

# MOVE

BRISBANE'S FINEST PROPERTY - ISSUE 512



JOHNSTON  
DIXON REALTY

## Home Truth

### Too Low for Zero (NOT!)

Can Australia's benchmark interest rates go the way of the rest of the developed world and hit zero?

The deteriorating state of our economy would seem to indicate that they absolutely can (if not indeed that they need to), but countering that is the RBA's steadfastly held position that they can't.

In the fullness of time our august financial body may be proven correct, that from here rates will start heading back up.

If they are proven right, however it won't be out of habit. Reflecting back on recent history, it would be a very generous individual indeed who would say that the RBA had gotten interest rate settings anywhere close to correct for the period.

Also against the camp for still lower interest rates is history. Rates have simply never been this low in our history so how can they go lower still.

That's true, but who would have thought in 1989 that Japan's interest rates would plummet to zero and remain there for the next quarter century.

Who also might have predicted back in 2006 that benchmark rates in the US, Canada and Europe would follow Japan's lead down to zero.

If theirs can drop to zero, then why can't ours?

Because of China?... Maybe, but only if China's real growth is where they say it is (which it isn't).

India then?... Long term if it gets its affairs better in order, India may take up some of the Chinese slack, but it can't replace China fully short term.

Short of a miraculous reversal of economic fortunes for the developed world, Australia's interest rates must fall further. If they don't, expect a quite sudden and ugly end to our halcyon 25 year recession free period.