

Australian central bank holds interest rates but warns of further hikes

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After three consecutive interest rate hikes in February, March and May, the Reserve Bank of Australia (RBA) kept its cash rate on hold at 4.35 percent at yesterday's Monetary Policy Board meeting.

But the RBA board warned of possible further rate hikes, primarily to suppress household spending, amid the ongoing global impact of the US-Israeli war on Iran and a worsening cost-of-living crisis for working-class families.

Statements issued by the RBA and its governor Michele Bullock reiterated the central bank's determination, acting on behalf of the corporate ruling class, to keep increasing unemployment to achieve its sub-3 percent inflation target—well below the current official rate of 4.2 percent—backed by the Albanese Labor government.

At her media conference in Sydney, Bullock dismissed a reporter's question about the rising official jobless figure—now 4.5 percent—and how many more workers had to lose their jobs before the bank's inflation requirements would be satisfied. She flatly stated that unemployment necessarily had to “drift” up in order to slow demand.

Bullock was vehement that this offensive would continue even if the Middle East war ended, and fuel and other price rises began to ease. “I want to be very clear that inflation remains too high,” she stated. “We already had an inflation problem before the Strait of Hormuz closure supercharged things.”

In other words, the working class must continue to bear the burden of job losses, as well as real wage cuts, regardless of whether the Trump administration's supposed ceasefire deal survives.

So far this year, the RBA has hiked its cash rate three times, by a total of 0.75 percent, inflicting particular

pain on workers paying off home mortgages. An average homebuyer, paying off a \$735,000 loan, is being hit by about \$333 a month extra, or nearly \$4,000 a year.

This is a deliberate policy to force working-class households to cut spending, even as the wealthy expand their fortunes. The RBA monetary board statement welcomed “signs that growth in consumer spending is slowing as expected” but “headline and underlying inflation are still too high.”

The statement warned that the fallout from the Iran war and “heightened uncertainties” was widening: “Global oil supply issues will take some time to resolve, maintaining upward pressure on global energy prices and inflation. At the same time, a period of prolonged uncertainty may also cause growth to be lower in Australia's major trading partners and in Australia.”

It noted: “There are signs that some firms experiencing cost pressures are increasing the prices of their goods and services and others are looking to do so.”

The statement ended with a sharp message: “The Board remains focused on ensuring that inflation does not become embedded once the impulse from higher oil prices has passed through... It will do what it considers necessary to achieve that outcome, including increasing the cash rate target further if required.”

Treasurer Jim Chalmers welcomed the RBA decision. In fact, he sought to take credit for it by boasting that the Labor government had slashed spending in the May 12 budget. “This is the first interest rates decision since the responsible Budget we handed down last month, which delivered substantial savings and improved the Budget bottom line while providing help with the cost of living,” he stated.

In reality, the budget did nothing to relieve the cost-of-living crisis, while allocating billions of dollars more for military spending to prepare for war and cutting \$63.8 billion from social programs, spearheaded by the gutting of the National Disability Insurance Scheme (NDIS).

Chalmers painted a totally false picture of the state of the economy. “Annual economic growth is faster than almost all of the major advanced economies, unemployment is low, business investment is booming, wage growth is solid and debt is lower than every major advanced economy.”

This is under conditions of a near-recession and rising unemployment. According to the Australian Bureau of Statistics (ABS), job losses among younger workers pushed up the seasonally adjusted unemployment rate from 4.3 percent in March to 4.5 percent in April. Youth unemployment rose by 0.9 points from 10.2 percent to 11.1 percent.

These results are a gross underestimation of the growing toll of job losses, mainly because the ABS defines anyone working even a single hour a week as employed. In May, according to the more accurate data published by the Roy Morgan survey company, unemployment increased by 69,000 to 1,704,000, or 10.7 percent of the workforce, up 0.6 points in a month.

The Australian economy grew by just 0.3 percent in the first three months of 2026, slowing from 0.9 percent growth at the end of 2025, according to the latest ABS figures. And gross domestic product (GDP) per person actually fell 0.1 percent in the January to March quarter.

Economists have warned that the economy is in fact likely to be contracting in the current quarter from April to June. It would have registered a contraction already except for frenzied investment in AI-related data centres, which accounted for around 0.5 points of the GDP growth in the January to March quarter. About \$13 billion was invested into the sector in just three months, seeking to exploit available supplies of electricity, water and critical minerals.

Other indicators provide some idea of the further deterioration in living standards suffered by working-class households since the Albanese government retained office at the May 2025 election.

The latest ANZ bank-Roy Morgan Consumer Confidence survey in mid-June reported that just 17

percent of respondents said their families are “better off” financially than this time last year, compared to a majority of 54 percent who said their families are “worse off.”

The most recent ABS household survey, released this month, said 21.7 percent of families were unable to raise \$2,000 within a week for something important—up from 18.7 percent in 2020 and 13.4 percent in 2014.

That is a stark contrast to the soaring fortunes of the country’s billionaires. The 2026 *Australian Financial Review* Rich List said the combined wealth of the 200 entries on the list now sits at \$707.25 billion—up from last year’s \$667.8 billion, and a giant leap from the collective \$197.3 billion held by the richest few just 10 years ago. Heading the list is mining magnate Gina Rinehart, on \$39 billion.

This accelerating social gulf under the Labor government is fuelling a historic collapse of support in media polls for it and the other main party of capitalist rule, the Liberal-National Coalition. Labor’s assault on the working class, which is being enforced by repeated sellouts by the trade union apparatuses, is creating the conditions for this hostility to be exploited by the far-right anti-immigrant One Nation party of Senator Pauline Hanson, whom Rinehart is backing.

At the same time, the decline in living conditions and the discontent shattering the two-party system of rule is increasingly triggering workers’ struggles, from teachers to health workers. Such struggles will only go forward and broaden if they are based on a rebellion against the union bureaucrats and the Labor government, based on a socialist program directed against the capitalist profit system itself.



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