**BNB Press Release 19th January, 2017.**

**2017 was a distressing year for many households**

The year 2017 can be described as distressing for many households due to high cost of living. While prices of commodities stabilized compared to 2016, the cost of living remained high and beyond the reach of many households as prices of commodities remained high and economic opportunities few. JCTR Basic Needs Basket reveals that the national average cost of living increased from ZMW3, 471 in 2016 to ZMW3, 511 in 2017. This was in tandem with the national inflation which remained stable with yearend inflation of 6.1% in December 2017. The yearend Basic Needs Basket at December 2017 stood at ZMW 4,958 from ZMW 4,925 in November 2017.

Government policy measures such as removal of fuel and electricity subsidies which resulted in subsequent fuel and electricity tariff hikes respectively were major factors for the high cost of living. ZESCO increased its tariffs by 75% in two phases. The burden of this tariff adjustment on low income households was cushioned by non-application of the tariff to the life line units on 200kwh. Fuel prices in October 2017 increased with petrol going up from ZMW 11.67 to ZMW 12.97, while Diesel from ZMW 9.87 to ZMW 11.09. People’s ability to afford the high cost of living was equally compromised due to continued high unemployment and few economic opportunities. The large number of mining workers who were laid off in 2016 at the height of low copper prices for instance were not all returned when copper prices rebounded in 2017. In the agriculture sector, farmers were offered very low maize floor price to enable them recoup their farming input costs, which were exponentially increased by expenses to fight army worms and make profits to enable them meet the high cost of living. In the business sector, economic activities were subdued due to low private sector lending by commercial banks as lending rates remained high and non-performing loans increased.

Further, JCTR identified increase in prices of Kapenta, Fish, Mealie Meal and Charcoal to be major factors that contributed to increased cost of living in 2017 as revealed by its Basic Needs Basket. The prices of kapenta and fish remained high throughout the year due to the scarcity of the two commodities. Prices of charcoal remained high because of market charcoal levy that is paid by traders at the point of sale and increased transport costs. At the beginning of the year mealie meal prices were very high ranging between K90 and K100 for a 25 kg bag but after mid-year they reduced to between K50 and K65 per 25kg bag. The fall in mealie meal prices was induced by increased supply of maize grain on the market.

The graph below shows the 2017 national average for the basic needs basket trend. The sharp downward trend after May was caused by reduced mealie meal prices due to the increased supply of maize on the market.

**Graph**

**Source: JCTR BNB DATA**

Going forward in 2018, JCTR calls on government to accelerate economic growth beyond the projected 4.3% for 2018 and ensure that growth is not just high but equitable. This will ensure reduction in cost of living and creation of economic opportunities for every citizen especially the poor. People need to earn an income for them to afford the ever rising cost of living. The 2015 living conditions monitoring survey Monthly average income for households in rural areas was K810 while that of households in urban areas was K3, 152. These average monthly incomes are not sustainable because they are below the average cost of living.

Further, we urge government to address the high cost of food and non-food items that form a large share of the Basic Needs Basket and on which ordinary people spend a large share of their incomes such as fish, kapenta, mealie meal and energy (charcoal). Government should for instance accelerate development of the aquaculture sector and restocking exercise of fish and kapenta which forms a large component of the JCTR’s Basic Needs Basket to reverse the trend. This is because fish and kapenta are basic needs and they significantly contribute to the total amount for cost of living. Zambia’s fish deficit is reported to stand at 55,000 metric tonnes, with the country currently producing 80,000 metric tonnes of fish from rivers and lakes, and 20,000 metric tonnes from aquaculture altogether, making 100,000 tonnes in total.

We further urge government to effectively implement the many agricultural policies in place in order to make agriculture productive and ensure food security. Increased production of agriculture products will not only ensure reduced agricultural products’ prices such as mealie meal but will also result in increased incomes for farmers which will enhance their capacity to meet the high cost of living. This cannot be achieved if perennial challenges of late delivery of farming inputs, late payment of farmers who supply their maize to FRA and poor operationalization of e-voucher cards continue to persist.

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