

CAMA RBA SHADOW BOARD – COMMENTS

MAR 2023

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

No comment.

MARIANO KULISH

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

No comment.

JOHN ROMALIS

No comment.

PETER TULIP

The RBA's policy settings seem to depend on wishful thinking.

They are hoping that nominal wage growth remains moderate, despite repeated experience of rapid acceleration when the labour market was less tight than it is now.

They are hoping that inflation expectations remain anchored – despite several years of inflation exceeding its target. At some point price and wage setters will start to look at the data and question the RBA's infallibility.

They are hoping that huge increases in advertised rents do not flow through to paid rents.

They are hoping that supply blockages quickly disappear.

All these risks are asymmetric, with the RBA banking on everything going right. They are not balancing the risks.

They want to avoid an increase in unemployment, which is understandable. But the choice is between a small increase in unemployment now, from a position of overheating when it is bearable; or the risk of a much larger increase later if higher inflation becomes entrenched.