Australian central bank refuses relief as interest rates, rents and prices keep punishing workers

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Yesterday's decision by the Reserve Bank of Australia to keep interest rates at punishing levels has dented the efforts of Prime Minister Anthony Albanese's Labor government to appear to be addressing the cost-of-living crisis that is devastating working-class households.

In its statement, the central bank board declared that rate relief could be delayed until mid-to-late 2025, or even 2026, because its forecasts indicated that inflation would not return "sustainably" to the mid-point of its 2 to 3 percent target range until then.

The board added that it remained "resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome." That was despite already achieving "declines in real disposable incomes" and ongoing cuts to household consumption.

This means that the impact of huge home mortgage repayments, which have caused immense financial stress and helped slash living conditions, will continue for the foreseeable future.

The bank has imposed 13 rate rises since May 2022, taking the cash rate to 4.35 percent, up from nearly zero during the first period of the COVID pandemic.

To justify its stand, the board cited "wage pressures" and a "tight labour market." This indicates that it will not start cutting rates until unemployment rises further above the current official level of 4.1 percent, helping employers drive down workers' wage levels.

"Geopolitical uncertainties remain pronounced," the statement also said. That is a muted reference to a US-led war drive globally which could fuel inflation by affecting world energy, food and other prices.

The Labor government last week boasted it had reduced annual inflation, as measured by the quarterly official Consumer Price Index (CPI), from over 6 percent to 2.8 percent.

In reality, last week's headline CPI figure disguises the intensifying pain being inflicted on working-class households. Prices are still soaring, especially for rents and services that affect workers and young people the most.

Rents rose 6.7 percent over the year to September despite slight increases in Commonwealth Rent Assistance, health costs by 4.8 percent, and education expenses by 6.4 percent. Insurance premiums rose by 14 percent, mainly driven by more frequent floods and fires due to climate change.

On another indicator, employee household costs rose 6.2 percent in the year to June, according to the latest available Australian Bureau of Statistics figures. That remains way above the latest CPI 2.8 percent result.

Even this camouflages the impact on lower-income households. The major reason for the lower CPI outcome was a temporary fall in electricity prices due to federal and state government bill rebates. These have been handed out in bids to be seen to be alleviating the cost-of-living disaster.

Electricity prices fell 17.3 percent in the September quarter and 15.8 percent in the past 12 months, but without the rebates, prices would have kept rising, taking the average increase to around 15 percent since June 2023.

There will be payback next year as those rebates end and the full impact of power bills falls back on consumers.

Automotive fuel prices in the September quarter were 6.2 percent lower compared to the September 2023 quarter, due to lower global oil and wholesale fuel prices, but that is a measure of a deepening world slump.

The central bank's rate decision will only intensify the political crisis of the Labor government under conditions

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where an election must be held by May. There is popular hostility toward the government because of its imposition of the greatest cut in working-class living standards since World War II, with prices and home loan repayments far outstripping nominal wage rises.

The rate announcement came just days after Albanese and his leading ministers conducted a pseudo-election campaign launch in Adelaide at which they claimed to have tamed inflation.

In his speech, titled "Building Australia's Future," Albanese declared: "Our responsible economic management has brought inflation down to its lowest level in almost four years. And we've delivered back to back budget surpluses for the first time in nearly two decades."

These surpluses have been achieved primarily by cutting health, education and other essential social spending, starting with the National Disability Insurance Scheme (NDIS), even as the government has ramped up military spending.

At the stage-managed event, Albanese, Deputy Prime Minister Richard Marles and Foreign Minister Penny Wong issued a blatant appeal for young peoples' votes by promising tertiary education student debt relief, but only if Labor is returned to office next year.

Their promises to reduce student debt only further underscore the fraud of Labor's pretences of reversing the deep cut to working-class living standards. The proposed 20 percent cut to student loan balances would still leave the total debt hanging over graduates' heads at more than $55 billion.

Education at all levels, including university and technical courses, should be free, as a basic social and democratic right. It was a Labor government, that of Hawke, that reintroduced fees in 1987 after most fees were abolished only just over a decade earlier.

The Adelaide event was evidently intended to shore up Albanese's leadership. It followed a week-long scandal over allegations that he secured multiple free upgrades from ex-Qantas boss Alan Joyce on personal flights, both domestic and international. That was on top of his recent purchase of a $4.3 million clifftop home with ocean views, further demolishing his portrayal of himself as coming from a poor background.

In the words of one journalist, the rally saw "a 500-strong hand-picked audience of fellow federal MPs and ministers, members of South Australia's Malinauskas government and rank-and-file true believers and unionists, whooping and cheering" Albanese's every word.

At the same time, the Labor leaders made a pitch for continued big business support for the government's "responsible economic management"—that is, cutting social spending.

Whatever pre-election pledges Labor makes, it will continue to impose the austerity dictates of the capitalist ruling class, as would a Liberal-National Coalition government. An editorial in the *Australian Financial Review* denounced the student fee relief offer as an unaffordable "populist vote-buying bribe."

In a revealing statement, Wong attacked the previous Coalition government from the right. She accused it of fuelling inflation by "excessive stimulus spending" during the COVID pandemic.

Although most of that spending went to bail out the corporate elite, the Labor- and trade union-backed JobKeeper wage subsidies and increased welfare payments were adopted to avert an explosion of working-class unrest amid soaring unemployment. Wong's statement was a clear commitment to even further austerity measures from Labor.

In all the hype at the Adelaide rally, there was no mention of Labor's escalating support for US militarism, from its arming of the Israeli barbarism in Gaza, Lebanon and across the Middle East, to the war against Russia in Ukraine and the AUKUS pact plans for war against China.

This war drive and the accompanying allocation of hundreds of billions of dollars for nuclear-powered submarines and other weaponry will be inevitably accompanied by deeper cuts to working-class conditions, along with the suppression of dissent and fundamental democratic rights.

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