

BNNB Press Statement

7th February, 2020

Heightened Energy Costs and Spiralling Cost of Living

Zambia's economic trajectory has been on a downward trend in the most recent years. Thus, the country's dream of attaining prosperous middle income status by 2030 seems bleaker with each passing year. The year 2019 closed with a focus on two policy pronouncements; the increased fuel pump price and an upward adjustment of electricity tariffs. Stakeholders from all corners of the country echoed concerns on the detrimental trickledown effect that these two policy pronouncements would have on the economy in the year 2020. These concerns were not unfounded as virtually everything in our economy is affected by energy costs. So far, some indicators are confirming this detrimental trickledown effect as predicted. The Zambia Statistics Agency reported that inflation for the month of January 2020 stood at 12.5%. Furthermore, the local currency has maintained a weak position trading at an average of K14.6 to 1US\$.

The cost of living as measured by the JCTR Basic Needs and Nutrition Basket (BNNB) for the month of January 2020 was recorded at K7, 410.96 for a family of five compared to K 5,395.35 in January 2019. Further, the 2020 January BNNB increased by 11.9% i.e. K790.73 from K6, 620.23 in December 2019 to K7, 410.96 in January 2020. The rise in the basket between December and January was mainly due to increases in the price of essential food items such as kapenta, which moved from K205.83 to K299.07 per kg, other fruits which moved from K107.31 to K439.93, onion and tomato which increased from K48.53 to K150.88 and K57.36 to K118.58 respectively. From the non-food essential items, notable increases were charcoal that increased from K296 to K360 (for two 90kg bags) and electricity that moved from K292 to K500.

The JCTR is greatly concerned with the sustained significant increases in the cost of living. Increases in electricity and fuel rates were effected on 1st January 2020 and 27th December 2019 respectively. This has evidently led to increased production and transportation costs and consequently increased prices for some goods. A high cost of living threatens the wellbeing of household's right to good health and life as their basic requirements are unattainable given the prevailing economic situation. Subsequently this rise will continue to further decrease the social and economic well-being of the citizenry especially the poor and vulnerable. Additionally, households may compromise nutrition by trading-off the consumption of some essential food items such as fruits that have recorded large increases in price.

In view of the socio-economic challenges being faced by the country, JCTR continues to call upon Government to effect economic growth centred and pro-poor policies. Firstly there is need for government to embark on robust efforts with regards to agriculture and ensuring food security in the face of droughts and floods experienced in the last few years. There is great need to invest in horticulture, irrigation systems and alternative farming methods. This is to ensure that locals can productively grow and produce diverse foods for both consumption and commercial purposes thereby creating employment and reducing food imports.

Secondly, the urgent need to address Zambia's energy challenges is evident. Dry spells have contributed to grave inefficiencies with regards to electricity supply as the economy is driven and largely relies on hydro generated electricity. Additionally Government will do well to support the private sector by not crowding out potential investments but creating incentives that allows the private sector to thrive. Therefore, prioritisation of the dismantling of domestic debt will help pump into the economy the much needed stimulation. Indeed it is long overdue for the country to employ more proactive approaches in addressing the many problems that confront us as a nation. Otherwise, the poor and vulnerable in our midst will continue to bear the brunt of bad policies.