

# Australian central bank cuts interest rates slightly but warns of uncertainty ahead

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The Reserve Bank of Australia (RBA) board yesterday cut its key interest rate by 25 basis points to 4.1 percent, but warned it was a line-ball decision that could be reversed if inflation starts to rise again.

The small rate cut, the first after 13 rises since May 2022, will do little to help millions of financially stressed working-class households. It will reduce mortgage repayments by just \$77 a month for a household with a \$500,000 home loan, according to comparison website Canstar.

Such amounts are a small fraction of the average 155 percent rise in payments over the past three years—closer to \$1,500 a month—during which workers and their families have suffered an historic reduction in living conditions due to soaring prices and continued cuts to real wages.

According to the official data, consumer prices have risen 18.1 percent since December 2019, but wages have only grown by 14.5 percent. As a result, “real” inflation-adjusted hourly wages are about 4.5 percent lower.

Those figures do not even take into account the skyrocketing mortgage payments and rents. This social and housing crisis has only worsened under the Labor government since it scraped into office in May 2022 on the back of the immense hostility to the previous Liberal-National Coalition government.

By another measure, there had been a 10 percent decline in working-class living conditions since 2021, exposing the fraud of Labor’s May 2022 election pledge of a “better future.” As a result, 82 percent of electorates nationally now have a majority of homes suffering household financial stress, 10 times more than in 2021.

Yet Treasurer Jim Chalmers immediately declared that the rate cut was “very welcome news for millions

of Australians” and represented the “soft landing” that the Labor government has claimed to be planning for.

In reality, the RBA board’s statement and comments by RBA governor Michele Bullock dashed hopes of any early substantial mortgage relief, and also shattered Labor’s desperate claims that the worst of the cost-of-living crisis is over.

“Today’s decision does not imply that further rate cuts along the lines suggested by the [financial] market are coming,” Bullock said emphatically. “The board is very alert to upside risks that could derail the deflationary process.”

Those risks, she said, particularly related to the “pronounced” uncertainty caused by global factors, referring to Donald Trump’s worldwide tariff war, the “tight” domestic labour market, and allegedly spiralling wage costs.

The RBA board’s statement made repeated references to this “tight” labour market and complained that “growth in unit labour costs remains high.” That is, the RBA and the financial markets want deeper wage cuts and higher unemployment—well above the current official rate of 4 percent—to further suppress household spending.

The statement admitted that core inflation, running at 3.2 percent, remained above the RBA’s 2-3 percent official target range. Moreover, “headline” inflation, as currently measured by the Consumer Price Index at 2.4 percent, is expected to surge above the RBA’s target band at the end of the year. That is when federal and state government energy bill subsidies will expire, unless the Labor government tries to appease voters by extending its \$300 electricity bill rebate for another year.

By all indications, the government-appointed RBA board begrudgingly cut rates to try to ease the political

crisis produced by the widespread working-class hostility that has developed to the Labor government, which has not only slashed living conditions but backed the US-Israeli genocide in Gaza and re-committed itself to US militarism under Trump's fascistic regime.

At the same time, the RBA sent an unmistakeable signal that a deeper offensive against working-class wages, jobs and conditions will be mounted once the looming federal election is out of the way.

The RBA statement concluded ominously with the same phrase it used while hiking rates over the past three years: "The Board remains resolute in its determination to return inflation to target and will do what is necessary to achieve that outcome."

The RBA aggressively jacked up the cash rate 13 times between May 2022 and November 2023 to 4.35 percent, from an emergency low of 0.1 percent during the opening period of the COVID-19 pandemic. Acting on behalf of the financial elite, and backed by the Labor government, the central bank made working-class households bear the burden of clawing back the inflationary impact of the massive corporate bailouts during the pandemic.

In response to yesterday's RBA decision, Prime Minister Anthony Albanese dodged questions about whether he would try to use the supposed "good news" to call an early federal election before it is due by May 17.

Speaking in Sydney today, Albanese tried to shrug off suggestions he was disappointed that Bullock had indicated that there may not be more rate relief in the near future. "The RBA governor has done her job," he said.

The government had clearly been hoping for, and pushing for, an RBA commitment to further rate cuts. According to this week's YouGov and media polls, Labor faces defeat or being reduced to an unstable minority government.

In fact, these polls show that Labor's anti-working class record has opened the door for a minority government to be cobbled together by the widely-detested Coalition leader Peter Dutton. This is triggering concerns in ruling circles that such a government could not suppress the expected eruption of opposition by workers.

Like Chalmers, Albanese repeated Labor's misleading claims that it had brought inflation "down

to 2.4 percent," which was "much, much lower than when we came to government, where it had a six in front of it."

This "headline" CPI inflation figure camouflages the ongoing and immense hardship facing workers. The Bureau of Statistics Living Cost Index for employee households, which takes into account mortgage payments and rents, rose by 4 percent in the 12 months to December, far outstripping wage rises.

Speculation is swirling in the corporate media about whether Albanese will now rush to an early election before it becomes more evident that the economic situation as a whole, and not just interest rates, will deteriorate as the fallout grows from the Trump administration's worldwide economic and military aggression.

"Anthony Albanese may seek to capitalise on Tuesday's rate cut with a March 29 election, but he could also decide that it is not enough to sway voters," *Australian Financial Review* political editor Phillip Coorey opined this morning.

"All this week, the expenditure review committee of the cabinet has been meeting to sign off on measures for a March 25 budget," Coorey reported. "If Albanese doesn't pull the trigger for March 29 by the end of this week, the next most likely options are either April 5 or April 12, both of which would do away with a budget... Everything is starting to become squeezed."

It is not just the election timeline that is becoming squeezed. The nervousness throughout the political and media establishment is another indication of a deep crisis wracking the ruling class.

It confronts growing social and political discontent which will only intensify as the next government, whichever party leads it, seeks to match the Trump White House's gutting of social spending to slash corporate taxes and lines up behind Trump's aggression against China, Australian capitalism's largest export market.



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