

Rising cost of living

LAYPERSONS can be forgiven for feeling a little lost in the battle of percentages that is quietly being waged as the data for price inflation shows a sharp spike under way for a few months now. The latest data showed the Consumer Price Index rising by 9.4pc in the month of March compared to the same period last year, the largest increase in five years. Every political government trembles at the prospect of rising inflation, and when the data shows a steep increase, the government is right to stand up and take note. Managing inflation and its attendant expectations are among the most critical and most complex political and economic obligations to be shouldered by those in power.

Given the sensitivities, the government has rolled out a series of explanations offered up in different times and at different forums about the nature and impact of the rising CPI. Specifically, they present three arguments to blunt the edge of the political backlash that rising inflation naturally gives rise to. First, they argue that the increase is due to an economic adjustment that is necessary because the previous government left them an economy riddled with massive imbalances. Second, they say that the worst of the price increases might be over by now, given that the bulk of the price hike due to devaluation and fuel and power price increases has been incorporated already. Third, they assert that the poorest quintile of the population is relatively less impacted by the increase in the Sensitive Price Indicator. This segment has seen an 8.8pc increase in the price level of sensitive items versus the top quintile, which has seen a 16.2pc increase.

The first of these points is valid, and will remain so for many months to come. The economic adjustment that this government has to undertake is a long-drawn process and its adverse fallout will remain for at least another year. The second reason is a little difficult to agree with, especially considering that the exchange rate is once again coming under pressure and another large round of fuel price increases has just been passed through. The third reason may be factually correct but provides little solace to those in the lowest quintiles, who have to spend far more than half their monthly income on food. Every percentage point is painful for them, and an 8.8pc increase is more or less what they had to suffer in previous years too (such as in 2011) when the SPI showed a sharp rise, yet its burden fell more evenly between the upper and lower quintiles. The fact of the matter is that no explanations can undo the pain that inflation brings, and the nature of politics is such that the incumbent rulers have to absorb the ire of the population in these periods.

Editorial