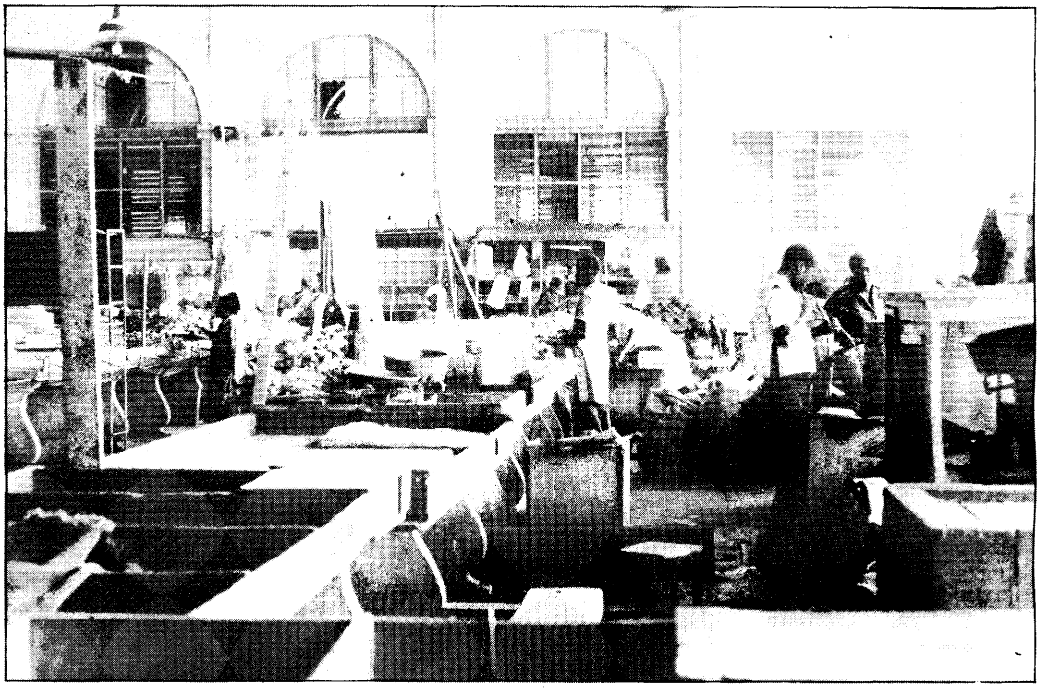

Maputo market place. Producers and consumers are being exploited

Inflation hits Mozambican economy

With the government's attempt to recoup tax losses urban Mozambicans are complaining that "everthing is going up except wages"

A laconic communiqué from the Domestic Trade Ministry in mid-January informed Mozambican citizens that the price of their beer and cigarettes had increased overnight by 100%. A packet of 20 locally manufactured tipped cigarettes rose from 40 to 80 or 85 meticais, depending on the brand (there are about 40 meticais to the US $ at the official exchange rate). A 70 centilitre bottle of beer used to cost between 40 and 45 meticais in a restaurant. Now, depending on the strength of the beer and the type of restaurant, it will set you back anything between 80 and 115 meticais.

The initial Ministry communiqué was a masterpiece of bureaucratic contempt for the consumer in that it gave no reason for such an enormous increase. The following day, a spokesman for the Ministry of Finance clarified the situation on the front page of the daily paper *Noticias*. Part of the increase, he explained, was to offset increased costs of production: but most of it was just a tax. The Mozambican Government is short of money, and heavy taxes on tobacco and alcohol are the easiest way of swelling the state's coffers.

The government's problem is that the steep decline in industrial production over the past three years has severely hit the country's tax base. Last year 17.5% less tax was collected than had been planned. Since the Mozambican budget already runs a heavy deficit, this failure was alarming. At last December's meeting of the Mozambican's parliament, the People's Assembly, Finance Minister Rui Baltazar warned that severe fiscal measures would have to be taken. It turns out that doubling the price of beer and cigarettes is the first of these.

In some countries this would doubtless lead to a decline in the consumption of cigarettes. Not so in Mozambique: partly because there is no public health education about the dangers of smoking and partly because of the sheer scarcity of cigarettes. Both the tobacco industry and the breweries are producing at a mere fraction of their capacity. There is thus no difficulty in selling what they do produce.

The real problem is that so much finds its way onto the black market: corruption begins at the point of production, with dishonest workers selling goods illegally out of the back door. Cigarettes are then resold on street corners and, although the practice is completely illegal, the sellers behave quite openly. I have seen cigarettes being sold at two or three times the legal price a couple of hundred metres from the front door of the Maputo headquarters of the security police.

Street corner prices have been 200 or 300 meticais for a packet of 20 cigarettes: smokers are resigned to this drifting still higher in response to the rise in the official prices.

This price increase can be seen as part of a general inflationary trend in the Mozambican economy. The enormously complicated Portuguese system for working out electricity prices was abolished in January — but in the process most electricity prices went up (by between 25 and 150%). Water rates have also sharply increased. The cost of the country's newspapers and magazines has risen by between 66 and 100% (though at ten meticais — 25 US cents — the daily papers can still be regarded as cheap).

In the private sector, wild speculation is the order of the day. Furniture prices, for instance, can only be described as bizarre: one of the larger establishments in downtown Maputo is selling a very plain wooden table and six badly carved chairs for 42,000 meticais (over $1,000).

In the markets, the experiment of scrapping price control on fruit and vegetables has led to unscrupulous middlemen (who control the transport and the market stalls) exploiting both the direct producers and the consumers. The current price of a kilo of onions, for example, is 800 meticais ($20). Bananas sell at 300 meticais a kilo, green peppers for 400, guavas for 200. In general, prices are about 10 times what they were before the abolition of price control. There is very little variation in the prices, since the stallholders operate informal price-fixing rings.

The result is predictable — the commonest complaint on the lips of urban Mozambicans today is "*Tudo aumenta, menos o salario*" (Everything's going up except wages). The minimum industrial wage is still 2,100 meticais a month: which does not buy much in Maputo markets nowadays.

There are compensations: basic foodstuffs (such as maize, rice and cooking oil) are sold at subsidised, fixed prices, and in Maputo are rationed. A kilo of rice, for instance, costs only 17 meticais (less than 50 US cents). In state-owned houses, rent is low and is calculated in relation to one's salary. On public transport, fares are nominal (three and a half meticais on Maputo buses). But most of the fleet of buses are off the road — and a brand of pirate taxi drivers has emerged. They own small trucks and cram in as many people as possible, charging each of them 100 meticais regardless of the distance.

The authorities clearly do not regard tackling inflation as a priority: yet the rocketing cost of living could well damage the government's popularity amongst urban workers — the very force that is, in theory, leading the Mozambican revolution □

Paul Fauvet