

JCTR URGES GOVERNMENT TO GO BEYOND MEETING PROJECTED ECONOMIC TARGETS

In this year's budget the government projected that the Zambian economy will grow by 5 per cent, an increase from last year's growth rate of 3.5 per cent (down from the projected figure of 4 per cent); year-end inflation for 2001 was projected to be contained to the figure of 17.5 per cent. According to the recent statement by the Minister of Finance and Economic Development on Budget and Economic Performance for the First Half of the Year, the inflation figure as of May 2001 stood at 22.2 per cent, down from the December 2000 figure of 30.1 per cent.

"Obviously meeting these targets is fundamental to the improvement of Zambia's economy. But equally important is what this means in terms of cost of living for ordinary people," observes Muweme Muweme, Coordinator of the Economic and Social Development Research Project of the Jesuit Centre for Theological Reflection.

For example, the cost of the Food Basket of the Jesuit Centre for Theological Reflection is strongly determined each month by several factors, among them the inflation levels in the country and the value of the Kwacha in relation to other currencies. The Food Basket is by no means a measure of the cost of living in its entirety. It does not include cost of electricity, water, housing, etc.

Muweme further says, "as an estimate only of cost of food for a family of six in Lusaka, the Food Basket currently costs K328,570 down from last month's of K329,400. A reduction of only K830. This reduction cannot meaningfully impact on cost of living, the cost of living still remains high."

That the Food Basket does not measure cost of living in its entirety implies that if other costs as mentioned above are factored in -- *especially if we take the size of a household which might be more than that of a family* -- then the overall cost of living would undoubtedly be much higher.

Therefore, the Economic and Social Development Research Project of the JCTR feels both encouraged and discouraged by the statement from the Minister of Finance and Economic Development on Budget and Inflation Situation in Zambia.

We are encouraged in the sense that the country in the first half of 2001 appears to be moving towards the projected year-end inflation figure of 17.5 per cent as envisioned in this year's budget. However, we are discouraged in that there has been no impact at all on cost of living. In addition, there are still some threats both at the local and international levels that might impact negatively on the inflation situation and the overall economic situation.

For example, the value of the Kwacha in relation to other currencies continues to be unstable, the volatility in the price of crude oil, etc. In addition, the shutting down recently of companies like Lamise Plastic Container Manufacturing Plant, Amanita Milling and Amanita Zambiana operations paint a gloomy picture on the country's economy.

"This situation is undoubtedly inconsistent with the attainment of the projected year-end inflation and the economic growth target as well as overall improvement in living conditions of Zambian people," says Muweme.

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