

# Press Statement

30 March 2020

## About us

The Consumer Unity and Trust Society (CUTS) International, Lusaka is an NGO that was established in 2000 to function as a center for research, advocacy and networking on issues of trade and development, economic governance and consumer welfare.

The mission of the center is to function as a resource, co-ordination, as well as networking center, to promote South-South cooperation on trade and development by involving state and non-state actors (NSAs).

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**THANK YOU!**

## Contact us



## Should the Government Do More to Mitigate the Economic Impact of Covid-19?

### Why is this important for you as a consumer?

Across the world, Covid-19 is having a negative effect on the economy and in the face of this crisis one of the economic impacts we may soon start to face in Zambia is consumers having limited access to affordable, quality goods and services particularly as countries begin to close their borders and trade is impacted. We are therefore urging the Government to consider rethinking the PAYE as some countries have done during this time and urge them to take more substantive action in protecting consumers by supporting particularly small, medium enterprises that are the backbone of the economy.

On 27 March, the Minister of Finance delivered a statement on the impact of Covid-19 on the national economy. He indicated that the initial projected economic growth rate of 3.2 percent had been revised to lower than 2 percent amidst slowdowns in economic activity as a result of the disruptive effects of the Covid-19 global pandemic. He further added that macro-economic aggregates such as inflation were projected to remain above the targeted 6-8 percent range and that the Zambian Kwacha, trading at ZMW 17.8 per dollar was going to continue to weaken against the dollar mainly due to capital flight in international financial markets and a persistence in poor copper prices due to a drop in demand from China. On account of these occurrences, low-income households and small medium enterprises (SMEs) stand to bear the brunt of the negative impact of the slow economic growth. Many low-income households are already living from hand to mouth and an increase in the cost of living coupled with limited access to affordable, quality goods and services due to growing trade restrictions would make exacerbate their living conditions. SMEs are also at risk due to the sudden shifts in supply and demand during this period which is in turn affecting their revenues and profits.

In order to address some of the negative impacts of Covid-19, the Minister of Finance announced a number of measures. While the Government has set up a preliminary Covid-19 Contingency and Response Plan and an Epidemic Preparedness Plan under the Ministry of Health, the Government has also put in place a number of liquidity and tax relief measures. While these are indeed positive first steps, we urge the government to consider more substantial steps towards increasing liquidity within the market and providing tax relief measures. The Minister of Finance indicated that they would be looking to reduce domestic arrears as well as outstanding arrears to pensioners. While positive, similar measures were outlined in the 2020 National Budget Speech. In the light of Covid-19, therefore, we urge the Government to consider further steps than those already determined in the national budget to support the domestic private sector. While releasing K2.5 billion is welcome, it is important to note that as of September 2019, Zambia's domestic arrears stood at K26.2 billion.

With regards to tax relief we commend the Government for suspending excise duty on imported ethanol as this will make sanitisers and other medicine-related activities affordable for consumers. Reducing the provisions of SI 90 will also reduce the cost of production for local producers. However, we urge the Zambia Revenue Authority to also consider reducing tax rates in priority sectors to allow them to continue operating during this difficult time. We also recommend that the ZRA consider reducing income tax rates to mitigate the negative effects of the inflation rate as well as allow consumers to play a role in stimulating the economy. Across the world, Covid-19 is having a negative effect on the economy and in the face of this crisis one of the economic impacts we may soon start to face in Zambia is consumers having limited access to affordable, quality goods and services. We encourage the Government to be proactive and look into ways to ensure that this does not happen. In as much as it is hard to determine how long this situation will be, Zambia's road to recovery will be highly dependent on how proactive Government will be in its response.

By Chenai Mukumba, Executive Director and Aquila Ng'onga, Research Assistant