CAMA RBA SHADOW BOARD – COMMENTS

MAY 2024

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

The likelihood of the cash rate remaining higher for longer and the potential for a further hike is higher given the Q1 CPI outcome.

BEGOÑA DOMINGUEZ

No comment.

MARIANO KULISH

The RBA should increase the cash rate at its next meeting and communicate its intention to continue tightening policy until inflation is confidently inside the target band. While inflation has been slowing, it has proven to be quite persistent and the return to target much slower than anticipated. A prolonged period of time with inflation above the target risks a de-anchoring of inflation expectations from the target which would make stabilising inflation harder down the track. Policy should put more weight on the risks associated with doing too little. Because of this I would suggest increasing the cash rate.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

No comment.

JOHN ROMALIS

No comment.

PETER TULIP

The monetary policy decision is relatively simple.

The outlook is for inflation to remain above the midpoint of the target, 2.5%, and for the unemployment rate to be below estimates of its sustainable rate, 4.5%.

A higher path for the cash rate would bring inflation and unemployment closer to their targets.

Central banks try to stabilise inflation for good reasons. Without a tightening in policy, a prolonged period of above-target inflation would be likely to increase inflation expectations, leading to a substantial increase in unemployment. The cost of reducing this risk is a modest increase in unemployment in the short run. An increase in the cash rate now would deliver lower more stable unemployment in the long run.