

The Soaring Cost of Living might be undesirable Reality in Months to Come.

The consumers are feeling the pinch of the devalued Kwacha as increases in the prices of goods and services are increasingly and negatively contributing to the reduced purchasing power of the Kwacha. An increase in the general level of prices in September implies that reality of the devalued kwacha biting hard on the consumers, revealing the decrease in the purchasing power of the currency. Entailing that when the general level of prices rises, each monetary unit buys fewer goods and services.

The problem might be that while the Kwacha was devalued by 10% in early August, the salary survey made in mid-August showed that income levels remained stagnant. If consumers were to remain with the same purchasing power as before August, one should have been able to receive increased income at more or less the same magnitude as the 10% devaluation. While this is not the case, it means that hard-working people will keep watching as the costs of goods and services skyrocket while their incomes remain the same or, even worse, they would see a significant drop in household income. The average cost of living in the four cities stood at MK56, 032.00 in September, compared with MK46, 334.75 during the comparable period last year, representing a 17% percent increase.

Based on an analysis of the price rises in the types of food (e.g. maize- *see chart 2*) and domestic fuel, there is a revelation that the gains made from cheaper prices of some commodities such as tomato (*see chart 1*) are being lost by other budgets which have registering the steep price rises in September (e.g. charcoal – *see chart 3*). Comparing current and historical data has revealed that low-income households are more vulnerable than four months ago to falling below a minimum acceptable standard of living. Without action to combat effects such as fuel shortages, social and economic exclusion are likely to rise. Equally the CFSC is inclined to concur with Nico Asset Managers Limited, Economic Intelligence Unit and NSO forecasts that the populace needs to steel itself for an arduous ride in the months to come; hard choices will have to be made with regard to what essentials one will go without.

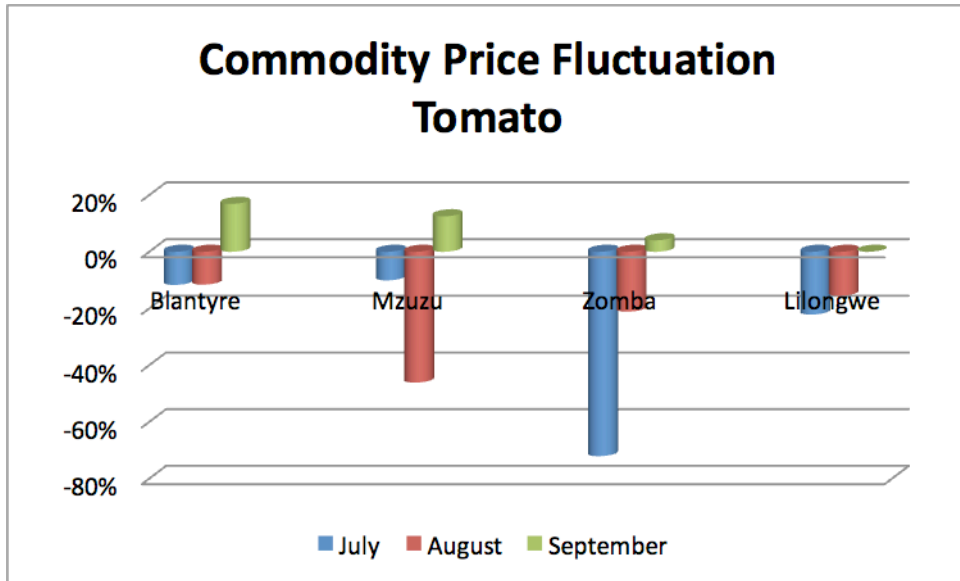


Chart 1: The gains made from reduced tomato price are being lost by other budgets that have registered steep price rises.

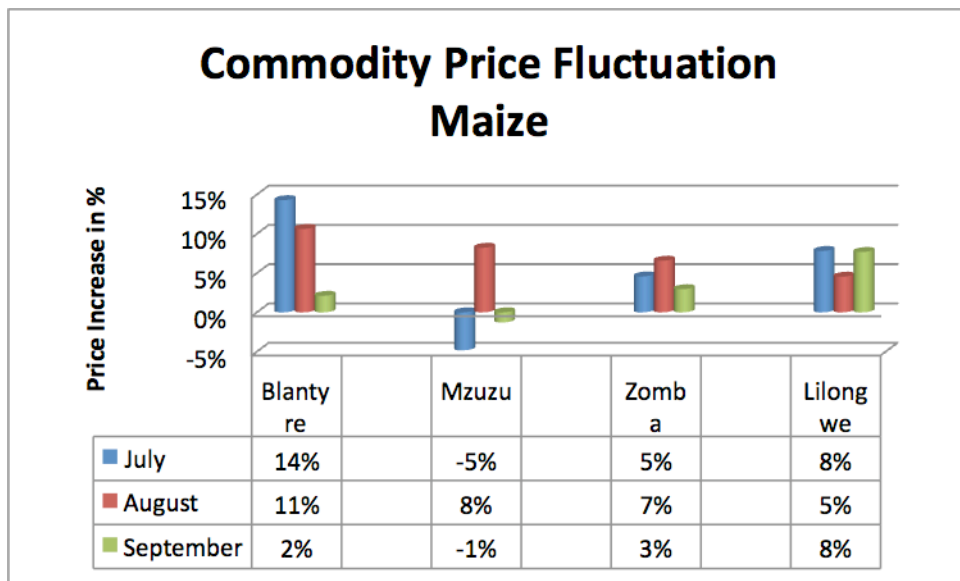


Chart 2: Maize that has cushioned the rising prices of other basic needs is registering increases in prices that might soon or later make this a strong contributory factor to the rising cost of living if all economic effects remain as has been the case in September.

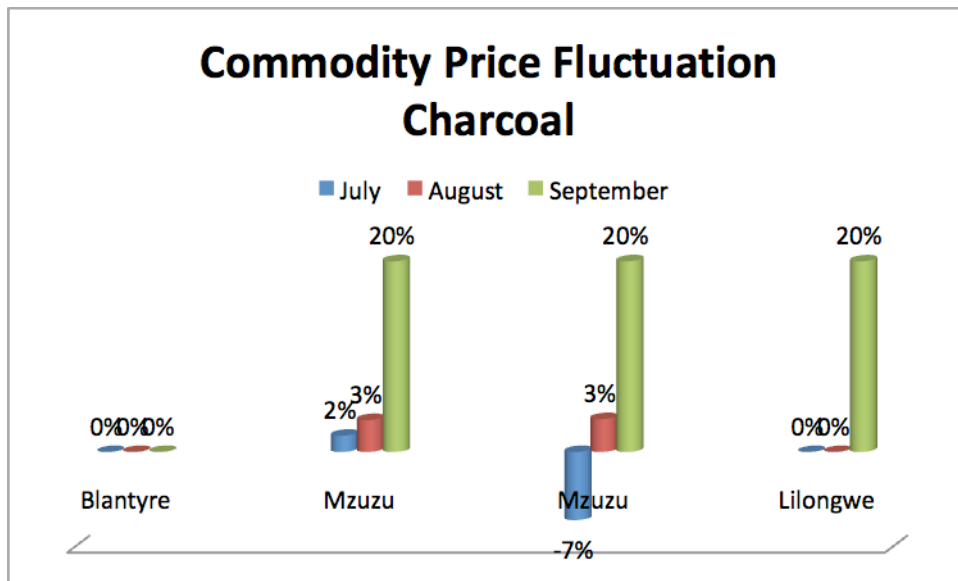


Chart 3: Consumers of electricity have been forced to fork out more on energy by seeking alternatives to beat load shedding. Consequently, charcoal has registered steep price rises, suggesting increased demand of the commodity and massive effects on the rising cost of living.

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