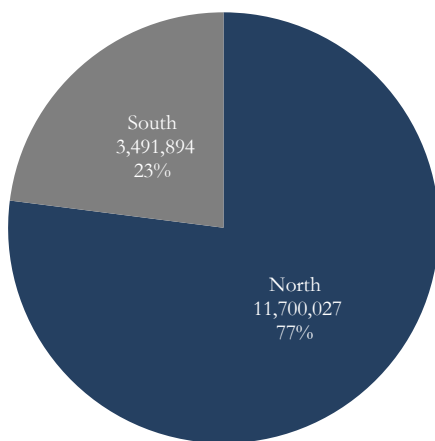
Source: INEC

Fig. 9: PDP: Geographical distribution of votes



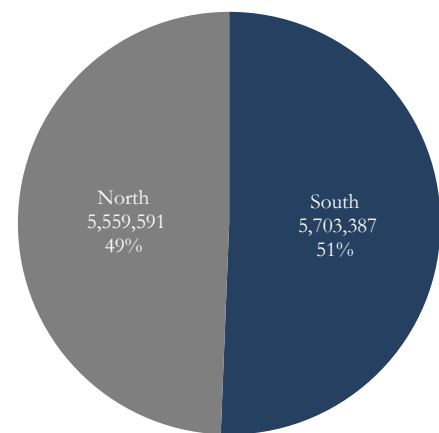
Source: INEC

Fig. 10: APC: Regional distribution of votes



Source: INEC

Fig. 11: PDP: Regional distribution of votes



Source: INEC

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