Break on Food Inflation Eases Hardships

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Falling food prices have brought measure of relief to struggling Zimbabweans.
For the first time in a decade, Zimbabwe's supersonic inflation is slowing down, with the price of some basic commodities dropping by up to 50 per cent.

But it’s not clear whether this is due to measures introduced by the new government or the shortage of hard currency to pay for goods in the country’s recently dollarised economy.

A loaf of bread is now retailing for 50 US cents, half of its previous price. The cost of a kilogramme of beef has dropped from eight to three dollars and a 12.5 kg bag of the staple food mealie meal has been cut from ten to six dollars. Before the formation of the new government – in which ZANU-PF and the Movement for Democratic Change, MDC – prices of basics doubled almost daily.

The official dollarisation of the economy and the lifting of restrictive import duties on food items – measures contained in a budget statement last month – have allowed basic goods to come in duty free from neighbouring Botswana and regional powerhouse South Africa.

Supermarkets have restocked their empty shelves and the country is awash with various commodities, all of them priced in foreign currency – the US dollar, the Botswana pula and the South African rand being the preferred tender.

Some economists believe that the decline in the price of consumer goods can be attributed to the liberalising impact of new finance minister, MDC secretary general Tendai Biti’s budget statement – which borrowed heavily from the MDC's economic blueprint.

Others, however, have suggested that it’s because there’s simply not enough hard currency in circulation to pay for the influx of goods. Economist Luxon Zembe, ex-president of the Zimbabwe National Chamber of Commerce, told IWPR, “Currently there is a serious cash crisis in terms of forex. There are plenty of goods and little money available. So prices are going down as a result."

Remittances from exiled Zimbabweans, which had helped shore up the economy, had dropped dramatically as the global credit crunch and the resultant job losses have taken their toll on Zimbabweans, he said.

The flip side of the break on inflation is that the cost of public sector services have been going up as the government tries to claw back revenue lost when the practically valueless Zimbabwe dollar was in circulation.

The state-run mobile telephone network provider Net*One and its sister, fixed line network TelOne, are currently at the centre of a consumer storm sparked by exorbitant bills sent to subscribers after the companies started charging in foreign currency last month. Consumers have received mobile phone bills ranging from 50 to 20,000 US dollars. The Harare municipality has sent out very high monthly water bills, from 40 US dollars upwards, as has power utility Zimbabwe Electricity Supply Authority, ZESA.

"The drop in prices has been specifically on basics: mealie meal, meat, and so on, but other services have gone up markedly. The rates being charged by the City of Harare and all government parastatals are quite frightening. They are fundraising from people, yet they are not providing the services," Rogers Matsikidze, director of the Zimbabwe Labour Centre, said.

Analysts believe the government must boost industrial and agricultural production to generate critically needed foreign currency and stabilise prices, as it is struggling to raise money to finance itself. The new prime minister, MDC leader Morgan Tsvangirai, has pleaded for two billion US dollars from South Africa, but this has not been forthcoming. The international community is wary of funding the new government before it sees evidence of genuine power sharing and reform.

The revival of the economy has become one of the new government’s most urgent tasks.

Curbing inflation is seen as vital to pulling the country out of a ten-year recession marked by chronic shortages of foreign currency, fuel and food.

But despite falling consumer prices, the inflation rate remains the highest in the world – almost 89.7 sextillion per cent, according to independent estimates. The last official estimates were issued in July last year, when government's Central Statistical Office announced that the rate had risen to 231 million per cent.

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