Monetary Policy and Current Economic Conditions
Part 1: Monetary Policy
How Does the Reserve Bank Achieve Its Objectives?
What Is the Role of the Reserve Bank Board?

- Economic prosperity and welfare
- Stability of the currency
- Full employment
Monetary Policy – Inflation Target

To achieve an inflation rate of 2 – 3% on average, over time.
Monetary Policy – Decision Process
Monetary Policy – Decision Process
Monetary Policy – Transmission Mechanism

- Cash rate
- Interest rates
- Economic activity
- Inflation
Monetary Policy – Implementation

The Australian Cash Market

1. Price
   - RBA lending rate
   - Cash Rate Target
   - RBA deposit rate

2. Quantity

3. Demand

4. Supply

5. Policy interest rate corridor
Part 2: Current Economic Conditions
Terms of Trade
2016/17 average = 100, log scale

Sources: ABS; RBA
Australia’s Major Trading Partner Growth

Year-average

Sources: ABS; CEIC Data; RBA; Refinitiv
Labour Markets – Advanced Economies

Unemployment rate

- Euro area
- US

Wages growth*
Year-ended

- Japan

* Average hourly earnings for the US; compensation per employee for the euro area; smoothed full-time base wages for Japan

Sources: ECB; Eurostat; RBA; Refinitiv
China – Contributions to GDP Growth

Consumption
Investment
Net exports

GDP growth (per cent)

Sources: CEIC Data; RBA
Exports by Destination
Annual, share of total values

Source: ABS
Australian Dollar

US$ per A$ (RHS)

Sources: Bloomberg; RBA; WM/Reuters
Data from December onwards are expectations derived from interbank cash rate futures.

Sources: ASX; Bloomberg
State Final Demand
Year-ended growth

Sources: ABS; RBA
Mining and Non-mining Activity
Year-ended growth, RBA estimates

* Net of mining-related imports; components are contributions to year-ended mining activity growth; contribution from changes in inventories not shown.

Sources: ABS; RBA
Contributions to GDP Growth

Year-ended

Sources: ABS; RBA
Private Dwelling Investment*
Chain volume, quarterly

* Reference year is 2016/17
Source: ABS
Housing Prices and Household Debt*

Ratio to household disposable income

* Household disposable income is after tax, before the deduction of interest payments, and includes income of unincorporated enterprises

Sources: ABS; CoreLogic; RBA
Household Income and Consumption*

Real, year-ended growth

Consumption

Disposable income

Saving ratio

* Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation

Sources: ABS; RBA
Labour Market

* Full-time workers on reduced hours for economic reasons and part-time workers who would like, and are available, to work more hours

Source: ABS
Wage Price Index Growth*

* Total pay excluding bonuses

Source: ABS
Consumer Price Inflation*  

* Excluding interest charges prior to the September quarter 1998 and adjusted for the tax changes of 1999–2000  

Sources: ABS; RBA
Trimmed Mean Inflation Forecast*

Year-ended

* Confidence intervals reflect RBA forecast errors since 1993
Sources: ABS; RBA
Unemployment Rate Forecast*
Quarterly

* Confidence intervals reflect RBA forecast errors since 1993
Sources: ABS; RBA
More Information

rba.gov.au/education

twitter.com/RBAInfo

facebook.com/
ReserveBankAU/

youtube.com/
/user/RBAinfo