# CAMA RBA SHADOW BOARD – COMMENTS

## APR 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.

### BESA DEDA

No comment.

### BEGOÑA DOMINGUEZ

No comment.

### MARIANO KULISH

No comment.

### GUAY LIM

No comment.

### WARWICK MCKIBBIN

With CPI inflation running at 7.8% annually and 6.8% in February, and the policy rate at 3.6% real interest rates are significantly negative. The nominal policy rate is also well below the most recent growth in nominal GDP at 2.1% (8.4% annualized) in the December quarter and 12% of the year to December. Monetary policy will need to be more contractionary if inflation is to fall back into the target band of 2-3%. Higher interest rates are not only needed to slow consumption but also to offset the weaker $A which feeds further into imported goods inflation. While major central banks are raising interest rates the inflationary impulse from overseas will be felt in Australia through higher import prices exacerbated by a weaker $A. The more slowly the RBA responds the more likely that other input costs such as wages will also respond to the inflationary impulse making the work of monetary policy that much harder over the medium term. Concerns about possible financial stability can be dealt with using other instruments of financial stability policy and income distribution issues should be dealt with by fiscal policy. Neither of these issues should deter the RBA from its main goal of returning inflation to target.

### JAMES MORLEY

No comment.

### JOHN ROMALIS

No comment.

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### PETER TULIP

The RBA's inflation forecast seems optimistic.

We have strong upward pressures on wages, rents, electricity, and inflation expectations.

Admittedly, recent inflation was boosted by temporary supply constraints that are unwinding.  But experience in countries where these constraints emerged earlier does not suggest they will bring a quick disinflation.

Coupled with an unemployment rate that is very low and falling, policy needs to tighten faster than the RBA's assumptions.

To pause for reasons of financial stability would be counter-productive. It would imply that the RBA is worried about something the public has not been told about.