

CAMA RBA SHADOW BOARD – COMMENTS

FEBRUARY 2020

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

The impact of the coronavirus on China and Australia's economy is currently highly uncertain. Normally there might be a case for cutting rates, but Feb 4 will be too soon to know the impact and warrant cutting rates. The virus has raised uncertainty also for the 6 and 12 month outlooks greatly, widening the warranted distributions at longer horizons.

RENÉE FRY-MCKIBBIN

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

The RBA should signal that the policy rate is expected to remain close to the effective lower bound until measures of inflation expectations, such as the break-even 10-year inflation rate (which was at 1.3% annual rate in September 2019), return to the high end of the target range of 2-3%. This would likely lead to further depreciation of the exchange rate and lower current and future real interest rates. By doing so, it should help offset the unanticipated effects of the recent undershooting of the target range for inflation in terms on future levels of prices and wages in the Australian economy. The maintenance of such low rates could be expected to last more than 6-8 quarters.

JOHN ROMALIS

No comment.

JEFFREY SHEEN

I do not recommend a change in the cash rate, though it may be tempting to lower it given low inflation, lukewarm growth and recent natural disasters. There are good reasons why trend inflation may be resisting attempts by the RBA to achieve its target range. Rather a concerted fiscal policy response is required at this stage.