Electricity and rent hikes expose Australian government’s “cost-of-living” budget

Max Boddy
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Soaring electricity prices and rents are having a devastating impact on working-class households in Australia, further demonstrating the fraud of the Labor government’s depiction of its May 9 budget as providing “cost-of-living relief.”

Electricity prices will increase between 20 and 25 percent from July 1, in the middle of winter, for about 600,000 customers across New South Wales, southeast Queensland and South Australia, the Australian Energy Regulator confirmed last week.

In addition, half a million Victorian residents and small businesses will be affected by separate increases of $350 and $750 on average. This is all despite wholesale power prices being significantly lower than 12 months ago, and the Albanese government introducing token energy price caps last year.

While Labor has announced a one-off rebate of up to $500, barely offsetting the increase, this will only be available to qualifying pensioners and concession card holders. The level of this rebate varies according to location—in the Australian Capital Territory, eligible residents will receive just $175, far less than the anticipated price increase.

These rises make a mockery of the Labor Party’s 2022 election promise to reduce household power bills by $275, as part of a “better future.”

Rents are also becoming unaffordable, adding to the housing and homelessness crisis generated by 11 home mortgage interest rate rises since May 2022. This week’s latest ANZ CoreLogic housing affordability report showed an average rent rise of more than 10 percent over the past year.

The report revealed that a median income household would require 30.8 percent of income to service a new lease, while those on lower household incomes would need 51.6 percent of their income. Housing costs above 30 percent of income are regarded as the definition of housing stress, making it hard for households to make ends meet.

Data published by the Australian Bureau of Statistics (ABS) has demonstrated that the cost-of-living crisis is accelerating, not slowing down. Monthly Consumer Price Index (CPI) figures released last week show inflation over the twelve months to April rose to 6.8 percent from the 6.3 percent reported in March.

Quarterly CPI figures showed an increase of 7 percent in the 12 months to March, down slightly from 7.8 percent in the December quarter, but the prices for most essential goods and services continued to surge.

Food and non-alcoholic beverages rose another 1.6 percent in the March quarter, with fruit and vegetables rising 2.4 percent and other food products 3.2 percent. Dairy and related products rose 1.9 percent, producing an annual increase of 14.9 percent.

Secondary education costs rose by 4.9 percent in the March quarter and tertiary education a massive 9.7 percent, soon to be driven higher by the inflation indexation of student fee debts, which is causing thousands of students to quit their studies.

Even this data underestimated the impact on working-class households. Separate ABS annual cost-of-living figures showed that increases ranged from 7.1 percent to as high as 9.6 percent, depending on household types.

The employee household category, which includes working-class families, experienced the 9.6 percent rise, the highest since 1986. That was primarily driven by a year-on-year increase in mortgage interest of 78.9 percent, plus a 7.9 percent rise in food and non-alcoholic beverages prices.

People have taken to Twitter to show their online shopping invoices. @RealAnitaWhite said the price of home brand white bread from Woolworths had nearly doubled from $1.50 in September 2016 to $2.70.

A 1kg block of cheese that cost $7.70 in March 2020, now cost $10. Milk products priced at $5.70 for in March 2020 were now $10.

These tweets were part of a campaign by the Australian Council of Social Service to ask the Labor government to raise the sub-poverty rate of welfare payments. It was joined by others revealing their shopping lists on Twitter, showing there was nothing more they could cut from their bills.

But Labor's budget increased welfare payments by an insulting $40 a fortnight, less than the cost of a cup of coffee a day.

As the product of 11 interest rate hikes by the Reserve Bank of Australia, the average mortgage repayment for borrowers with a $600,000 mortgage has increased by around $1,200 a month.

The central bank is intent on using the rate rises to slow the economy and push up unemployment, even at the cost of a recession, in order to further drive down workers' real pay. Wages already trailed inflation by 4.5 percent last year, the biggest recorded fall since World War II, with the trade unions enforcing pay deals that are far below the cost of living.

Both the bank and the Labor government base their calculations on the official jobless rate rising from 3.7 percent to 4.5 percent by next year or 2025, which would mean the loss of 150,000 jobs.

Overall, it is already clear that Labor's budget, its second since taking office, will do nothing to halt the cost-of-living crisis. Moreover, its $14.6 billion "cost of living" budget package over four years was dwarfed by the $69 billion to be spent on "stage three" income tax cuts over the same period, overwhelmingly handed to Australia's wealthiest people.

Labor's two budgets also contained some $40 billion in social spending cuts, including to public health, education and housing. The National Disability Insurance Scheme is one of the biggest targets, with the government planning to slash $74 billion over the next decade.

At the same time, military spending is being ramped up, including $368 billion set aside for the purchase of AUKUS nuclear-powered submarines, designed for use in a US-led war against China. This war drive will be paid for by ever-deeper attacks on working-class conditions.