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## **THE COST OF LIVING IN ZAMBIA**

Since January 2022, the cost of living around the world and in Zambia has been on an upward trend corresponding to the rise in commodity prices. The cost of living represents the average cost of an accepted standard of living including basic food items and essential non-food items. Cost of living is frequently used to compare minimum income needs in a given location, town, or country. Cost of living measures the change, up or down, in the basic necessities of life, like food, housing, and healthcare. One of the key triggers of the rise in commodity prices in Zambia has been the introduction of cost-reflective tariffs on energy which has translated into high fuel pump prices. It is a well-known fact the rise in fuel pump prices generally does have a spiral effect on the commodity prices in Zambia.

While fuel pump prices and commodities prices have remained high, the annual inflation has been on a slowdown trajectory from 15.1 percent in January 2022 to 10.2 in May 2022. Inflation is one of many economic barometers that helps to gauge the performance of key macroeconomic policies. The inflation rate is often measured by the change in the Consumer Price Index (CPI), a monthly measure by the Zambia Statistics Agency that averages the cost of a basket of goods and services around the country. It reports the result as a percentage rise or drop in CPI. Apart from food and few countable non-food items which are considered quite essential at household level, the exchange rate is another major contributor on the rate of inflation at the national level. The short or unpredictable or unreliable supply of US dollars on the local market can have an impact of the prices of the imported commodities.

The slowdown in annual inflation is good. A reduced inflation rate is good for the country's economy as it builds investor confidence and unlocks capital and opportunities for investment. A lower inflation rate is beneficial to an ordinary consumer because it means that commodity prices are not increasing at a higher pace. The general price levels will continue going up. What matters is the speed at which prices are going up. Inflation measures the rate of increase of general price level. The opposite is deflation, "the general decline in prices for goods and services". Therefore, a decline in the annual inflation rate does not mean that prices have necessarily reduced. It does not mean that the cost of living is going down because the commodity prices still remain high while at the same time the income levels still remain very low. The slowdown in annual inflation means that the rate at which commodity prices are rising over the comparable period has reduced. We can only talk about a reduction in prices if the inflation rate falls below zero (in this case it becomes deflation).

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**“A JUST ZAMBIAN SOCIETY GUIDED BY FAITH, WHERE EVERYONE ENJOYS FULLNESS OF LIFE”**