

CAMA RBA SHADOW BOARD – COMMENTS

MAY 2025

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

No comment.

BEGOÑA DOMINGUEZ

No comment.

MARIANO KULISH

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

No comment.

JOHN ROMALIS

No comment.

PETER TULIP

After the February cut in rates, the RBA argued that holding the cash rate at 4.35% would probably deliver inflation near the 2.5% target, whereas a sizeable reduction in rates, as the market then and now is expecting, would lead to inflation above the target.

Incoming data releases do not indicate any reason to revise that conclusion. In particular, the trimmed mean and unemployment rate were as expected.

I think most commentators incorrectly assess the implications of the Trump-led disruption to international trade for Australian interest rates. True, it will probably lead to a reduction in world trade and activity, which will reduce our

terms of trade. However, the effect of lower commodity prices on mining investment and activity more broadly is typically overstated. Most of the lower income shows up as lower corporate and public saving – the MPC is very low.

More importantly, many commentators overlook the accompanying exchange rate depreciation, boosting inflation, net exports and the cash rate.