

## **PRESS RELEASE - 06 JANUARY 2000**

### **ANALYSIS OF THE COST OF FOOD BASKET IN 1999**

What has been the pattern of the cost of the monthly food basket for a family of six in Lusaka in the past year? How has this pattern affected the well being and livelihood of most of Lusaka residents? Below is the first half of the two-part analysis report on the cost of living as reflected in our survey on the food basket in 1999. This first half focuses more on some technical dimension whereas the second part coming up next week will focus more on the social dimension.

Using the December 1998 total of the cost of the food basket as a base value, a comparison of changes in price over the past twelve months has been greatly affected by seasonal fluctuations. The first seasonal fluctuation was between December 1998 and March 1999 yielding a price index of 9.19 percent. This means that in March 1999, prices were 9.19 percent higher than in December 1998. The second seasonal fluctuation was between March 1999 and July 1999 yielding a price index of 8.5 percent. The third seasonal fluctuation was between July 1999 and September 1999 yielding a price index of 3.86 percent. The fourth seasonal fluctuation was between September 1999 and December 1999 with a price index of 11.5 percent.

What accounts for seasonal fluctuations are prices of some seasonal goods, mainly mealie-meal. The price of mealie-meal has moved up and down over the past twelve months. For instance, the average price of mealie-meal (25 kg bag) in Lusaka was K18,800 in December 1998, K19,790 in March 1999, K17,570 in July 1999, K15,340 in September 1999, and K17,300 in December 1999. The fluctuations in the total cost of the food basket over the past twelve months indicate the total cost of the food basket in September 1999 as the lowest amounting to K239,840, and the total cost of the food basket in December 1999 as the highest amounting to K257,480. One of the factors accounting for the lowest total cost of the food basket in September 1999 was the increase in the maize supply between July and November, thereby resulting in a downward effect on prices of mealie-meal. Other factors around that time included the slight appreciation of the Kwacha on the foreign exchange markets in August as a result of the increase in the non-traditional exports, and the increase in inflows owing to disbursements by bilateral donors. The inflation rate also registered minimal decline around the same period.

There are a number of factors accounting for the highest total cost of the food basket in December 1999. The average price of mealie-meal (25 kg bag) increased by K1,400 from November to December 1999. This increase is attributed to the off season maize costs that normally accompanies the planting season as most farmers hold on to maize stock. This has in turn culminated in higher unit price of maize, which is reflected in the increased mealie-meal cost. There has also been a significant increase in the price per kg of meat (Brisket). This rise may be seen to be temporary in the sense that it may be a necessary consequence of the festive season rush to consume more meat and related food stuffs, thereby resulting in an upward effect on price of meat owing to high demand for the commodity. Price increase on other commodities in the food basket such as charcoal may be due to fuel price hike in mid December which in turn sparked off the increase in transport cost. The price increase of commodities such as bath soap and wash soap may be due to the continued depreciation of the Kwacha.

In spite of the fluctuations, it is clear that the general trend of pricing has been characterised by an upward movement with a difference of K26,560 in the total cost of the food basket between December 1998 and December 1999. Using the December 1998 total cost of the food basket as a base value we see that a family of six in Lusaka was spending every month, on average, an additional amount of K16,550 from January to December 1999. This means that the cost of living has been on the rise. Contrasting the food basket findings with the income levels of the majority of Zambians over the past twelve months, we see that there has not been any change in the income levels of most Zambians to correspond to the rising cost of living. Wages have stagnated or fallen in real terms. This has consequences both in family food intake (e.g., rising malnutrition rates) and in anti-social coping strategies (e.g., crime).

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