## PRO-POL SHADOW RBA BOARD – COMMENTS

### MARCH 2013

From March 2012, each Shadow Board member was invited (but not obliged) to provide a personal comment on monetary conditions. Neither the comments nor the probabilities constitute financial advice. The views of the Shadow Board members are not those of CAMA. Any individuals utilizing these comments, or the probabilities, do so at their own risk.

**PAUL BLOXHAM**

This month brought further signs that already loose local monetary policy is getting some traction. Consumer sentiment bounced, the housing market continued to improve and the Australian equity market rose to a new 4 1/2 year high. Global economic indicators were also generally more positive and financial market sentiment remains significantly better than it was late last year, despite this month’s inconclusive Italian election results. Forward-looking capital expenditure data provided further evidence that mining investment will continue to contribute to GDP growth for some time yet, which should give already low interest rates time to take effect and support re-balancing of Australia’s growth from being mining-led to non-mining-led. I recommend the cash rate is left unchanged this month at 3.00%.

**MARK CROSBY**

While international factors seem to be settling down there are still potential downside risks emanating from Europe that might point to further falls in rates in 6-12 months. However it seems more likely that slow recovery in the real economy will continue, with interest rates being shifted towards more neutral levels.

**MARDI DUNGEY**

My assessment remains intact from last month.

**SAUL ESLAKE**

No comment.

**BOB GREGORY**

No comment.

**WARWICK MCKIBBIN**

No comment.

**JAMES MORLEY**

*Conditions Largely Unchanged:* Economic conditions remain about the same as the previous month. Inflation and the unemployment rate remain steady. An apparent improvement in the housing market supports a bias towards raising the policy rate in the medium term.

**JEFFREY SHEEN**

Little change is recommended this month. The only major news on risks is the ongoing failure in the US to avoid fiscal sequestration. Budget deficits now and into the near future have been cut by more than enough to control the US national
debt, but the long term problem from unsustainable entitlements on health and social security remains. This has only long term implications for the world economy.

Meanwhile, asset markets are leading the recovery in Australia, suggesting that previous cash rate cuts are working.

MARK THIRLWELL

No comment.