

Article

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THE NEXUS BETWEEN ZAMBIA'S DEBT CRISIS AND THE COST OF LIVING

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One of key works of JCTR is to monitor the cost of living in Zambia on a monthly basis in order to assess the implications of the cost of living on the vulnerable communities. The evidence that JCTR generates is used to advocate for pro-poor policies aimed at addressing poverty and inequality in Zambia. To generate this evidence JCTR uses four types of tools to collect and analyse data namely the Basic Needs and Nutrition Basket which collects data from both urban and rural communities, the Rural Basic Needs and Nutrition Basket which collects data from the rural communities only, the Satellite Home Survey which collects data from low income households and Mini-Studies which collect data from a wide range of stakeholders (government actors, non-government actors and community members).

JCTR has observed that the food prices in Zambia have been on rise since the beginning of 2022 due to the impact of COVID pandemic, climate change, and the on-set of the Ukraine-Russian conflict. Since January 2023 JCTR has observed a new wave of upsurge in food prices and other essential commodities largely due to the stagnation in Zambia's debt restructuring negotiations under the G20 Common Framework. The JCTR Basic Needs and Nutrition Basket has surpassed the K9, 000 mark since January 2023. This is considerably higher than the average monthly income in Zambia which stands at K4, 215, according to the 2021 Labour Force Survey by the Zambia Statistics Agency.

According to the Ministry of Finance and National Planning, the delay in concluding the debt restructuring negotiations has put pressure on the local currency, which has weakened against major currencies. From the cost of living perspective, a weaker currency implies greater import costs for an import-dependent country like Zambia, with the brunt of this burden being passed on to consumers in the form of higher prices on food, fuel, and other essential commodities. Unfortunately, these price increments are not accompanied by corresponding increments in nominal income (salaries). This means that the household's real income is reduced and so is the household's capacity to purchase the same quantity and quality of food and other basic necessities.

On Tuesday this week, JCTR released two reports, one on the recent Satellite Home Survey and the other on the JCTR Mini-Study on the Impact of the Cost of Living on the Poor Household in Lusaka. Both studies have revealed that the rising cost of living is causing households to cut down on the number of meals per day as well as comprise on nutritional content of these meals. The net result is that the rising cost of living has potential to drive low-income households into abject poverty in Zambia.

Therefore government must address any impediments to concluding the debt restructuring process in order to arrest the escalating cost of living. Debt restructuring is critical in stabilising the economic fundamentals which are crucial for economic growth and poverty alleviation. Further, government must

present a clear medium term domestic resource mobilisation strategy that will enable substantial revenue generation for social sector spending, which is crucial to addressing the high living cost.

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