



Press Statement

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The ever-increasing cost of living, pushing more Malawians into poverty

The Centre for Social Concern has observed that the continual rising of food, transport and other basic non-food items are having a heavy effect on consumers' incomes, and pushing more Malawians into poverty.

According to WFP's country brief of June 2022, Malawi's challenges are compounded by weak economic growth, high risk of overall debt distress, low primary school completion (51 percent), a high prevalence of stunting and high prevalence of HIV/AIDS infection (9.6 percent). It further states that 5.4 million (33% of the population) are facing moderate or severe chronic food insecurity and from July to December 2022, it needs USD 15 million net funding requirements to reach the affected households.

The Reserve Bank of Malawi moved in by announcing a return to a market-determined foreign exchange rate regime to support dwindling foreign currency reserves. This move came in reaction to rising commodity prices which have hit Malawi hard, amid declining revenue from tobacco, its major export.

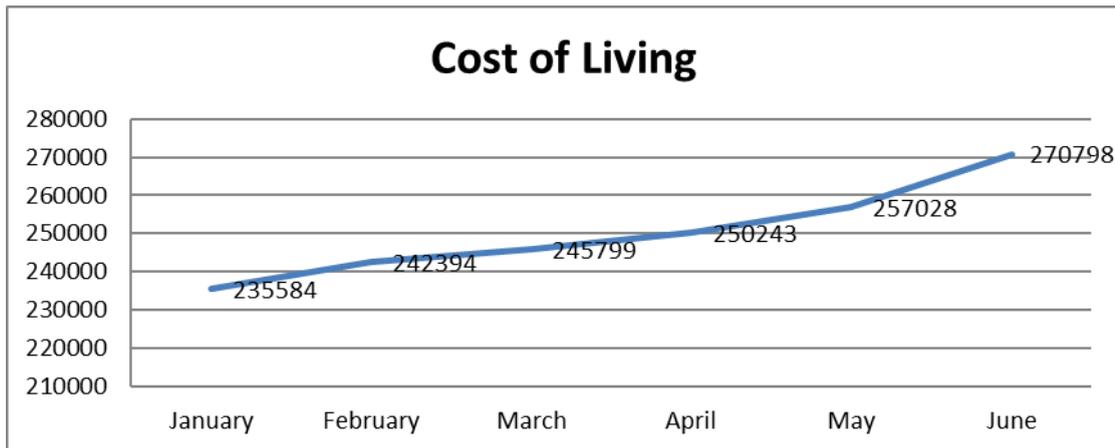
Devaluation of the Kwacha and inflation has further increased the cost of living (CL) at a time when most food items were in season and the supply was high. This does not send a good signal. CfSC projects that the CL might increase drastically in the coming months when most food items will be out of season. The impact of devaluation has also been immediately felt by high income earners more because most of them buy imported goods in chain stores. Unabated rising inflationary pressures have also greatly impacted the cost of living.

While inflation affects every consumer, economists argue that those who largely spend their earnings on the most basic needs of their lives are the worst hit. The rising inflation means that Malawians have to dig deeper into their pockets to afford basic commodities such as food, clothing and other services including transportation.

The CfSC Cost of Living surveys continue to show the knock-on effect that the rise in inflation and devaluation of the Kwacha are having on the cost of living.

In May 2022, the average CL in the cities of Mzuzu, Lilongwe, Zomba, and Blantyre and peri urban areas of Mangochi and Karonga for a low-income earning family of six was K 257, 028. Currently the cost of living for the same household of six members stands at K270, 798, representing a 5% increase.

As figure 1 below shows, the cost of living has risen steadily from January to June 2022.



The figure above is showing steady increase in the cost of living and between January and June 2022, the CL increased by approximately 15% from K235, 584 in January to K270, 798 in June 2022. There are a number of factors that have contributed to this increase. Among them are; changes in the prices of commodities as a result of seasonal availability, devaluation of the Kwacha and Russia/Ukraine war. Between January and June, prices of maize, the main contributor to the rise in the cost of living, have soared from an average K9, 495 per 50Kg bag in January to K13, 726 per 50Kg bag in June, representing 45% increase; cooking oil increased from an average of K2, 685 per litre in January to an average K3, 923 per litre in June, representing 46% increase. The war has also greatly changed the price of bread. In January, the average bread price was K555 per loaf, it has been increasing over the months and in June, and the average price hit K930 loaf, representing an average increase of 68%. Illovo sugar has increased by 31%.

Between May and June 2022 maize increased from an average of K12, 040/50Kg bag in May to an average price of K13, 393/ 50Kg bag in June 2022 representing an average increase of 13.5%. Tomato price per Kg increased from K609 in May to K837 in June representing an increase of 2.3% while Kukoma cooking oil increased from K3, 720 per litre in May to K3, 923 per litre in June representing 2% increase.

The most expensive city in June 2022 was found to be Blantyre with CL of K311, 605 while peri urban area of Karonga was the lowest at K215, 918 as its CL although this is still at a higher side comparing what the low-income earner gets at the end of the month as a take home salary.

Since inflation concern food, The Centre for Social Concern urges government to flooding the country with enough food and make sure that as a nation, we are manufacturing products locally what we can export to attract foreign exchange. Government's plan to facilitate establishment of mega farms and rural factories will improve the economy in the short and long run and good governance in the management of vast deposits of minerals will improve the economy in the long run. Further increasing the minimum wage from the current K50, 000 and increasing nontaxable income from the current K100, 000 will improve the standard of living of the low-income earners as this will increase the proportion of total income or of an increase in income that consumers save rather than spend on goods and services.

God bless the 'warm heart of Africa', our beloved country, Malawi