Institute of
Economic Affairs

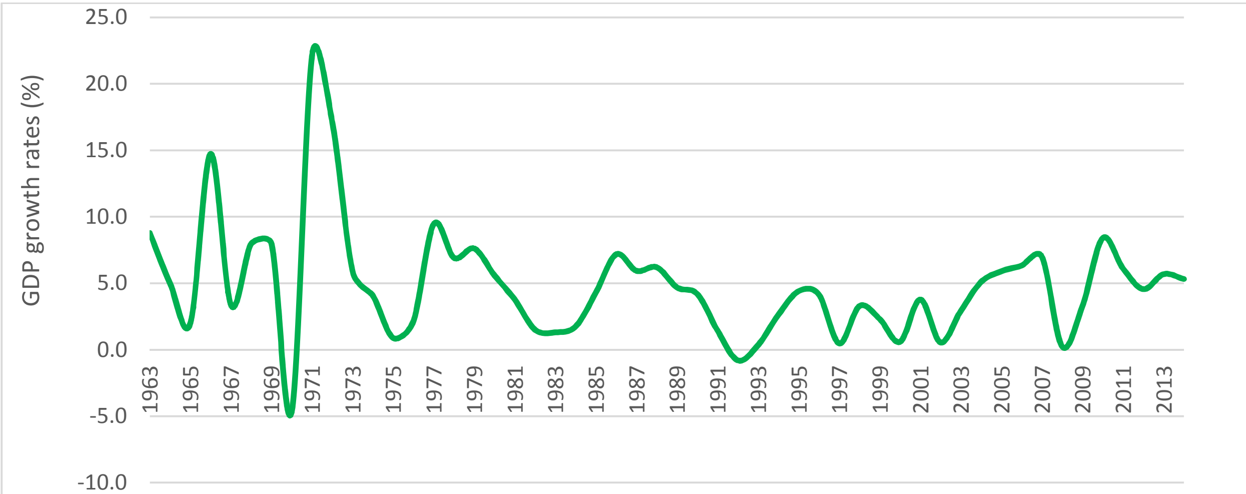
Brief : Effect of Elections on Kenya's Economy

The periods that precede elections in Kenya have often been characterized by high intensity campaigns. As a consequence, greater focus during this period has mostly been on political communication that is unrelated to the real policy challenges that the country is faced with. Coupled with the recent history, this period causes anxiety to Kenyan citizens and economic actors who think that this pre-election period exposes Kenya's fragility.

In February 2016, Dr. Mukhisa Kituyi, the Secretary General of United Nations Conference on Trade and Development, was concerned with the effect of the political campaigns on Kenya's economy. He asked Kenyans to reduce political temperatures in the country and focus more on growing its economy. He claims, "It is sad that the country registers a decline in its economy due to incessant political bickering". This brief provides an analysis with an aim of ascertaining whether or not the above claim is true.

This analysis will involve exploring the GDP growth rates from 1963 to 2014 to examine trends in economic performance and identify whether there exists any patterns that lead us to confirm that economic performance is affected by political campaigns. The years of general elections will form a criterion upon which the comparison of GDP growth rates would be made (here we make an assumption that election campaigns are epitomized at this period hence would have the highest impact on economic performance of the country). The growth rates on election years will be compared with those on non-election years. Aware of the fact that GDP growth rates may be affected by occasional factors such as drought, terrorism and economic sanctions, this analysis covers a long period of time (51 years); from 1963 to 2014. Analyzing GDP rates over a long period minimizes the effect of occasional factors.

Chart 1: Trend in annual GDP growth rates for Kenya



Source: World Bank

The chart above illustrates the trend in GDP growth rates (constant 2005) from 1963 to 2014. The trend reveals the general economic performance of Kenya since 1963 by looking at annual changes in the volume of the final goods and services produced in the country. The constant GDP growth rates remove the effect of inflation; this enables us to observe the real economic performance across the period. The analysis is summarized in Table 1 below:-

Table 1: Summary of GDP growth rates for respective years (1963 – 2014)

(a) Years with the highest growth rates in a series (i.e. the peaks- in Chart 1)	%
1963	8.78
1966	14.73
1968	7.98
1969	7.96
1971	22.17
1977	9.45
1979	7.62
1986	7.18
1988	6.20
1990	4.19
1995	4.41
1998	3.29
2001	3.78
2007	6.99
2010	8.40
2013	5.69
average	8.05

(b) Years with the lowest growth rates in a series (i.e. the troughs - in Chart 1)	%
1965	2.01
1967	3.36
1970	-4.66
1975	0.88
1978	6.91
1983	1.31
1992	-0.80
1997	0.47
2000	0.60
2002	0.55
2008	0.23
2012	4.55
average	1.29

	(c) Growth rates on Election years	%
Single party period	1969	7.96
	1974	4.07
	1979	7.62
	1983	1.31
	1988	6.20
	average	5.43
Multi-party period	1992	-0.80
	1997	0.47
	2002	0.55
	2007	6.99
	2013	5.69
	average	2.58

Source: World Bank

Note: The values used in the table are the same values used in the Chart 1 above

Table 1(a) lists all years (irrespective of election years) when the GDP growth rates were at the highest level. The corresponding GDP rates are the observed peaks along the trend line in Chart 1 above. Table (b), on the other hand, provides a summary of the years (irrespective of election years) when the GDP growth rates were at the lowest level. The corresponding GDP rates are the observed troughs along the trend line in Chart 1 above. Table 1(c) exclusively shows the general election years that Kenya has had since independence and their corresponding GDP growth rates.

From Table 1(b), we evaluate the number of election years that the GDP growth rate was at the lowest point (i.e. troughs in Chart 1 above). This is important in finding out the probability that a lower GDP growth rate will be witnessed on an election year. Note: GDP growth rates for 2008 are also at the lowest point and this decline is mainly attributed to the post-election violence that was witnessed. This has however not been included in the analysis simply because we are only interested in the effect of the political campaigns on economic performance on an election year and not non-election years. This summary is presented in the table below.

During single party period (1963-1990)	
Years with the lowest growth rates which happen to be election years	2
Total election years before 1990	5
Probability of witnessing a lower growth rate during an election year	40%

During multiparty period (1990-2014)	
Years with the lowest growth rates which happen to be election years	3
Total election years after 1990	5
Probability of witnessing a lower growth rate during an election year	60%

During all the period (1963 - 2014)	
Years with the lowest growth rates which happen to be election years	5
Total election years (1963-2014)	10
Probability of witnessing a lower growth rate during an election year	50%

Source: Author's calculation from World Bank

In the period before the multipartyism (1963-1990), it is observed that out of the total five general elections, there was only one election year on which Kenya witnessed a lower GDP growth rate i.e. 1974 and 1983. Therefore, in this particular period, the chance that a lower GDP growth rate was likely to be witnessed on an election year is 40%.

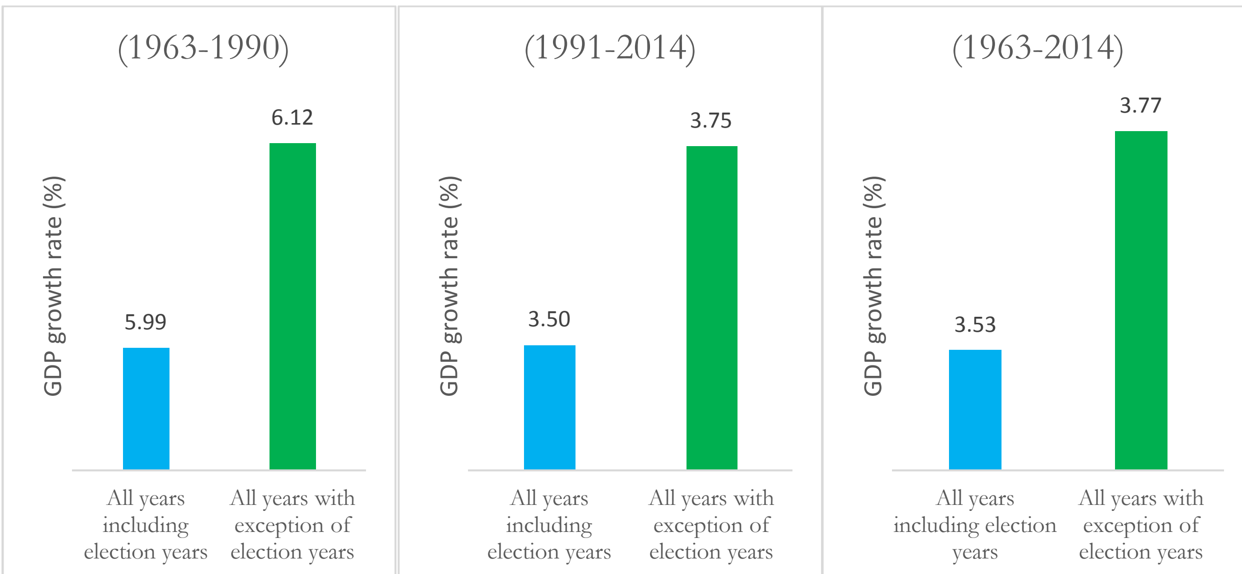
In the period during the multipartyism (1990-2014), it is observed that out of the total five general elections, the election years on which Kenya witnessed a lower GDP growth rates were three, i.e. 1992, 1997 and 2002. Therefore, in this particular period, the chance that a lower GDP growth rate was likely to be witnessed on an election year is generally high; 60%.

Overall, out of ten general elections Kenya has had since independence, five record a lower GDP growth rate implying that there is a 50% chance of witnessing a lower GDP growth rate on an election year in Kenya.

From the above analysis, it is observed that there are more election years recording lower GDP growth rates in the period during multipartyism than in the previous period (1963-1990). It is also observed that the average GDP growth rate for the election years after 1990 (Table 1(c) above) is lower at 2.58% than those before 1990 at 5.43%. This suggests that negative impact of elections has been greatly witnessed in the multiparty period than in the previous period of 1963-1990.

Chart 2 below compares the average GDP growth rates for all years including election years with the average GDP growth rates for all years with exception of the election years.

Chart 2: Comparison of Average GDP growth rates (1963-2014)

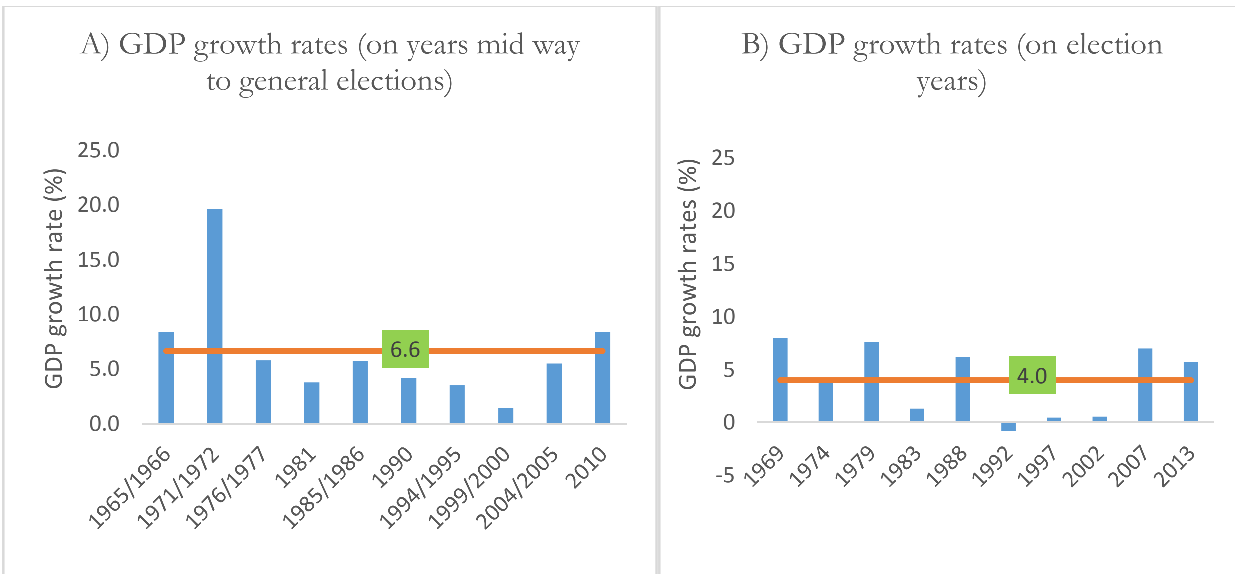


Source: Calculated from World Bank | World Development Indicators

In the chart above it is revealed that both in the period, 1963-1990 and 1991-2014, the average GDP growth rates for all the years with exception of election years are higher than the average GDP growth rates for all the years that include the election years. For the period, 1963-1990, the difference is 0.13%, for the period, 1991-2014, the difference is 0.25% and the difference for the entire period, 1963-2014, the difference is 0.24%. A larger difference in the average GDP rate in the period 1991-2014 of 0.25% confirms that elections had a negative impact on the GDP growth rate which was greater than in the period: 1963-1990.

In the chart below, we further examine the GDP growth rates on the years that are mid way to elections i.e years that are though to be farthest from the election year and thus by assumption experience minimum effects of election campaigns. The GDP growth rates for these years are compared with the GDP growth rates on election years. This is illustrated in Chart 3 below.

Chart 3: Gdp Growth Rates (%) on Election Years and on Years Mid Way to General Elections



Source: World Bank

As revealed in the Chart 3 above, GDP growth rates on years that are mid-way to general elections are generally higher with an average mean of 6.6% than the GDP growth rates on election years which have a mean GDP growth rate of 4.0%.

At this point, all the previous analyses confirm that election years registered generally lower GDP growth rates when compared to years that had no elections. This therefore leads to a conclusion that indeed election politics have significantly reduced the economic progress of the country.

Average number of years it takes for Kenya to rise from the lowest to the highest point in terms of GDP growth rate (i.e. period between troughs and peaks in Chart 1 above**)**

At this point we wish to find out, on average, the number of years it takes for the economy to recover from its lowest performance to record the highest GDP growth. We examine this by analyzing the number of years it takes for the Kenyan economy to move from the trough (lowest point on the trend line in Chart 1) to the peak (the highest point on the trend line in Chart 1 above). This is summarized in Table 2. In the table, it is revealed that in the period: 1963-1990, it averagely took 1.5 years for Kenyan economy to move from the lowest point (trough) to the highest point in terms of GDP growth rate. However, in the period: 1991-2014, it averagely took 2.2 years for Kenyan economy to move from the lowest point to the highest point in terms of GDP growth rate. This suggests that it is taking a longer time for Kenya to recover in multipartyism than in the period before 1990.

Table 2: **No. of years it takes for GDP rate to reach the peak (full recovery) from the lowest point (minimum rate)**

1965-1966=	1
1967-1968=	1
1970-1971=	1
1975-1977=	2
1978-1979=	1
1983-1986=	3
average=	1.5
1992-1995 =	3
1997-1998=	1
2000-2001=	1
2002-2007=	5
2008-2010=	2
2012-2013=	1
average=	2.2
	1.88