Home Truth

The RBA's 2.4% Truth

In life there is often a moral truth and a real truth, and to quote Kipling, *'never the twain shall meet'*.

That may well be said of the Reserve Bank of Australia this week coming out with the 'jaw dropping' assertion that Australia's residential property values have averaged just 2.4% annual capital growth since 1955.

That the RBA claim is complete rubbish won't come as a surprise to many, indeed most people will have dismissed it out of hand when it made headlines this week.

What has got very little airtime however, but should have, is what drove the RBA to go out on such a sensitive and precarious limb, and at this time, to come out with such a bold, and contentious statement.

Is it that they saw taking this unusual step as a necessary proactive way to pour some cool water on what they see as a property market heating uncomfortable fast (as the one south of here has been accused of).

If that is the case, the question needs to be asked, is that really their role.

The RBA's role in influencing markets is a grey one at the best of times (which these aren't) and one thing that has never really been explained clearly, or at all, is whether its role in determining benchmark interest rates policy (a key plank of their overall fiscal charter) is meant to be that of the proverbial chicken or the egg, and do they know which it is themselves or understand the clear difference between the two. What do you think?