CAMA RBA SHADOW BOARD – COMMENTS

APRIL 2019

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.

PAUL BLOXHAM

No comment.

MARK CROSBY

Solid labour market outcomes suggest that the impact of weaker housing prices on the economy are not yet significant. International factors also remain relatively benign, and despite the Fed bowing to Donald Trumps demands to resist further rate normalisation the RBA should still be looking to raise rates in the medium term.

RENÉE FRY-MCKIBBIN

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

No comment.

JOHN ROMALIS

No comment.

JEFFREY SHEEN

The likelihood of a significant slowdown in the economy in 2019 and 2020 has increased markedly, with the domestic and global symptoms increasingly evident. Financial markets in the US, Europe and Japan are now pricing in falls in government bond yields, and are even signalling a high probability of a federal funds rate cut by year end. Australia will almost surely have to follow these global interest rate declines. Australia's exports are and will continue to be affected by the slowdown in the Chinese economy, caused by the tariff war and concerns about debt sustainability there. The Chinese government is implementing stimulus measures, but these will need time to succeed. In Australia, fragility in the household sector continues as a result of (excessive) property price downside risks and sluggish wages. In the looming Federal election, there is a notable risk that some policy promises being made might aggravate the contractionary phase. A technical recession will be avoided in Australia if monetary, fiscal and prudential policies are appropriately calibrated in timely anticipation. Cuts in the cash rate within the next 6 to 12 months are therefore recommended with high probability.