

BNNB Statement

6th October 2020

Cost of Living Remains High as the Nation looks to the 2021 Budget

On Friday September 25, 2020, the Minister of Finance presented the 2021 National Budget to Parliament dubbed “Stimulate Economic Recovery and Build Resilience to Safeguard Livelihoods and Protect the Vulnerable”. The JCTR acknowledges the timeliness of this theme given the challenging context in which the Budget is unveiled. With the onset of a global pandemic, Zambia’s economic performance worsened thereby compromising livelihoods particularly for the most vulnerable. Undoubtedly, while Zambia’s poverty reduction efforts have not yielded considerable results especially for the rural population, COVID-19 has pushed many more individuals into a poverty trap.

The JCTR’s BNNB for the month of September 2020 stood at K7, 071.37, a reduction of K106.85 compared to K7, 178.22 recorded in August. The slight reduction is mainly due to reductions in the prices of some food items such as vegetables which reduced from K493.39 to K413.96 for 40kg. The price of Kapenta reduced from K301.21 to K231.62 per kilogramme. The cost of tomatoes reduced from K62.19 in August to K51.26 per 6kg while the price of onion reduced from K51.42 to K41.10 per 4kg. The cost of rice reduced from K99.99 to K90.48 per 4kg representing a reduction of K9.51. Other notable reductions were in cassava flour, sweet and Irish potatoes, eggs, including prices of non-food but essential items such as bath soap and Vaseline. The reduction in some food items can be attributed to the harvest season for items such as vegetables, potatoes, cassava flour, pounded groundnuts, onion and tomatoes.

However there were notable increases in the prices of food items such as bananas which went up from K142.17 to K181.66 per 16kg. Other fruits also saw an increase from K244.33 to K261.19. Other slight increases were on food items such as mealie meal, cooking oil, salt and tea. Notable slight increases on non-food items were also observed such as lotion which increased from K16.77 to K25.43. Other increases were on toilet paper, sanitary towels, charcoal and wash soap.

The JCTR therefore appreciates various efforts particularly in the 2021 Budget targeted towards improving the livelihoods of the wider populace. The Centre notes the increased allocation to social protection in the 2021 Budget and the revision of the tax exemption threshold for Pay-As-You-Earn from K3, 300 to K4, 000. The JCTR however cautions that the reality of living a dignified life is still far from attainable given the high cost of living whose cost level is significantly above household average incomes. The Centre is also cautious that Zambia’s debt is compounding government’s fiscal space to effectively respond to providing the much needed sustainability towards improved livelihoods beyond 2020. The Nations external public debt stock has increased to US\$11.97 billion as at end-June 2020 from US\$11.48 billion at the close of 2019. The budgeted external debt obligations for 2021 have been estimated at K27.7 billion. Additionally, 44.9% of the budget will be financed through borrowing both from domestic and external sources.

Overall, the suggested interventions to stimulate economic recovery and build resilience to safeguard livelihoods and protect the vulnerable are somewhat contradictory as far as addressing key macro-economic issues. The scenario of a widening fiscal deficit, inflation that has been on the rise in recent times, Kwacha depreciating by over 41% as at September 2020, constrained domestic resource mobilisation and indeed the weakened stimulation of the domestic economy presents a gloomy picture. More so, the promises of increased energy generation have not yielded significant reduction in load shedding. High fuel costs and grave hours of

load shedding have continued to disrupt businesses and impact negatively on costs and levels of production and consequently economic growth.

The JCTR therefore calls on the Government to urgently provide a clear road map outlining the wide range of policy proposals that will be used to reduce inflation to the desired target of 6-8%. We urge Government to ensure the realisation of increased energy generation beyond mere promises. The JCTR further reiterates the need for rapid interventions that speak towards the agenda of decent employment creation in line with Seventh National Development Plan aspirations.

For further clarifications contact the Social and Economic Development (SED) Programme at the Jesuit Centre for Theological Reflection (JCTR) on 0955295881 and 0977883129. Email: jctr.sed@gmail.com and jctr.info@gmail.com. Martin Mwamba Road, Plot 3813 Martin Mwamba Road, Olympia Park – Lusaka. P. O. Box 37774 Lusaka – Zambia

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