CAMA RBA SHADOW BOARD – COMMENTS

AUGUST 2018

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.

PAUL BLOXHAM

No comment.

MARK CROSBY

Despite uncertainty over global growth due to Trump's trade antics the global outlook remains positive. In Australia the cooling of asset prices reduces economic risks, but the time for raising rates remains sooner rather than later.

MARDI DUNGEY

No comment.

RENÉE FRY-MCKIBBIN

No comment.

GUAY LIM

No comment.

WARWICK MCKIBBIN

No comment.

JAMES MORLEY

Headline inflation has returned into the 2-3% target range at 2.1% in the last quarter, while underlying inflation is very close to the target range. The unemployment rate remains at 5.4% and seems likely to fall if the participation rate does not keep increasing to offset net job growth.

As argued in the previous round, these solid domestic conditions and a rise in global interest rates that will keep downward pressure on the exchange rate mean that the RBA should return its policy rate to a more neutral level over the next two years or sooner if there are significant changes in inflation or global interest rates.

JEFFREY SHEEN

As stated last month, there is an increasing risk that the global economy is about to peak. Though the US has recorded a high rate of 4.1% for GDP growth in Q2 2018, that appears due to front-loaded exports in anticipation of tariff hikes. Leading indicators from China, Japan and Europe suggest weakened growth. Macroprudential controls of the financial system are probably too tight in Australia and in many other financial centres, given the circumstances. We are already seeing major Australian banks cutting their variable and fixed mortgage rates, which is evidence that financial institutions have been unable to match the demand for credit. A housing price crash is an unacceptable risk for the macroeconomy. Lending for business investment needs further encouragement. Therefore the central bank should signal that there is unlikely to be a cash rate increase in 2019, and that the probability of a cut has significantly increased.