

Australia headed for deepening slump in 2013

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Economic statistics released in the first week of the New Year indicate that the sharp downturn that hit the Australian economy during 2012, under the impact of the worsening global breakdown, will intensify in 2013.

Last year marked a turning point. It saw the collapse of the Labor government's claims that Australia had weathered the storm of the global financial crisis that began in 2008, and was headed for recovery.

At the beginning of 2012, Treasurer Wayne Swan claimed, in a front-page interview with the *Australian* newspaper, that the national economy would withstand the credit crisis and recession centred in Europe, because the Chinese regime would do "whatever it takes" to keep its economy growing rapidly.

But China's economic growth rate fell sharply last year, hitting Australian mineral exports. As 2012 ended Swan abandoned the government's three-year-old pledge to deliver a budget surplus this financial year. He cited a \$4 billion "sledgehammer hit" to tax revenues over four months, "right across the board."

China's slowdown is set to continue—despite some short-term rebuilding of raw material stockpiles—because of its heavy dependence on exports to Europe and the US. As a result, Australian commodity prices fell 22 percent during 2012, even though iron ore prices partially recovered from a precipitous mid-year plunge.

The unravelling of the mining boom is compounding a contraction throughout the rest of the economy, especially in the public sector and the manufacturing, construction and retail industries—which are the largest employers of labour, particularly young workers. The slump has intensified despite the Reserve Bank of Australia cutting official interest rates back to the "emergency" level of 3 percent that was set after the initial 2008-09 financial crash.

Unemployment is set to rise. According to the latest quarterly job vacancy figures, released by the

Australian Bureau of Statistics (ABS) yesterday, vacancies fell 2.2 percent between August and November, to 169,900. With about 650,000 workers unemployed—even on the official, understated figures—that means nearly four jobless workers for every vacancy.

The sharpest drop, of 10.7 percent, occurred in the public sector, taking its fall to almost 30 percent over 12 months. That is a direct result of the job-cutting and other austerity measures unleashed by the federal Labor government, joined by the state and territory governments, in order to impose the burden of the stimulus packages that propped up the corporate and financial elite after 2008. Even as he abandoned Labor's budget surplus pledge, Treasurer Swan vowed to continue slashing social spending, in line with the demands of big business for much lower taxes and labour costs.

House building declined at its steepest rate in three months during December, an indication that job losses and financial insecurity are already preventing young people from buying homes. Total activity in the construction industry slowed for the 31st consecutive month. The Australian Industry Group (Ai Group)-Housing Industry Association performance of construction index rose 1.8 points to 38.8, still well below the 50-point mark that would signify expansion.

Hundreds of building workers have already lost their jobs. Ai Group director of public policy Peter Burn said construction activity was "deeply entrenched in negative territory" and "not surprisingly, given the toughness of business conditions, the industry is continuing to reduce employment."

Manufacturing activity also fell, for the 10th consecutive month, in December. The Ai Group performance of manufacturing index (PMI), remained unchanged at 44.3. Ai Group chief executive Innes Willox blamed weak global demand and the slowing

Australian economy, commenting: “The pressures are widespread across the industry and in December no manufacturing sub-sector recorded an expansion in activity.”

Retail and services activity dropped for the 11th month in a row, with the Ai Group-Commonwealth Bank performance of services index falling 3.9 points to 43.2 in December. Despite media reports of consumers “splurging” in the lead-up to Christmas, the latest ABS retail trade figures reveal that retail turnover fell 0.1 percent in November 2012, seasonally adjusted, continuing a year-long trend of stagnation.

In another indication of the impact of the global reversal, average Australian capital city house prices dropped in 2012, for the second year in a row. It was the first back-to-back decline since the RP Data-Rismark index began in 1996, signaling the end of a protracted rise in property values. The index lost 0.4 percentage points in 2012, on top of a 3.8-point fall in 2011. RP Data senior research analyst Cameron Kusher commented: “It is clear that the previous strong value growth conditions to which many home owners became accustomed to in recent years are well and truly behind us.”

The latest ABS trade report showed that the gap between imports and exports in November was \$2.64 billion, the fourth-largest deficit in history, and the worst result since 2008. It was the 11th straight monthly deficit, taking the cumulative shortfall over \$16 billion. Surging imports of cars and machinery outweighed a 7 percent rebound in metal exports since September.

The corporate and financial elite is demanding that the Gillard government, and whatever government takes office after the scheduled 2013 election, move far more ruthlessly to cut social spending and drive down wages and conditions. The *Australian Financial Review* began the year with a January 2 editorial entitled, “Australia’s turn to face fiscal reality.” It began by criticising the Obama administration for putting off “the day of reckoning”—the cutting of welfare entitlements—by temporarily averting America’s so-called “fiscal cliff.”

Warning that the resources boom was coming to an end, the newspaper demanded “strong fiscal discipline,” including a “structural” reduction in government spending. “The US has swerved to avoid

the fiscal cliff, for now,” it concluded. “But Australia has yet to face up to its own fiscal gap.”

Far from Australia being an exception to the economic breakdown wracking global capitalism, it is increasingly clear that the working class faces an assault on jobs, living conditions and basic services no less savage than that being conducted in the US, Europe and internationally.



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