Australian inflation statistics highlight cost-of-living crisis

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Official inflation figures released this week further exposed the Australian Labor government's claims to be alleviating the soaring cost-of-living being experienced by working-class households.

The Australian Bureau of Statistics (ABS) data revealed that inflation jumped to 4 percent in the year to May, from 3.6 percent in the month before. By another ABS measure, trimmed mean inflation accelerated to 4.4 percent, from 4.1 percent.

Prices rose far more sharply than either measure for costs affecting workers' families. High petrol prices meant fuel costs were 9.3 percent up, power bills rose by 6.5 percent and there was a 5.2 percent jump in housing costs, including a 7.4 percent increase in rents and a 4.9 percent rise in home-building costs.

Among the other items showing the biggest jumps were insurance, up 14 percent, medical and hospital expenses 7.3 percent, and secondary education 6.1 percent.

By contrast, in its recent national minimum wage decision, the Fair Work Commission granted 2.6 million low-paid workers only a 3.75 percent, or $33.10-a-week, rise from July 1.

This government-backed ruling, plus the continued imposition of sub-inflationary pay deals by the trade union bureaucrats, makes a mockery of the government's pretence that real wages are finally rising after years of falling, let alone Labor's 2022 election pledge of "a better future."

The latest figures shattered Prime Minister Anthony Albanese's claims that his government's cost-of-living measures, outlined in May's budget, are easing the burden on households. Nevertheless, the day after the statistics were released on Wednesday, he still told a business-backed "State of the Nation" conference hosted in parliament house: "Inflation is down. Annual real wages growth is back."

The inflation figures also raised the spectre of the Reserve Bank of Australia (RBA) imposing another interest rate hike, on top of 13 since May 2022. Such a rise would intensify the financial stress for the millions of households paying off home mortgages. These rises are supposedly inflicted to fight inflation, but their actual purpose is to induce a slump and drive-up unemployment in order to suppress workers' wage demands.

After the RBA board's June meeting, at which it held the cash rate at 4.35 percent, the bank's government-appointed governor Michele Bullock warned that the board was prepared to "do what is necessary" to get inflation back to its 2.5 percent target by mid-2026.

Economists at Citi, Deutsche, UBS, Judo Bank and Morgan Stanley now predict a 14th rate hike. Overall, the financial markets priced in a one-in-three chance of the central bank lifting the 4.35 percent cash rate to 4.6 percent at its next monthly meeting in August.

Some other banks delayed their predictions for any mortgage relief by six months to May 2025, which would be after the latest date that the government could hold the next federal election. That increases the possibility of Albanese calling an early election in a bid to scrap back into office, even as a minority government, before the economic and social crisis worsens further.

Although the monthly Consumer Price Index results, such as those released for May, are more limited and volatile than the quarterly ones produced by the ABS, the latest results confirm a trend. Headline inflation is running at its fastest rate since November, and underlying inflation has been higher than predicted by the government and the central bank for five months.

This is by no means just an Australian crisis. From

Kenya to Turkey, and across Europe, America and Asia, billions of people worldwide are confronted with soaring prices. These are primarily triggered by the US-NATO war in Ukraine against Russia, the US and allied support for Israel's genocide in Palestine—part of a broader war to control the resource-rich Middle East—and US-led tariff and other economic warfare measures against China.

The sky-rocketing cost of living, combined with austerity measures demanded by the financial elites and authorities, is creating intense discontent and explosive social and class tensions, as witnessed by the mass opposition and deployment of the military onto the streets of Kenya.

Recent reports in Australia point to rising financial pain in working-class households, compounded by the increasing threat of job losses.

• Last week, a report by finance marketplace Compare Club said four out of five Australians were suffering high levels of bill stress. It reported that more than half of consumers were being forced to cut back on essentials, and the use of buy-now-pay-later products had jumped 28 percent among late bill-payers.

• Reserve Bank figures this month showed that credit card debt attracting interest has climbed for five months in a row to reach $17 billion. Based on the average credit card interest rate of 18.3 percent, that equated to a $3.2 billion annual interest bill.

• The latest Australian Prudential Regulation Authority (APRA) statistics last week showed overdue mortgages have almost doubled in the past 18 months. The value of loans 30–89 days past due climbed to 0.66 percent in the March quarter, and total "non-performing home loans" to 0.95 percent of all mortgages, or nearly 32,000 households.

• Job vacancies are at their lowest level since 2021, dropping by 17.7 percent over the past 12 months, as measured by the ABS. Capital Economics chief Asia-Pacific economist Marcel Thieliant said his firm expected the official unemployment rate to rise from 4 percent to 5 percent by 2026. That would mean some 200,000 job losses over the next 18 months.

In his speech to the Committee for Economic Development of Australia (CEDA) "State of the Nation" conference in Canberra on Thursday, Albanese again desperately talked up "cost-of-living measures" starting from Monday July 1, including $300 energy bill subsidies, freezing the cost of subsidised medicines on the Pharmaceutical Benefits Scheme and "Stage Three" income tax cuts.

For most people these are pittances compared to soaring bills. With the lion's share of all these schemes going to the wealthiest households, the cost-of-living crisis will only deepen for the working class. Moreover, the cut to tax revenues, on top of massive military spending, will mean harsher cuts to health, education and other essential social services.

The response of the ruling class and its media to the latest inflation figures has been to demand that the federal, state and territory Labor governments, presently in office across mainland Australia, enforce even greater cuts to social spending and real wages, and higher "productivity," that is, speed up of workers.

Speaking for employers, Australian Industry Group chief executive Innes Willox said it was "essential that governments help to contain inflation." An *Australian* editorial backed RBA governor Bullock's declaration that average wage growth at around 4 percent "was not consistent with returning inflation back to target without a lift in productivity."

This was combined with backing for higher interest rates to lift the jobless rate and suppress workers' struggles. The *Australian Financial Review* said the RBA board "should not hesitate to do what is needed to maintain its inflation-fighting credibility."