

Jobless figures are rubbery

IN deciding to keep interest rates on hold, the Reserve Bank missed a key point.

A key factor in determining interest rates is the monthly unemployment figure based on the monthly ABS "Labour Force" survey.

No serious person should believe the monthly figure because it is based on a political definition of employment/unemployment, not an actuarial one.

Unfortunately, decisions made on the basis of the ABS figures have real consequences for Australia and Australians.

The RBA is determined to maintain Australian interest rates at well above the rates of comparable countries such as Canada — the country most similar to Australia, in its strong resource sector — which has interest rates of 1 per cent. This means real Australians and real Australian businesses suffer from the higher borrowing costs that restrict lending in Australia and reduce investment by Australian businesses that would otherwise provide employment to many more Australians.

Real unemployment figures would lead to a big drop in interest rates.

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