Wrestling with the effects of hyperinflation

One of the few certainties in Zimbabwe is that the cost of commodities will increase, including those on the government's price control list – usually within days, and often by 100%.

Harare – Cosmas Maphosa, a male nurse, went to a school uniform shop in the Zimbabwean capital, Harare, to buy a win cardigan for his daughter. He returned home empty-handed because the price had doubled since when he had decided t buy it three days previously.

Determined that his daughter should not feel the winter chill, Maphosa borrowed some money from a friend and returned t the shop the following day, but again did not have enough money because the price had doubled – from the previous day.

Maphosa takes home a monthly salary of Z$200,000 (US$5 at the parallel market rate of US$1 to Z$40,000), so the Z$800,000 (US$20) cardigan was well out of his price range; his daughter will just have to spend the winter without any wa school clothing.

On Tuesday the Central Statistical Office (CSO) said annual inflation had risen to 3,713% in April, up from 2,200% in Mar but despite suffering the world's highest inflation, Maphosa, like millions of other Zimbabwean consumers, is puzzled by th steep rate at which retailers, wholesalers and other service providers increase prices.

Madness!

"This is madness; these people are killing us. How on earth can prices increase almost on a daily basis? And why is it tha the time the hikes take place, they are mostly by 100%?" Maphosa wondered.

Sometimes he fails to report for duty because transport costs from his home in the dormitory town of Chitungwiza, just outside Harare, to his place of work in town have increased from Z$250 in January to Z$10,000 at present.

"Even striking for better wages has become tiresome and meaningless, because by the time the government awards you t amount it feels like, the increment would have been rendered useless by inflation," he told IRIN.

One of the few certainties in Zimbabwe is that the cost of commodities will increase, including those on the government's price control list. A one-litre bottle of cooking oil that cost slightly more than Z$10,000 (US$0.25) two weeks ago now costs Z$57,000 (US$1.40); a bar of soap has gone up by about 200% in the same period, a 10kg packet of maize-meal jumped from about Z$12,000 (US$1.30) last month to Z$50,000 (US$1,25) today.

Evelyn, 28, a departmental secretary at the University of Zimbabwe (UZ), told IRIN that drawing up a family budget was an exercise in futility. "Imagine, you cannot even carry the exact bus fare on your way to work because the chances are higl that you will be told fares have gone up; you can't even make budgets for household commodities, as used to be the case seven or so years ago."

Prices up three times a day

This trend began in earnest in 2003, when Evelyn remembers prices "would change in the morning, afternoon and evenin and life was so unbearable." That year the country was hit by a debilitating shortage of bank notes as the economy, according to analysts, responded to the ZANU-PF government's fast-track land reform programme.

In 2000, the government began redistributing commercial farmland owned by white farmers to landless blacks, denting investor confidence and severely reducing agricultural and industrial production.

The effects of hyperinflation have left the government at a loss. In March, Vice-President Joyce Mujuru asked in an addre to businessmen: "Tell me, just who is it that sits somewhere with a phone and calls shops on a daily basis to say the price this or that commodity has changed to such and such a level?"

Alvis Dliwayo, a branch manager of a chain store in Harare, has an answer that "should be obvious to both the governmer and the consumers".

"Retail business, like most aspects of the economy, is now controlled by the black [parallel] market, particularly that of foreign currency. Our wholesalers go to the parallel market to buy foreign currency, with which they import commodities, and every day the rates are changing, forcing them to increase wholesale prices, the costs of which are passed on to us,' Dliwayo told IRIN.

The scarcity of foreign currency has caused the local currency to devalue at a gallop. In February, US$1 cost Z$3,000 or the parallel market, but on Friday the price was heading for Z$40,000; officially, one US dollar is pegged at Z$250.

Spies the order of the day

Dliwayo said most wholesalers charged an employee with monitoring the exchange rate for US dollars on the parallel mark and the latest rate dictated commodity prices in the local currency.

"In our case, as retailers, we are also doing more or less the same thing - sending junior staff to spy on what prices other supermarkets are charging, just in case we are left behind," said Dliwayo.

He conceded, however, that in some cases, the price hikes were not always determined by the exchange rate, but by som unscrupulous businesspeople making super profits by charging "crazy" prices.

The argument that the foreign currency exchange rate determined prices does not always wash with consumers, who pointed out that price increases by retailers also affected old stock, which was bought at a lower exchange rate.

"Clothing shops, for instance, can stock the same items for months, yet they will be changing prices frequently. The bottor line is that we are now living in a dog-eat-dog environment, where corruption has become a culture," Maphosa said.

Attempts to curb inflation doomed to fail

President Robert Mugabe recently approved the National Incomes and Pricing Commission Act, which the government ho will rein in inflation and make salaries and wages more sustainable, but economists have viewed the legislation with scepticism.

Establishing a commission "will not work at all", Eric Bloch, an economist, told IRIN, because government must first addres "the issues of wanton printing of money, corruption [and] over-expenditure, and unless it revives agricultural and industrial production there is no way in which prices and salaries will stabilise."

Bloch said the government, employee representatives and business should resume the stalled social contract talks, becau this would be the only real way of arresting inflation and cushioning consumers against the ever-rising cost of living.

Previous government attempts to control basic commodity prices have been unsuccessful, leading to accusations by Mug that industry was collaborating with the political opposition by increasing the cost of living to sow discontent among Zimbabweans.

The Confederation of Zimbabwe Industries, which develops and promotes business activities, maintains that price hikes ha been the only way to remain viable, since industrial production has fallen by as much as 30% from pre-2000 levels.

Article courtesy of IRIN