CAMA RBA SHADOW BOARD – COMMENTS

AUGUST 2022

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.

SARAH HUNTER

The incoming data over the last month has been broadly consistent with expectations; the labour market is still operating with very little (if any) spare capacity and inflationary pressures remain significant.

While the RBA should 'look through' the supply side shocks created by the conflict in Ukraine and manufacturing and supply disruptions in China (due to ongoing lockdowns), it is also clear that aggregate demand is running ahead of the economy's supply capacity, and momentum needs to be cooled to move the economy back towards an equilibrium (balanced position).

It is therefore appropriate interest rates continue to rise from their current position. But the RBA should be increasingly mindful that they have already tightened policy significantly, and that it will take time for the full impact of this tightening to flow through to the economy. Further significant increases in the cash rate run the risk of the policy settings becoming too contractionary as we move into 2023, particularly given that a global monetary tightening cycle is now well underway.

A slower pace of rate rises is therefore more appropriate, to allow the Board to assess their impact on the economy and lower the risk of interest rates overshooting and the economy going through a sharper than necessary slowdown in growth momentum.

MARIANO KULISH

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

No comment.

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JOHN ROMALIS

No comment.

PETER TULIP

If the cash rate follows market expectations, then inflation is projected to remain above the target and unemployment to remain below the NAIRU for several years. A faster pace of increases would bring these variables closer to their targets so seems unambiguously preferable. Moreover, I am sceptical of forecasts that inflation will quickly return to target while U<NAIRU.