

Labor's economics making us all poorer



ROGER MONTGOMERY

One of the greatest disconnects between what a government believes and what's happening on the ground for households is here.

While federal ministers point to a \$1.95 trillion national gross domestic product growing at an apparently healthy 2.5 per cent annually, the average citizen experiences something entirely different.

Household budgets are buckling as Australia, under Labor, records the steepest fall in real disposable income in the OECD, as well as persistent core inflation and an unprecedented housing crisis.

The main driver of headline economic growth is record-high net immigration, exceeding half a million arrivals each year. This flood of new consumers expands the economy's overall size, but when total output is divided among the population, personal living standards, as indicated by per-capita real GDP, have sunk.

In fact, under Anthony Albanese, per-capita real GDP is singularly the worst of the past 10 prime ministers.

While the government is trumpeting the fact Australia has recorded faster annual growth than every major advanced economy except the US, it's the real per-capita GDP that really matters. That adjusts for inflation and population growth, and when you do that, it shows on a per person basis we are going backwards.

We should make real per-capita GDP the "worm" at the next election, just to remind everyone of what an appalling job this government is doing.

Australians aren't getting richer. They're working harder simply to keep from slipping further behind while paying higher prices for energy, childcare, groceries and basic goods.

Even beer inflation accelerated rapidly after Labor was elected in 2022.

But nowhere is the cost of economic mismanagement more evident than in the property market. Following the 2026 budget's tax policy changes, which targeted negative gearing and capital gains, housing markets across capital cities have, at best, destabilised and, at worst, plunged.

Suburbs such as Sydney's North Curl Curl, Malabar and South Coogee, alongside Melbourne's Deepdene and Toorak, have recorded median price drops ranging from 11 per cent to nearly 20 per cent.

For home buyers, including the young, who recently purchased properties with standard 10-20 per cent deposits, these drops have wiped out all the equity they saved for years.

More than 50 suburbs have recorded price declines exceeding 11 per cent, trapping thousands of high-loan-to-value-ratio buyers in negative equity, where their outstanding mortgage balance exceeds their property's value.

And while property values slide, rents continue to surge. NAB has just warned that rents could rise by up to 30 per cent as

property owners pass along higher taxation and holding costs. And unlike Jim Chalmers, the team at NAB has degrees in economics, finance and accounting.

Furthermore, falling property values disincentivise developers from starting new builds. That will restrict new supply, increase competition for existing rentals, and cause rents to rise, further eroding the savings of the young.

Labor's misguided attempt to engineer housing affordability through tax adjustments has instead created the worst of both worlds: eroding wealth for young homeowners while punishing renters.

Beyond the basket case that's housing, Labor's fiscal discipline has worsened.

The National Disability Insurance Scheme, originally projected at \$13.5bn, now exceeds \$53bn annually, surpassing the Medicare budget. Similarly, the Snowy Hydro 2.0 energy project, initially estimated at \$2bn, has ballooned to more than \$12bn, with projections reaching up to \$40bn.

Australia sits on an epochal fortune of critical natural assets – holding roughly half the world's seaborne iron ore, a third of global uranium reserves, vast natural gas deposits, and leading global production in lithium. Yet despite this extraordinary natural endowment, national productivity growth has plummeted to its lowest level in more than 60 years.

The main reason for this collapse is an increasing economic mismatch: the wealth created by shipping raw resources offshore is being eroded domestically by waste, expanding bureaucracy and regulatory hurdles.

And this is where we return to the disconnect. The central driver of these outcomes is the gap between the experience required of frontbench MPs and their qualifications.

Australia's prominent leaders, such as the Treasurer, Finance Minister Katy Gallagher and Housing Minister Clare O'Neil, came into government with backgrounds in the arts, in political science, and communications. None of them has formal qualifications in economics, corporate finance, accounting, or market operations.

And that disconnect fuels the denials. Chalmers, in his May budget, predicted a \$2-a-week rise in rents, while rents soar.

He said his tax package would result in house prices growing at a slightly slower 2 per cent rate, but now house prices are cratering.

So, while Labor dismisses private-sector financial analysis and denies the real world as unrealistic, market mechanics deliver Australians a painful lesson in the economics of demand and supply.

When tax policies reduce investor yields, capital leaves, construction halts and costs are passed directly to end consumers. It's now young homebuyers losing their savings, renters facing unsustainable rent rises, and families trying to make household budgets stretch against persistent inflation. This is who pays when arts graduates practise on our economy.

Roger Montgomery is the founder and chief investment officer of Montgomery Investment Management.