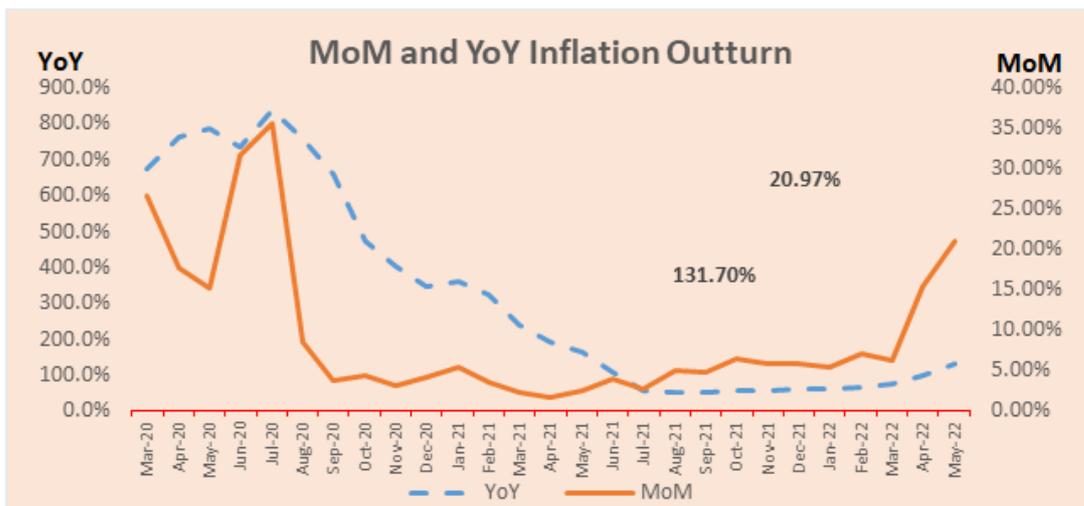




THE WEEKEND READER

"Your Weekly Read on Debt, Development & Socio-Economic Justice"

SURGING INFLATION CONTINUES TO WORSEN THE LIVELIHOODS OF ZIMBABWEANS



Source: Zimbabwe National Statistics Agency (ZimStat)

Zimbabwe's inflation continues to increase, now resting in the double-digits, according to latest statistics released by the Zimbabwe National Statistics Agency (ZimStat). Defined as "...the decline of purchasing power of a given currency over time¹," it is an indicator of the continual struggles that Zimbabweans face on a day to day basis. As of May 2022, price inflation increased by 35.3 % from 96.4% in April 2022 reaching 131.7%, (year-on-year). On a month-on-month inflation rate, basic commodity prices have ballooned by 21% in May 2022. Over the same period, the incomes of citizens have not changed and the gap between the \$USD and the fragile ZWL on the parallel market exchange rate has continued to widen. It is imperative then that government take deliberate measures to cushion citizens and stabilize inflation.

The Context

Zimbabwe is not only saddled with high inflation but is reeling from the global economic effects of the COVID-19 pandemic and the Russia-Ukraine war which has had knock on effects on supply chains which affect Zimbabwe (a net importer) directly. At home, citizens (especially the youth) are suffering under grinding unemployment which sits at 79.4% (2021)². As a result, poverty has become a daily reality for the majority who are heavily taxed while the inequality gap continues to grow. It suffices to say that Zimbabwe is in a state of Socio-economic crisis and the denial of duty-bearers only worsens the situation.

1. <https://www.investopedia.com/terms/i/inflation.asp>

2. <https://knoema.com/atlas/Zimbabwe/Employment-to-population-ratio>

The Implications

The situation for most people earning in the local currency (ZWL) is that their weekly or monthly earnings have become worthless due to runaway inflation, making their day-to-day lives harder by the day. The plight of the poor continues to worsen with majority failing to access the basic services for instance education, healthcare and housing. There has been an increase in school dropouts because of poverty³ and many lives lost due to inadequate health facilities, equipment, and medication. Recently, Zimbabwe United Passenger Company (ZUPCO) announced new bus fares at a rate between 75% - 117%. For 21-30 km distances, fares were increased from ZWL100 up to ZWL180.00 effective 1 June 2022. These new bus fares came after a wave of related Zimbabwean dollar increases such as toll fees, fuel, electricity and vehicle insurance premiums among others. These increases are coupled with the wild price increases of grocery items in the past two months which have increased the vulnerability of the common man. Chief among many social ills building up in the economy is that the government is turning a blind eye to the effect of these price increases on the welfare of lowly salaried civil servants and other private sector employees.

Recommendations:

- The government must urgently address the wage erosion issue being experienced by workers to restore confidence and efficiency in the public service sector.
- Government should provide social safety nets to cushion vulnerable groups including people with disability, the elderly, children and women.
- Use of Special Drawing Rights funds to support citizen's livelihoods.
- Strengthening institutions such as ZACC, Parliament to reduce corruption and illicit financial flows. Corruption and IFF's reduce the government's resource capacity to react to inflation and other global socioeconomic challenges. Strengthening institutions will ensure that government is able to direct available resources to meaningful purposes such as providing social protection for vulnerable groups that are most affected by the high inflation.
- Government should foster fiscal discipline to reduce borrowing pressure and strengthen domestic resource mobilization. In effect, government should cultivate a culture of responsible & sustainable spending. That is, spending within its set budgets. This entails scrapping of quasi-fiscal activities being done by the RBZ.
- Government should do away with 'command economics' where they are a major player in the market. The economy should be a private sector led economy. There should be market driven exchange rate management and an increase in bidding transparency on the auction market. A strong currency position will reduce price distortions and hence inflation.