

# CAMA RBA SHADOW BOARD – COMMENTS

FEBRUARY 2018

Each CAMA RBA Shadow Board member is 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

No comment.

MARK CROSBY

With increasing evidence that the world economy is finally in full recovery mode the case for ultra-low rates is now non-existent. The RBA should begin rate normalisation as soon as possible, and two rate rises this year will not jeopardise the economy or lead to an overly strong exchange rate - which would be the only risk to moving too quickly on raising rates.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

No comment.

JOHN ROMALIS

No comment.

JEFFREY SHEEN

The Australian economy is steadily improving, particularly in the business sector with real business investment starting to contribute to growth, which should be sustained through 2018 by the strengthening global economy. Inflation remains below the RBA's target range of 2-3%, with wages hardly responding to the apparent gradual tightening in labour markets due to persistent structural trends in those markets. House price inflation has eased in response to recent tighter macroprudential regulation of housing finance. This is good insofar as that inflation was due to speculation and not to a fundamental excess demand for housing services - however a concern is that dwelling approvals have fallen sharply in December 2017, which should moderate future supply if this fall persists. In the current scenario, there is no need to change the cash rate. Should wages and thus price inflation begin to move significantly later this year or in 2019, a cash rate response may become necessary.