Australia’s rising cost of living outpacing official inflation

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As is the case internationally, a surging cost of living in Australia is finding only a pale reflection in rising official inflation figures. The increasing price of basic goods, including essentials such as food and petrol, along with housing costs, is deepening a social crisis amid an ongoing suppression of wages.

The fears within the political and business establishment that this will fuel struggles by the working class have found expression over the past week with a host of official publications declaring that May’s federal election will be “dominated” by the cost of living.

The Liberal-National Coalition government and the Labor opposition have described it as a “big issue” in their campaigns. Both, however, are pitching themselves to the ruling elite as being best able to oversee sweeping pro-business restructuring, as well austerity measures to pay for the billions handed to the corporations during the pandemic.

In other words, whichever party forms government, the onslaught on living conditions will deepen.

The official inflation rate increased by 3.5 percent in 2021, on top of a 21 percent rise over the decade prior. According to the Consumer Price Index (CPI) figures the cost of non-discretionary items went up by 4.5 percent over that period. Goods, which outstripped inflation, were the most expensive they have been since 2008 in adjusted terms.

An analysis this month by One Big Switch of shelf price increases at supermarket giants Woolworths and Coles over the past 12 months pointed to the understated character of the official figures.

On average, the supermarket chains had hiked the price of fruit, vegetables and pantry items by five percent and drinks by seven. Some increases were far higher, with cooking oil up 19 percent, branded canned fruit 17 and baked beans and tinned spaghetti 21 percent.

The CPI excludes a number of housing costs, including the purchase of existing dwellings, meaning the official increase for the sector was just four percent over 2021. In reality, residential property prices rose nationally by an average of 23.7 percent, the biggest increase on record.

In the capital cities, the growth was even greater, at 30 percent in Hobart, 29 percent in Canberra, 28 percent in Brisbane and 27 percent in Sydney. Nationally, rents increased by at least nine percent, but were far higher in some areas. In regional Australia, where incomes are generally lower, rental increases were an unprecedented 12 percent.

The rising inflation in Australia is part of a global trend. It is driven by the monetary policies of the central banks, led by the US Federal Reserve, which have poured trillions of dollars into the financial markets. This has fuelled a massive growth of speculation and debt, including in housing markets.

The longer-term trends have been compounded by the breakdown of supply chains, caused by the “let it rip” pandemic policies of governments everywhere and the resulting COVID surge of the past three months. The outbreak of war in Ukraine, provoked by the US and NATO, and the sweep of economic sanctions implemented against Russia by the Western powers, is further driving up prices.

Average daily petrol prices are already surging. They reached an average of 182.4 cents a litre in the major capital cities by the end of February according to the Australian Competition and Consumer Commission and have since exceeded 225 cents in some areas. These are the highest prices in eight years.

CommSec has estimated that the ongoing fuel rise will result in households spending an average of $257 a month, on top of other price increases. That would amount to an estimated $670 more in fuel costs this year than last.

Already, the prices are too great for growing numbers of ordinary people. Foodbank chief executive Kata O'Hara told the Australian Broadcasting Corporation this week that the charity was receiving "calls we've never had before and people are referring to the fact they just can't afford to get their car out on the road. They'll be making a decision about do I fill up the car or do I get food this week?"

A survey by RAC, a Western Australian motoring association, found that 25 percent of people would struggle to afford petrol if prices remained at current levels. Some 40 percent said they were looking to cut down on driving.

The flow on effects in a range of industries are vast. Paul Zahra, the chief executive of the Australian Retailers Association, warned this week of a "tsunami" of price increases on the back of the fuel increases.

"When you're looking at fuel prices, it's not just about transportation," Zahra told the *Sydney Morning Herald*. "The machinery that's used to manufacture products or harvest fruit and vegetables—that uses fossil fuels of some sort. It touches so many points. I'm not sure if there's any category or factor it doesn't affect. It goes across the board."

Businesses will pass their own mounting costs on to consumers and will seek to offset them with further attacks on workers' wages and conditions.

Financial commentators have warned that headline inflation could increase to five percent by mid-2022, while manufacturers and major retailers have foreshadowed further widespread price increases of up to 20 percent in many sectors.

The Reserve Bank of Australia last week kept interest rates at record lows of 0.1 percent, citing the uncertainty caused by the Ukraine crisis. It is tipped, however, to increase rates, in line with the actions of the US Fed. Having promoted a speculative frenzy and driven up inflation with loose monetary policies, the central banks are moving to tighten lending. The main impetus is fear that growing inflation will provoke a major wages push by the working class.

Any increase in rates will hit the working class the hardest. Loans and advances across the economy stand at $2,966.1 billion, or around 150 percent of GDP. Hit by declining incomes, ordinary people have gone into ever greater debt, much of it in housing costs.

According to the Australian Prudential and Regulation Authority, almost a quarter of mortgage loans in the December quarter were to households with debt six times greater than income. With wages forecast to remain stagnant at less than 3 percent this year, any interest rate rise could push hundreds of thousands of households over the financial cliff. A possible fall in house prices could also leave them with a mortgage greater than the value of the property it secures.

In a pre-budget address today, Treasurer Scott Frydenberg adopted a pose of concern over the cost-of-living crisis. But any, at this stage unspecified, government assistance would be "targeted and proportionate." The central task was to transition to the "second phase" of the "economic recovery," centered on "debt reduction." These are code words for an onslaught on social spending, which will deepen the crisis afflicting working class households, to offset the billions given to big business during the pandemic.

Labor leader Anthony Albanese has denounced the government as "out of touch" on the cost-of-living question. Asked what policies a Labor government would implement, Albanese told reporters yesterday: "There's a range of measures that could be looked at in terms of cost of living, we'll wait and see."

In reality, Albanese is making a pitch to the ruling elite to support the election of a Labor government, based on promises that it would "resume the reform project" of the Hawke and Keating governments. They deregulated the economy, presided over the destruction of whole sections of industry that were not sufficiently profitable and set in place the architecture for a decades-long suppression of wages.

Together with Labor, the unions have enforced the continuous onslaught on jobs, pay and conditions that have created the social crisis. Now, their aim is to divert widespread anger behind the election of yet another big business Labor government.