Another interest rate rise intensifies social and political crisis in Australia

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In the name of combatting inflation, the Reserve Bank of Australia (RBA) last week lifted its interest cash rate for the fourth time this year, taking it to 4.6 percent, the highest rate in 15 years, and warned that more could come. Corporate economists are predicting further rises to 4.85 percent in November and 5.1 percent early next year.

This represents another steep cut to living standards. For a borrower with an average $750,000 home loan, monthly mortgage payments will be about $115 higher after the latest increase and $450 higher than at the start of the year—almost $5,500 higher per year. The impact is so severe because the cost of housing has doubled over the past 15 years.

The rate rise not only deepens the mortgage stress and cost-of-living crisis for working-class households. It also intensifies the pressure of the financial markets, via the central bank, on the Albanese Labor government to slash social spending further in order to boost corporate profits and pay for increased military spending in preparation for war.

Levels of mortgage stress are reaching historic highs. Even before this week's rate hike, polling company Roy Morgan reported that almost a third (32.5 percent) of respondents with mortgages said they were "at risk" of mortgage stress—having to spend more than a third of their income on home loan repayments. That is the highest level since the 2008–09 global financial crisis.

Debt help services are reporting a near doubling of requests for assistance since January, with more than half their new clients being employed, especially in the outer suburbs of Melbourne and Sydney.

On Wednesday, a day after the RBA announcement, the Australian Bureau of Statistics reported that headline inflation had jumped to 4 percent in August from 3.5 percent in July, primarily on the back of surging petrol, building and education costs. That is far above the RBA's target range of 2 to 3 percent.

These statistics underscore the extent to which working-class families are being made to pay for the global impact of the criminal US-Israeli war on Iran, which the Labor government endorsed and sent military forces to support from the outset on February 28.

The inflation spike in August was driven by a 14.8 percent increase in petrol prices after global oil prices soared again due to the widening conflict in the Middle East and the government ending its temporary fuel excise cut. This is flowing through the economy, as it is worldwide, through higher costs for transport, food, basic materials and other essentials.

Housing costs jumped by 5.7 percent over the year to August, driven by rising electricity bills and higher material costs, both exacerbated by the scramble by competing technology conglomerates to build large energy-intensive AI data centres.

The third biggest impact was that education costs rose 4.7 percent over the year, increasing the burden of fees and other expenses on working-class families.

In its rate rise statement, the RBA said: "The Middle East conflict remains unresolved, and there are scenarios where inflation is higher and activity lower than forecast. Global oil supply disruptions are maintaining upward pressure on global and domestic energy prices and inflation.

"The Board will continue to do what it considers necessary to bring inflation sustainably back to target, including increasing the cash rate target further if needed."

But RBA governor Michele Bullock insisted that inflation was too high before the war started, and economic productivity was too low. This triggered a drumbeat of demands throughout the corporate media for the government to boost productivity and further cut spending, especially on health and education.

"Productivity is doing nothing," Bullock declared. In plain language, boosting productivity means further cutting real wages—which have fallen by 6.4 percent since 2020—and working conditions, while reducing corporate taxes and regulation.

In the lead up to the RBA decision, Bullock declared that the official unemployment rate would need to rise to 5 percent, up from 4.6 percent—the highest level for five

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years—in order to reduce consumer spending. That would mean adding another 63,000 workers to the 722,900 officially-recorded jobless number, which has risen by 12.4 percent over the past 12 months.

These figures underestimate the rising unemployment, because they do not count workers who worked more than an hour a fortnight. According to Roy Morgan polling, the real level rose to 11.7 percent in August, or 1,848,000 workers.

The response of Albanese and Treasurer Jim Chalmers was to promise to do more to drive up productivity and to keep outdoing the previous Liberal-National Coalition government in cutting social spending, even while supposedly providing cost-of-living help.

At a press conference on Wednesday, Albanese said his government had delivered "$178 billion of savings" whereas the Coalition had opposed every attempt to reduce spending, except for the cuts to the National Disability Insurance Scheme (NDIS). "Every single economic statement that we have handed down has had savings, and indeed, we have savings that are before the parliament right now," he declared.

The Labor government's May budget outlined more than $63 billion in social spending cuts over four years, on top of more than $100 billion in its previous budgets since taking office in 2022. The centrepiece of this year's budget, the slashing of $38 billion from the NDIS, is forcing hundreds of thousands of people off disability support services, including children.

These cuts are helping fund the expansion of military spending, now reaching $60 billion annually, including the AUKUS submarine and weapons program, US basing arrangements and other preparations for war against China.

The ruling class is insisting that working people must pay for the war machine through the decimation of social services. Demands are being raised throughout the media, including by former RBA governor Philip Lowe, for spending to be cut to produce what Lowe called "sizeable" federal budget surpluses, instead of the projected aggregate deficits of around $150.5 billion through to 2029–30.

That would require an assault on social services and living conditions on a scale not seen since the 1930s Great Depression and World War II.

During the week, New South Wales (NSW) state Labor Premier Chris Minns visibly lined up behind such demands, saying his government had the lowest increase in spending of any Australian jurisdiction, heeding the warnings of the RBA.

Globally, the borrowing costs for governments, as well as companies, are being pushed up by soaring deficit-financed increases in military spending and huge borrowings by AI developers. The *Australian Financial Review* reported this week that the Australian Treasury forecasts that interest payments will overtake spending on the Medicare health insurance scheme by 2028–29, with the federal debt climbing to $1.2 trillion.

Labor's agenda of war and austerity is producing intense disaffection in the working class. That is partially indicated in media opinion polls showing its support falling below 30 percent, even lower than the 34 percent it obtained at the May 2025 federal election on the back of the collapse of support for the Coalition.

This is deepening an historic crisis of the Labor Party, and the entire political establishment on which capitalist rule has relied since World War II. The most immediate beneficiary has been Senator Pauline Hanson's far-right One Nation, which both the government and the Coalition are seeking to match in blaming migrant workers, international students and asylum seekers for the declining living standards.

One Nation has been able to make its reactionary anti-immigrant pitch under conditions where Labor is carrying out an offensive against the working class and making its own attacks on the basic legal and democratic rights of immigrants and refugees.

The disaffection, however, will increasingly find expression in an upsurge of the class struggle, with the trade union apparatuses having increasing difficulty imposing sellouts, including on health workers and educators. There is a growing antagonism to the capitalist profit system, the underlying source of the social crisis. The crucial issue is transforming that developing movement into a conscious fight for socialism, based on the needs of the working people, not corporate profits and the plunge into war.

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