

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-may-2026

May 2026

Inflation

1. Inflation measures how quickly prices are rising over time

- True
- False

2. What is the RBA's target range for inflation?

There are two main reasons for Australia's rising inflation during 2026:

- Excess demand
- Higher oil prices

3. Why has demand increased so strongly in Australia?

4. Why have oil prices substantially increased over the course of 2026?

5. Distinguish between aggregate demand and aggregate supply.

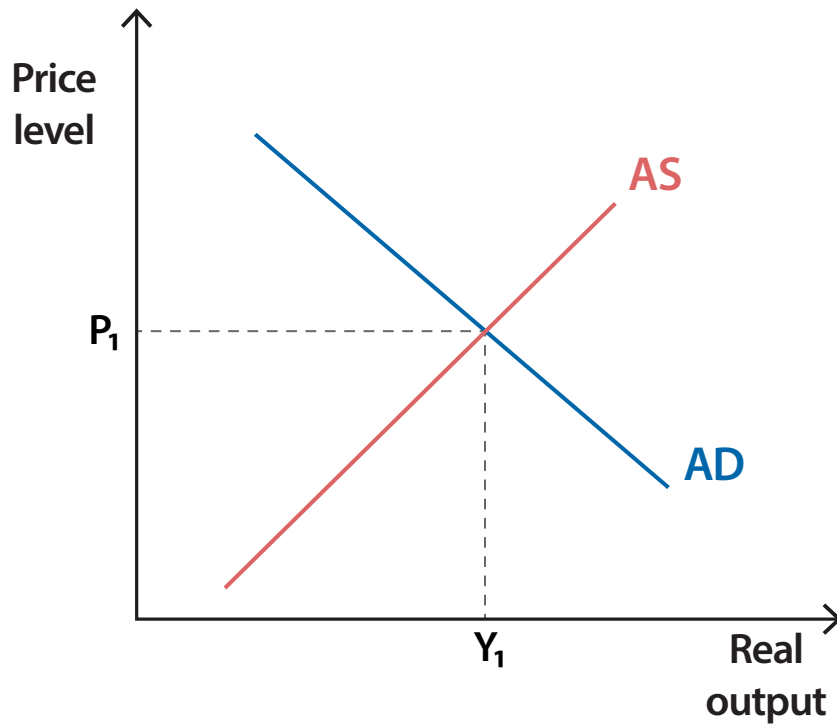
Aggregate demand:

Aggregate supply:

6. In general, higher fuel prices will raise the cost to produce almost all goods and services (though not all by the same amount).

In the graph below, identify which of the curves would shift as fuel prices rise. Then, draw the new curve and label the new equilibrium price and quantity.

HINT: It may only be one curve that moves.



7. If people expect inflation to be higher in the future, are they likely to delay or bring forward their purchases?
- Delay their purchases until prices fall
 - Bring forward their purchases before prices rise further
8. If businesses expect inflation to be higher in the future, how would they likely respond?
- Lower prices today because they expect lower costs in the future
 - Raise prices today because they expect higher costs in the future

Employment

9. List the RBA's dual mandate.

10. Current indicators of the labour market suggest it is quite "tight".

Which of the following best describes a tight labour market?

- There is a relatively high level of unemployment
- The supply of labour is high relative to the demand for labour
- The demand for labour is high relative to the supply for labour

Monetary policy decision

11. What cash rate decision did the Monetary Policy Board (MPB) take at its May meeting?

12. List some reasons why the MPB took this action.
