Australian inflation figures point to intensifying cost-of-living crisis for working-class households

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Official inflation accelerated in Australia over the year to June to hit 6.1 percent, up from 5.1 percent for the year to March, and is set to rise further, making it even more difficult for workers and their families to make ends meet.

Yet the Labor government, while feigning concern for "households," seized on the figures to reject demands for wage rises to cope with the soaring cost of living, saying such expectations were unrealistic.

Treasurer Jim Chalmers said inflation would still "get higher" and "the idea that we would be forecasting wages growth that keeps up with that, I think, would not be credible in the near term."

Prime Minister Anthony Albanese had the same message. "Price pain for households make it harder for people to get by and buy the things that they need," he said, but this was "a challenge for the economy as a whole… As the Treasurer said, things will get worse before they get better."

The headline inflation result actually hides the real impact on working-class households. The Consumer Price Index (CPI) produced by the Australian Bureau of Statistics (ABS) showed prices rose 1.8 percent in the June quarter alone—that is an annualised rate of 7.2 percent.

Non-discretionary inflation, which includes expenses such as food, petrol, housing and health costs, increased even faster than the 6.1 percent CPI rise, up by 7.8 percent over the year. These unavoidable, everyday expenses affect ordinary people the most, consuming the largest proportions of their spending.

Over the year, new dwellings (up 20.3 percent) and automotive fuel (up 32.1 percent) were the most massive rises. They were accompanied by a 7.9 percent rise for non-alcoholic drinks, a 7.3 percent jump for fruit and vegetables, a 6.3 percent rise for meat and seafood, a 6.3 percent jump in the cost of bread and cereals and a 5.2 percent rise in retail dairy prices.

None of these skyrocketing prices are the responsibility of the working class, but the Labor government, echoing the financial markets and corporate media editorials, is insisting that working people must bear the burden via a continuing fall in real wages.

Prices are increasing twice as fast as wages, which have fallen in real terms to 2011 levels—that is more than a decade of declining living standards—while corporate profits have soared.

This is an intensifying process. The profit share of national income has nearly doubled over the past four decades, to a record high of 31.1 percent. That is almost double the figure of around 18 percent in 1983, when the Hawke and Keating Labor government convened a "summit" with the trade unions and employers and signed its first wage-cutting Accord with the Australian Council of Trade Unions.

To try to contain rising working-class discontent and wage demands, Chalmers and Albanese claimed that the pain for workers would be temporary. They said it was their "expectation" that inflation would ease and real wages would start to recover by the end of the three-year parliamentary term that has just begun.

Chalmers admitted that such forecasts were "particularly tricky" and so he was "conscious and cautious" in holding out that hope.

This illusion-mongering bears no relationship to reality. Prices will keep soaring because the unchecked COVID-19 pandemic, now fueled by new highlytransmissible variants, will continue to disrupt global supply chains, as will the US-NATO proxy war against Russia in Ukraine.

These profit-driven disasters are compounding the underlying inflationary impact of governments and central banks pouring trillions of dollars into the money markets since the 2008 global financial crisis, which has been taken to even higher levels during the pandemic.

Adding to the cost of living over the next six months will be sky-rocketing electricity and home heating and cooking gas bills, which are not yet measured in the CPI results for the past 12 months, and sharp increases in interest rates, and therefore mortgage payments and rents.

The financial markets expect the Reserve Bank of Australia (RBA) to raise its official cash rate from 1.35 percent to 3.4 percent by the end of the year, having already hiked it from the record low of 0.10 percent in just three months in a drive to stifle wage demands.

Foreshadowing a “confronting” economic statement that he is due to deliver to parliament on Thursday, Chalmers spoke of getting “sustainable, responsible wages growth in the economy” as “a primary focus of our economic policy.”

This is code language for working with the unions to suppress workers’ wage demands, in line with RBA governor Philip Lowe’s recent demand that rises be kept below 3.5 percent—about half the 7 percent CPI level that the bank expects by the end of the year.

As also demanded by editorials in the *Australian* and the *Australian Financial Review* (AFR), the government will attempt to use Chalmers’ parliamentary statement to call for “restraint” on both wages and social spending.

Labor’s rapid ditching of its election slogans of “a better future” and “no one left behind” is taken even further—just as the Socialist Equality Party warned would happen as soon as the voting was done on May 21.

To prepare the ground for his statement, Chalmers has cited the inflation spiral and the latest International Monetary Fund (IMF) World Economic Outlook update, forecasting a global slump.

“In my statement to parliament on Thursday, I intend to give people a fuller picture of the complex range of economic challenges, global and domestic, facing our country,” he told the AFR. “We owe it to Australians to be upfront with them about this.”

Contrary to his suggestion of better days to come, Chalmers said the IMF update “confirms the challenges facing the global economy are substantial, they are growing, they will be with us for some time, and they are impacting us here at home.”

While claiming to sympathise with people “doing it tough,” Albanese’s government has ruled out extending any cost-of-living relief, such as the 20 cent a litre fuel excise cut, due to expire on September 30. It has insisted that with the government facing “$1 trillion worth of debt,” it cannot afford such measures.

At the same time, Labor has ruled out reversing income tax cuts for the rich, expected to give billionaires $9,000 a year, and is planning to pour billions of dollars into higher military spending to prepare for involvement in a US war against China.

In a bid to emulate Hawke and Keating, the government has scheduled a September 1–2 “jobs and skills summit” to bring the union and business leaders together for a closer partnership to enforce Labor’s austerity program.

But the capacity of the unions to contain workers’ unrest has been greatly diminished since the 1980s, with their memberships shrinking to less than 10 percent of the private sector workforce.

Despite the efforts of the unions, strikes have already broken out in recent months, including among nurses, health and aged care workers, teachers, university staff and bus and rail workers. This poses the necessity for workers to form new organisations, rank-and-file committees, to throw off the shackles of the unions and turn toward an opposed socialist program to reorganise society on the basis of social equality and human need, not the profits of the wealthy few.