CAMA RBA SHADOW BOARD – COMMENTS

MAY 2019

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.

SALLY AULD

No comment.

PAUL BLOXHAM

No comment.

MARK CROSBY

The very low inflation read raises the question of a rate cut, but also raises the question of the RBA's inflation target in a world of ultra low inflation. Doubtful that the RBA should cut so close to an election, and now is the time to reconsider the shape of the inflation target, as well as the effectiveness of ultra low rates.

RENÉE FRY-MCKIBBIN

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

The substantial recent decline in year-on-year inflation by 0.5 percentage points to a 1.3 percent annual rate suggests the need for an immediate cut in the policy interest rate. A 25 basis point cut is most likely, but a 50 basis point cut would send a strong signal that the RBA will do what it can to return inflation to its target range of 2-3 percent and help stem a decline in inflation expectations. Conditions in the real economy are mixed and not as dire as some might claim, with many reasons to think there will be export-led growth in particular. But a weak housing market and uncertainty about the degree of fiscal stimulus after the election suggest that the RBA can lower rates further without worrying about overstimulating the economy. Indeed, the softness of inflation and moderated growth despite low interest rates strongly suggest that the neutral rate of interest has fallen in recent years and the policy rate should be lowered further in response.

JOHN ROMALIS

With current monetary policy settings the likelihood of the RBA undershooting its inflation target seems to be considerably greater than the probability of it overshooting its target. I am not aware of a persuasive reason why undershooting the target should be viewed any more lightly than overshooting it; and viewing it more lightly would seem to be an admission that the target has not been correctly set or stated. If you take the target as stated, and giving symmetric weight to concerns caused by deviations from that target in either direction, then the case for an easing of policy has been strengthened by continued very low inflation and the prospects for more of the same.

JEFFREY SHEEN

With both inflation and GDP growth trending down, the case for cutting the cash rate soon has strengthened significantly. Two cuts may be necessary in 2019. Should most of the current negative local and global influences on the economy be resolved in the future, interest rates will have to start rising -- but this is unlikely in the next 12 months.