

# Cost-of-living crisis fuels financial stress and job losses in Australia

**Mike Head**  
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Data released last week shows that the cost-of-living crisis is having a devastating impact on financially-stressed working-class households in Australia, amid rising job losses and signs of recession.

First of all, far from receding, inflation is resurging, further cutting real wages. The official Consumer Price Index rose from 3.6 percent in the March quarter to 3.8 percent in the June quarter, rebounding after falling from 7.8 percent in December 2022.

Costs for workers and their families rose even more sharply. Soaring rents, building construction costs, insurance premiums, fuel prices and increases in the cost of fruit and vegetable drove up price rises for essential items by an average of 4.5 percent.

Even that underestimates the shock to working-class households. The latest available Australian Bureau of Statistics (ABS) figures estimated that the living cost index for “employee households” rose by 6.5 percent over the past year, primarily fuelled by much higher home mortgage payments and education costs.

The ongoing cut in living standards is reflected in falling retail sales. They dropped by 3 percent per person in the June quarter. They are down 6.7 percent per person since the June quarter of 2022—the first months of the Albanese Labor government—according to the ABS.

Other data showed that most of this drop is occurring in essential spending, especially food, despite bargain hunting in mid-year sales. By contrast, expenditure on more up-market items, such as cosmetics, sports and recreational goods, grew by 6.3 percent year-on-year.

This is another indication of the widening social and class divide under the Labor government, accelerated by its \$200 billion “Stage Three” income tax cuts, which are benefiting high-income households seven times more than low-income ones.

Other data indicated rising levels of mortgage stress, especially among new home buyers in low-income areas. The proportion of homes being resold within three years, mostly due to inability to make payments, jumped to 16

percent, the highest level in results that go back a decade.

There are growing numbers of car loan defaults, which are regarded as an advance warning of deeper financial problems. Westpac bank data showed 90-day-plus automotive loan arrears are now about twice the rate of two years ago.

Even if the Reserve Bank of Australia holds off on another interest rate rise this week, 13 consecutive interest rate rises since May 2022 are having the effect intended by the central bank. Backed by the Labor government, the bank is inducing an economic slump that is driving job cuts and putting downward pressure on workers’ wages.

In per person terms, the economy has been in recession since the start of 2024. Production grew by just 0.1 percent during the first three months of the year. That is far less than inflation and population growth.

Figures for the June quarter, due early next month, are expected to be equally dire. Job cuts and business insolvencies are rising sharply. Among the latest job losses are those of at least 610 aviation workers at bankrupted airline Rex, just months after another airline operator, Bonza, collapsed destroying around 300 jobs.

Up to 300 jobs are to be cut at US-based lithium giant Albemarle’s Kemerton plant near Bunbury in Western Australia, adding to the thousands destroyed in the mining industry since the beginning of the year due to falling global prices for critical minerals and iron ore.

The previously government-owned telecommunications company, Telstra, is axing 2,800 jobs, or 9 percent of its remaining 30,000-strong workforce, by the end of 2024.

Statistics reported last week from the Australian Securities and Investments Commission, the corporate regulator, showed that business failures surged to a record high in the past financial year. There were 11,049 insolvencies, up about 40 percent on the previous year and 124 percent more than in 2021-22. That surpassed the previous high of 10,757 in 2011-12 during the fallout from the 2008-09 global financial crisis.

Cafes, restaurants, small retailers and accommodation

providers were among the hardest hit this year. The prominent collapses included online book seller Booktopia, vacuum cleaner retailer Godfreys, transport group Scott's Refrigerated Logistics, delivery service MilkRun, beauty and skincare group BWX and craft beer company Tribe Brewing.

Construction companies were the most affected. They made up more than a quarter of the corporate crashes, as hiked mortgage interest rates, inflation and surging costs of building materials took their toll.

Thousands of jobs and employer-sponsored apprenticeships are being axed, particularly in home building. Many trade apprentices such as electricians, carpenters and plumbers have their vocational training education tied to an employer, leaving young workers stranded when businesses go bust.

There were only 163,320 dwelling approvals in the 2023-24 financial year, the weakest result since 2011-12 according to ABS data. New home approvals are down by nearly 20 percent since the Reserve Bank started increasing interest rates in May 2022.

These results expose the fraud of the Labor government's promise to alleviate the housing crisis by getting 1.2 million new homes built over the next five years, mostly by offering concessions to corporate property developers.

Overall, the figures provide an indication of the mounting effect of the global downturn and a dramatic cut in economic growth in China produced by US tariffs, sanctions and other economic warfare measures, which are undercutting Australian capitalism's largest export market.

This has vast longer-term implications. Prices for iron ore, the biggest export item—previously generating revenues of \$124 billion a year—have more than halved from over \$US200 a tonne to under \$100.

According to a report in *Forbes*, the business media outlet, an increase in world iron ore supply from next year, as the huge Simandou mine in the west African state of Guinea starts delivering ore, could drive the price down to around \$80.

That could trigger a 49 percent fall in the earnings of Australian-based mining giants BHP and Rio Tinto and a 65 percent fall in the earnings of another significant Australian ore producer, Fortescue.

It would also slash tax intakes for already debt-ridden Australian federal and state governments. Western Australian iron ore producers alone are estimated to represent nearly 18 percent of the nationwide total tax revenue.

Prices for Australian-mined lithium, nickel and other strategic minerals are plummeting as well. Nickel prices have fallen by more than two-thirds, from a high of

\$US50,000 per metric ton in 2022 to about \$16,500 recently.

Since early 2022, the price of a key rare earth, an oxide of neodymium and praseodymium, crucial for making powerful magnets, has dived from \$145 a kilogram to \$47.

The Albanese government is spending billions of dollars in subsidies and corporate aid to bolster critical minerals output, supposedly to make Australia a mining superpower. In reality, the government is seeking to assist US efforts to reduce reliance on supplies and refining in China, as part of the preparations for what would be a catastrophic US-instigated war against China.

While cutting spending in real terms on public health, education, housing and other vital social services, Albanese and his ministers are allocating hundreds of billions of dollars for AUKUS and other plans for war.

Workers and young people in Australia are already paying a heavy price for this program of war and austerity.

In July, the Organisation for Economic Co-operation and Development (OECD) reported that real wages in Australia were still 4.8 percent lower than they were in the final quarter of 2019, just before the COVID pandemic—"one of the largest drops in real wages among OECD countries."

This historic social crisis, on top of Labor's support for the US-armed Israeli genocide in Gaza and US militarism against Russia and China, is intensifying the discrediting of the trade union-backed federal and state Labor governments in workers' eyes.

If an election were held today, media polls suggest that Labor would be reduced to a minority government, relying on the support of not only the Greens but assorted independents. With a federal election due before May, Labor's pro-genocide, pro-war and pro-business agenda could even pave the way for the widely-reviled Liberal-National Coalition to form a minority government.



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