

BNNB Statement

6th April, 2023.

DELAYS IN THE DEBT RESTRUCTURING PROCESS KEEPING LIVING COSTS HIGH

The cost of living for a family of five as measured by the Jesuit Centre for Theological Reflection (JCTR) Basic Needs and Nutrition Basket (BNNB) for the month of March 2023 in Lusaka stood at K9,003.21. This reflects a K274.85 decrease from the K9,278.06 recorded in February, 2023. While most price commodities did not change significantly, the downward movement in the basket is attributed to lower prices in food items such as 1kg Kapenta which went down by K84.8 from K356.67(K356.67/kg) to K271.87(K271.87/kg), 16 kg bananas which went down by K40.6 from K317.16 (19.82/Kg) to K276.56(17.29/Kg), 2Kg beef which went down by K31.98 from K181.14 (K90.57/kg) to K149.16(k74.58/kg), and 6 kg Cassava flour which went down by K22.32 from K131.38(K21.90/kg) to K109.06 (18.18/kg). The basket also saw notable reductions in the prices of non-food items such as 2, 90kg bags of charcoal which went down by K98.17 from K776.67(K383.33/90 kg bag) to K678.5 (K339.25/90 kg bag). Furthermore, the price of 40kg vegetables increased by K18.68 from K483.57 (K483.57/40 Kg) to K502.25 (K502.25/40 Kg) in the basket.

The JCTR observes that the Energy Regulation Board pump price of petroleum products remained unchanged during the month of reflection, with the exception of petrol which was adjusted upwards by 4.8 percent. The Zambian kwacha also continued to depreciate against major currencies such as the dollar during the month of reflection. Furthermore, the month of March saw a level of stability (compared to previous months) and reduction in mealie meal prices (roller) which resulted in a decrease in prices of substitutes such as rice and cassava flour.

While the cost of living fell during the month of March, JCTR remains concerned about the country's debt restructuring delays. JCTR notes that the stagnation in the debt restructuring process is contributing to the high living cost, which has since surpassed the K9000 mark in the year 2023. This is considerably higher than the average monthly income in the nation, which stands at K4,215¹. Uncertainty surrounding the debt restructuring process has caused investors to hold back from buying government bonds, resulting in a decline in demand. According to the Ministry of Finance and National Planning, this has put pressure on the kwacha, which has weakened against major currencies.

From a 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 onto consumers in the form of higher food, fuel, and other essential commodity prices. In addition, a weakening exchange rate, as evidenced by the recent performance of the kwacha, has the potential to lower investor confidence in the long run. Going further with the implication of debt service, it must be noted that

¹ 2021 Labour Force Survey

the shrinking of the fiscal space, at the expense of critical social sector spending, has the potential to drive low income households into abject poverty.

The JCTR is therefore calling on government to address any impediments to the debt restructuring process in order to address the high cost of living. Debt restructuring is critical in stabilising the economic fundamentals which are crucial for economic growth and poverty alleviation. To that end, JCTR recommends the following measures:

1. Government must expedite engagements with all creditors especially China, the largest creditor. This must be accomplished by addressing all issues that are impeding the process.
2. Throughout the debt-restructuring process, the government must maintain constant engagement with civil society organizations, through such mechanisms as the CSO-Debt Alliance.
3. Government must limit any further external debt contraction and continue to ensure that any future borrowing for developmental projects and programmes adheres to the principals outlined in the Public Debt Management Act.
4. Government must present a clear medium term domestic resource mobilisation strategy that will enable substantial revenue generation for social sector spending, which is crucial for addressing the high living cost.

Lastly, the JCTR reiterates a message from the Catholic Bishops Conference of Zambia pastoral letter of 1992, urging the government to be aware of the impact of the debt restructuring process on the poor, as well as the need to consider the long-term effects on the type of development model being promoted - and how it affects job creation, environmental concerns, dependency, and regional cooperation.

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