

CAMA RBA SHADOW BOARD – COMMENTS

JUNE 2020

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SALLY AULD

No comment.

PAUL BLOXHAM

No comment.

RENÉE FRY-MCKIBBIN

No comment.

MARIANO KULISH

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

It is clear that the RBA will keep its policy rate at its stated effective lower bound of 0.25 per cent for a long period of time. The exact timeframe is conditional on economic conditions, but the forward guidance implicit in the yield curve control measure to keep the 3-year government bond rate close to 0.25 per cent suggests that financial markets, firms, and households should expect the policy rate to remain fixed for at least three years. This is an appropriate policy given the global recession due to COVID-19 and expected weakness in price and wage growth over the foreseeable future.

The key policy change to watch for in the meantime is when the RBA will relax the yield curve control measure. It would be helpful to have more clarity about what the form of a change in this measure would take. Would it involve a different target or removing the target altogether? Also, it would be helpful to know what would indicate “progress ... towards the goals for full employment and inflation”. A statement that this would require more than a directional change in the unemployment rate and would depend on publicly-available measures of inflation expectations could provide some clarity about how the RBA is interpreting the latest economic developments regarding the COVID-19 crisis and provide guidance to financial markets, firms, and households about future policy actions.

JOHN ROMALIS

No comment.

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JEFFREY SHEEN

No comment.