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.

BEGOÑA DOMINGUEZ

Latest data of the Australian Bureau of Statistics (A.B.S.) shows that annual CPI inflation is now at 6.9 % (trimmed mean inflation at 5.3 %). It’s great news to see a lower CPI inflation than in the previous month and particularly in categories such as fruit and vegetables. However, with one data point, it is too early to say that inflation is coming down. Moreover, the latest Survey of Consumer Inflationary and Wage Expectations shows that the expected inflation rose to 6 percent. This indicates a higher risk that expectations of high inflation may become entrenched. At the same time, the Australian economy has been quite resilient as evidenced by an unemployment rate of just 3.4 %. Given that inflation remains substantially higher than target and the overall economic situation, my view is that the Reserve Bank of Australia should increase interest rates in the next meeting.

SARAH HUNTER

The incoming data continues to confirm current strong position of the economy and the acceleration in domestic inflationary pressures; wages in the private sector are now rising significantly faster than the RBA’s target for inflation (c.2.5%) plus the pace of long run productivity growth. This outcome is not consistent with an inflation rate of 2‐3%, and it is appropriate for the RBA to continue to tighten to ensure that momentum eases in 2023 and supply and demand realign.

But there are some signs that momentum is now easing, which is a necessary first step towards cooling domestic price pressures. Retail turnover declined in October, and when inflation is taken into account this implies a definite fall in the volume of spending. The business surveys are also signalling a slowdown going into 2023, with the forward orders component softening in recent months. Furthermore, there are clear signs that the global economy is slowing down. China’s economy is continuing to struggle with the disruption created by lockdowns, cautious consumers and the ongoing property market correction. And the survey data suggests that the US and Europe are heading into (if not already in) a recession, with retailers having to resort to discounting to clear inventories and businesses paring back their investment plans.

Given the inherent delays in the transmission of monetary policy through the economy – the majority of the rate rises that have been announced have not yet flowed through to mortgage holders, for example – it will very soon be appropriate for the RBA to pause and review the impact of the tightening that has already been put into the system. If the current trends continue, this will suggest that monetary conditions have been tightened enough to dampen domestic pressures, which will put inflation on a slow and steady path back to the 2-3% band.

MARIANO KULISH

No comment.

GUAY LIM

No comment.
### DEC 2022

**WARWICK MCKIBBIN**

No comment.

**JAMES MORLEY**

No comment.

**JOHN ROMALIS**

No comment.

**PETER TULIP**

The RBA’s policy settings are inconsistent with their forecasts. The November SMP projects that inflation will remain above the 2-3% target throughout the forecast horizon while unemployment remains below the NAIRU.

A faster pace of interest rate increases would bring both inflation and unemployment closer to their targets.

The sooner we stabilise inflation and unemployment, the less risk there is of a substantial increase in expected inflation, which would lead to a large increase in unemployment.

The absence of a meeting in January also supports a larger than usual increase this meeting.