Inflation spiral intensifies political discontent in Australia

Mike Head
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Figures released this week showed that Australia's official annual inflation rate jumped from 4.3 percent in September to 4.9 percent in October, primarily driven by soaring fuel, electricity and housing costs. That is a sharp rise from a recent low point of 3.8 percent in July.

This spiral is dealing a further blow to the capacity of the Albanese Labor government and its trade union partners to suppress the hostility in the working class to the cost-of-living and housing affordability crisis.

Millions of working-class households are experiencing financial hardship, with massive increases in petrol, diesel, energy and home building costs adding to the impact of five mortgage interest rate rises this year and soaring unemployment.

Over the 12 months to October, petrol prices surged by 32.5 percent, electricity bills by 25 percent and dwelling construction costs by 5.1 percent. Prices of food and other essential items rose as a flow-on effect. Fruit and vegetable prices lifted by 7.5 percent over the year, for example.

Real wages are now falling at a faster rate than the 5 percent cut already imposed since 2021, as a result of the union apparatuses pushing through sellout deals on many sections of workers with annual nominal rises of 3.5 percent or less for the next three years.

These devastating cuts to living standards are predominantly due to the ongoing global impact of the criminal US war on Iran, and the US-NATO proxy war against Russia in Ukraine, both of which the Albanese government has fully supported.

Initial efforts by the Labor government and its state counterparts to stem the discontent by temporarily offering fuel and electricity rebates have now been shut down. This has shattered the fraud of "cost of living relief."

Another major factor is the speculative international boom in AI data centres, reflected in a 86.7 percent rise in corporate information, media and telecoms spending—a category that covers data centres—over the past year in Australia. This has accelerated building price rises. At the same time, the AI splurge is already triggering job losses, notably in IT and finance companies.

The inflation results came just a week after the Australian Bureau of Statistics (ABS) reported that the official jobless rate surged from to 4.9 percent in October, up from 4.3 percent a year earlier, and youth unemployment (15 to 24 years old) rose to 11.5 percent. More widespread job losses have been reported in November, especially in the retail, IT and banking sectors.

The official statistics underestimate the effect on the jobs and living standards of working-class people, firstly because workers must spend the bulk of their income on essentials such as petrol, power, food and mortgage payments or rents. Secondly, surveys by the Roy Morgan polling company indicate "real" unemployment of 11.5 percent, more than double the ABS figure.

Overall unemployment surveys also disguise the fact that the job cuts are hitting hardest in working-class areas. ABS figures released this week estimate that, even on its narrow definition of unemployment—not working more an hour a week—the jobless rate has risen steeply over the past 12 months in the western suburbs of both Sydney and Melbourne.

In the Merrylands-Guildford area of Sydney the ABS estimate climbed from 6.5 percent to 7.8 percent over the year to October, with other western suburbs not far behind. The worst result nationally was in Treasurer Jim Chalmers' electorate, in the southwestern Brisbane working-class suburbs of Springwood and Kingston, where the jobless rate rose from 7 percent to 8.7 percent.

Some surveys have provided a limited picture of the resulting hardship. Reserve Bank of Australia (RBA) research, released on Wednesday, indicated that people are being forced to curb their spending. Those paying off home mortgages were most affected by the RBA's five interest rate rises this year, with 72 percent reducing spending, and 41 percent even cutting expenditure on essentials.

Harvey Norman and other large retailers, including Wesfarmers-owned hardware giant Bunnings, JB Hi-Fi and Super Retail, have reported slowing sales. That is increasing the likelihood of more retail industry liquidations, like the ones this month of the department store chain David Jones and clothing outlets Cue and General Pants, throwing thousands more workers into unemployment.

Corporate media commentators are now warning of the likelihood of recession and stagflation—high inflation combined with high unemployment.

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Other surveys have pointed to rising political disaffection. A poll published in the *Australian* today reported that a record 73 percent of voters thought the country was heading in the wrong direction. Only 16 percent thought their standard of living would improve in 2027. More than 70 percent of respondents nominated the cost of living as their top unprompted concern and priority (up from 29 percent in March 2022).

A poll published by the *Australian Financial Review* said Labor's primary vote had plummeted from 38 percent in November 2025 to 26 percent a year later, indicating a loss of 2.2 million votes.

On behalf of the Labor government, Chalmers responded to the inflation figures by coldly describing the data as an "unwelcome but unsurprising reminder of the pressure Australians are under." At the same time, he pledged to continue to enforce the demands of the corporate ruling class for deeper social spending cuts, which will only intensify the pressure on working-class households.

Chalmers said next month's mid-year budget update would be "very responsible," with "substantial savings at the core." He signalled further public sector job cuts, including though the use of AI, and said infrastructure projects may be delayed or axed.

This is on top of the more than $180 billion that the Albanese government has boasted of cutting since it was elected in 2022. This May's federal budget was spearheaded by slashing nearly $38 billion off the National Disability Insurance Scheme (NDIS) over four years.

While allocating record sums, totalling hundreds of billions of dollars, for AUKUS and other war preparations, the May budget was premised on eliminating some 41,000 public service jobs over the next decade—about the same number that the Coalition, then led by Peter Dutton, proposed before the 2025 election.

Earlier this week, Prime Minister Anthony Albanese said there was little scope for new cost-of-living relief. That was just before the International Monetary Fund (IMF), a key institution of the global financial oligarchy, reiterated its "advice" from September for the federal and state governments to cut spending to reduce $1.6 trillion in public debt. IMF directors "emphasised the importance of expenditure discipline," including by enforcing the NDIS "reforms."

A historic crisis of the entire political establishment is intensifying. Labor won the May 2025 federal election with just a third of the vote, due to the collapse of support for the Liberal-National Coalition. That gave Labor an overwhelming parliamentary majority but, as the Socialist Equality Party (SEP) warned, it was no less committed than the Coalition to imposing the austerity and war program demanded by the capitalist ruling class.

Rifts have begun to surface in the Labor government. Even before the inflation blow, *Australian* columnist Dennis Shanahan reported that unnamed backbench Labor members of parliament were referring to Chalmers and Energy Minister Chris Bowen as "dead men walking." (Bowen was co-chair of the failed COP31 climate summit in Türkiye this month.)

Corporate media outlets, including the *Australian Financial Review* and the Australian Broadcasting Corporation have begun speculating about whether Albanese can survive until the next election, due in 2028, and who will replace him.

There are signs of nervousness in ruling circles because around the world, the program of war and austerity is encountering growing opposition, as witnessed by the mass protests and strikes across Europe, and major struggles by teachers, healthcare workers and other sections of workers in Australia.

Shane Wright, the national economics correspondent for the Melbourne *Age* and the *Sydney Morning Herald*, this week urged the Albanese government to "reflect on how a cost-of-living crisis—led by an 80 percent increase in bread prices—ended the rule of Louis XVI and the Ancien Régime" in France.

These political tensions and fears of potentially revolutionary convulsions are likely to erupt further following today's expected election defeat of the Labor government in the state of Victoria. But replacing one capitalist government with another will resolve nothing.

As the SEP explained in its final Victorian election statement this week, what is posed is the need for a break with the whole political establishment and the development of an independent movement of the working class. That means building a revolutionary party, based on the socialist perspective of abolishing capitalism, establishing workers' power and placing the banks and major corporations under public ownership.

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