

BNNB Statement

11<sup>th</sup> July, 2022

## A REFLECTION ON THE COST OF LIVING IN THE FIRST HALF OF 2022

The cost of living for a family of five in Lusaka as measured by the Jesuit Centre for Theological Reflection (JCTR)'s Basic Needs and Nutrition Basket (BNNB) for the month of June, 2022 stood at K9, 301.46. Representing a K8.42 increase from K9, 293.04 recorded in May 2022. The minimal upward movement in the basket was largely driven by price increases in the non-food items section. The total cost for the non-food section moved to K5, 748.40 from K5, 730.52 in May 2022 due to an increase in the price of two 90Kg bags of charcoal which rose to K840.49 from K815.00 in May. Interestingly, while an upward movement was recorded in the non-food section, the food section reduced by K9.46 to K3, 553.06 in June. The downward movement in the food items section is attributed to decreased prices in items such as 16kg of bananas which dropped to K223.44 from K239.23, a K15.79 decrease, 4kg of onion which dropped by K9.03 from K102.81 to 93.78, 1kg kapenta which went down by K8.05 from K268.11. Other decreases were recorded in 10 liters of milk which dropped by K5.53 to K307.80 from K313.33 and 40kg of vegetables which dropped from K595.24 to K591.56. Nonetheless, the food items section recorded increases in items such as 14kg of other fruits which rose to K245 from K235.67, two 25kg bags of roller mealie meal also went up from K263.33 (131.76 per bag) to K266.75 (133.38 per bag) and 3.6 liters of cooking oil also increased by K3.54 from K191.04 to K194.58.

The June BNNB yet again demonstrates the influence of seasonality on both the food and non-food sections of the basket. For example, the rise in the June cost of living was largely influenced by the increased price of charcoal possibly due to the heightened demand of the commodity given the cold season. The JCTR BNNB data from 2021 is informative. In 2021, a 90kg bag of charcoal rose from K320 in May to K360 at the close of June 2021. In 2022, a 90kg bag of charcoal moved from K407.50 in May to K420 at the close of June 2022. Additionally, the basket also revealed that the prices of essential items such as mealie-meal and cooking oil have continued to be on the rise, although at a slow rate. This is on account of the increased cost of production in view of the higher price of diesel. The most recent upward adjustment is thus expected to increase these prices further and consequently push the cost of living up. On the other hand, particular BNNB items such as bananas, vegetables and onions appear to be recording price decreases on account of seasonality.

With the first half of the year gone, a trends analysis is instructive. The trends analysis of the cost of living for January to June 2022 reveals an increase of K252.21 in the cost of living from K9, 049.25 to K9, 301.46. Additionally, a detailed examination into the price movement of essential commodities such as mealie-meal and cooking oil showed that the cost of such items although fluctuating in some instances, have continued to rise. Mealie and cooking oil are essential for many poor households not only for consumption but also for livelihoods e.g. for street food sellers. The BNNB data reveals an increase in the price of 25kg mealie-mealie from January's K110 to K133.38 in June, an increase of K23.38. The same was true with 3lts of cooking oil whose price was estimated at K166.63 in January and closed the first half of the year at K194.58, an increase of K27.95.

Overall, the cost of living trends in the first half of 2022 was attributed to factors that include; very late on-set of rains, increase in both international and local fuel prices, lifting of the temporal suspension of import duty on edible oils (25percent of the value of imported edible oils), instability of the exchange rate, and the import ban of certain foods like onion and potatoes. Particularly for Lusaka, cost of housing significantly contributes to the high cost of living due to expensive housing units pegged at K3, 820, way above average incomes. Addressing these challenges will therefore be critical in addressing the rising cost of living.

Insights from complementary surveys such as the Satellite Homes Survey<sup>1</sup> and the recently published wage mapping study<sup>2</sup> reveal stark contrasts between the cost of living as measured by JCTR and the obtaining household living standards. Average incomes remain far below the cost of living with majority of people in categories such as domestic workers, security officers, waitresses, construction workers and drivers having a monthly income of K3, 000 and below. Sadly, some domestic workers were getting as low as K499 as monthly income. With poor incomes, households therefore, struggle to meet basic needs of health, education, water, sanitation and food. Our surveys have established that that families are forced to adopt coping strategies such as reducing the number of meals, renting poor housing facilities<sup>3</sup>, doing without essential drugs when sick and defaulting on education costs. This negatively affects families' abilities to live dignified lives and perpetuates a vicious cycle of poverty.

### **Recommendations:**

In reflecting on the 2022 first half year cost of living, JCTR makes the below recommendations:

1. To address the seasonality challenge, there is need for **specific policies that would reduce the cost of food production and facilitate all year round food production as well as spur economic growth and create the much needed jobs**. Some possible interventions include; scaling up of irrigation support (for various crops) to address dependence on rain fed agriculture. Another intervention could be cheapening production inputs such as feed or investing in local feed production. Overall, a development driven Agriculture Support Programme will be critical in enabling the nation to actualize a robust, poverty eradication and development driven agriculture sector that will support the nation's vision to be a prosperous middle-income nation by 2030.
2. To address the sustained rise in Fuel prices, **we again urge government to consider reverting to 90 day pump price reviews** to enable the nation register some level of stability in fuel prices
3. To address rising cooking oil prices, we request **government to consider reintroducing suspension of import duties on some production inputs e.g. edible oils** to ease the cost of production.
4. To address exchange rate instability, **we call on government through the Bank of Zambia to sustain efforts aimed at stabilizing key macroeconomic fundamentals:** There is a need for a sustained stabilisation of key macroeconomic fundamentals such as the exchange rate and inflation as this is critical in stabilising the business environment.
5. To mitigate price increases that are a result of importation bans- **Government through the Ministry of Agriculture should explore two pronged measures that will enable the balancing of imports and the need to boost local production** using a multisectoral approach. There is also need to address

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<sup>1</sup> Conducted in high densely populate areas in Lusaka

<sup>2</sup> Conducted in 2021

<sup>3</sup> Entails limited room, shared toilet, shared water source among others

the quality, reliability and adequacy of local farmer supplies and also explore and strategise on how local producers will tap into markets beyond Zambia.

6. To address the high cost of housing in areas like Lusaka, **government through the Ministry of infrastructure development needs a specific focus and strategy on ensuring affordable housing** especially that Lusaka is a city that is rapidly urbanizing and its population standing at over 3million people. The Lusaka basket pegs the housing cost of K3820 which is a significant percentage of the cost of living.

7. To address the issue of rising charcoal prices, **government through the Ministry of Energy to facilitate the provision of sustainable and affordable energy sources that will respond to the low incomes of the majority Zambians.** Charcoal production entails cutting down of trees and has negative implications on the natural environment contributing to climate change. Consequently, climate induced droughts threaten food security and dry up water sources which are key in sustaining people's basic needs.

The impact of the high cost of living on the poor, vulnerable and marginalised carries a moral imperative for government to address the plight of these vulnerable groups. **JCTR calls on government to seriously consider the preferential option for the poor, the vulnerable and the marginalised in policy formulation and implementation.** Government must progressively stand in solidarity with these vulnerable groups and develop and ably implement pro-poor policies. For example, the prioritisation of pension arrears and the prioritisation of rural development are possible pathways. This will enable the progressive realisation and accessibility of rights like education, health care, nutrition, water, and a healthy environment.

But beyond the government, JCTR further wishes to urge those who are better off to stand in solidarity with those who are poor and marginalised in our families and communities as we proceed in the last half of the year. This can be done by providing as much support (charity as well as empowerment) to enable vulnerable households cope with the cost of living.

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