

Cost-of-living, jobs and social crisis deepening in Australia

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Recent economic data point to the intensifying financial pressures being deliberately applied to working-class households by the Reserve Bank of Australia (RBA) and the Albanese Labor government.

Facing higher mortgage repayments and rent hikes, resurging prices for essentials and falling real wages, increasing numbers of people are depending on credit cards and pay-later services to survive. Statistics show inflation rising again, especially for petrol, housing and food, household savings falling for the first time since the 2008 global financial crisis, and job cuts spreading.

This deepening social crisis is fuelling discontent with the Labor government, reflected in media opinion polls reporting collapsing support for the government, and correspondingly for its Voice referendum to entrench an indigenous advisory body in the country's 1901 Constitution.

The government's bid to use the referendum to divert attention from the deteriorating working-class conditions is unravelling. The claims that a yes vote for the Voice would lead to "better outcomes" for indigenous people have become just as unbelievable as Labor's May 2022 election promises of a "better future." The reality is that workers and youth—indigenous and non-indigenous alike—are suffering the greatest cut to living standards in generations.

According to the Australian Bureau of Statistics (ABS), the value of household deposit accounts decreased by \$6 billion in the June quarter, the first decline in 16 years. "This was the first fall in deposit balances since the global financial crisis and indicates that the household sector was tapping into cash reserves amid rising cost pressures," the ABS said.

The household saving-to-income ratio fell for the seventh consecutive quarter to 3.2 percent, its lowest level since the June quarter of 2008. That is another indication of the historic reversal in household finances since December 2021, which accelerated after the Labor government took office.

New figures from the RBA last Friday showed the stock of

personal credit jumped by 1.6 percent in the five months to August. RBA documents about mortgage stress reveal that the National Debt Helpline is receiving an increasing volume of calls from people who have never before experienced financial hardship nor drawn on social services.

An internal RBA email in July, obtained via a freedom of information request, said the helpline "reported a significant number of callers experiencing hardship who are accruing additional debts via credit cards, Buy Now Pay Later, borrowing from friends and family, and increasingly unpaid obligations to the ATO [Australian Tax Office], their utilities providers and council rates."

These documents demonstrate how conscious the central bank, backed by the government, is of the suffering being caused by 12 interest rate hikes since May 2022. This is a calculated offensive by the ruling class to trigger an economic slump in order to drive up unemployment and further cut real wages.

That agenda was spelt out by multi-millionaire property developer Tim Gurner at last month's *Australian Financial Review* Property Summit. "We need to see pain in the economy," he told his audience. That included "massive layoffs" to cause "less arrogance in the employment market."

In line with that blunt statement, the RBA expects a "mortgage cliff" to worsen over coming months as tens of thousands more households come off fixed interest rates to much higher variable rates, and the time lag between rate rises and arrears shortens.

"All of this meant that there was a long lag between households making significant adjustments to their personal finances as they become more stressed (especially if they had managed to 'roll over' a hardship arrangement for up to 12 months), and falling into arrears as reported in the official data," the RBA email noted.

Mortgage payments as a proportion of household income are already at record highs. The minutes from the central bank's board meeting last month said "scheduled mortgage payments rose to 9.7 percent of household disposable

income in July, a little above the estimated previous historical high... Members noted that aggregate payments were set to increase further as more borrowers with fixed-rate loans roll off onto higher rates.”

Those minutes warned of further rate hikes “should inflation prove more persistent than expected.” Even if the bank holds off on another rate rise this week, the financial market players expect at least one more this year.

Last week’s ABS monthly inflation report showed that consumer prices increased by 5.2 percent in the year to August, up from 4.9 percent in July, with the rising cost of fuel, power, insurance and rents adding to the pressures on working-class budgets.

The most significant contributors to the August annual increase were housing (+6.6 percent), transport (+7.4 percent), food and non-alcoholic beverages (+4.4 percent) and insurance and financial services (+8.8 percent).

Treasurer Jim Chalmers falsely claimed that “it’s clear the peak in inflation is behind us,” citing the 8.4 percent monthly figure last December. But the August result gave a glimpse of the intensifying impact on working-class households. Automotive fuel costs have surged by 15 percent over the past two months. Rents rose 7.8 percent in the 12 months to August, up from 7.6 percent in July, following the government’s refusal to introduce rent caps.

Electricity prices rose 12.7 percent and gas prices rose 12.9 percent in the year to August, making a mockery of the government’s claims to be providing financial relief. Prices for bread and cereal products and dairy products rose over 10 percent in the 12 months, while the supermarket chains made huge profits, although fruit and vegetable prices dropped 8.3 percent due to improved agricultural conditions.

The relentless cost-of-living squeeze is forcing a generational cut to retail spending. The ABS said a 1.3 percent annual trend growth rate in retail sales recorded in - August was the lowest in the history of its records. If not for inflation and population growth, sales would have fallen outright in real terms.

“Considering how high inflation and strong population growth have added to retail turnover in the past year, the historically low trend growth highlights just how much consumers have pulled back in response to cost-of-living pressures,” ABS head of retail statistics Ben Dorber commented.

On a per-capita basis, the economy fell into recession in the first half of 2023, with only an increase in net migration marginally lifting economic output.

Other recent ABS figures point to a declining labour market, an early indicator of rising unemployment. The number of job vacancies fell by 8.9 percent in the three months to August, the fifth straight quarterly decrease.

Vacancies have dropped by 18 percent from a peak in May 2022.

Job cuts in September included steel manufacturer Molycop announcing it would slash 250 jobs, around half the workforce, at its plant in Newcastle, a large regional city north of Sydney. Optus, a major telecommunications company sacked up to 150 workers—nearly half the workforce—from its call centre in Adelaide.

Despite making record profits, the banks are eliminating more jobs. The Bank of Queensland is axing up to 250, the National Australia Bank 222. Westpac has destroyed more than 1,000 so far in 2023, and the Commonwealth Bank has cut more than 300 since June.

Meanwhile, big business—including the banks, retail giants and mining conglomerates—is funding the Voice referendum Yes campaign to an estimated tune of more than \$50 million. For the corporate elite and the Labor government, the referendum is an attempt to give a facelift to this underlying agenda of making the working class pay for the global capitalist crisis. It is also to fashion an equally false pitch for “national unity” for the purposes of preparing to join a US-led war against China.

The Socialist Equality Party’s campaign for an active boycott of the referendum by workers and youth is part of a broader fight against the program of austerity and war being implemented by the political and business establishment.

Note: Under conditions of compulsory voting, which makes it a crime to urge a boycott of the vote itself, the SEP calls on workers and youth to register their opposition by casting informal ballots and join our active boycott campaign in the lead-up to October 14, that goes well beyond the individual act of voting.

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