

BNNB Statement

10<sup>th</sup> February, 2021

### ***Record high Inflation Hurting the Poor and Marginalised more***

The Jesuit Centre for Theological Reflection (JCTR) Basic Needs and Nutrition Basket (BNNB) for February 2021 stood at **K8, 512.31**. This shows an upward adjustment of K117.99 from the January 2021 basket which was K8, 394.01. The rise in the basket is mainly attributed to price increases in selected food items such as other fruits whose price rose by K312.44 from K225.90 to K538.34 for 14kg, soya pieces moved from K113.09 to K179.50 an increase of K66.41 for 2kg, the price of 10 litres milk increase from K239.9 to K284.26, beans has further increased from K153.92 to K186.14 for 3kg and 3.6 litres of cooking oil increased by K19.13 moving from K134.64 to K153.77. The selected food price increases in the basket were however offset by decreases in some food items. The price of 40kg of vegetables reduced by K117.5 from K561.81 to K444.31, 1kg of kapenta reduced from K354.49 to K278.26 showing a price difference of K76.21, potatoes moved from K106.36 to K65.71 a decline of K40.85 for 4kg, bananas moved from K273.41 to K240.55 a decline of K32.86 for 16kg, the price of tomatoes reduced by K27.35 moving from K100.56 to K73.21, 2 25kg bags of mealie meal showed a reduction of K24.57, from K224.28 to K119.71, pounded groundnuts reduced by K20.76 from 74.62 to K53.86 for 1kg and cassava moved from K112.43 to K91.96 a decline of K20.47 for 6kg other fruits, tomatoes and chicken showed increases ranging between K18.84 and K15.74. The non-food but essential items section did not show much movement in prices.

The items that significantly contributed to the increase in the basket is other fruits following the end of season for Zambia's affordable delicacy; mango. This has once again illustrated the impact of seasonality on the basket. This significant increase in other fruits was however offset by the downward movement in the price of food items such as vegetables and Kapenta. The K76 reduction in the price of Kapenta is puzzling as the fish ban remains in place.

In appreciating the context of the February BNNB, JCTR observes with concern the flashing of money by some cadres and politicians in a country that continues to experience economic downturn. Increased supply of money does contribute to increased inflation further eroding the purchasing power of the Kwacha. The nation's inflation stands at a record high with the February year on year inflation estimated at 22.2 percent. The Central Bank on 17<sup>th</sup> February 2021 announced that monetary policy was to increase by 50 base points resulting in an upward adjustment of 5 percent on the previous interest rate. This means that the cost of borrowing for local businesses rises which in turn leads to an escalation in the cost of doing business. In a country where the prices of commodities are already high, a rise in the cost of doing business will further push prices for the end consumer as firms increase prices of goods and services. The Central Bank did however highlight that tightening money supply in the economy was one of the ways that would help to bring down inflation.

In reflecting on the current cost of living and possible negative effects of the new monetary policy, JCTR does note that the poor and the marginalised continue being deprived of living a dignified life.

In a nation where at least 1 in 2 people lives in abject poverty with the level of incomes at variance with the cost of living, the least among us bear the bigger brunt of the significantly eroded purchasing power. The continued erosion of household incomes entails increased inability to afford basic needs such as nutritious food, quality education and health as well as safe water and improved sanitation. Worse still, government's struggle in supporting the poor through social protection lingers. Social justice must remain a central part of our development agenda in order to enhance the quality of life for all. JCTR therefore calls on government to address increased supply of money in the economy before it contributes to further escalation in commodity prices.

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