

How Would 2019 Elections Affect Nigeria's Economy: Looking Through Histories

Elections are major political events that affect a number of sectors of the economy. As the 2019 general elections which is slated to hold in February approaches, and the widespread campaigns and advertisement intensify, variations in the economic conditions are being felt. Democracy involves conception of election as the means of selecting political decision makers and representatives. In Nigeria, just like in many other places, elections are accorded much attention, both in terms of the manner in which they are conducted and their likely impact on some key economic variables.

For instance, it is often argued during election years that inflation tends to rise because of increased campaign and fiscal spending, that exchange rate may rise (depreciation) due to inflationary pressures and demand for dollar as a hedge asset by both domestic and foreign investors, that foreigners' investment may decline because of the uncertainty and that the stock market performance may fall because of foreigners' divestment, domestic investors' apathy and politicians selling down to obtain cash for election. Towards the general elections of February 2019, many analysts and commentators are already using these arguments to expound and give an outlook on the economy.

However, it is imperative to examine whether these arguments are valid for Nigeria, having previously conducted 5 similar elections in 1999, 2003, 2007, 2011 and 2015. Therefore, this write up describes the trends of inflation, exchange rate (parallel), net foreign portfolio investment in the equities market and the stock market All Share Index. The analysis is done for 6 months before (-6) and 6 months after (+6) the election months (0).

As seen in Table 1, in the 1999 elections, inflation rate which was 7.30%, 6 months before elections rose to 14.40% in the election month after which it declined drastically to 0.80%, 6 months after election. Inflation rate rose from 5.40%, 6 months before the 2003 general elections to 8.30% in the election month but unlike in 1999, inflation continued to increase beyond the election month. The 2007 election year experienced a decline in inflation from 6.10% to 4.20% in the month of election beyond which the rate experienced stability. Similarly, an average of 12.33% which was recorded 6 months before 2011 election year dropped to 11.29% in the election month and average of 10.36% was obtained 6 months after the election month. In the 2015, marginal in-



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creases were observed in the inflation rate in the 6 months before election and the rate rose steadily after the election month.

From Table 2, steady increase were documented for the exchange rates 6 months before all the years of elections except in the 2007 election year. Exchange rate which was N86.93 rose to N89.80 in 1999 election month, exchange rate which was N136.25 increased to N138.40 in 2003 election month, in 2007 there was marginal decrease from average value of N129.81 to N129.00. Exchange rate also increased from N153.98 to N157.09 and N260.12 to 274.79 in 2011 and 2017 respectively. It was however observed that exchange rates increased continuously beyond the election months except in 2007 where it declined.

The Net Foreign Portfolio Investments (NFPI) presented in Table 3 reveals that NFPI in 2003 declined from N0.09bn, 6 months before election to -N0.24bn in the election month and further declined afterwards at an average value -0.16. 2007 election experienced increase from 6 months before (3.02) to the election month (22.93) and on the average, recorded a further increase (24.86) 6 months after the election. In 2011, successive increase and decrease trend was observed in NFPI 6 months before election to the election month which continued beyond election. NFPI which was N101.22bn, 6 months before 2015 election declined to 49.5 in the election month and continued to decline.

Stock market activities which is proxied by All Share Index (ASI) experienced decreases between 6 months before election year and the election month in all the years of election as seen in Table 4. The decreasing trend continued after the election in 1999, 2011 and 2015. In 2003 and 2007, there were increases in ASI indices between election months and 6 months after the election.

From the trend exhibited by the economic variables presented in the tables, we expect inflation rate to increase marginally towards election month and continue in the same trend after the election month then stabilize, exchange rate to increase consistently towards the election month, and rise further, 6 months after the election. In consonance to general belief and as being already experienced NFPI will decrease towards the election period and afterwards rise. Similarly, ASI will decrease towards election month and afterwards increase even until 6 months after election.

In lieu of this, the tightening stance of monetary policy will likely continue. CBN will increase its intervention in the foreign exchange market to stabilize the exchange rate as much as Nigeria's reserve will accommodate, otherwise marginal depreciation may be allowed. In addition, Portfolio outflow will likely continue but this gives opportunity for patient investors to come in and take profit when market booms months after election.

Months	1999	2003	2007	2011	2015
-6	7.3	5.4	6.1	13.4	8.5
-5	7.0	12.2	7.8	12.7	8.3
-4	9.0	12.2	8.5	11.8	8.0
-3	10.9	10.6	8.0	12.0	7.9
-2	11.9	7.3	7.1	11.1	7.9
-1	14.3	5.9	5.2	12.7	8.1
0	14.4	8.3	4.2	11.2	8.3
1	13.5	8.7	4.6	12.3	8.4
2	11.6	14.0	6.4	10.2	8.6
3	11.4	12.9	4.8	9.4	9.0
4	8.3	12.4	4.2	9.3	9.1
5	4.0	18.4	4.1	10.3	9.2
6	0.8	23.6	4.6	10.5	9.3

Months	1999	2003	2007	2011	2015
-6	86.9	136.2	130.3	153.9	260.1
-5	87.1	136.5	129.8	153.1	254.0
-4	87.4	136.9	129.3	154.5	250.2
-3	87.6	137.2	130.0	156.0	249.9
-2	87.9	137.6	130.0	155.1	262.8
-1	88.8	138.0	129.3	157.0	254.3
0	89.8	138.4	129.0	157.0	274.7
1	90.7	138.7	129.1	158.0	295.6
2	91.7	139.1	128.3	158.3	294.2
3	92.6	139.5	127.5	163.7	304.7
4	93.6	139.9	127.4	163.1	306.0
5	94.5	140.2	126.5	158.2	306.4
6	95.5	140.6	126.5	161.3	307.2

Months	2003	2007	2011	2015
-6	0.09	3.0	39.1	101.2
-5	0.08	2.4	25.5	116.5
-4	0.07	2.6	26.8	53.3
-3	-0.08	8.5	68.3	51.0
-2	-0.26	10.3	35.6	81.6
-1	-0.18	15.8	38.1	52.4
0	-0.24	22.9	64.0	49.7
1	-0.19	21.1	34.5	41.7
2	-0.16	38.6	67.3	26.9
3	-0.15	16.4	20.7	58.8
4	-0.16	26.4	29.6	48.0
5	-0.12	29.7	43.0	40.0
6	-0.18	16.7	40.8	28.6

M	1999	2003	2007	2011	2015
-6	5795.7	11451.5	32643.7	25042.1	41532.3
-5	5697.7	11622.7	32632.5	24764.6	41210.1
-4	5671.0	12137.7	33189.3	24770.5	37550.2
-3	5688.2	13298.8	36784.5	26830.6	34543.0
-2	5672.7	13668.8	40730.7	26016.8	34657.1
-1	5494.8	13531.1	43456.1	24621.2	29562.0
0	5376.5	13488.0	47123.9	25041.6	30103.8
1	5456.2	14086.3	49930.1	25866.6	31744.8
2	5315.7	14565.5	51330.4	24980.2	34708.1
3	4916.2	13962.0	53021.6	23826.9	34310.3
4	5977.9	15426.0	50291.0	21497.6	33456.8
5	4964.4	16500.5	50229.0	20373.0	30180.2
6	4946.2	18743.5	50201.8	20934.9	29684.8

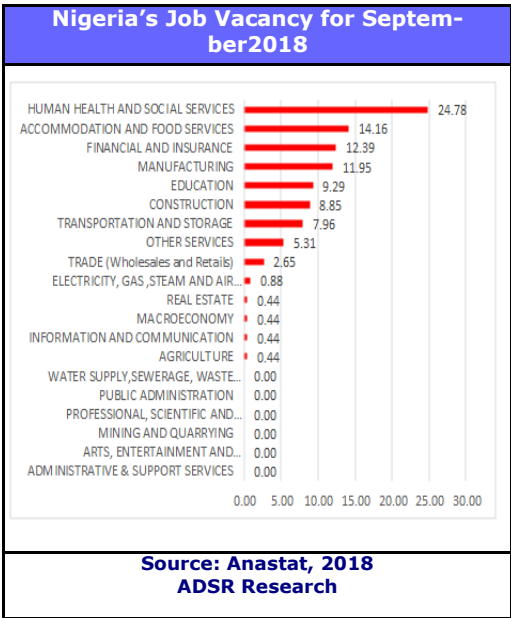
Nigeria's Job Vacancies Dipped in September 2018

The Anstat databank records a decrease of 44.34% in the number of job vacancy advertisement in Nigeria newspapers to 226 in September 2018 from 406 in August 2018. A 49.88% year-on-year decline was also recorded. Result shows the trend, type and pattern of jobs advertised during this period.

Human Health Sector tops the list of the sectors with highest vacancy, accounting for 24.78% of the total number of job advertisement placed. This is followed by the Accommodation and Food Services Sector with 14.16%. During the month, Financial and Insurance Sector takes the third highest rank with 12.39% of the total job advertised. The sectors with the least number of job advertisement include Real estate, Communication and Agriculture, each representing 0.44% of job advertised in September. No job vacancies are available in the Administrative, Arts, Mining, Professional services, Public Administration and Water Supply Sectors.

However, Human Health Sector experiences an increase of 40.00% and 51.35% month on month and year on year respectively while Accommodation and Food Services Sector records a decrease of 60.97% and 23.80% month-on-month and year on year respectively. In addition, the Finance and Insurance Sector is seen to increase by 64.70% and by 7.69% month-on-month and year-on-year basis respectively.

Furthermore, the skills most sought by companies in September 2018 were the professionals which accounts for 40.71% of the job advertisements. Other major skills advertised include Technicians and Associate Professionals, and Managers which constitute 22.12% and 20.35% of job advertisement in the month. Analysis shows that job advertisements in Nigeria continues to reduce from what was recorded in the previous month suggesting the needs to create jobs urgently.



...the total number of job openings decreased from 406 in August to 226 in September 2018.

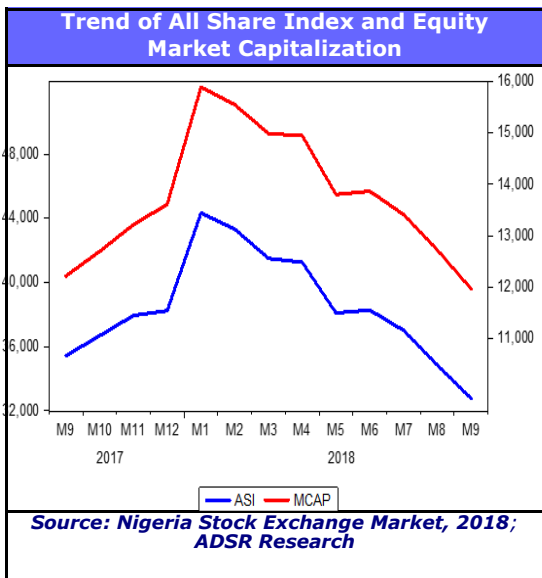
Activities in Nigeria's Capital Market Declined in September 2018

The All Share Index of the Nigerian Stock Exchange closed the month of September 2018 at 32,766.37 representing a decrease of 5.97% from 34,848.45 in August 2018. The equities market capitalization at the end of September 2018 also dropped to N11.96trn from N12.72trn in August, which denotes a 5.97% decrease on month-on-month basis.

Foreign Portfolios Investment (FPIs) increased by 96.21% from N36.17bn recorded in August 2018 to N70.97bn in July 2018. Total domestic transactions decreased by 42.79% from N109.9bn recorded in July to N62.87 in August 2018. In the domestic market, institutional and retail transactions stood at N16.94 and N30.03bn respectively. This depicts a lower institutional participation and decline in retail investments in the stock market.

In the Unlisted Securities Market, the index at the end of September 2018 was 710.6 points, gaining 2.63% month-on-month and gaining 17.48% year-to-date. In the same vein, Market Capitalization for the Unlisted Securities Market ended the month at N480.88bn which is a 2.58% rise month-on-month while it gained 17.48% year-to-date. In addition, monthly rates on the FMDQ showed that the Open Buy Back (OBB) and Overnight (O/N) rate stood at 6.00% and 7.17% respectively for the month of June 2018.

From the foregoing, it is evident that trading activities has slowed down. This can be attributed to increased political uncertainty engendered by pre-election activities and insecurity in some parts of the country. However, this slow growth may continue as general election gets closer.



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Do Companies with Foreign Directors Do More Corporate Social Responsibilities?

Corporate governance and Corporate Social Responsibility (CSR) have independently established themselves as well-researched areas. However, the linkage between both have been scarcely reviewed. Since engaging in CSR activities is influenced by the choices, motives and values of those who are involved in framing and taking decisions in organizations, ownership structure and board composition are important determinants of CSR. Available empirical evidence have found CSR performance to be positively associated with internal and external corporate government mechanism.

In this light, it was critical to assess the relationship between board composition and companies' participation in CSR. This was accomplished using 3,521 data points of listed companies on the Nigerian Stock Exchange (NSE) in the period 1980 to 2016 obtained from AnaStat data bank. Generally, result shows that number of companies that have foreigners on their boards (1,906) are more than number of companies without have foreigners on their boards (1,615) and majority (66.2%) of the companies boards engage in CSR activities. Specifically, result of analysis indicates that majority (66.9%) of companies with foreigners on their boards participate in CSR activities. In the same vein, most (65.3%) of the companies without foreigners on their boards were also seen to participate in CSR activities. Result of inferential analysis shows a Chi-square statistic of 1.03 which is not significant implying there is no significant association between having foreigners on company boards and participating in CSR activities. This is an indication that most companies tend to be socially responsible regardless of the presence of foreign expatriates on their boards.

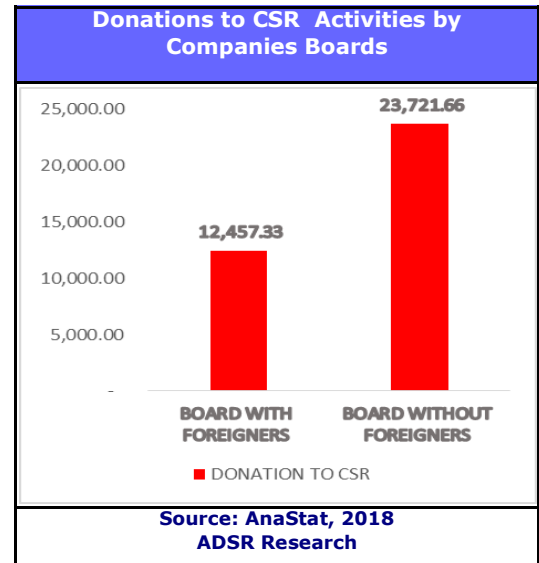
The average amount of donations made to CSR were analysed and presented in a chart. Result shows that companies with foreigners on their boards spent an annual average of N12.45m on CSR activities over the study period compared to N23.72m donated by companies without foreigners on their boards. Results of further analysis reveal that t- statistic of 3.40 is significant at 1%. This implies that there is a significant difference between presence of foreigners and amount of donation made to CSR by companies boards. In other words, companies who do not have foreigners on their boards are likely to spend more on CSR activities than those companies who have foreigners on their boards.

The foregoing confirms the inconsistency in the relationship between board internationalization and CSR performance. Although, having foreigners on boards is argued to be beneficial in terms of diversified expertise and skills, broader social networks and international funding. It may not necessarily lead to enhanced engagement of a company in CSR activities.

Board Composition and Participation in CSR				
	DO CSR	NO CSR	TOTAL	X ² (sig)
BOARD WITH FOREIGNERS	1276 (66.9%)	630 (33.1%)	1,906 (100.0%)	1.03 (0.2)
BOARD WITHOUT FOREIGNERS	1055 (65.3%)	560 (34.7%)	1,615 (100.0%)	
TOTAL	2,331 (66.2%)	1,190 (33.8%)	3,521 (100.0%)	

**Source: AnaStat, 2018
ADSR Research**

There is no significant relationship between having foreigners on company boards and participating in CSR activities.



There is significant relationship between having foreigners on boards and donations made to CSR

Nigeria's Inflation Rate rises in September 2018

The National Bureau of Statistics (NBS) data released in August 2018 revealed that the Consumer Price Index which measures inflation, rose to 11.28% year-on-year for September 2018. This denotes a 0.84 percent points greater than 11.23% recorded in August 2018. This is a second increase after the 18 consecutive disinflation which started in January 2017.

In the same vein, the core index increased by 10.02 percent (year-on-year) in September which rose by 0.64 percent points from the rate recorded in August. In addition, the Food Index increased by 13.31 percent (year on year) which rose by 1.00 percent points from the rate of 13.16 percent reported in August. The Urban and Rural Index stood at 11.70 percent and 10.92 percent in September representing a month-on-month rise of 0.86 and 0.82 respectively.

This rise in inflation rate may be informed by the commencement of electioneering processes and activities which engenders uncertainties in the economy. It is expected that inflation may continue to increase due to election spending as predicted by IMF that base effects will dissipate and spending will rise in lieu of the 2019 election. Also supply constraints in agriculture put pressure on prices. Hence, the CBN and other appropriate authority should be wary of this and apply and/or maintain restrictive monetary policies to avert inflationary pressures.

Trend of Inflation Rate in Nigeria				
	2017 Sep	2018 Jul	2018 Aug	2018 Sep
Headline	15.98	11.14	11.23	11.28
Core	12.12	10.18	10.02	9.84
Food	20.32	12.85	13.16	13.31
Urban	16.18	11.66	11.67	11.70
Rural	15.81	10.83	10.84	10.92

Source: National Bureau of Statistics, 2018; ADSR Research

It is expected that the inflation may continue to increase due to election spending

FGN Shared N714.81bn in August 2018

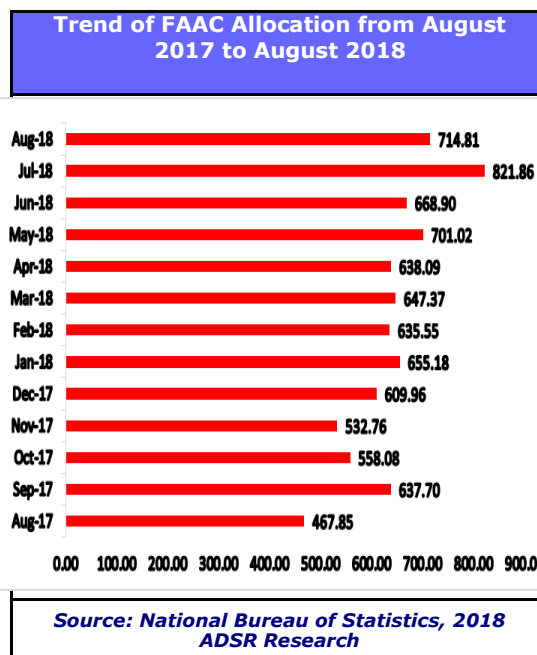
Federation Account Allocation Committee (FAAC) data for August 2018 reveals that FAAC disbursed a sum of N714.81bn from the revenue generated in July 2018. This figure indicated a decline of 13.02% when compared to what was generated in June. The amount disbursed comprised N597.97 from the Statutory Account, N79.81bn from Valued Added Tax (VAT) and N12bn additional distribution funds from NNPC and 25.03bn FOREX distribution.

As regards distribution among the three tiers of government, Federal government received a total of N298.29bn. States received N183.77bn while Local government received N138.96bn. The sum of N49.78bn was shared among the oil producing states as 13% derivation while 25.00bn was transferred to Excess Crude Account (ECA).

Further breakdown of revenue allocation distribution to the Federal Government of Nigeria revealed that the sum of N242.42bn was disbursed to the FGN consolidated revenue account; N5.44bn shared as share of derivation and ecology; N2.72bn as stabilization fund; N9.15bn for the development of natural resources; and N6.17bn to the Federal Capital Territory, Abuja.

In addition, Revenue generating agencies such as Nigeria Customs Service (NCS), Federal Inland Revenue Service (FIRS) and Department of Petroleum Resources (DPR) received N4.42bn, N9.32bn and N5.27bn respectively as cost of revenue collections.

The decline in the FAAC allocation compared to the previous month has been attributed to the shut down of some terminals as a result of renovation activities going on in some of the ageing facilities. Moreover, it is hoped that issues of discrepancies in projected and actual revenue which had delayed revenue sharing in previous months has been addressed among the relevant agencies and ministries.



...it is good to know that issues of discrepancies in projected and actual revenue which had delayed revenue sharing has been addressed....

External Reserves Continues to Decline in September 2018

Nigeria's external reserves continues to decline in September 2018. It ended the month of September 2018 at \$44.30 billion from \$45.83 billion recorded in August 2018. This represents 3.34% decrease and 36.35% increase on month-by-month and year-on-year basis respectively. This decrease in external reserves ensued after a period stabilization and may be attributed to the changing pattern of international trade, institutional changes in the economy and most especially decreased foreign investments as many investors are wary of political uncertainties ahead of the country's general elections.

At the interbank market, the naira closed the month of September 2018 at N305.83/US\$ while the parallel market closed at N362.86/US\$. The interbank market depreciated by 0.08% during the month, while the parallel market gained by 1.08% at the end of September 2018.

Trend shows that the accretion of the external reserves which has remained stable for sometime is now declining. However, we expect that this decline will not last for long as the monetary authority continues its currency management efforts. Also, the assentation of the bilaterally currency agreement between China and CBN, will remove difficulties in executing foreign business transactions.

Nigeria's Exchange Rate and External Reserves			
	2018	2018	2018
	Jul	Aug	Sep
Ext. Res.(\$' Billion)	47.11	45.83	44.30
	2018	2018	2018
	Jul	Aug	Sep
Interbank EXR	305.81	306.06	305.83
Parallel EXR (AVR)	359.36	359.00	362.86

*Source: National Bureau of Statistics, 2018;
ADSR Research*

....the accretion of the external reserve which has remained stable for sometime is now declining.

Refined Petroleum Prices rises in September 2018

The National Bureau of Statistics (NBS) released the average price paid by consumers for Petroleum Products for September 2018. The price of premium motor spirit (petrol) marginally rose from N146.90 in August to N147.33 in September 2018. This denotes a 0.29% month-on-month increase and 1.94% year-on-year increase. On state-by-state basis, States with the highest average price of premium motor spirit (petrol) were Enugu (N153.88), Taraba (N152.86) and Delta (N150.92) while States with the lowest average price of premium motor spirit (petrol) were Kano (N144.87), Katsina (N143.63) and Bauchi (N144.00).

The average price paid by consumers for diesel witnessed a 1.76% month-on-month increase from N207.98 in August to N211.64 in September 2018 and a 14.52% year-on-year increase from N184.80 in September 2017 to N211.64 in September 2018. Similarly, average price per litre paid for kerosene rose by 2.95% month-on-month and 12.40% year-on-year from N264.48 in September 2017 to N297.28 September 2018. In the same way, there was also increase in the average prices paid by consumers for refilling 5kg by 2.57% from N2054.14 in August 2018 to N2107.48 September 2018 while average price of refilling 12.5kg cylinder increased by 0.22% from N4366.48 in August 2018 to N4376.19 in September 2018.

From the foregoing, it is evident that the prices of petroleum products increased in the month of September following the hike in global oil prices. This is not unrelated to the inflationary pressure that has ensued as result of election spending and other uncertainties in Nigerian economy.

Average Prices of Petroleum Products (₦)			
	2017	2018	2018
	Sep	Aug	Sep
PMS (Petrol)	144.52	146.90	147.33
AGO (Diesel)	184.80	207.98	211.64
HHK (kerosene) Per litre	264.48	288.75	297.28
HHK (kerosene) Per gallon	973.72	1084.24	1127.05
Cooking gas 5kg	1911.44	2054.14	2107.48
Cooking gas 12.5kg	3937.71	4366.48	4376.19

*Source: National Bureau of Statistics, 2018
ADSR Research*

...prices of petroleum products increased in the month of September following the hike in global oil prices.

Wise Quotes

If you are not willing to risk the unusual, you will have to settle for the ordinary.

Jim Roh

Learn to say 'no' to the good so you can say 'yes' to the best.

John C. Maxwell

There is nothing noble in being superior to your fellow man; true nobility is being superior to your former self.

Ernest Hemingway

Only those who will risk going too far can possibly find out how far one can go.

T.S. Eliot

What lies behind us and what lies before us are tiny matters compared to what lies within us.

Henry Stanley Haskins

Genius might be the ability to say a profound thing in a simple way.

Charles Bukowski

Don't judge each day by the harvest you reap but by the seeds that you plant.

Robert Louis Stevenson

The scariest moment is always just before you start.

Stephen King

Life is not always a matter of holding good cards, but sometimes, playing a poor hand well.

Jack London

Try not to become a man of success, but rather try to become a man of value.

Albert Einstein

Anything I come across that feels impossible, I probably need to take a second look.

Joe Gebbia (Co-founder Airbnb)



Jokes

Just One Copy

A young executive was leaving the office at 6pm when he found the CEO in front of a shredder with a piece of paper in his hand. "Listen", said the CEO, "this is important and my secretary has left. Can you make this thing work?"

"Certainly, said the young executive. He turned the machine on, inserted the paper, and pressed the start button.

"Excellent, excellent!" said the CEO as his paper disappeared inside the shredder. "I just need a copy."

Gray Hairs

A little girl was sitting and watching her mother do the dishes at the kitchen sink. She suddenly noticed that her mother had several strands of white hair sticking out in contrast to her hair. She looked at her mother and inquisitively asked, "Why are some of your hairs white, Mom?" Her mother replied "Well, every time you do something and make me cry or unhappy, one of my hairs turns white." The little girl thought about this revelation for a while and then asked, "Mom, how come all of grandma's hairs are white?"

A Big Decision

A six-year-old boy walked up to his father one day and announced. 'Daddy, I'd like to get married.' His father replied hesitantly, 'Sure, son, do you have anyone special in mind? Yes, answered the boy. 'I want to marry Grandma.'

'Now wait a minute,' said his father. 'You don't think I'd let you get married to my mother, do you? 'Why not?' the boy asked. 'You married mine.'

Analysts

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Contributors:

Damola R. Aderonmu
Data Management & Analytics

Peace D. Olubere
IT & Publications

Phillips C. Francis
Research & Training

Contacts:

Corporate Head Office:	38, Oyo Road, (Sango-U.I Road), Old Airport, Samonda, Ibadan, Oyo State, Nigeria.
Phones:	+234 703 747 0047, +234 807 186 6887 +234 809 876 4491
Website:	www.adsrng.com
E-mails:	info@adsrng.com , mail.adsr@gmail.com ,
Facebook:	www.facebook.com/ADSRLtd
Twitter:	https://twitter.com/ADSRLtd
LinkedIn:	www.linkedin.com/company/analysts-data-services-&-resources-adsr-ltd

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