

## Box B

# Greater Transparency about Our Forecasts and Assumptions

The RBA has expanded the economic and forecast information we regularly publish, to give greater insight into our economic assessment and enhance transparency. This information will provide a richer view of the inputs to monetary policy, including how we generate our forecasts and the assumptions on which they are based. We will regularly publish our assessments of potential output and full employment and continue to publish insights from our liaison programs. We will also increase the range of forecast data published, make these data more easily accessible, and publish an annual evaluation of our forecasts. This Box explains these changes.

The improved transparency is consistent with the recommendations of the 2023 RBA Review and the agreement between the Reserve Bank Board and the Government in the recently updated *Statement on the Conduct of Monetary Policy*.

### **We will publish our assessments of potential output and full employment.**

We will regularly provide the RBA's assessment of spare capacity in the economy. This includes an assessment of output relative to potential output, and employment relative to full employment as well as other indicators of resource utilisation.

Spare capacity is discussed in detail in Chapter 2: Economic Conditions. The RBA's approach to assessing full employment is set out in Chapter 4: In Depth – Full Employment and in recent speeches.<sup>[1]</sup> Future publications will further explain the RBA's approach to assessing potential output, as well as the range of models the RBA uses as inputs to assess spare capacity.

### **We will increase the availability and accessibility of forecast data.**

The RBA forecasts many economic variables and makes assumptions about others. For greater insight, transparency and accessibility around these forecasts and assumptions, we have:

- *Increased the range of forecast variables and assumptions published in the Statement on Monetary Policy* (see Table 3.1: Detailed Forecast Table). The RBA publishes detailed forecasts for economic activity, trade, the labour market, income and wages, and inflation. We have expanded the information in the Detailed Forecast Table to include our forecast for the hours-based labour underutilisation rate and our assumptions for household savings, real wages growth and productivity. We are also publishing technical assumptions that underpin the staff forecasts, including the assumed path for the cash rate (which reflects expectations derived from financial market pricing and surveys of professional economists), the exchange rate, oil prices and population growth.

- *Enhanced our publicly available data files with more accessible historical forecasts to aid external researchers (see Statement on Monetary Policy – Forecasts Archive). Data files of historical forecasts (back to 2018) are being published in an easily downloadable format in conjunction with the *Statement on Monetary Policy*.*

### **We will regularly publish an evaluation of the staff forecasts.**

Each year, we conduct an internal review of the RBA staff economic forecasts. This helps us to assess what we have learned about the economy and improve our forecasting methods. Insights from these reviews have been published for the past two years, and we will publish these reviews annually going forward.<sup>[2]</sup>

### **We will continue to publish insights from our business and community liaison program.**

Since 2001, the RBA has been running a liaison program through which staff based in our offices across the country meet frequently with local firms, industry bodies, government agencies and community organisations.<sup>[3]</sup> Information from liaison is an important complement to data sources and helps to inform the RBA's assessment of economic conditions. We will continue to share this information publicly in a quarterly box in the *Statement on Monetary Policy* (see Box A: Insights from Liaison) and through other channels such as speeches and *Bulletin* articles. ✨

### **Endnotes**

[1] Bullock M (2023), 'Achieving Full Employment', Speech at the Ai Group, Newcastle, 20 June; Bullock M (2023), 'Monetary Policy in Australia: Complementarities and Trade-offs', 2023 Commonwealth Bank Global Markets Conference, Sydney, 24 October; Kohler M (2023), 'The Outlook for the Australian Economy', UBS Australasia Conference, Sydney, 13 November.

[2] For last year's review, see RBA (2023), 'Box B: Has the Economic Outlook Evolved as Forecast a Year Ago?', *Statement on Monetary Policy*, November.

[3] For further detail on the liaison program, see Dwyer J, K McLoughlin and A Walker (2022), 'The Reserve Bank's Liaison Program Turns 21', *RBA Bulletin*, September.