

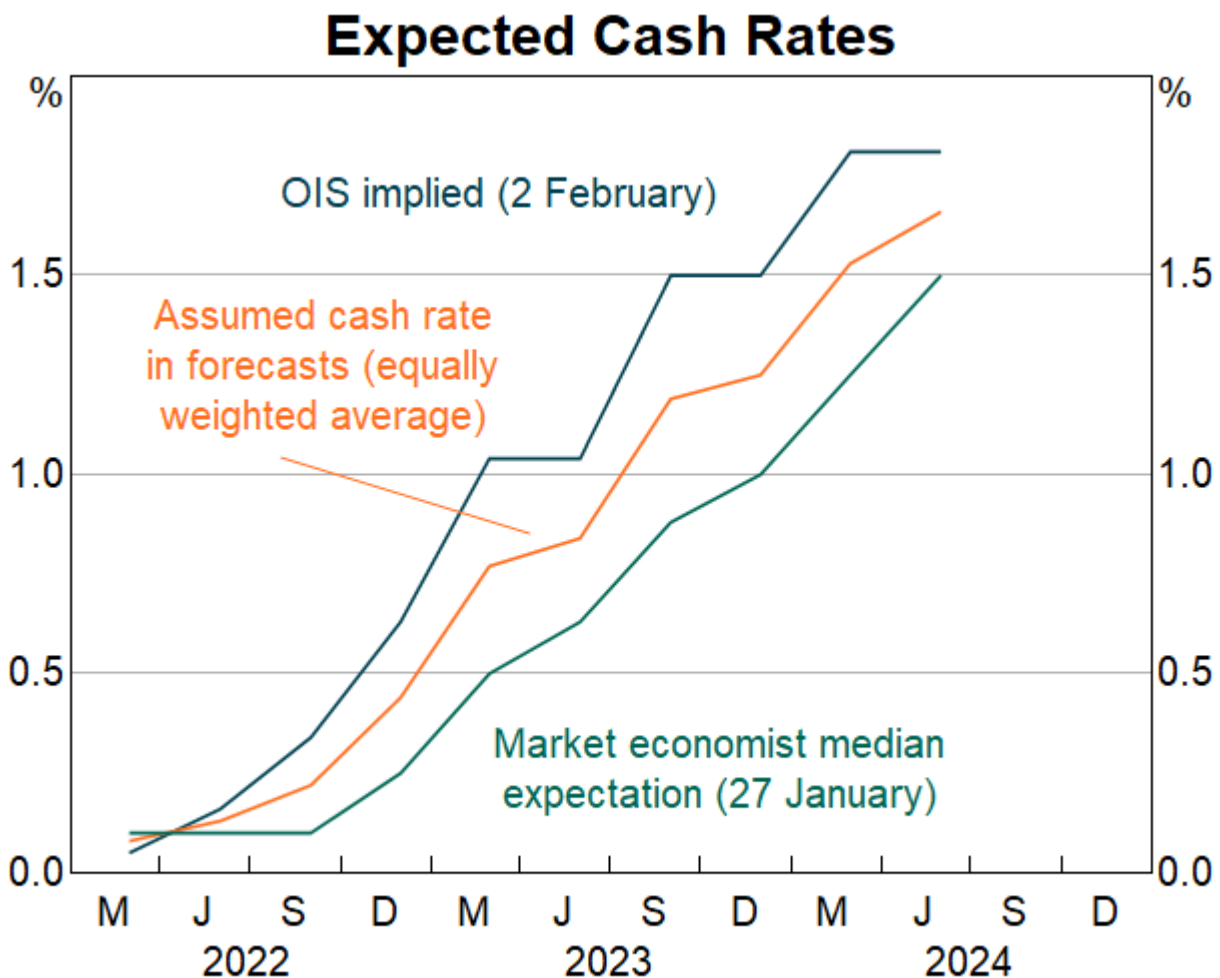
From:
Sent: Wednesday, 2 February 2022 12:09 PM
To: LOWE, Phil
Cc: DEBELLE, Guy; ELLIS, Luci; JONES, Bradley
Subject: Cash rate assumptions in our forecast profile as at today [SEC=OFFICIAL]
Attachments: Expected Cash Rates.png; Cash Rate Forecasts.png

Hi Phil,

See attached (and snip below) a chart of our assumed cash rate in our forecasts as requested at the 850. Apologies for the delay – we encountered some technical issues.

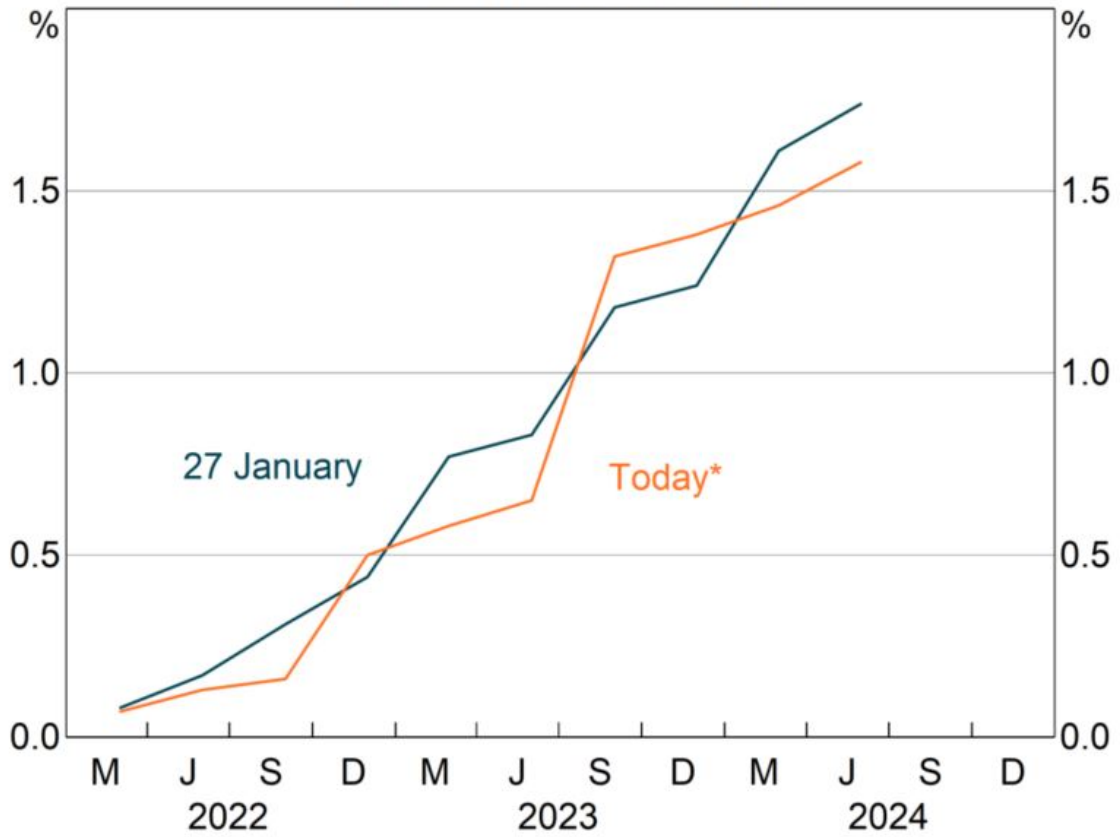
Regards,

| Economist | Domestic Activity and Trade | Economic Analysis
 RESERVE BANK OF AUSTRALIA | 65 Martin Place, Sydney NSW 2000
 w: www.rba.gov.au



Sources: Bloomberg; RBA

Cash Rate Forecasts



* 5 and 6 month set equal to 4 month implied from OIS data

Source: RBA

From: JONES, Bradley
Sent: Wednesday, 27 April 2022 11:21 AM
To: LOWE, Phil; BULLOCK, Michele
Subject: RE: Outlook chapter - optional edits [SEC=OFFICIAL]

Thanks Phil

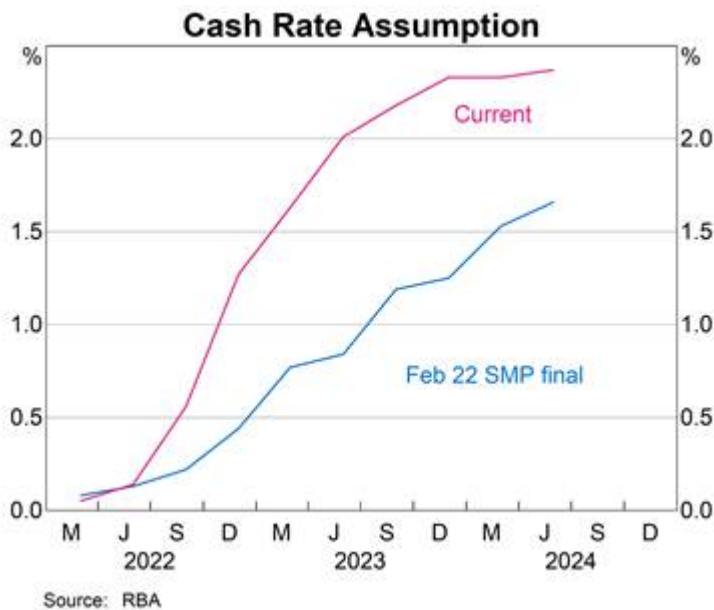
On the domestic uncertainties associated with higher rates, we included this passage (listed as #2, behind new COVID variants) but will go back and beef it up:

“However, consumption growth could also be weaker than expected, for instance if asset prices were to decline or if the effects of higher inflation and interest rates weighed on discretionary spending by more than anticipated. This risk is most pronounced for households with relatively low savings buffers and high debt relative to income.”

On the global front, CEC / TIE also highlights the risks (listed as #1) of a substantial tightening in monetary policy (especially in the US) spilling over into a disorderly tightening of global financial conditions.

Purely for your own background, and following on from a question you had in the paper, the domestic profile this round is based on quite a sharp increase in the cash rate (see below). As per last round, this cash rate assumption is based on an equally-weighted average of cash rates implied by the OIS curve and economist forecasts. It is one of the factors that we see slowing GDP growth to a below trend pace next year and into 2024.

Thanks



From: LOWE, Phil
Sent: Wednesday, 27 April 2022 10:34 AM
To: JONES, Bradley; BULLOCK, Michele
Subject: RE: Outlook chapter - optional edits [SEC=OFFICIAL]

Thanks Brad

This is in good shape. Just a few comments marked up ahead of the CPI.

When talking about uncertainties, I was a bit surprised there wasn't more about how households/businesses/asset markets might respond to higher interest rates.

Thanks

