



SACOSS

# Cost of Living Update No. 60

**Inflation, Housing and the  
Cost of Living “Crisis”**

December Quarter, 2024



**RENT**



## **Cost of Living Update No. 60: Inflation, Housing and the Cost of Living “Crisis”**

**December Quarter, 2024**

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## Executive Summary

Amid media reports of soaring prices and a “cost of living crisis”, this report takes a critical look at the current “crisis” in South Australia. The report is the latest in a series of SACOSS *Cost of Living Updates* tracking changes in living costs for South Australians on low incomes and/or experiencing disadvantage.

This report tracks price changes from the September Quarter of 2021 (the beginning of significant post-COVID price inflation in South Australia) to the December Quarter last year, and finds that the so-called “cost of living” crisis is in fact mostly, a housing affordability crisis. The increases in mortgage and rent costs dwarf other price increases in the household budget. While non-housing prices increased on average by 16.3% over the period, the cost of servicing a mortgage increased by 155% and the rental price for a new tenancy in a 2-bedroom unit in Adelaide went up by 41%.

Importantly, these mortgage and rent cost increases do not impact on all households, and in particular on the 30% of households who own their homes outright. Thus, the idea of a general inflation/cost-of-living crisis is misleading because it is mostly about housing and does not affect everyone in the same way.

The analysis is further complicated because the data also shows that cost of living pressures are different for households with different income sources. This creates different sorts of “crises” for those who are struggling with rising housing costs: one for wage earners, whose average incomes are not rising as quickly as prices, and one for income support recipients whose income increases have covered the non-housing price rises, but whose base payments were never adequate and remain well below the poverty level.

This analysis is important for a variety of reasons. It calls into question untargeted measures that purport to provide cost of living relief, such as the Stage 3 tax cuts and the energy bill relief – both of which provided useful assistance to households that needed it, but also provided money to households who actually had no need of assistance. Indeed, the rhetoric of a *universal* “cost of living crisis” drives public expectations that even those who are not suffering are entitled to government subsidies, which in turn builds an entitlement mentality across groups who are not genuinely needy.

Further, the “we are all suffering” focus on general inflation rather than on housing costs, hides the fact that the same monetary policy (increasing interest rates) which is designed to slow the economy is also providing more money to households without mortgages or rent who have significant savings. This is not only inequitable, it also enables expenditure which undermines the direction of monetary policy itself.

Finally, the focus on inflation and the price of everything puts attention on prices rather than income, and on middle incomes (because we all have living costs) rather than those on the lowest incomes. Overall, it is a distraction from the fundamental issues of housing and income.

## Introduction

This report is the latest in a series of SACOSS [Cost of Living Updates](#) tracking changes in living costs for South Australians on low incomes and/or experiencing disadvantage.

This report asks questions about the current “cost of living crisis” because, while every news bulletin tells us that prices are soaring and everyone is struggling with the cost of living, the data suggests the picture is much more complicated and that there may not be a ubiquitous crisis impacting on everyone. This is important because the idea of a general cost of living crisis, and by implication the need for government relief for all households, may hide the real pressure points and can lead to poor public policy responses.

The baseline for data in this report is the September Quarter of 2021. It is a useful starting point because it was after the initial COVID impacts had washed through the South Australian economy, and it was the last quarter where the annual CPI for Adelaide was below 3% (that number being significant as the top of the Reserve Bank’s national inflation target range). While the 3% threshold was exceeded nationally two quarters earlier, the September Quarter 2021 represents the beginning of significant price inflation in South Australia.

## Rising Living Costs?

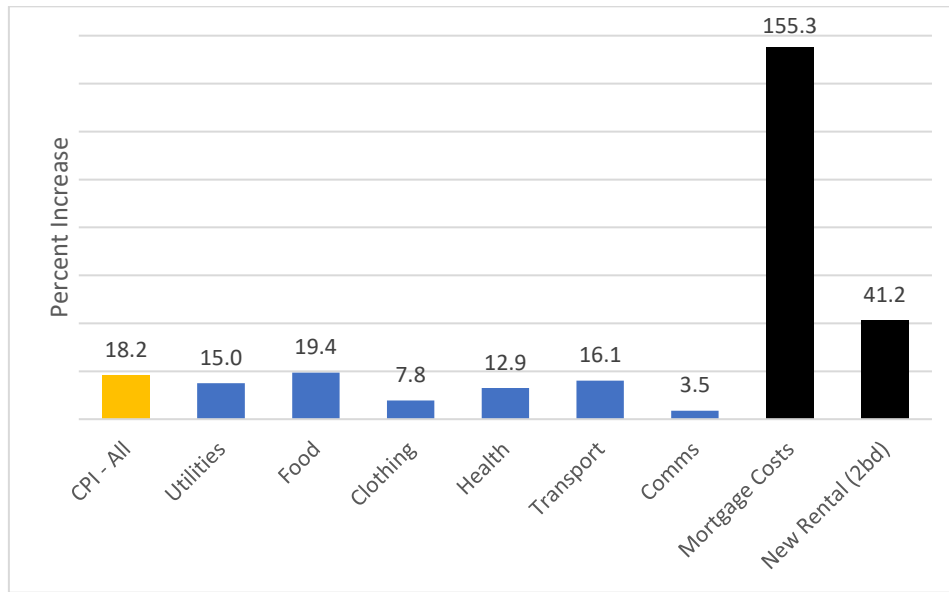
While most commentary on the latest CPI data was about inflation easing (and the hope of a fall in interest rates), this is not the reason for questioning the narrative of a cost of living crisis. Indeed, SACOSS’ [initial look at the December Quarter CPI data](#) suggested that some of the factors lowering the inflation number were temporary or unstable, noting that:

- The decrease in electricity prices is entirely due to government Energy Bill Relief (otherwise prices would have essentially remained the same for the quarter);
- CPI rent increases were moderated by increases in Commonwealth Rent Assistance (not available to all renters);
- Health prices were kept low by the cyclical nature of Pharmaceutical Benefits Scheme and will increase next quarter as the qualification threshold resets; and
- Insurance price increases pre-date any impact of the LA fires and other recent natural disasters which will impact here through the reinsurance industry.

In this sense, SACOSS still has concerns about ongoing inflationary pressures, yet these are secondary considerations in questioning the cost of living narrative. The main question is whether rising prices (general inflation) is driving a “cost of living crisis”.

The graph below shows price increases for a range of basic expenditures since September 2021. As can be seen, most hover around the general CPI, but are dwarfed by the increase in housing costs – the cost of mortgage repayments, or rent price increases for new tenancies. While Adelaide’s CPI went up by 18.2% over the period, the cost of servicing a mortgage increased by 155% and the price of rentals for a 2-bedroom unit in Adelaide went up by 41%. These housing cost increases are doubly important because rent or mortgage costs for households who have them are usually the biggest single expenditure in those household budgets.

**Figure 1: Adelaide Price Increases, Sept 2021 - Dec 2024**



Source: ABS [Consumer Price Index](#), December 2024, plus sources listed below.

This graph is the clearest evidence that the cost of living “crisis” is mostly a crisis of housing affordability. However, in terms of methodology, it is important to note that the mortgage and rental data points here are not CPI numbers. The CPI housing data is not particularly useful as it excludes or significantly discounts substantial housing costs (for reasons outlined in Appendix 1). Accordingly, the graph uses the ABS [Living Cost Index data](#) on mortgage cost increases, and South Australian government [rental bond data](#) for rent increases.<sup>1</sup> Obviously not all rents reflect the prices of new tenancies, but these are the rent prices and increases that face someone who is forced to move or is entering into the rental market. Further, these prices are also regarded as a leading indicator as they are likely to flow through to the rest of the market over time.

Apart from housing costs, while most of the rest of the price increases shown in the graph are broadly around the general CPI, there were some variations over time. Petrol prices rose sharply at the beginning of the period, and again in 2023, but decreased over the course of 2024. Similarly, food prices, and prices for different foods within the food group, were also volatile, but ended just above the general CPI.

The other potential surprise in the graph is that the increase in utilities prices (water, electricity and gas) has only been around the same as the general inflation rate. This is a result of both government subsidies, and devil in the detail of the data. Disaggregated, the CPI data ([Table 11](#)) shows that gas leapt up 33.5% over the period, but water prices increased by less than CPI at 13.8%. Electricity went up by nearly 30% to September 2023, but decreased significantly after that due federal and state government subsidies and concession increases. Without government rebates, the [ABS estimates](#) that the national CPI for electricity prices would have been more than

<sup>1</sup> The data is for for a two-bedroom unit as this gives a more consistent comparison across years than the average of all rentals which can be impacted by changes in the mix of rental properties. The December 2024 figures were not available at time of publishing, so the September Quarter figures were updated based on [media reports](#) of Core Logic rental data for the December Quarter.

35% higher than it is now. Of course, there is an issue here in that since electricity prices in the market have gone up by that amount and the impact on households is simply delayed by temporary relief. There will be massive increases once the subsidies run their course, but that does not impact on the analysis of the current crisis.

Overall, the data here clearly shows that the rising costs of the post-COVID inflation period are dominated by mortgage and rent increases – and hence SACOSS is arguing that it is fundamentally a housing affordability crisis. Yet the increase in non-housing CPI of 16.3% in just over 3 years is of itself a significant level of inflation and should not be ignored – although whether it drives a cost of living “crisis” for households depends on what happened to income during that period.

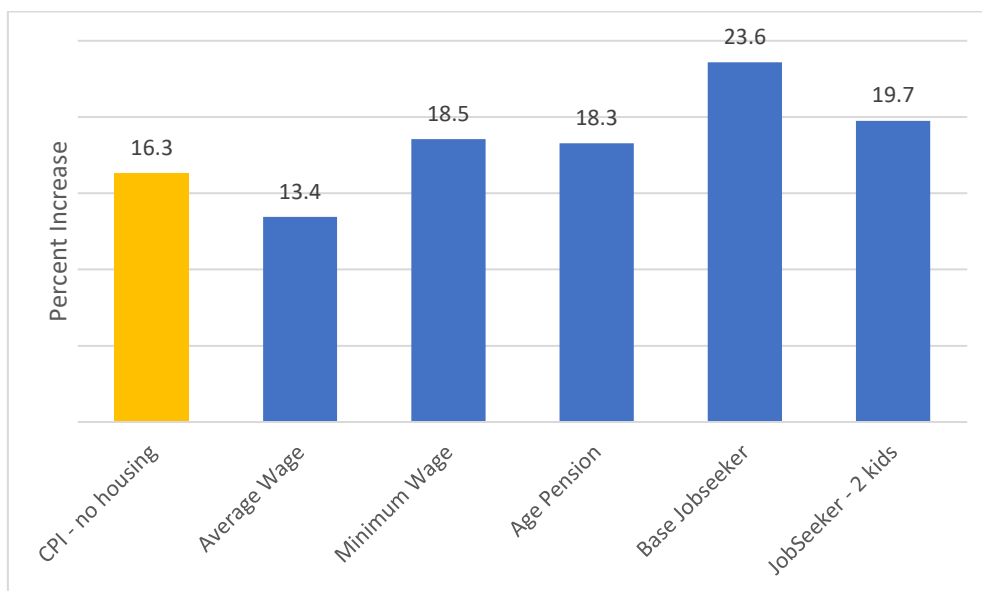
## Incomes

While households may face rising bills or prices at the supermarket and see this as a significant budget pressure, and have that perception reinforced by the dominant public and political discourse of a crisis, in many cases this is a one-sided perception which does not take account of rising incomes.

### Employment and Social Security Income

The graph below compares the changes in non-housing prices with changes in different income sources, and shows two very different pictures – one for average wage earners and another for Centrelink recipients and minimum wage earners. Both may have cost of living pressures, or even be in crisis, but they are different forms of crisis.

**Figure 2: Adelaide Price and Income Increases, Sept 2021 - Dec 2024**



Sources: See Appendix 2.

The graph clearly shows that average wages in Adelaide have not kept pace with rising prices – that is, rising prices are resulting in decreasing *real* wages and potentially a diminished standard of living. There may be caveats on this for those households with capital income (see below), and for

the 15% of wage-earner households who own-their own home outright.<sup>2</sup> For those households, the difference between the rate of price rises and income rises may be relatively small or at least manageable – on average 2.9 percentage points, or just under 1 percentage point each year. However, 80% of average wage-earner households have mortgage or rent costs and may face the sorts of housing cost increases shown in Figure 1 above. They would have much more difficulty dealing with the rising prices of other commodities, and the descriptor of a cost of living “crisis” may be apt – even if dominated by housing costs.

By contrast, the graph shows that for those on the minimum wage and particularly for those on Centrelink incomes, their incomes increased enough to cover price rises. That is, if housing is taken out of the picture, those households would be no worse off now than they were before the so-called cost of living crisis. Of course, this analysis deals only with changes over time not the actual amount of income. Those households on very low incomes may still be in crisis because their incomes are not enough to cover basic costs. Even with the apparent above-CPI increases, payments like JobSeeker are nowhere near adequate to pay for essential goods and services and thus leave recipients in poverty. It is just that this is not a new crisis. These payments have been inadequate for a very long time – but the analysis is important in policy terms because it highlights the real issue is not about rising prices or inadequate indexation, but about the inadequacy of their basic payment.

Yet these conclusions are made more complex by the housing cost issues. Around 70% of aged pensioners own their own home, and with few housing costs their indexed incomes would likely cover other price increases (as per Figure 2). On the other hand, private renters on the age pension or JobSeeker would have access to Commonwealth Rent Assistance on top of their basic payment. As well as CPI-based indexation, CRA was increased by 15% in September 2023 and a further 10% a year later. While these increases were welcome and the percentage increases look good, they are a percentage of a percentage of the rent (25% of a payment which is only a small proportion of the actual rent), so overall the increases may simply maintain the proportion of the household budget going to the landlord. Meanwhile, those on JobSeeker in public housing are not entitled to CRA and would see around a quarter of their JobSeeker rise go in increased rent costs (thus diminishing the after-housing size of any payment increase). But perhaps of most concern, low-income wage earners outside of the Centrelink system are not entitled to CRA and hence are exposed to the full increases in private rent prices evident in Figure 1.

Again, this illustrates that the extent and nature of a cost of living crisis is dependent as much on housing status as it is on income, although it can be even more complicated when capital income is included.

### **Capital Income**

The graph and discussion above focus on employment and social security incomes, but many households also have income from capital – that is, returns on investment and savings. Probably most widespread here is the return on superannuation, although it can’t necessarily be accessed

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<sup>2</sup> ABS *Household Income and Wealth* data (Table 15.3) showed that nationally in 2020, half of all households whose main source of income was from employment were mortgagees, 31% were private renters and 15% owned their home without a mortgage.

as annual income. But many households also have other significant capital assets in various forms (e.g. real estate, bank savings, shares/securities).

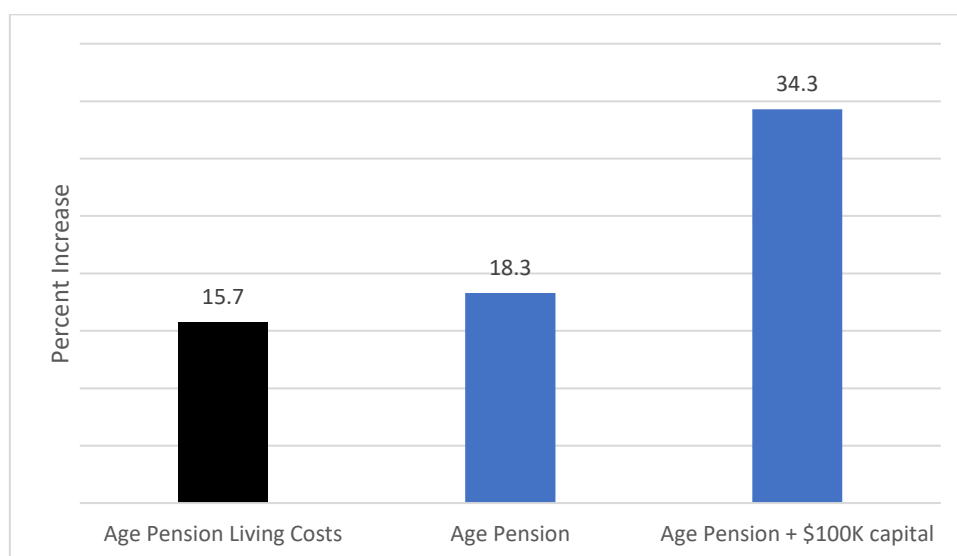
For self-funded retirees and some high wealth households, capital income is their main source of income, but for most households this capital income supplements their main source of income. However, this capital income is often forgotten when talking about financial pressures on household budgets, even though, in the period of our analysis, capital incomes increased significantly (although with some volatility depending on the asset-type).

[Superannuation industry data](#) shows that returns on superannuation have averaged 6.2% per annum over the last five years (with a significant dip in 2022), but increasing to an average 13.4% annual return in 2024. Rental returns for landlords have also seen above-inflation increases (as Figure 1 above shows), while the same interest rate increases that have driven mortgage hardship have also increased the income for households with significant savings. Reserve Bank figures ([Table F4.1](#)) for average interest on fixed term deposits show an increase from 0.5% per annum in the September Quarter 2021 to 4.7% in December 2024. Based on these interest returns, households with \$100,000 in savings, would have seen their capital income increase nearly ten-fold – from \$9.62 per week in September 2021 to \$90.38 per week in December 2024.

Again, this capital income is closely related to housing, because most people paying rent or mortgages can't save much, and it is only once a house is bought and paid off that most households begin to accumulate significant savings. This is evident in the [age pension data](#) which shows that over two-thirds of age pensioner households who own their own home also have other financial assets of over \$100,000. By comparison, only about 30% of non-homeowner pensioners have other assets of over \$100,000. That is, homeowner-pensioners are more than twice as likely to have assets over \$100,000 as non-homeowner pensioners.

The difference this makes for pensioners is evident in the graph below which compares the income increase for pensioners with \$100,000 capital with the increase in the base level pension.

**Figure 3: Pensioner Living Costs and Income**



Source: ABS [Selected Living Cost Indexes](#), 2024; SACOSS calculation from Services Australia, [Guide to Australian Government Payments](#) and RBA [Statistics – Table F4.1](#)

It is important to note that an age pensioner with \$100,000 in savings is not rich and does not have a high income – their income and assets still entitle them to a full pension as they are merely a bit more comfortable than someone on the base level pension. The point here is simply that their experience of the impacts of inflation is not the same as an age pensioner still struggling to pay a mortgage or in a private rental and living on an income around the poverty line.

The broader point is that having access to income derived from capital assets should make a difference to our understanding of the “cost of living crisis” both because they add extra (and rising) income to recipient households and because they also create a much more nuanced picture of who is actually experiencing, and in, crisis.

## Summary of Groups in Crisis

The following table summarises which groups are in which type of cost of living crisis, or not in crisis at all – and again, it is often about the intersection of housing status with income source. It is impossible to calculate how many people or households are in each category, because the categories overlap, individual circumstances may differ within categories, and because the data is simply not available (the ABS produces living cost indexes based on income source, but not based on tenure – although the later would be useful in light of the analysis here).

However, as a rough order-of-magnitude SACOSS believes that in this analysis at least 30% of households, and potentially up to nearly one-half of all households are not in a cost of living “crisis”. They may have pressures on their household budgets and feel financially stretched (a stress reinforced by the public narrative of rising prices), but they are not actually in a crisis – or at least no more so than before the post-COVID inflation. By contrast, the remaining households, mainly those with mortgages or in private rental are experiencing (very real and different) cost of living crises – a new or deeper crisis for those on average wages which have not kept up with rising prices, and a longstanding crisis for those on inadequate income support payments.

A crisis of rising prices	A crisis of inadequate income	Not a crisis
Average wage earners, esp. mortgagees or private renters, but minus those with significant wealth	Minimum wage mortgagees or renters Age pensioner renters or mortgagees JobSeekers Public or community housing tenants	Mid-high wage earners who own their home outright – particularly with solar power and not connected to gas, or with significant capital income  Base level age pensioners who own their home outright  “Comfortable” age pensioners with capital income  Self-funded retirees

## Conclusions and Implications

Despite media, advertising industry and political rhetoric about soaring prices, the data in this report shows that there is no universal cost of living crisis. Moreover, for many households who

are in financial crisis, it is a predominantly a housing affordability crisis rather than an issue of general inflation. The increases in mortgage and rent costs dwarf the price increases in most goods and services over the period of the post-COVID inflation. For many households, if they are having trouble paying for food or medicine, it is probably less about the prices of those goods and more about the increasing amount of the household budget that is now going to pay for their housing.

However, as argued above, there are nuances here because average wages in South Australia have not kept up with general inflation (even without housing), although this gap pales by comparison to the housing cost increases. By contrast, the indexation of Centrelink payments, plus some welcome one-off increases in some of those payments means that those incomes have increased by more than the non-housing inflation. Accordingly, if those households are having trouble making ends meet, it is not because of general price rises, but it is because the base level of payments is wretchedly inadequate – and was inadequate before the “cost of living crisis”.

While confronting and somewhat at odds with the mainstream discourse, this analysis is important because understanding the cost of living crisis as predominantly driven by a housing cost crisis and not impacting on everyone to the same extent and in the same ways is important for a range of policy and advocacy reasons.

Firstly, because around a third of households are owner-occupiers without a mortgage and are likely not in crisis, there are real questions about the wisdom of untargeted relief measures. The revised Stage 3 tax cuts were at least directed towards wage earners at a time when average wages were not keeping up with inflation, but they nonetheless also provided relief for those who were not only not in crisis, but may have been doing quite well with significant increases in capital income. Perhaps more egregiously, the government energy bill relief – while directed at surging electricity prices and vital for many households – was also given to households who were not only on comfortable incomes, but included those with solar power and relatively minor energy costs. The poor targeting of these expenditures was wasteful at best, and may well have been inflationary in the longer term (noting that energy bill relief served to keep the CPI indicator down, but not actual energy prices).

Secondly, and perhaps most obviously, the attempt to harness inflation through increased interest rates is limited when those increases mean more money to spend for households with savings and capital incomes. In that sense, if the aim is to take money out of the economy, fiscal policy (i.e. taxation) can be better targeted than monetary policy (interest rates), but the “we are all in crisis” narrative completely hides the potential counter-tendencies of monetary policy – and the fact of increasing capital incomes. This championing of monetary over fiscal policy therefore promotes inequality and hides the possibility of government tax policies that could target inflation while promoting equality and financing better assistance for those really in crisis.

Finally, the rhetoric of a universal cost of living crisis focuses attention on prices, rather than incomes. Prices are important, which is why SACOSS is calling for a cap on rent increases to constrain increases that are core to the housing crisis, but as evident in this report, the income side of the cost of living equation is also important. People on Centrelink incomes like JobSeeker are in crisis because of the basic inadequacy of the income payment itself, not because of rising prices (which have been covered by indexation).

These blind-spots and policy failures are arguably an inevitable product of a public cost of living narrative. While SACOSS' *Cost of Living Updates* have always attempted to focus attention and policy on those on the lowest incomes, the cost-of-living narrative naturally drags attention away from those households and towards the middle – because everyone has living costs, and everyone notices when prices go up, so everyone can feel cost of living pressures. But the analysis of this report suggests the real issues are about poverty not just prices. And the solutions need to address the fundamentals of housing and income for the bottom end of the income spectrum, and not simply subsidise the market, or those with middle-high income or wealth in the name of cost of living relief.

## Appendix: Technical Notes

### 1. Housing Data

The [Consumer Price Index](#) is not particularly useful in tracking housing costs. As a price indicator, it includes house prices (which only impact on a limited number of people in any year) as opposed to mortgage payments which impact directly on weekly household budgets but which are not included in the CPI.

Further, the CPI rental data significantly underestimates increases in market price of rentals because it includes public housing rents (which are income rather than market based) and it incorporates increases in Commonwealth Rent Assistance into the measure of the price (because it is based on the price paid by the consumer not the price charged in the market). Given that CRA is indexed to the general CPI, then the rent price increases recorded in the CPI for tenants that receive CRA are “above inflation” increases, rather than market price increases. This adjustment is even more important because in the time period covered in this report there have been two significant “above indexation” increases in the CRA. These were welcome increases for those struggling to pay increasing rents, but they mean the CPI rent data further underestimates the rent price increases which apply to households not receiving CRA.

Alongside the CPI, the ABS also produces [Selected Living Cost Indexes](#) which are designed as a more specific cost of living measures (as opposed to CPI which is an inflation measure). The Living Cost Indexes are disaggregated by household income-type with different weightings depending on the average consumption pattern of each household type, and importantly the indexes include mortgage payments rather than house prices in their measure. It is this mortgage data (for employee households) which is included in Figure 1. The rental methodology is the same and has the same limitations as the CPI.

Most importantly though, both the CPI and the Living Cost Indexes significantly discount housing costs because they use averages across all households – including those of homeowners without mortgages or rents who have very low housing costs. Averages only work well when most or all households have a particular expenditure, but (for instance) when less than one in three households pay rent, then the average rental expenditure is going to be less than a third of what is paid by those who actually pay rent. Similarly, while the mortgage payment data in Table 3 of the Living Cost Indexes (and included in Figure 1) is stand-alone data which represents the true average of mortgages, when it is incorporated into the general indexes, it gets “averaged down” in the same fashion as rents.

### 2. Sources for Figure 2: Adelaide Prices and Income Increases

- The “CPI-no housing” data is published in Table 11 of the ABS [Consumer Price Index](#).
- The “Average Wage” data is SACOSS’ calculation of the increases in seasonally adjusted South Australian Adult Total Earnings, Table 12d, of the ABS [Average Weekly Earnings](#) data.
- The “Minimum Wage” data is SACOSS’ calculation of the increases in the National Minimum Wage for adults listed on the [Fair Work Commission](#) website.
- The Age Pension and JobSeeker data is SACOSS’ calculation of the increases in those payments (with supplements) listed in Services Australia’s [A Guide to Australian Government Payments](#) in the relevant years.