Monetary Policy Recommendation Statement

1 September 2011

James Morley

Recommended Target (X=4.75%)	
target rate	probability
X+75bp	0
X+50bp	0.05
X+25bp	0.2
X	0.4
X-25bp	0.25
X-50bp	0.1
X-75bp	0

Changes in the Risks for Near-Term Economic Conditions

Since the last policy recommendation, global financial markets have undergone considerable turmoil. Yet the likelihood of an imminent crisis resulting from this turmoil has subsequently diminished. At the same time, signs of current and future weakness in the domestic economy have continued, including in the housing sector, leading to less risks of inflationary pressures. Thus, my recommendation shifts more weight to holding rates steady (until the easing of inflationary pressures is confirmed) or incrementally lowering rates to lean against the possibility of worsening domestic conditions.

James Morley is a Professor of Economics at the University of New South Wales and a member of the Shadow RBA Board. This statement reflects the views of its author only and does not necessarily reflect the views of other Shadow RBA Board members or any institution the author is affiliated with.