

Reserve Bank of Australia hikes interest rates for fourth month in a row

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At its August meeting on Tuesday, the Reserve Bank of Australia (RBA), the country's central bank, lifted interest rates for the fourth time in a row, the first such series of consecutive increases since 1990.

With the latest hike, monthly interest rate increases have become normalised. This program, mirroring that of central banks around the world, led by the US Federal Reserve, means ever greater financial hardship for mortgage holders and other sections of the working class, who are also being hit by a skyrocketing cost of living and real wage cuts.

Tuesday's 0.5 percent increase takes the cash rate to 1.85 percent. That is a cumulative rise of 1.75 percent in a third of a year, which is also the fastest increase since the 1990s.

In a statement announcing the move, the RBA signalled there would be further increases to come. Analysts are predicting that the rate will continue to rise, at least for the rest of the year, with some tipping a cash rate of over 3 percent by the end of 2022.

Once again, the RBA and its governor Philip Lowe presented Tuesday's increase as a necessary measure to suppress inflation. The headline inflation rate increased to 6.1 percent last quarter, and the Treasury is predicting it will rise to 7.75 percent by year's end.

But the official pretext is a sham. The inflation crisis is being driven by definite policies implemented by the ruling elite, in Australia and internationally, which are set to continue and deepen.

These include the US-NATO proxy war against Russia in Ukraine, which has driven up prices, especially for energy and natural gas, and the supply chain disruptions caused by the "let it rip" COVID policies that have allowed the deadly virus to circulate endlessly, with continuous waves of mass illness and death.

Above all, the inflation has been fuelled by the massive infusion of trillions of dollars into the stock markets and the coffers of the financial elite, by governments and central banks globally.

The Australian political establishment, led by the federal Labor government, is committed to each of these profit-driven policies. The Labor government has backed the war against Russia, rejected any safety measures, amid the worst coronavirus surge to date, and ruled out any taxes on the rich, including the super-profits of the mining and energy companies.

An analysis by the Australia Institute, published in June, found that for the last two quarters of 2021 and the first quarter of this year, profits accounted for roughly 60 percent of the driving forces of inflation in the country.

The RBA statement reiterated fanciful forecasts of continuing economic growth in Australia, which are not based on the slightest evidence and are contradicted by the deepening economic and geo-political turbulence on a global scale.

The statement did, however, acknowledge that the interest rate rises would contribute to a "slowing" of the economy, as well as a rise in unemployment. Some commentators have warned that the rate rises, if they continue each month at the current pace, could trigger an official recession.

This points to the real motive of the interest rate increases. Their aim is to ratchet-up unemployment and to cool the economy. This is to serve as a battering ram against the growing push by workers for wage increases, under conditions where the RBA, together with the Labor government, have insisted that annual pay rises be kept to around 3.5 percent.

That pay figure is little over half the headline rate of inflation, meaning an across-the-board program of real

wage reductions. The cost of living, moreover, is growing far more rapidly.

Over the past year, non-discretionary inflation, for items indispensable to working-class households, has risen by 7.8 percent, led by automotive fuel, at 32.1 percent. The cost of fruits, vegetables and other foodstuffs also increased above the headline rate.

Figures reported by Nine Media show that for a \$500,000 mortgage on average terms with 25 years remaining, monthly repayments increased by \$140 as a result of Tuesday's rise. The increase over the four hikes is \$472. For a \$750,000 loan, the hike was \$211 this week and \$708 since May, and for \$1 million loan, \$281 on Tuesday and \$944 this year.

Australia's household debt was already at one of the highest levels in the world, even when interest rates were at record lows. As of April, Australia's household debt, primarily mortgages, was around 130 percent of gross domestic product. The ratio of household debt to disposable income was at 203 percent prior to the rate hikes.

The previous low interest rate regime and other inflationary policies fuelled a speculative bubble in the property market. This reached its zenith in the pandemic, with the national median house price surpassing \$1 million earlier this year, an increase of \$549,918 since early 2020. The growth was far higher in some areas, especially the largest capital cities and some regional areas with high demand.

Partly as a result of the interest rate rises, however, prices are now falling. In a report released on Monday, CoreLogic, a property analytics firm, found that median dwelling prices had declined by 2 percent since the beginning of May, with a further steady decline predicted.

The firm's research director Tim Lawless told the media: "Although the housing market is only three months into a decline... the rate of decline is comparable with the onset of the global financial crisis in 2008, and the sharp downswing of the early 1980s." In Sydney, he added, prices were falling at the fastest rate in 40 years.

Already, an estimated 45 percent of households with a mortgage are in stress, spending more in total costs than they are earning. The fall in prices compounds these difficulties. Growing layers of the population face the prospect of a loan, with ever greater interest rate

repayments, that is higher than the value of the underlying asset that it services, their property.

In comments to the Australian Broadcasting Corporation this week, mortgage holders spoke on the deepening crisis they face. A Tasmanian worker, Bobby Graham, had saved for five years to buy a house in the outer suburbs of Hobart.

He described the situation as "the perfect storm—you pay the higher price because you bought at the peak of the market then there is an increase in interest rates. And it becomes obvious that everything else is becoming more expensive due to inflation." The interest rate rises were a "bit of a kick," adding: "You pay so much of your income, just to maintain your house." Like many others, Graham was already compelled to slash his costs to keep afloat.

The Labor government has openly endorsed the RBA's interest rate hikes, while declaring its opposition to any across-the-board real pay increases and its commitment to social spending cuts, aimed at making working people pay for the national debt accrued through business handouts and massive military spending.

In an economic statement last week, Labor Treasurer Jim Chalmers contemptuously declared that it would be necessary for ordinary people to swallow "tough medicine," as inflation increases and interest rate hikes continue.

The rate rises are one prong of an offensive against the working class, being spearheaded by the Labor government. The other prong is the collaboration of the trade unions, which are doing everything they can to suppress a growing movement of the working class and enforce sell-out enterprise agreements that slash workers' wages and conditions.



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