RESERVE BANK OF AUSTRALIA

**Teachers 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-nov-2026

**November 2026**

## Statistics

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

| **Statistic** | **Value** (as at 28 October 2026) |
|---|---|
| Headline inflation (September quarter 2026) | 3.9% |
| Underlying inflation (September quarter 2026) | 3.7% |
| Unemployment rate | 4.7% |

## Dual Mandate

1. **What are the TWO elements of the Reserve Bank of Australia's (RBA) dual mandate, and what do they involve?**

   1. Price stability. This means keeping inflation low and stable.

   2. Full employment. This means having as many people in jobs as possible, while still keeping inflation low and stable.

## Inflation

2. **What does headline inflation measure?**

   - [x] It measures all the goods and services in the consumer price index
   - [ ] It measures the largest price movements in the consumer price index

3. **Why does the RBA also consider underlying inflation?**

   Underlying inflation removes unusually large price changes in the consumer price index. This gives a clearer picture of the inflation trend.

4. **State the TWO reasons why inflation remains above the RBA's target range.**

   - Demand in Australia has been stronger than supply.
   - Higher oil prices due to conflict in the Middle East.

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

**transport | consumers | higher | petrol | pass | expensive | prices | diesel | make**

Higher oil prices make fuels like *petrol* and *diesel* more *expensive*. When these fuels cost more, businesses can face *higher* costs to *make* and *transport* their products. They may then *pass* those costs on to *consumers* through higher *prices*.

## Labour market

6. **What does it mean if labour market conditions have 'eased'?**

*Firms' demand for labour is becoming weaker relative to labour supply (the number of people looking for work).*

7. ***'The unemployment rate tells us everything about labour market conditions?'***
**Is this statement true or false?**

- [ ] True
- [x] False

8. **What does the unemployment rate measure?**

*The unemployment rate measures the share of people in the workforce who are actively looking for a job but don't have one.*

## Outlook

9. **What is the RBA's outlook for the Australian economy?**
**Focus on the following areas:**

a) *Inflation: expected to remain elevated during 2027, before coming back down to the top of the RBA's 2–3 per cent target range in late 2027.*

b) *Economic growth: the Australian economy will grow more slowly over the next few years.*

c) *Employment: the number of jobs is expected to keep growing, but unemployment is expected to rise as the labour market becomes less tight.*

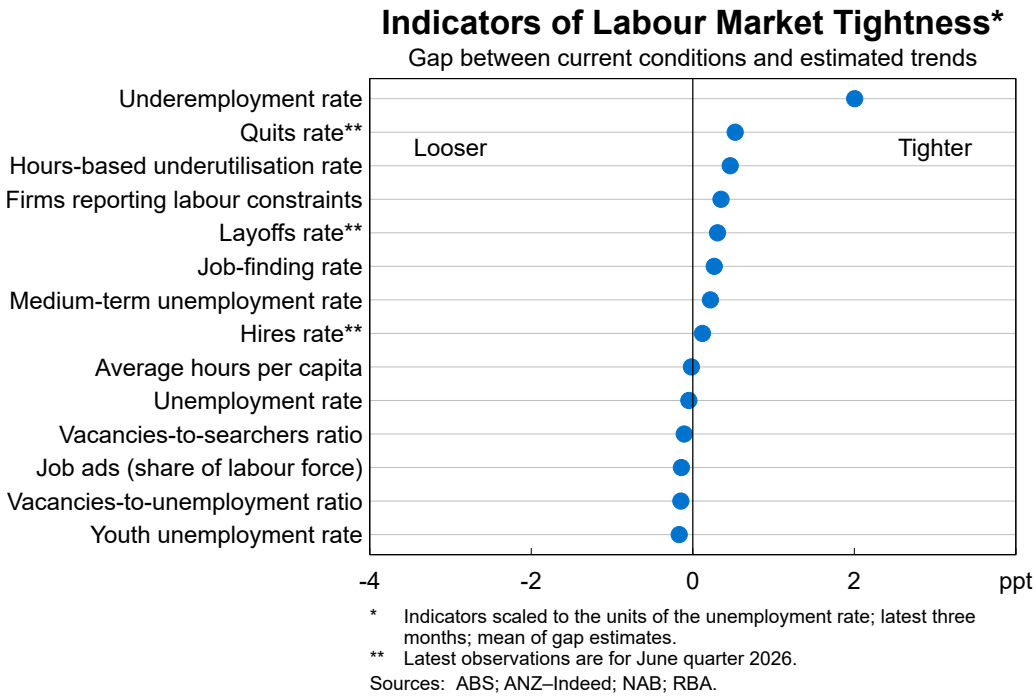
## Monetary policy decision

10. **What cash rate decision did the Monetary Policy Board make at its November meeting?**

*The Monetary Policy Board decided to increase the cash rate to 4.85 per cent.*

## Part two: Extended responses

11. **Using the graph below, answer the following questions.**




a) What does this graph show us?

*A range of indicators that suggest whether the labour market is looser or tighter.*

b) Distinguish between a 'looser' and 'tighter' labour market

*A tighter labour market is where it is harder for employers to find workers because the demand for workers is stronger compared with the supply of available workers.*

c) Why is it important to consider a range of labour market indicators and not rely on just one measure, such as the unemployment rate?

The unemployment rate is an important labour market indicator, but it doesn't give us the whole picture. For example, the underemployment rate measures the share of people who have a job but wish to work more hours. So even if people are employed, they may feel underutilised and this might indicate there is extra capacity in the labour market (a 'looser' labour market). This does not show up in the unemployment rate. In the graph, the underemployment rate actually indicates a tighter labour market than the unemployment rate does. Each indicator tells us part of the story and we need to consider the range of indicators to understand the whole picture of conditions in the labour market conditions.

d) What does 'firms reporting labour constraints' refer to, and why is it important to understand? (*NOTE: you may need to research this term)*

'Labour constraints' refers to difficulties in sourcing workers that are needed. If many firms report 'labour constraints', it means it is harder for businesses to find workers. It is an indicator that the labour market is relatively tight.

e) Considering all the blue dots, what is the current state of the labour market?

The blue dots show the latest data. Most are close to the vertical line, or slightly to the right. This suggests that the labour market is still a little tight.

12. **In the video, the presenter said:**
***"the interest rate increases this year will help slow spending, which is needed to bring inflation down".***
**Describe TWO ways that higher interest rates will slow spending and bring down inflation.**
**Focus on:**

- **businesses**
- **people deciding between a local and overseas holiday**

*HINT: You can find more information on the way higher interest rates lower inflation at* **rba.gov.au/education/interest-rates-and-inflation**

1. Higher interest rates make it more expensive for businesses to borrow money to expand. Expanding often means spending a lot, such as hiring new workers, or buying new equipment and software. When interest rates are higher, borrowing costs more and businesses may delay or scale back their plans. This lowers spending and puts downward pressure on inflation.

2. Higher interest rates make Australian assets more attractive to investors. To buy these assets they buy Australian dollars which increases the value of the Australian dollar (an appreciation). A stronger Australian dollar makes overseas holidays relatively cheaper. As a result, some people may choose to holiday overseas, rather than in Australia. This means less spending in Australia which brings demand closer to balance with supply and puts downward pressure on inflation.