CAMA RBA SHADOW BOARD – COMMENTS

FEB 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.

SARAH HUNTER

The RBA is now entering a difficult period where the economic data is strongly indicating that growth momentum has fallen sharply but inflationary pressures remain elevated. As a result the Board's decision to hike again or hold could go either way.

With December's retail sales data suggesting that household spending may have peaked (retail volumes likely declined in the December quarter, with spending on services set to broadly offset this), the real estate sector going through a correction, and government spending momentum easing the headwinds to growth are significant. All of these trends could manifest into a hard landing for the economy, and the potential for a correction in the cash rate.

Set against these trends are the broad-based nature of inflation, with many businesses still looking at price resets that are not consistent with inflation falling back to c.2.5% in the near term. Furthermore nominal wages growth, which is currently running at close to 5% on an annualised basis, is also not consistent with the RBA's target band. This suggests that further action is needed to cool the economy and the labour market, to bring cost and price inflation back down.

Overall, the peak of the current hiking cycle looks to be in sight. Beyond this an extended period of the cash rate being on hold is likely to be appropriate, to unwind current inflationary pressures in an environment where growth momentum remains soft but positive.

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

Previous periods when unemployment has fallen below 4%, namely 2008 and 1974, have seen inflation accelerate uncontrollably.

To avoid a repeat, the growth in GDP need to fall below 2% and the unemployment rate needs to increase to a sustainable level.

Current projections, assuming mild increases in the cash rate, do not bring inflation and unemployment quickly to their targets. So we need to tighten faster than assumed in those projections.