CAMA RBA SHADOW BOARD – COMMENTS

JUNE 2026

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.

MEI DONG

No comment.

STELLA HUANGFU

In my view, the RBA should leave the cash rate unchanged at its meeting next week. The Bank has already raised interest rates three times this year, and it should now allow time to assess the cumulative effects of those increases, which operate with a lag. The latest GDP figures were also weaker than expected, suggesting that economic activity is softening. Together, these factors support a pause rather than another rate increase.

MARIANO KULISH

Recent data reinforce my concern, expressed at the previous meeting, that the stance of policy is not yet sufficiently restrictive. Even measured against underlying inflation — the trimmed mean and weighted median both stood at 3.5 per cent in the March quarter — the real cash rate is only around 0.85 per cent; measured against headline inflation it is close to zero. On most estimates this places the stance at or below neutral, rather than in clearly contractionary territory. After a period in which inflation has remained outside the target band for the better part of five years, a stance that is at best marginally restrictive is unlikely to be a force that returns inflation to target within a reasonable horizon.

Underlying inflation has not eased and short-term inflation expectations have edged higher. The geopolitical tensions I noted previously have persisted, and the central risk remains that a prolonged period above target becomes embedded in long-run inflation expectations and wage-setting behaviour — rather than the first-round energy price impulse itself, which monetary policy can reasonably look through.

Activity has slowed and the labour market has begun to soften, and these developments warrant genuine weight. But much of the weakness in growth reflects persistently soft productivity — a longstanding structural problem rather than a consequence of the increases in the cash rate — and should not be read as evidence of monetary over-tightening. More fundamentally, a slowdown in economic activity that results from the central bank's efforts to stabilise inflation is not a cost to be apologised for; it is precisely what cements the framework's long-run credibility. Waiting and assessing, in the hope that inflation returns to the band of its own accord, stabilises inflation only by luck and does nothing to anchor expectations. Precisely because the real cash rate is close to neutral, the marginal cost of a further increment is modest; and because inflation has been outside the band for most of the last five years, I would argue that the balance of risks currently favours price stability. Should tightening prove excessive and inflation move toward or below the lower bound of the band, the Board retains clear scope to ease. The more serious risk is that a fifth consecutive year outside the band erodes confidence in the target.

In this context, what concerns me is how the last statement was received. The Board framed policy as "well placed to respond to developments" and emphasised its attentiveness to incoming data; market commentary promptly read this as a signal that there was now scope to pause, with some major-bank economists moving to expect no further tightening this year. This is the heart of the problem, because monetary transmission operates through the expected path of the cash rate: financial conditions are determined not by the current rate alone but by the path markets anticipate. A communication received as a readiness to wait therefore flattens that expected path and eases financial conditions, partially offsetting the tightening already delivered and leaving policy persistently reactive to inflation outcomes rather than getting ahead of them. The Board should instead make clear that it intends to remain on a tightening path until there is sustained and demonstrable evidence that inflation is returning to target — not a forecast that it will, but the realisation in the data. I therefore recommend that the cash rate be increased by 25 basis points to 4.60 per cent at the next meeting, accompanied by an explicit commitment to continue tightening until that evidence is in hand.

WARWICK MCKIBBIN

No comment.

JOHN ROMALIS

No comment.

PETER TULIP

No comment.