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Dear %%First Name%%

As widely predicted the Reserve Bank met today and increased the cash rate by 0.25%. This takes the cash rate to 4.25% and is the fifth increase in the last six RBA meetings.

Despite a softening in economic growth in the last quarter the RBA sees the strengthening in house prices as an important determinant in bringing rates back to normal levels. Other factors underpinning today's decision are the strengthening in the jobs market and continued Chinese demand for Australian resources.

While lifting interest rates is viewed by the RBA as a tool to combat home price inflation, there is a strong argument by sectors of the economy against this. Many indicators point to the undersupply of available housing and properties as the key reason for property price increases.

Urban Taskforce Australia has been quoted as saying that Australia is undersupplied by 200,000 homes. In addition figures released by the Australian Bureau of Statistics last week showed a 3.30% drop in new residential building approvals nationally during February and that is after a fall of 5.50% the previous month.

With developers still finding it difficult to finance new constructions, an increase in rates will impact adversely on the viability of some projects. This in turn can have the opposite affect intended by the RBA; further increasing property prices. We are currently experiencing a property boom in many areas and if we ignore the shortage of supply the problem will not go away.

Clearly this has got to be a major issue for consideration...so it will be interesting to see what the RBA does in the coming months.

Until next time,



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