Australia’s central bank cuts rates marginally, warning again of world “uncertainty”

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Following in the footsteps of other central banks, the Reserve Bank of Australia (RBA) board yesterday tentatively and fractionally lowered its official interest rate for the third time this year.

The board decided, reportedly unanimously, to lower its cash rate target by 25 basis points to 3.60 percent, taking the total cut to 75 basis points since February. This follows four years of lifting and then maintaining high rates, inflicting financial pain on working-class households.

While trimming rates, the RBA board repeated its previous warnings about the global uncertainty created by the Trump administration’s tariff war, and repeatedly demanded higher productivity growth. That essentially means driving up production and profits at the expense of workers’ jobs and conditions.

The board’s accompanying statement on monetary policy featured no less than 297 references to the need to boost “productivity.” That was echoed by the Labor government’s Treasurer Jim Chalmers, who declared this to be “the government’s primary focus” for the entire three-year parliamentary term.

For household borrowers with a typical $600,000 mortgage, the latest cut, combined with rate reductions in February and May, if the retail banks pass it on, will reduce monthly repayments by almost $300. That is marginal.

Payments of thousands of dollars a month are still producing high levels of financial stress, particularly in the outer suburbs of major cities. A February survey, just before the RBA announced its first 0.25 percent cut, reported that almost four million households in Sydney, Melbourne, Brisbane and Adelaide were suffering mortgage or rental stress. Repayments or rents were consuming more than 30 percent of their income.

Moreover, the rate cut is likely to accelerate soaring house and apartment prices, locking more working-class and young people out of ever being able to afford to borrow the money to buy and pay off a home. Expectations of rate cuts have already sent prices to record levels in recent weeks. The median house now costs $915,000, and a unit $678,000, with far higher prices in capital cities.

The cost-of-living crisis is continuing for working-class households. The RBA board said trimmed mean inflation over the year fell to 2.7 percent. The consumer price index (CPI), to which most wages are tied, rose 2.1 percent, but the Australian Bureau of Statistics (ABS) calculation of the cost-of-living index for employee households rose 2.6 percent during the year to the end of June, effectively continuing an historic cut to real wages since 2020.

At her media conference, RBA governor Michele Bullock deflated hopes of multiple further rate cuts this year, saying “there is still a lot of uncertainty.”

The RBA statement was full of foreboding and dire predictions. “Uncertainty in the world economy remains elevated,” it said. It voiced hopes that “more extreme outcomes” from “US tariffs and policy responses in other countries” could be avoided, but “trade policy developments are nevertheless still expected to have an adverse effect on global economic activity.”

As it did in July, when it had a split vote not to cut rates, the board said it needed to keep itself ready to “respond decisively to international developments if they were to have material implications for activity and inflation in Australia.”

The board paid lip service to aiming for “full employment.” Yet it complained that “labour market conditions remain a little tight.” That indicates a desire to drive up unemployment more in order to push real wages, and thus "unit labour costs," down further and drive up "productivity growth."

On the eve of the Albanese government's closed-door 25-member "Economic Reform Roundtable" with corporate and trade union leaders next week, the board abruptly and sharply downgraded its medium-term forecasts for productivity growth from 1 percent to 0.7 percent a year.

The *Australian Financial Review* described this as a "grim reality check" just before the roundtable.

The RBA also severely wound back its forecasts for gross domestic product (GDP) growth for December from 2.1 percent to 1.7 percent. That points to growth slowing to virtually zero after population growth is taken into account.

This is far lower than the 3 percent to 4 percent economic growth rate from the 1990s to the mid-2000s, largely generated by a mining boom.

The new forecasts predict lower wages growth, with average earnings per hour, after inflation, rising by 0.7 percent in the year to June 2027, versus the RBA's previous estimate of 1 percent.

An editorial in today's *Australian* seized upon the RBA's "salutary" warnings to demand that next week's roundtable address the "weak productivity." It proposed "cutting red tape faster, fast-tracking a road-user charging system (which needs to include electric vehicle owners), staring down unions by unleashing practical AI applications, and making the ballooning public service more productive."

This missive on behalf of the corporate ruling class means scrapping safety, environmental and planning regulations for business, introducing road taxes, using AI to decimate jobs and slashing social services such as public healthcare, education, welfare and disability programs.

The government-backed "productivity" offensive is already well underway. In recent weeks, for example, Westpac bank has unveiled plans to cull 1,700 jobs, or 5 percent of its current full-time workforce of 35,240.

The New South Wales state Labor government, which runs the country's largest workplace with a headcount of 450,000, has commenced a series of mass job cuts, including more than 1,250 positions at Transport for NSW and about 300 at WaterNSW.

The Commonwealth Bank of Australia (CBA) is outsourcing more than 100 jobs to India, just weeks after retrenching over 300 Australian-based staff.

The federal government's premier science institution, the Commonwealth Scientific and Industrial Research Organisation (CSIRO), is expected to cut another 450 jobs this year, according to budget papers, on top of 440 last year.

More than 3,500 academic and administrative jobs are being eliminated by universities across the country as a direct result of the Labor government's slashing of international student enrolments and other funding pressure to align with Labor's pro-corporate and war agenda.

Telstra, the privatised telecommunications company, is cutting 550 jobs from its 31,000-strong workforce this year, on top of eliminating 2,800 jobs last year, and intends deeper cuts by 2030.

According to the ABS data, the number of officially unemployed people jumped by 33,600, or 5.4 percent, to 659,600, in June. That was up by 9.6 percent over the previous 12 months, already showing the impact of the fears generated by Washington's tearing up of trade agreements around the world.

Worse lies ahead. Months of anxious attempts by Prime Minister Anthony Albanese to negotiate with Trump, as a reliable "US ally," have made no difference to Australia's inclusion in Washington's baseline 10 percent tariff rate, or the 50 percent applied to all US steel and aluminium imports. Trump has also flagged a possible 200 percent tariff on pharmaceuticals and 50 percent on copper.

The inclusion of the top Australian Council of Trade Unions (ACTU) officials in Labor's "economic reform roundtable" next week underscores the Albanese government's reliance on the trade union apparatuses to head off, isolate and suppress working-class opposition to its agenda of austerity and war. That will be the central issue to be discussed behind closed doors at the three-day event from August 19 to 21.

This "productivity" and militarist agenda involves further cutting working-class living conditions and social spending, including disability services, health, education and aged care, while spending hundreds of billions of dollars on AUKUS submarines and related military expansion to prepare for a US-led war against China.