

Press Release

Fuel Price Increase

It is with deep concern that the Consumer Unity and Trust Society (CUTS International) noted the statement made by the ERB on the revision of fuel prices. As of midnight 14 October, the ERB increased petrol to K13.70 a litre from K9.87; diesel to K11.40 from K8.59 and kerosene to K8.03 from K6.12.

While CUTS is fully cognizant of the ERB's mandate 'to determine prices that guarantee full cost recovery to the government', CUTS is deeply concerned with the manner in which this mandate has been implemented. Overnight, Zambia's saw the prices of petrol; diesel; kerosene; and LSG go up by 38%, 32%, 31% and 26% respectively. These increases will have both direct and indirect impacts on all Zambian consumers, particularly low-income consumers who have no income cushion, unless they receive alternative compensation.

The direct impacts of the fuel price hike will be the higher prices that every household will have to incur in light of the increases. This will undoubtedly result in an increase in household expenditure across all income levels, the effect of which was the long queues we saw on Friday night. What these prices have meant is that a household that used to pay K690 for a 70-liter tank of fuel, now has to pay K959 – an increase of K269 overnight. It is important to also note that this increase is taking place on the heels of the 2013 fuel subsidy removal that saw Zambia's incur another increase in the cost of living of about 30% according to a study that CUTS undertook in 2013.

In addition to the direct impact, CUTS is also concerned with the indirect impact of the increase in fuel prices which will have a ripple effect on the economy as a whole. Evidence has indicated that it can be expected that an increase in the cost of fuel will have an inflationary impact on the economy on account of the increased production costs due to the increased transportation costs. This will lead to an overall increase in the prices of goods and services consumed by households. Lower income households will feel these costs more significantly as their disposable income is eroded.

Given the country's current fiscal position, CUTS is aware that stringent measures need to be taken. However, it is important to realize that measures that will strain the country's consumer base will have a negative impact on their spending power and their contribution to the growth of the economy. Additionally, Zambia cannot lose sight of its large poor population – it is important that the poor do not carry the brunt of any measures.

A much more gradual approach to implementing these price hikes could have helped minimize the impact that will be felt by consumers across the country. Additionally, accompanying mitigating measures such as targeted social programs, vouchers and conditional cash transfers need to be implemented to minimize the impact on the poor.

One of the key elements of a successful reform is the efficient and visible reallocation of the resources saved through the increase in fuel prices to programs with immediate benefits to the most vulnerable and as CUTS we hope that this will be made apparent to all Zambian consumers soon.