

YEAR 2000 WINDS UP WITH A VERY HIGH INCREASE IN COST OF FOOD BASKET OBSERVES JCTR

As we approach the end of the year 2000, there is much discussion about the state of Zambia's economy. The Jesuit Centre for Theological Reflection (JCTR) notes that a key topic of discussion is the significance of Zambia's qualification for debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, especially as to how it will benefit the poor in the country.

Another central focus of attention has been the dramatic depreciation of the Kwacha against major currencies such as the US dollar and the British Pound Sterling and the consequence of this for business stability.

All these discussions are taking place against the well-known background of relentless deterioration in the living conditions of the majority of Zambians because of their inability to meet the cost of minimal survival.

Latest figures of the JCTR "Food Basket" reveal how difficult this economic situation is. The year-end (December) cost of the food basket is now K312,695.00, up by K49,325.00 from the year beginning (January) figure of K263,370. A major rise in the cost of the food basket was recorded in December, when it rose by K22,100.00 from the November cost of K290,595.00.

The depreciation of the Kwacha to the tune of 16 per cent in November accounts significantly for the rise in the cost of the food basket for the month of December, observes Muweme Muweme, Coordinator of Economic and Social Development Research Project of the JCTR.

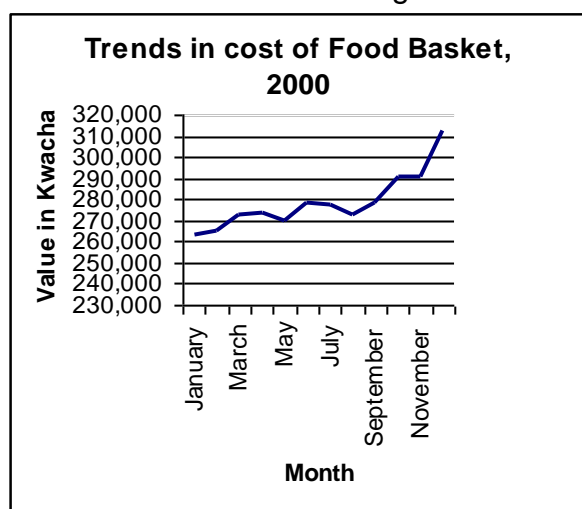
The food basket looks at the cost of items for a family of six in Lusaka, such as mealie meal, sugar, tea, vegetables, eggs, etc. If we include non-food items necessary for human survival such health, transport, water, electricity, education, etc., the cost would even be much higher.

INFLATION TROUBLES

A look at the trends in the monthly cost of the Food Basket reveals the sharp increase in the cost of living over the past year (see the graph below). The cost of the food basket has consistently been rising, with records of minimal increase during the time when the market experiences an increase in the supply of maize, and high increases whenever there is an increase in the price of fuel as well as a remarkable depreciation in the value of the Kwacha.

The Bank of Zambia has recently estimated that the overall inflation rate for 2000 would be close to 30%. This is disappointingly much higher than the 19% target announced by the government last January in its 2000 Budget.

Figure



POLICY RECOMMENDATIONS

As we look ahead to the year 2001, what does the above scenario tell us in terms of policy intervention? Muweme suggests three important implications:

First, government should seriously look at factors that are responsible for the rise in the cost of living. It is not enough to attribute the problem to factors such as a surge in the price of crude oil and a failure to fight inflation. "We must find effective ways of mitigating the impact of this phenomenon, particularly on the poor," says Muweme. This should be a major focus of the Poverty Reduction Strategy Paper (PRSP) process that is currently underway.

Second, next year's budget should as much as possible be pro-poor so that the burden of suffering which is increasing every day on the part of the poor is lessened. To this end, JCTR echoes the Catholic Commission for Justice and Peace (CCJP) recent call that the 2001 budget be pro-poor in real practical terms.

Third, good yields in the agricultural sector impact positively on the economy in general and living standards in particular. Therefore calls by various organisations to look seriously into improving the agricultural sector must be taken heed of by the government.

"HIPC, PRSP, Kwacha stabilisation and other macro-economic measures," says Muweme, "must be clearly oriented toward improving the micro-economic situation of ordinary Zambians."

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