# Most Australians unable to afford an unexpected major expense as cost of living crisis deepens

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Fifty-one percent of Australians would struggle financially if they had to cover the costs of an unexpected major expense, according to recent polling conducted for Nine media. Of the more than 1,600 people surveyed, 40 percent believe the economy will get worse over the next year.

The percentage of Australians who would struggle to cover unexpected costs, such as the repair of a car, or the replacement of major household appliances, has in fact increased by 10 points since a previous poll in February. Among low-income earners, the figures are higher, with 64 percent unable to cover a sudden expense, but the survey showed that 49 percent of respondents on medium incomes and 46 percent of those earning higher incomes share similar concerns.

Workers confront economic pressure on multiple fronts—interest rate hikes, growing housing costs, and surging inflation in the price of essentials, such as utilities and groceries.

Over the past year, across Australia's capital cities, average house rents have increased 11.5 percent, while apartment prices have soared more than 26 percent.

The cost of living is increasing at a far higher rate than wages, with low-paid workers particularly affected. The official inflation rate for the 12 months ending in March was 7 percent, while the Wage Price Index increased by just 3.7 percent over the same period.

As a result, increasing numbers of workers are having to rely on credit cards for ordinary bills. More and more Australians are falling behind on debt repayments, with one in six struggling to pay off credit card debt, according to credit reporting agency Illion. Over the past year, there has been a 5 percent increase in "delinquent" home loans, i.e., those with payments more than 30 days overdue. Across the country, savings account balances have fallen by at least 40 percent since October last year.

Electricity and gas bills are soaring. At the start of July, many customers were hit with sudden increases of 50 percent or more in the price of electricity. At the same time, energy companies are recording massive profits.

The Commonwealth Bank's Household Spending Intentions index for June showed an overall month-on-month decline of 1.7 percent in customers' planned expenditure. While a 26.2 percent decline in home buying plans was the main contributor, the report also noted a 5.6 percent drop on health and fitness, 5.4 percent on entertainment and 2.5 percent on travel.

While there has been a significant reduction in "discretionary" spending, recently leaked data from major supermarket chain Coles confirm that Australians are now cutting back on cleaning products and other basic essentials. This includes a 33 percent drop in spending on bath soap and body wash, as workers reduce their consumption or opt for cheaper brands.

But this increasingly frugal and cautious spending has not hurt supermarket chain's bottom line. In the second half of 2022, Coles increased its gross profit margin by 0.43 percentage points to 26.5 percent and recorded a 10.6 percent rise in before-tax earnings to $991 million.

Other retailers are also reporting a downturn in customer spending. Discount department store chain Best & Less declared recently that sales in May and June were 11.7 percent lower than the same period last year. According to the *Australian Financial Review*, sales in the last week of May were 20 percent lower than in 2022 for Premier Investments clothing and stationery businesses, which include Smiggle and Just Jeans.

The growing financial pressure has also led to an increase in the number of people relying on charitable organisations for basic groceries. Around one million people each month use Foodbank Australia, the country's largest provider of food relief. For some, it is a matter of starving or not starving, even for those with paid work. Some 54 percent of food-insecure households have at least one person employed.

The Australian Bureau of Statistics has recorded an increase of 19,000 multiple job-holders since the December quarter, with one in fifteen Australians holding more than one job. This is the result of decades of stagnant or declining wages and the destruction of full-time jobs, starting with the federal Labor governments of the 1980s and 90s and aided by the corporatised trade unions.

The cost of living crisis has seen a surge in calls to organisations such as Lifeline, a suicide prevention service, with research showing that individuals confronted with financial stress are more likely to experience psychological issues such as depression.

In the face of this mounting social crisis, the federal Labor government, led by Prime Minister Anthony Albanese, delivered a Budget in May that offered only sham relief, including one-off rebates for power bills and an insulting $40 per fortnight increase in welfare payments. It was, all in all, an offensive against the working class, with cuts to social spending such as health and education and vast sums set aside for military expansion and tax cuts for the wealthy.

Past promises of rising wages and a "better future" are a distant memory, with workers now being told to make sacrifices and instructed that there are hard days to come. Labor governments at the state and federal level are imposing real wage cuts throughout the public sector, while the Albanese government recently backed the Fair Work Commission's decision to slash the real wages of 2.5 million low-income workers.

In lockstep with Labor, the Reserve Bank of Australia (RBA), the country's central bank, has lifted interest rates 12 times since May 2022 and is warning of further increases. This is placing even more pressure on working-class households, with average monthly mortgage repayments already up by $1,200. While RBA governor Philip Lowe has acknowledged that wage growth is not the source of inflation, it is workers that are being forced to pay the price.

In fact, the RBA and the federal Labor government share the same goal—driving down wages and increasing unemployment, even if means crashing the economy.