media release

ACTU
australian council of trade unions

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Australian workers can't afford another interest rate rise

The Australian union movement is urging the Reserve Bank of Australia to not increase interest rates for a fifth time because working people can't afford it.

Australian Unions warn workers are at the limit of their ability to absorb further rate increases through job losses and higher housing costs. Big businesses should do their part to reduce inflation by restraining their prices and profits.

The Reserve Bank is signaling it is prepared to put at risk tens of thousands of Australian jobs in the inflation fight.

This comes as the ACTU is releasing a new analysis warning the RBA not to repeat the recent mistakes of New Zealand's central bank.

In 2023 and 2024, New Zealand's central bank aggressively tightened monetary policy, resulting in a collapse in real wage growth and higher unemployment rate.

Nevertheless, New Zealand experienced broadly the same path of inflation as Australia. Unions are calling on the RBA not to go down this road and make life harder for working Australians by forcing up the unemployment rate.

The analysis shows that if Australia followed New Zealand's failed path there would be an additional 145,000 workers out of work, and wages would be on average $1,300 lower in real terms.

Unions are also calling out the expectation that workers should face more hardship in the inflation fight through proposed cuts to public services.

Quotes attributable to ACTU Secretary, Melissa Donnelly:

"Workers are at the limit of their ability to absorb rate rises. Supermarket prices went up by 7 per cent for an average basket of items between March and June across all the major supermarkets. That's well above CPI and I don't know what the Reserve Bank expects people to do about that: not buy milk and potatoes? They're hardly luxury items.

"We are experiencing an overseas-driven inflation spike, and once again, working Australians are expected to pay the cost with higher housing costs, job losses and proposed cuts to public services. It's time big businesses did their bit for Australia by restraining their profits and prices.

"The Food Bank charity points out that 1 in 3 households faces food insecurity and that people are cutting back on soap and shampoo. It shows the effort going into balancing working family budgets and the failure of the big supermarkets to play their part in containing prices.

"The big four banks, which stand to profit the most from interest rate rises, are also letting the community down. The profits of the big four banks currently total more than $30 billion after tax. Only BHP and Rio Tinto are more profitable than the banks and the last time the Reserve Bank went through a cycle of lifting the cash rate in 2022-23, the big four banks creamed off an extra $4 billion in profit from mortgage holders.

“The Reserve Bank also needs to look hard at what happened in New Zealand. To fight inflation, the Reserve Bank of New Zealand aggressively tightened monetary policy and pushed the economy into recession in 2024.

“The unemployment rate in New Zealand rose higher than ours and working people in New Zealand saw the largest fall in real wages in the OECD and found it increasingly difficult to find a job.

“And yet now, New Zealand’s inflation rate is stubbornly stuck at broadly the same level as Australia’s. The Reserve Bank of New Zealand hiked the cash rate higher than our central bank has so far; and all its achieved is to cost New Zealanders jobs.

“Inflation has gone up again in both countries because of rising fuel and energy prices from the US-led attack on Iran. The only real difference now is that New Zealand has been left with higher unemployment and worse real wage outcomes.

“The average worker would be around $1,300 worse off in real terms if their real wages had fallen by as much as they have in New Zealand in the last year.

“If the Reserve Bank of Australia had taken the New Zealand road, and our unemployment rate reached 5.6%, there would be another 145,000 more Australians unemployed, with no obvious dent in inflation.

“Lifting official interest rates and ignoring the risk to jobs doesn’t fix global inflation. But it costs jobs and Australian workers don’t deserve to be forced down that path.”

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Media Contact: Luisa Saccotelli (0400) 149 901