

# CAMA RBA SHADOW BOARD – COMMENTS

FEBRUARY 2021

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.

RENÉE FRY-MCKIBBIN

No comment.

SARAH HUNTER

The economy has rebounded through the initial phase of recovery more quickly than I was expecting, and given the latest data I don't think any additional monetary support (either negative interest rates or a further expansion of QE) is needed.

Moving forward from here, the pace of recovery will naturally slow but beyond this, the economy will need to go through a period of structural change as the more permanent impacts of the pandemic materialise. It's clear that international travel and with it migration flows (and potentially domestic travel, given the risk of further domestic outbreaks and the response of states to these) will not return to pre-pandemic levels for some time yet, and these sectors are unlikely to return to the growth trajectory they were tracking prior to COVID. Given this I expect a full recovery from COVID, which takes the economy back to full employment, will take some time and until then a highly accommodative monetary policy stance will be appropriate.

MARIANO KULISH

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

It will be important for the RBA to focus on bringing various measures of inflation expectations back up into the 2-3% target range and not be distracted by calls to use contractionary monetary policy to address movements in house prices (some of which may reflect an increased likelihood of at least partial work-from-home in many sectors and less travel even beyond the Covid crisis) or to worry too much about transitory (rather than sustained) movements in measured inflation. Given this, a continued commitment to maintain low interest rates until inflation and inflation expectations remain persistently within the target range and noting that this timeframe is expected to be at least 3 years is highly appropriate. It is worth noting that break-even inflation for United States has recently returned back above 2%, so it should be possible that this will happen for Australia too given clear and deliberate policy communications.

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**JOHN ROMALIS**

No comment.

**JEFFREY SHEEN**

No comment.