RESERVE BANK OF AUSTRALIA

Students Q&A Version

What's going on in the Economy?

Use the QR to watch the video, then answer the questions below.

rba.gov.au/education/resources/videos.html?id=cec-aug-2026

August 2026

Statistics

As you go through the video, keep an eye out for the following statistics:

Statistic	**Value** (as at 5 August 2026)
Headline inflation (quarterly)	
Underlying inflation (quarterly)	
Quarterly GDP	
Year-ended GDP	
Unemployment rate	
Cash rate	

Inflation

1. **What does consumer price inflation measure?**

2. **How does underlying inflation differ from headline inflation?**

3. **As of August 2026, why is inflation too high in the Australian economy?**

GDP

4. **Complete the following sentences using the following words:**

prices | total spending | upward | demand | lower | supply

To bring inflation down, ______________________ or _____________ in the economy needs to slow.

This will help bring demand back into balance with _____________. With supply and demand closer to balance, there will be less ___________ pressure on ___________ and therefore ___________ inflation.

5. **Over the course of 2026, one component of GDP that has grown strongly is business investment. This sits within the 'I' of the GDP = C + I + G + (X – M) equation.**

One recent example of strong business investment has been the building of data centres.

What types of investment are involved in the building of data centres?

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Housing Market

6. **Why does dwelling investment tend to decline when housing prices decline?**

HINT: Dwelling investment includes investment in building new housing as well as renovations to existing houses.

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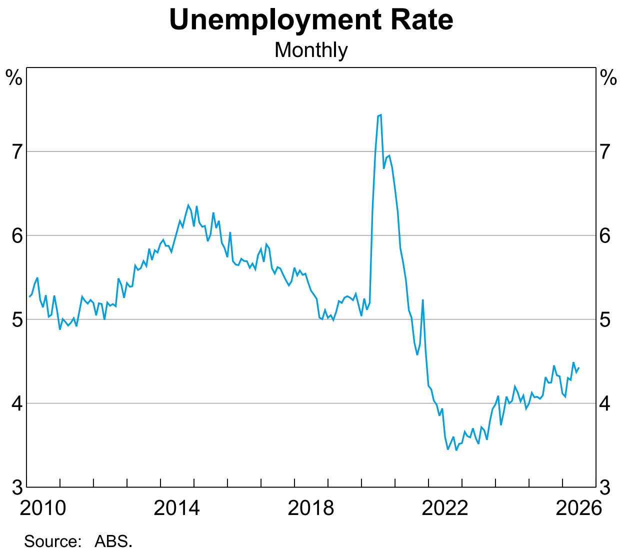
Employment

7. **Compared to the history shown in this chart, would you say that Australia's unemployment rate as of August 2026 is relatively high or low?**



☐ Relatively high
☐ Relatively low

8. **The RBA assesses that Australia's labour market is a little tighter than full employment.**
What indicators point to this?

Monetary policy decision

9. **What cash rate decision did the Monetary Policy Board take at its August meeting?**

Part two: Extended responses

10. **Explain how the conflict in the Middle East results in higher prices for many goods and services for Australian consumers.**

HINT: Consider how the Middle East conflict affects oil prices, and then how that affects the prices of goods and services for Australian consumers.

11. **Describe the ways the construction of a new data centre could result in higher economic activity.**

HINT: Consider things that relate to the components of the aggregate demand equation.

12. **Explain the processes through which a slowing housing market and declining housing prices might lead to slower spending.**

HINT: We discussed three different processes in the video – the impact on home owners' wealth, housing-related spending and investment in new dwellings.

a) A decline in housing prices reduces home owners' wealth.

b) A decline in housing prices often leads to lower spending on household items.

c) A decline in housing prices may lead to slower spending on new dwellings.