

Australian inflation soars as economic effects of Iran war bite

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2 May 2026

Australia's official inflation rate has surged to its highest level in two and a half years, hammering working-class households already hit by years of rising rents, soaring energy bills and falling real wages. The Consumer Price Index (CPI) rose 4.6 percent in the 12 months to March, up sharply from 3.7 percent in February, according to Australian Bureau of Statistics (ABS) data released Wednesday.

The impact of the US-led war of aggression against Iran, which has produced a global fuel crisis the likes of which have not been seen for decades, is immediately clear. The overall price of automotive fuel rose 32.8 percent in the month of March alone, with the cost of diesel rising by an even larger 41 percent.

Broader energy costs were also a component of the cost-of-living rise, with electricity prices rising 25.4 percent in the year to March, primarily due to the ending of state and federal government subsidies last year.

The inflation figures, which cover just the first month of the war, only provide the first hint of the soaring price rises that are to come. Global shortages and price hikes for fuel and fertiliser resulting from the closure of the Strait of Hormuz are just beginning to drive up the prices of consumer goods.

Coles and Woolworths, Australia's two major supermarket chains, have both increased the price of own-brand milk by up to 20 cents per litre in recent weeks, for example.

Woolworths chief executive Amanda Bardwell told shareholders this week, "we're hearing from a growing number of [suppliers] about the need for price increases. ... We're already seeing some cost increases flowing through to fruit and vegetables, milk and bread. Farmers are particularly exposed to fuel and fertiliser prices."

While working-class shoppers will suffer from higher supermarket prices, the companies and their shareholders stand to benefit. Analysts at investment bank UBS estimated in mid-April that war-related price rises would see Coles and Woolworths increase their profits by a combined \$125 million in the 2026–27 financial year.

The latest increases come on top of already soaring food prices. Over the year to March, the cost of lamb and goat rose 15.5 percent, while beef and veal prices increased 11.8 percent. Coffee, tea and cocoa went up 10.7 percent, and breakfast cereals 5.1 percent.

A survey released in late April by OzHarvest of 875 food relief organisations found that more than 350,000 Australians are accessing food charity support every month. More than one third are seeking food relief for the first time in their lives. Among them are mortgage holders, dual-income households and working families who considered themselves financially secure until recently.

Alex Dekker, who runs a food charity in Victoria, told OzHarvest: "The people coming to us have already cut every non-essential expense. Food is now the only expense they can eliminate."

As well as utilities, fuel and food, the other basic essential driving up the cost of living is housing, the impact of which is not fully reflected in official inflation figures. The ABS measures the 12 month increase in rent at 3.7 percent and new home prices at 4.5 percent. But SQM Research analysis of property listings shows that, over the past 12 months, rents have risen by a nationwide average of 6.2 percent and dwelling sale prices by 11.6 percent.

Meanwhile, wages have fallen sharply compared with inflation. Commonwealth Bank's Wage Insights data, based on wages paid into customer accounts, showed

nominal wages grew by only 3.1 percent in the year to January, while the CPI increased 3.8 percent.

The cumulative effect of years of real pay cuts, spearheaded by Labor governments' public sector wage austerity and enforced by the unions, is that the real value of Australian workers' wages, compared with inflation, has fallen to the same level as 15 years ago.

In fact, the situation is far worse once housing is factored in. While inflation and average wages have both increased by around 50 percent since December 2010, the average asking price for houses and units has risen by more than 137 percent over the same period, according to SQM Research data, while average rents have doubled.

Real wages are set to take an even larger hit in the coming months and years, with further inflation increases a virtual certainty. Deloitte Access Economics has warned that if oil prices rise to US\$150 a barrel—against a current level already above US\$100—CPI inflation could exceed 6.5 percent. If crude hit US\$175, Deloitte forecast inflation could reach 7.5 percent.

The surge in inflation is also expected to produce stepped-up job cuts. Senior Westpac economist Pat Bustamante has tipped the official unemployment rate to reach 5 percent within months, up from 4.3 percent now. This would mean an extra 120,000 people out of work. Moreover, business insolvencies, already on the rise before the war, 16 percent higher in January 2026 than in January 2025, are tipped to skyrocket as fuel and other input costs increase.

The coming rise in unemployment will not be accidental. The RBA is expected to impose another interest rate rise when it meets early next week, which would be the 16th such increase since 2022 and the third this year. Ostensibly aimed at reducing inflation, the real target is jobs and wages. Every rate hike simultaneously increases the cost of variable-rate mortgages, reduces household spending power, and disciplines workers into accepting real wage cuts by threatening to push unemployment higher.

The federal Labor government, due to hand down its annual budget later this month, has already made clear it will respond to the inflationary surge with stepped-up attacks on the working class. The recent announcement that \$35 billion will be slashed from the National

Disability Insurance Scheme (NDIS) is a stark demonstration of Labor's austerity agenda.

But already, less than two weeks after the NDIS assault was announced, financial commentators are complaining that the cost "savings" achieved by stripping all support from hundreds of thousands of people with disabilities will be eviscerated by rising inflation. This will mean Treasurer Jim Chalmers, who has promised a "reform"—i.e., cost-cutting—budget, will have to extract even more from the working class through deepening cuts to social spending and public sector wages.

In stark contrast with these cuts is the growing war budget, including the recent announcement of an additional \$53 billion for the military over the next decade. This underscores that, despite attempts by Chalmers to play off the inflation rise as merely the product of external factors over which the Labor government has no control, Australia is not only a direct participant in criminal US-led wars such as the assault on Iran, responsible for the immediate surge in the cost of living, but is preparing to play a frontline role in broader imperialist conflict, particularly against China.



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