Australian workers to pay as bushfire disaster intensifies slump

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24 January 2020

On top of the immense human, social and financial cost of the bushfire calamity that has affected large parts of Australia—including smoke-choked major cities—corporate forecasters are warning that its economic impact will be felt for years and worsen an existing slump.

According to two different estimates, the "tangible" damage to the tourism, retail and rural industries will total around $100 billion, with the biggest losses to be borne by small businesses. That is just the estimated lost income from farm production, tourism and other businesses. It does not include the effect of injuries and shortened lives due to smoke-related stroke and cardiovascular and lung diseases, or damage to species and habitats, the loss of livestock, grain and feed, crops, orchards and national and local parks.

Also excluded are "intangibles," such as the social costs of mental health problems and unemployment, which will lead to increases in suicide, substance abuse, relationship breakdowns and domestic violence.

No economic relief is in sight. Workers are unlikely to see substantial pay rises in 2020 as unemployment remains stuck above 5 percent and confidence in the economy continues to crumble, according to the Deloitte Access Economics Business Outlook, which was released on Monday. This is after six years of stagnant or falling real wages, especially for young, low-paid and "gig economy" workers.

Despite the bushfire catastrophe, the stock market, following Wall Street's lead, has soared to new highs, boosted by the record low interest rates which have funneled money into parasitic share speculation. But the three Reserve Bank of Australia (RBA) cuts last year, lowering interest rates to 0.75 percent, have failed to reverse the drop in consumer spending, not least because household debt stands at almost 200 percent of disposable income.

An additional factor is the possible adverse fallout from the "phase one" trade deal signed between the US and China this month. Beijing has agreed to buy $200 billion extra in US exports in 2020 and 2021, including energy and agricultural commodities that form the bulk of Australian capitalism's export revenues.

The Deloitte report commented that, with global growth falling to under 3 percent, uncertainty over "truce talks, trade tensions are entrenched" and this is "having an increasingly toxic impact on confidence and investment." Data showed that "investment intentions are getting the wobbles."

The report said the Australian retail industry had endured its deepest downturn since 1990, construction was shrinking at its fastest rate since 1999, and farmers and finance houses have had their worst period since the 2008–09 global financial crisis. It did not predict any recovery in these sectors in 2020.

The summer's bushfires had only compounded those fears, putting the Liberal-National Coalition government's much-promised "first budget surplus in a decade" at risk. In the face of immense popular anger, the government has already pledged to spend more than $2 billion on relief payments and business handouts over the next four years.

Deloite said the Australian economy was battling "dual demons" of drought and a weak housing market and was now facing a third threat—tumbling consumer confidence. A Roy Morgan survey found consumers thought the economy was in its worst shape in over a quarter of a century.

"By the time this year is over, further falls in apartment activity will mean that residential construction will have matched its weakest ever recorded share of the Australian economy," Deloitte's

Chris Richardson, a former Treasury official, said. "In turn, that will have flow-on effects, ricocheting back as continuing weakness through both the wider construction and retail sectors."

Deloitte is forecasting gross domestic product (GDP) growth of just 2 percent in 2019–20 and 2.4 percent in 2020–21, below the government's respective 2.25 percent and 2.75 percent predictions in its mid-year budget review only last month.

UBS economist George Tharenou is among those predicting the RBA will cut its cash rate again next month. "It is likely the bushfire crisis will drag on fourth-quarter 2019 and first-quarter 2020 GDP," Tharenou said in a recent note. "Further, higher food prices (due to drought and bushfires) along with rising insurance premiums will likely see higher headline inflation."

Prime Minister Scott Morrison admitted last week that the bushfire disaster and drought would have an impact on the promised "back in black" $5 billion budget surplus for 2019–20. Asked this Monday if a budget surplus was unlikely, Treasurer Josh Frydenberg evaded the question, saying: "I'm not in a position to give a firm answer to that question because the full economic impact (of the bushfires) is still uncertain."

Inevitably the threat to the government's budget pledge will mean more severe cuts in social spending to satisfy the dictates of the global financial markets—transmitted via the credit ratings agencies, which have warned that any retreat on the surplus could endanger the country's AAA borrowing rating.

Property prices also could drop again, after rising 4 percent in the three months ending December 2019, following an 18-month downturn that saw national home values decline by 8.4 percent, led by sharp falls in Sydney and Melbourne.

Deloitte labelled the rebound in residential property prices as the "current lurch for the sky," saying it was "unsustainable." The report pointed to low construction activity, while housing credit growth remained "sick as a dog." As a result, Deloitte forecast a continued decline in construction activity, predicting a 6.8 percent slide in dwelling investment in 2020.

Corporate media editorials are expressing dismay and frustration with the government, demanding that it deliver tax handouts and other policies to boost profits and investment despite the mounting public hostility produced by its contemptuous response to the bushfire crisis, followed by the sports grants pork-barrelling scandal.

On January 20, noting the glaring contradiction between the slump and the soaring share prices, the *Australian Financial Review* demanded "the broader structural reform agenda that is needed to stimulate investment and drive the business profits required to support the lofty market valuations." Such "structural reform" means a sharper attack on workers' wages, jobs and conditions.

The *Australian's* January 21 editorial was similar. It warned that the share market's "frothy" market price-to-earnings ratio of more than 18 times was being sustained by "ultra-low interest rates," not consumer spending or business investment. It urged an across-the-board cut in the company tax rate to 25 percent and other unspecified "bold policy reforms to kickstart investment."

Echoing these calls, and continuing its pitch to big business, the Labor Party's shadow treasurer Jim Chalmers issued a January 21 media release welcoming the "strong endorsement" of the Australian Industry Group, a major employer association, of Labor's proposals for greater tax incentives to stimulate business investment.

On every level, the working class is being told it must pay for the social and environmental disaster created by the capitalist system's insatiable profit drive, enforced by Coalition and Labor governments alike.