



RESERVE BANK OF AUSTRALIA

# The Transmission Mechanism of Monetary Policy

From the Classroom: Timmee Grinham  
*(Educator Advisory Panel)*

Education

# Senior Economics syllabus coverage of Monetary Policy/ Transmission Mechanism

- ▶ NSW - HSC:
  - ▶ implementation of monetary policy by the Reserve Bank of Australia
  - ▶ impact of changes in interest rates on economic activity and the exchange rate
- ▶ Victorian - VCE:
  - ▶ transmission mechanisms of monetary policy and their influence on the level of aggregate demand including savings and investment, cash flow, availability of credit, exchange rate movements and asset prices
- ▶ Queensland - Years 11 & 12
  - ▶ Monetary policy included as a topic
- ▶ Western Australia - Year 12
  - ▶ how monetary policy affects the level of economic activity i.e. the transmission mechanism
- ▶ South Australia - SACE
  - ▶ The definition and impact on the economy of monetary policy
- ▶ Tasmania - Economics 3
  - ▶ How the government manages the economy, including interest rates



In Education

- Topics
- Resources**
- In a Nutshell
- Explainers
- Learning Activities
- Presentations
- Snapshots
- Chart Pack and Data
- Multimedia
- Talks and Events
- About the Program
- Contact Us

## Resources

The Reserve Bank's public education program has developed resources for educators, students and the general public. The resources have been developed with education specialists and professionals to support an array of learning experiences.



RBA Education page - Resources!

# In a nutshell

Brief, graphic displays  
of key information ‘in a  
nutshell’

## In Education

Topics ▶

Resources ▼

**In a Nutshell**

Explainers

Learning Activities

Presentations

Snapshots

Chart Pack and Data

Multimedia

Talks and Events ▶

About the Program ▶

Contact Us

## In a Nutshell

This series provides information about key economic concepts, interesting topics, and the role of the Reserve Bank on one page, telling the story in a nutshell.

### Roles and Functions of the Reserve Bank of Australia

Describes the different roles and functions of the Reserve Bank of Australia.

[Download PDF](#) 400KB

[Expand](#)

### Monetary Policy in Australia

Describes why and how the Reserve Bank conducts monetary policy.

[Download PDF](#) 110KB

[Expand](#)

### Monetary Policy Implementation in Australia

Describes how the Reserve Bank implements monetary policy and keeps the cash rate as close as possible to its target.

[Download PDF](#) 48KB

[Expand](#)

### The Inflation Target

Defines Australia's inflation target and explains why and how it is used.

[Download PDF](#) 89KB

[Expand](#)

### How Australians Pay

# Nutshells: Monetary Policy in Australia & MP Implementation



RESERVE BANK OF AUSTRALIA

## Monetary Policy in Australia



[www.rba.gov.au](http://www.rba.gov.au)  
[twitter.com/RBAInfo](https://twitter.com/RBAInfo)  
[www.youtube.com/user/RBAInfo](https://www.youtube.com/user/RBAInfo)

The Reserve Bank conducts monetary policy to achieve its goals of price stability, full employment, and the economic prosperity and welfare of the Australian people.



2-3%

It does this by using an inflation target to help keep inflation between 2-3%, on average, over time. The tool to manage inflation is the cash rate.

The Reserve Bank Board meets eleven times a year, on the first Tuesday of the month, to decide what the cash rate should be.



The cash rate has a strong influence over other interest rates, such as lending and deposit rates.

A reduction in the cash rate typically stimulates spending and inflation, while an increase in the cash rate typically dampens spending and inflation.



If inflation is likely to be too high for too long, the Reserve Bank Board would typically increase the cash rate to bring inflation back to the target. If inflation is likely to remain too low, the cash rate would typically be lowered.



RESERVE BANK OF AUSTRALIA



[www.rba.gov.au](http://www.rba.gov.au)  
[twitter.com/RBAInfo](https://twitter.com/RBAInfo)  
[www.youtube.com/user/RBAInfo](https://www.youtube.com/user/RBAInfo)

## Monetary Policy Implementation in Australia

The Reserve Bank implements monetary policy by keeping the cash rate as close as possible to the target.



It does this by conducting money market transactions. These 'open market operations' are typically conducted as auctions.

Open market operations increase or decrease the amount of cash held by banks.



The Reserve Bank also helps banks manage cash under terms where lending and deposit rates form a corridor of 0.25 percentage points above and below the cash rate target. The corridor helps keep the cash rate close to target.

The Reserve Bank lends cash to banks at an interest rate 0.25 percentage points above the cash rate target. Banks would not borrow cash at a higher rate, so there is no market above this lending rate.



Banks deposit cash with the Reserve Bank at 0.25 percentage points below the cash rate target. Banks do not lend cash at a lower rate, so there is no market below this deposit rate.

# Using 'Nutshells' in your classroom

## ▶ Use as a warm up activity

### ▶ Class reading

- ▶ Students provided with copies of one or two nutshells (e.g. 'MP in Australia' & 'MP Implementation'). They read the sheet/s together as a class.

### ▶ Think/Pair/Share

- ▶ Students work in pairs to generate two questions about the information, per pair of students. Record on Post-It Notes.
- ▶ The questions shared with the class
- ▶ Collect up questions on Post-Its and display on poster paper on classroom wall.
- ▶ Refer back to questions regularly during topic coverage, to remind students that questions / queries are being addressed.

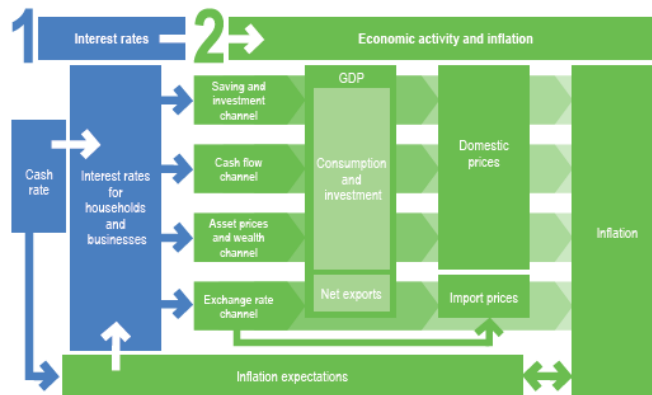
# RBA Explainer: The Transmission of Monetary Policy

## The Transmission of Monetary Policy

The transmission of monetary policy describes how changes made by the Reserve Bank to the cash rate – the ‘instrument’ of monetary policy – flow through to economic activity and inflation. This process is complex and there is a large degree of uncertainty about the timing and size of the impact on the economy. In simple terms, the transmission can be summarised in two stages.

- 1 Changes to the cash rate flow through to other interest rates in the economy.
- 2 Changes to these interest rates affect economic activity and inflation.

This explainer outlines these two stages and highlights some of the main channels through which monetary policy affects the Australian economy.



# Read and Rehash



## A reading strategy for RBA publications

01

Skim and scan the text. Predict what the text is about by:

- reading the title
- skimming sub-headings and diagrams
- reading the introduction and conclusion.

03

Reread and mark the text.

- number the paragraphs. As with page numbers, paragraph numbers will act as a reference so you can easily refer to specific sections of the text
- circle key terms or terms you don't understand or you feel are important
- develop a glossary of unfamiliar terms
- highlight the main ideas.

02

Read the text.

- read the text to get a general idea about what the text is about.

04

Pause to connect ideas within the text.

- connect what is said to the visuals in the text. (Ask questions such as 'How does this section connect to the previous section?').

The RBA releases many publications that are up-to-date and useful for students. Some of them, however, have complex concepts. This infographic is designed to guide you through the process of how to make meaning from the range of publications released by the RBA. Use this process to read any publication on the RBA website.

# Idea 1: Use this approach to read TM Explainer

05

Write summary statements in the margin.

For each paragraph, look for:

- the topic sentence (often the first sentence which tells you the topic of the paragraph)
- supporting evidence or additional associated detail that follows
- any analysis or concluding statements within the paragraph.

07

Compose a tweet to give a succinct summary of the text.

Remember a tweet can only be 140 characters. Share your tweet with other students.

06

Group/categorise the ideas and link to broad economic concepts/ideas/objectives.



takes into account when making decisions about monetary policy

Main ideas

Considerations for Monetary Policy

Evidence/details

Outlook for global economy is good

1 In considering the stance of monetary policy, members noted that the outlook for the global economy remained positive. The broad-based nature of the data supporting this outlook provided some confidence that the expansion could become self-reinforcing. At the same time, the improved conditions and ongoing accommodative stance of monetary policy globally had not, to date, led to a sustained increase in inflation. Members noted that various policy, financial and geopolitical risks to the ongoing expansion in the global economy were still present. The improvement in global economic conditions had helped to support commodity prices although recent commodity price movements had also been affected by commodity-specific supply factors, such as disruptions to Australian coking coal exports following Cyclone Debbie.

Broad-based growth  
No sustained increase in inflation  
Risks still present  
Commodity prices supported by demand and supply factors

Inflation outcomes are as expected

2 Domestically, inflation outcomes had been as expected in the March quarter. The central forecast for headline inflation was that it would be above 2 per cent over the forecast period; underlying inflation was expected to increase gradually from its current rate of 1 3/4 per cent. Subdued growth in labour costs and strong competition in the retail sector had continued to have a dampening effect on aggregate inflation. Working in the other direction, rises in utilities prices and the cost of new dwelling construction had increased inflationary pressures.

Subdued growth in labour costs and retail competition weighing on inflation

Little pressure on wages growth

3 Members noted that, although it seemed unlikely that wage growth would slow much further, wage pressures were expected to rise only gradually as the effects of structural adjustment following the mining investment and terms of trade boom, which had weighed on aggregate wage growth, continued to wane. Data on the labour market had been somewhat mixed, but forward-looking indicators continued to suggest that employment growth would maintain its recent pace and spare capacity in the labour market would decline gradually.

Rises in utilities prices and housing construction boosting inflation

Economic growth moderate

4 Recent data suggested that the Australian economy had grown at a moderate pace at the beginning of 2017. The outlook was little changed from three months earlier and continued to be supported by the increase in the terms of trade and the low level of interest rates, although lenders had announced increases in mortgage rates, particularly those paid by investors and on interest-only loans. The pick-up in non-mining business investment had been modest and forward-looking indicators of investment remained mixed. The drag from the fall in mining investment (and the spillover effects of this on non-mining investment and activity) had continued to ease. Recent data had provided further signs that the downswings in the Western Australian and Queensland economies were coming to an end. The depreciation of the exchange rate since 2013 had assisted the economy through this transition; an appreciation of the exchange rate would complicate this adjustment process.

Unemployment expected to go down  
Increase in ToT  
Low level of interest rates  
Drag from ending of mining boom easing  
Lower AUD helping

Housing market conditions vary between cities

5 Conditions in the housing market continued to vary considerably across the country. Conditions in established housing markets in Sydney and Melbourne remained robust, but housing prices had been falling in Perth. The additional supply of apartments scheduled to be completed over the next couple of years in the eastern capital cities was expected to put some downward pressure on growth in apartment prices and on rents, particularly in Brisbane.

Housing credit growth outstripping growth in household income

6 Growth in housing credit had continued to outpace growth in household incomes, which suggested that the risks associated with household balance sheets had been rising. Recently announced supervisory measures were designed to help mitigate these risks by reinforcing prudent lending standards and ensuring that loan serviceability was appropriate for current financial and housing market conditions. However, it would take some time to assess the full effects of recent increases in mortgage rates and the additional supervisory focus.

Supervisory measures should help mitigate risks in household balance sheets

Evidence supports decision to maintain

7 The Board continued to judge that developments in the labour and housing markets warranted careful monitoring. Taking into account all the available information and the updated forecasts, the Board's assessment was that maintaining the current accommodative stance of monetary policy would be consistent with achieving sustainable growth and the inflation target over time.

Excerpt from Minutes of the Monetary Policy Meeting of the Reserve Bank Board, Sydney - 2 May 2017

“Read and rehash”

# Using the TM Explainer in your classroom

## ▶ IDEA 2: Set as a ‘flipped classroom’ reading task

- ▶ Students read the information outside the classroom
- ▶ In class, students create up to 10 questions they can set for other students in the class (teacher can provide an idea of the kinds of questions required e.g. one per channel, one re: the cash rate/commercial rate spread, one on inflationary expectations, one on the effectiveness of the mechanism)
- ▶ Discuss the student-created questions in class, to help students modify or improve them
- ▶ Use the student-created questions for either classwork or revision
- ▶ Extension idea: students required to create ‘sample answers’ to share with the class

(Some teachers ask students to generate questions and then promise students that a certain number of student-generated questions will be on the assessment!)

# Using the TM Explainer in your classroom (cont.)

## ▶ IDEA 3: Students represent information visually

- ▶ E.g. Students use the information on 'Inflation Expectations' to create a diagram showing how they work.



- ▶ Then have students explain how RBA inflation targeting counters inflation expectations

## Using the TM Explainer in your classroom (cont.)

- ▶ **Idea 4: Students consider why the Channels of the transmission mechanism work.**
  - ▶ Pairs of students consider a Channel of the TM in detail:
    - ▶ Savings and Investment Channel
    - ▶ Cash Flow Channel
    - ▶ Asset Prices/Wealth Channel
    - ▶ Exchange Rate Channel
- ▶ **Pairs teach the class**
  - ▶ **How & Why the channel works**
  - ▶ **Who the channel most affects**
  - ▶ **What other factors might affect the channel**

# Example: Cash Flow Channel

## ▶ HOW & WHY:

- ▶ ↑ cash rate lead to ↑ retail interest rates
- ▶ Reduces amount of cash available to spend e.g. because can't borrow as much as before or must pay more interest than before (increased repayments)
- ▶ Works because large amount of 'borrower debt' in Australia

## ▶ WHO:

- ▶ Households who have borrowed (mortgages, other credit) – variable rates
- ▶ Businesses with loans on variable rates

## ▶ OTHER FACTORS:

- ▶ Households with deposits do have MORE income, but the effect on households and businesses with debt is greater

# Learning Activities page -in 'Resources'



RESERVE BANK OF AUSTRALIA

Careers Education Media Q&A Glossary Contacts

Search RBA website



Media Releases Speeches Publications Statistics Chart Pack

About Us Monetary Policy Market Operations Financial Stability Payments & Infrastructure Financial Services Banknotes

Home > Education > Resources > Learning Activities

## In Education

Topics

Resources

In a Nutshell

Explainers

Learning Activities

Presentations

Snapshots

Chart Pack and Data

Multimedia

Talks and Events

About the Program

Contact Us

## Learning Activities

This series provides a range of activities that can be used in the classroom to help students build different skills through meaningful learning experiences.

### Opening the Vault

Guides students through how to find the information they need on the RBA website.

Activity: Opening the Vault [PDF](#) 93KB



### Unpacking Publications

Helps students familiarise themselves with RBA publications and provides some tips to make the most of the information provided.

Activity: Unpacking Publications [PDF](#) 84KB



### Read and Rehash

Guides students through how to make the most of RBA publications.

Activity: Read and Rehash [PDF](#) 334KB



## On This Page

- > [Opening the Vault](#)
- > [Unpacking Publications](#)
- > [Read and Rehash](#)
- > [Key Economic Indicators – Unpacking the Snapshot](#)
- > [The Transmission Mechanism](#)
- > [You Make the Decision – the Cash Rate](#)
- > [Perspectives on RBA decisions](#)
- > [Building Charts Using RBA Statistical Tables](#)

# Label the Transmission Channel Diagram

Activity Sheet on the  
'Learning Activities' page

Label the diagram using  
arrows:



(increase) or



(decrease)

for both INCREASE in cash rate (tightening MP) and  
DECREASE in cash rate  
(loosening MP)

## Activity

## The Transmission Mechanism

RESERVE BANK OF AUSTRALIA



Changes in the cash rate affect the economy through five channels. Read the [Explainer: The Transmission of Monetary Policy](#) and use the information to summarise the effects of a change in the cash rate on economic variables.

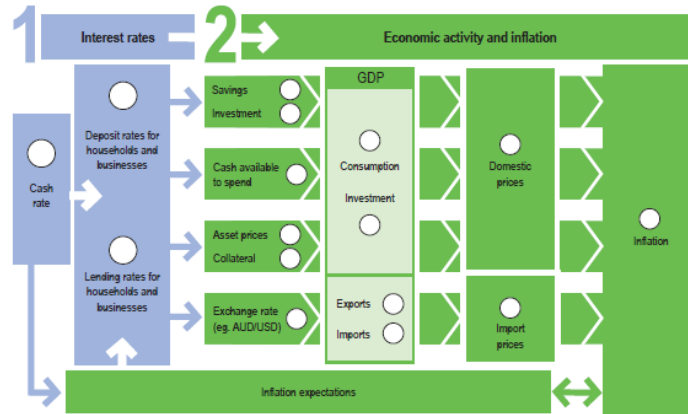
Complete the diagram below:

- by marking in an upward arrow (↑) (to indicate an increase); or
- a downward arrow (↓) (to indicate a decrease).

Complete this exercise for each scenario:

1. Decrease in the cash rate
2. Increase in the cash rate.

Tip: note whether the direction of the effect depends on any factors.



# Scenarios: Which Transmission Mechanism Channel Am I?

- ▶ Rajesh & Maanya are young professionals keen to buy their first home in Parramatta (suburban Sydney). They've heard it's likely the RBA will soon increase interest rates. They've decided to defer their purchase, and save a little more towards their deposit.
- ▶ Hans and Peter live in a nice terrace house in Carlton (inner-city Melbourne). They are both high school teachers. They took out their mortgage 15 years ago, and their mortgage is on a variable rate loan. Their bank has recently raised the interest rate on their mortgage (after the RBA raised the cash rate). Their monthly repayments have increased and so they've had to cut back on their entertainment and clothing spending.
- ▶ Gladys and Bert are self-funded retirees. They live on income from their investments, including interest from term deposits. They're pleased the RBA has recently raised the cash rate, as now their bank will pay them higher interest, and they'll be able to go on a Queensland holiday soon.
- ▶ (Teachers could have students create these scenarios as part of the Idea 3 activity where students explain individual channels)



# Activity: Illustrate TM visually

- ▶ Students receive a page with two table of all the 'steps' and 'pieces' in the TM (including different channels)
- ▶ One table for Increase TCR and one for Decrease TCR
- ▶ Cut up and re-assemble to create a visual flow chart of the TM

## Classroom activity

Use the pieces to illustrate the transmission of monetary policy

### Instructions:

The following two tables includes the steps in the transmission mechanism for a **decrease** in the cash rate, and an **increase** in the cash rate.

The steps are mixed up. Cut up the pieces and use them to create two diagrams:

1. How a decrease in the cash rate flow through to economic activity and inflation
2. How an increase in the cash rate flows through to economic activity and inflation

### Decrease in the cash rate

Increased wealth leads to higher consumption (C) and housing investment (I) as households spend some of their increase in wealth.	The RBA announces the reduction to the TCR	Decreased interest rates in Aust. relative to overseas rates reduces returns for overseas investors in Australia.
Increased economic activity will contribute to upward pressure on inflation	Decreased interest rates reduce incentive for saving & encourage borrowing (lower cost of repayments)	Lower returns on overseas investment in Australia reduces demand for AUD on the foreign exchange markets, depreciating the AUD.
The market interest rate for overnight loans between financial institutions falls	Reduced saving and increased borrowing fuels household spending on G&S (C) and housing and business investment (I)	Savers experience reduced income from deposits, which can reduce C & I (but to a lesser extent than increased cash flow effect of those in debt)

# Mock RBA Board Meeting

## Activity

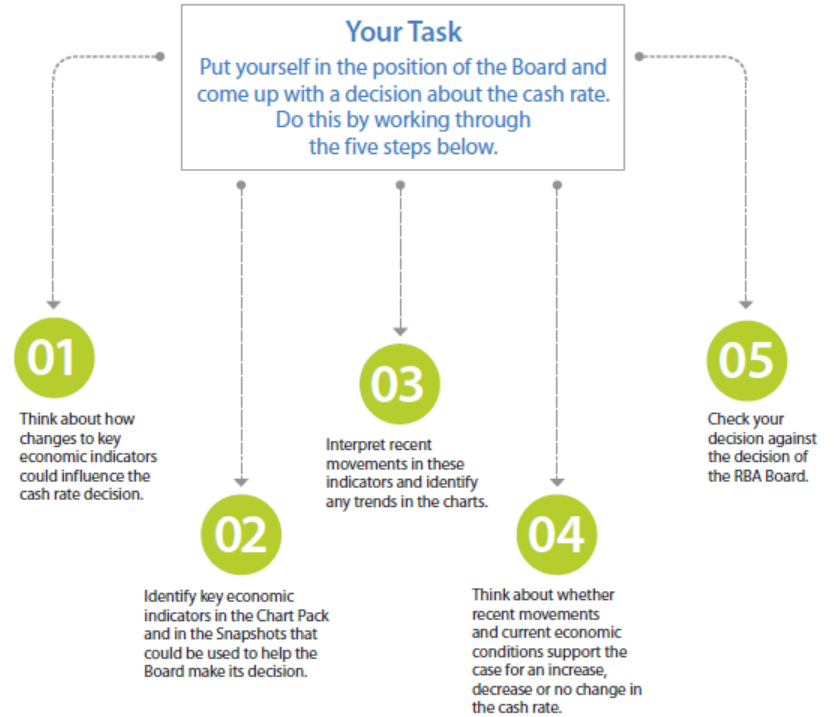
### You Make the Decision – the Cash Rate



#### The RBA

On the first Tuesday of each month (except January), the RBA Board meets to make a decision about whether to increase, decrease or keep the cash rate the same. For each meeting the Board is given a detailed account of developments in economic and financial conditions. The Chart Pack and Snapshots, along with the table on the next page, provide examples of some of the information that might be considered by the Board when making a decision about the cash rate.

## Resource on RBA Education page (Learning Activities)



In Education

Topics

Role of the Reserve Bank

Monetary Policy

Australian Economy

Exchange Rates

Financial System

## Monetary Policy

An important role of the Reserve Bank is conducting monetary policy to achieve the objectives of the Reserve Bank Board. It is the responsibility of the Board to set interest rates in a way that best contribute to the stability of the currency (which means price stability), full employment, and the economic prosperity and welfare of the people of Australia.

To achieve price stability, the Reserve Bank uses a flexible medium-term inflation target, with the goal of keeping inflation between 2 and 3 per cent, on average, over time. The Reserve Bank sets the cash rate to influence economic activity and inflation to achieve this goal.

Available Resources

[Videos](#)

[In a Nutshell](#)

[Explainers](#)

[Presentations](#)

[Learning Activities](#)

Source of recent charts for RBA 'Board meeting' - or visit Chart Pack

Updated regularly

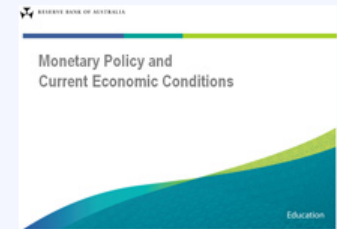
## Presentations

### Monetary Policy and Current Economic Conditions

This presentation summarises the monetary policy framework and current economic conditions in Australia.

Graphs with forecasts are updated to 3 May 2018, the cash rate is updated to 5 June 2018, and other data are updated to 30 May 2018.

[Monetary Policy and Current Economic Conditions Presentation](#) PDF 890KB

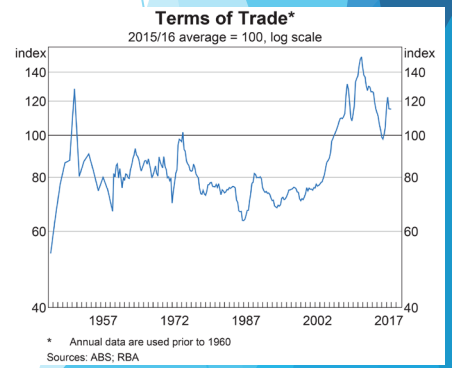
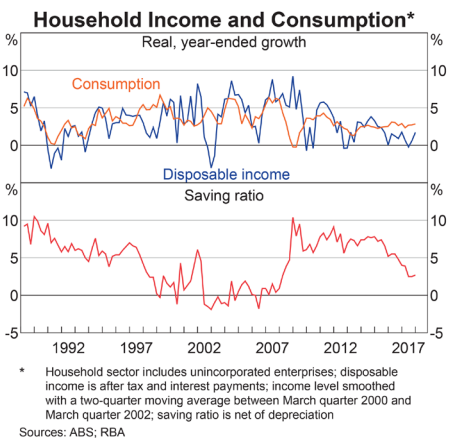
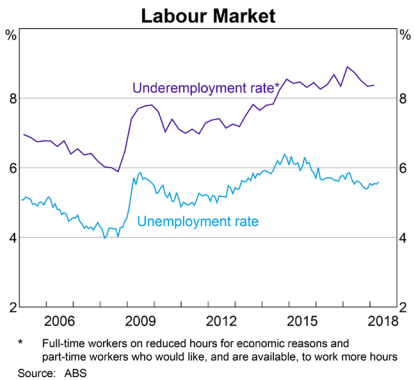
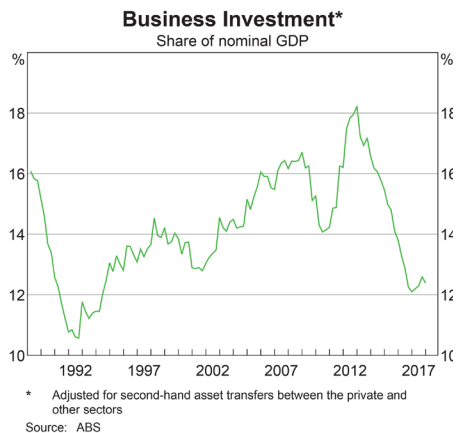
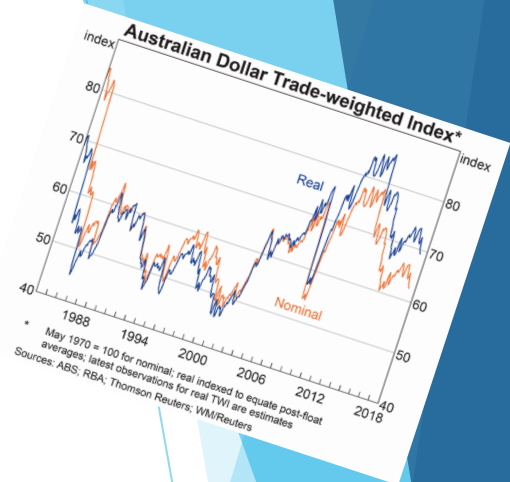
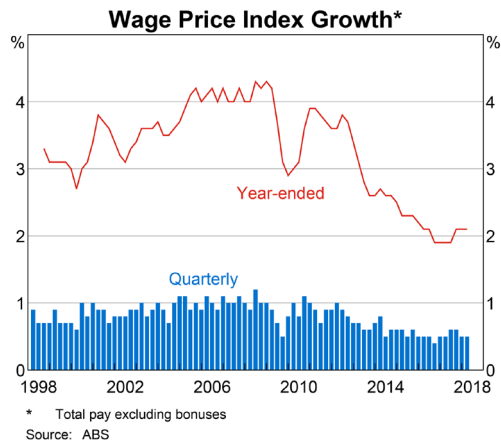
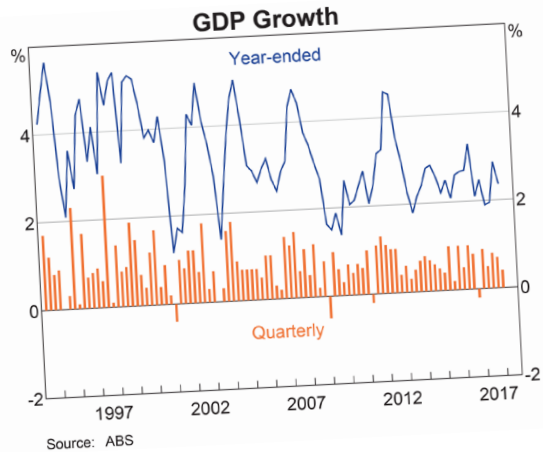


# Gather evidence

- ▶ Students gather latest data on key indicators
- ▶ Present information on their indicator(s) to class
- ▶ Explain what the indicator says about the economy
- ▶ Recommendation re: cash rate decision based on indicator performance
- ▶ Class discussion as ‘the Board’
- ▶ Vote on decision as required

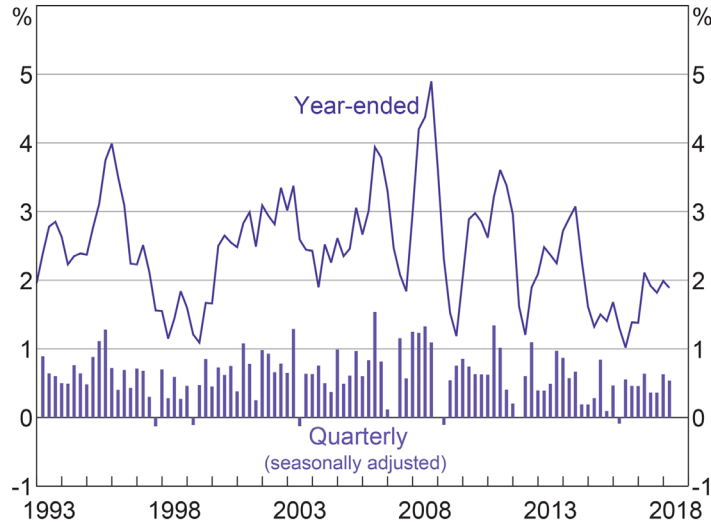
## Key economic indicators relevant to the cash rate decision

Economic Indicator	01 What is the effect of an increase in the indicator on the cash rate decision	01 What is the effect of a decrease in the indicator on the cash rate decision	02 Identify charts that show changes in the indicator	03 Identify recent changes/trends in the indicator
Economic growth				
Inflation				
Unemployment rate				
Wage growth				
Household consumption				
Household debt				
Business investment				
Terms of trade				
Exchange rate				
Global economic conditions				



What's the trend? Implications for AD & inflation? Likely MP response?

## Consumer Price Inflation\*



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

Sources: ABS; RBA

What would we say about recent CPI figures in terms of RBA MP decision?

**01** What is the effect of an increase in the indicator on the cash rate decision

**01** What is the effect of a decrease in the indicator on the cash rate decision

**02** Identify charts that show changes in the indicator

**03** Identify recent changes/trends in the indicator

# Students write up decision - compare to RBA Board decision and reasoning

**04** Explain what decision you would make based on the available information:

---

---

---

---

---

---

**05** Compare your decision with the decision made by the RBA Board. Highlight the key economic indicators that were focused on in the 'Statement by the Governor: Monetary Policy Decision':


---

---


---

# Activity: Stakeholder perspectives on RBA MP decisions

- ▶ Another way of approaching different impacts of MP decisions
- ▶ Could help tease out the idea of ‘transmission mechanism channels’ for weaker students



## Activity Perspectives on RBA Decisions



---

The purpose of this Activity is for students to consider how RBA decisions might be viewed by a range of different participants in the economy and how these decisions may have a different impact on stakeholders, depending on their circumstances. The Activity has been designed as a teacher-facilitated collaborative activity. It can be applied to any RBA decision such as:

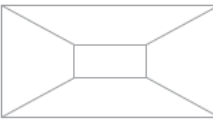
- cash rate decisions
- regulation decisions.

The teacher decides on the RBA decision students will respond to, for example, the RBA decides to increase the cash rate.

### Resources

Role cards – one role card for each group of four students.  
Teacher developed or student drawn place-mats – one place-mat for each group of four students.

### Suggested place-mat template for cooperative learning



### Instructions

1. Provide each group with a different role card. (The role cards can be changed to suit the decision being investigated. The role cards provided here relate specifically to interest rate decisions.)
2. Students record on their place-mat the decision they are responding to (eg. the RBA increases the cash rate).
3. Students think about the decision from the perspective of the person or entity on their role card. The following questions might be used to prompt their thinking:
  - How do they feel about the decision?
  - How will the decision affect them?
  - How will they respond to the decision or how will the decision affect what they do? In particular, ask students to consider how the change in interest rates will affect their:
    - consumption
    - savings
    - investment
    - asset wealth
    - confidence.
4. Students write their ideas/answers in a corner of the place-mat.
5. Each student shares their ideas with their group. The group then summarises its ideas and writes it in the middle section of the place-mat.
6. Each group presents their views (from the perspective of the person or entity they are representing) to the class.
7. The class discusses the effects of the decision on different stakeholders, any differences they identified and the reasons for these differences.

<p><b>Individual 1</b> Mortgage with a high balance owed Credit card debt Two-adult household with two school-aged children enrolled in private school Middle income household</p> 	<p><b>Individual 2</b> Owns home outright One investment property that provides an income through rent (no mortgage) Shareholder in Australian companies Money invested in term deposit Self-funded retiree with no dependents</p> 
<p><b>Individual 3</b> Looking to enter the home market No loans or debt Savings in the form of a deposit for a home Single with no dependents High income earner</p> 	<p><b>Individual 4</b> Resident of another country Deals in Australian currency and shares Invests in Australian properties</p> 
<p><b>Business 1</b> Small business that imports goods for resale in Australia Leases plant and equipment at fixed interest rates</p> 	<p><b>Business 2</b> Produces goods domestically for export Owns plant and equipment Requires an upgrade on equipment</p> 



So?  
What else is  
there?

## RBA Speeches



**RESERVE BANK OF AUSTRALIA**

Careers Education Media Q&A Glossary Contacts

Search RBA website

Media Releases **Speeches** Publications Statistics Chart Pack

About Us Monetary Policy Market Operations Financial Stability Payments & Infrastructure Financial Services Banknotes



**In Speeches**

- 2011–2018
- 2001–2010
- 1990–2000

**Filters**

- All Governors' Speeches
- Speeches by Philip Lowe
- All Deputy Governors' Speeches
- Speeches by Guy Debelle
- Testimonies before Parliament

### Speeches

[RSS Feed of Speeches](#) [RSS Feed of Speech Webcasts](#)

Senior officers of the Reserve Bank give speeches and participate in panel discussions on a broad range of topics related to its role and functions. These are part of the Bank's efforts to promote understanding of its decision-making and facilitate accountability to accompany its operational independence.

#### 2018

[Some Features of the Australian Fixed Income Market – Tokyo](#)  
6 June 2018  
**Christopher Kent**, Assistant Governor (Financial Markets)  
[Download PDF](#) 612KB

[What Happened to the Study of Economics? – Sydney](#)  
26 May 2018  
**Jacqui Dwyer**, Head of Information Department  
[Download PDF](#) 385KB

# Other speeches - provide Charts not in Chart Pack

Speech

## The Outlook for the Australian Economy

**Guy Debelle**   
Deputy Governor

**Opening Keynote at the CFO Forum**  
Sydney – 15 May 2018




Speech

## Three Questions About the Outlook

**Luci Ellis**  
Assistant Governor (Economic)

**Address to the ABE Conference**  
Sydney – 13 February 2018



Today I would like to talk about the Bank's outlook for the *Statement on Monetary Policy (SMP)* earlier this month.  from the previous set of forecasts we released three months ago, the outlook for the Australian economy, both domestically and globally, has been evolving generally.

When reading through the Bank's forecasts, I think it is a good question to ask is: are these revisions to the Bank's outlook a reflection of changes in the economy? Similarly you can ask, do I think these changes reflect changes in the household or my business? A tenth or two of a percentage point change in GDP or inflation is unlikely to matter that much for any of us. The outlook for the Australian economy, both domestically and globally, has been evolving generally. I think it is a good question to ask is: are these revisions to the Bank's outlook a reflection of changes in the economy? Similarly you can ask, do I think these changes reflect changes in the household or my business? A tenth or two of a percentage point change in GDP or inflation is unlikely to matter that much for any of us.

Speech

## Household Indebtedness and Mortgage Stress

**Michele Bullock**   
Assistant Governor (Financial System)

**Address to the Responsible Lending and Borrowing Summit** Sydney  
– 20 February 2018



Thank you for the opportunity to be here today. The title of the summit, 'Responsible Lending and Borrowing – Risk, Responsibility and Reputation', really struck a chord with me because there has been much discussion over the past few years about housing prices and the increasing debt being taken on by the household sector.


The Reserve Bank's interest in this area springs from both its responsibility for monetary policy and its mandate for financial stability. From the perspective of monetary policy, high debt levels will influence the calibration of interest rate changes. The more debt households have, the more sensitive their cash flow, and hence consumption, is likely to be to a rise in interest rates. Households with higher debt levels may also sharply curtail their consumption in response to an adverse shock such as rising unemployment or large falls in house prices, amplifying any economic

... Australian Business Economists for ...  
... ning. Last Friday we released our ...  
... of which I can cover today. Inst ...  
... selected themes in that document ...  
... ple with as we consider the outlo ...

... efly summarise our current thinki ...  
... as been picking up since mid 201 ...  
... s we came into the new year, we ...  
... ok for the global economy.

Speech

## Skills for the Modern Workforce

**Alexandra Heath**   
Head of Economic Analysis Department

**Remarks to the Victorian Career Advisors conference**  
Melbourne – 1 December 2017



It isn't hard to find commentary about the fact that the nature of work is changing, potentially in quite profound ways. This means that the skills young people will need to negotiate the new landscape of work need to change as well. But what does it all mean for students who must decide what subjects to choose in high school or what they should do after school?

It is difficult to answer this question in general, because each young person is different in their skills, preferences and aspirations. The best we can do is to make sure they have good information about the options they have available. Plenty of studies have shown how important parents (and their life experiences) are as sources of information about subject and career choices. Young adults (and their parents) also look to career advisors for information and advice.

Today, I'm going to give you some information about how the skills used in the workforce have been changing over time to help you frame the discussions you have with your students. I'm also going to take a bit of time to advocate for economics as a discipline of study that provides skills that are likely to be valuable in the future workforce.

### General Trends

So, let's start with general trends. This graph shows where employment growth has been coming

# Publications:

## Board minutes

“Read and rehash”  
perhaps??

**RESERVE BANK OF AUSTRALIA**

Careers Education Media Q&A Glossary Contacts

Search RBA website

Media Releases Speeches Publications Statistics Chart Pack

About Us Monetary Policy Market Operations Financial Stability Payments & Infrastructure Financial Services Banknotes

Home > Monetary Policy > Minutes > 2018 > 1 May 2018

**In Monetary Policy**

- About Monetary Policy
- Agreement on Framework ▶
- Inflation Target
- Interest Rate Decisions ▶
- Minutes ▼
- 2011–2018 ▼
- 2018**
- 2017
- 2016
- 2015
- 2014
- 2013
- 2012
- 2011
- 2006–2010 ▶
- Statement on Monetary Policy

### Minutes of the Monetary Policy Meeting of the Reserve Bank Board

**Adelaide – 1 May 2018**

#### Members Present

Philip Lowe (Governor and Chair), Guy Debelle (Deputy Governor), Mark Barnaba AM, Kathryn Fagg, John Fraser, Ian Harper, Allan Moss AO, Carol Schwartz AM, Catherine Tanna

#### Others Present

Luci Ellis (Assistant Governor, Economic), Christopher Kent (Assistant Governor, Financial Markets), Bradley Jones (Head, International Department), Adam Cagliarini (Representative, China)

Anthony Dickman (Secretary), Andrea Brischetto (Deputy Secretary)

#### Domestic Economic Conditions

Members commenced their discussion of the domestic economy by noting that the outlook for the economy had not changed materially over the preceding three months. Stronger growth was expected over the following couple of years, which would reduce spare capacity in the economy and lead to a further gradual decline in the unemployment rate. This, in turn, was expected to lead to a gradual pick-up in wages growth and inflation.

The inflation data for the March quarter had been in line with the Bank's expectations. Inflation had been ½ per cent in the quarter and close to 2 per cent over the year in both headline and underlying terms. The largest increases in prices over the year had been for tobacco, following excise increases, and utilities, reflecting higher electricity prices. The prices of tradable goods

# Publications:

## RBA Bulletin

## Excellent 'Stand alone articles

### In Publications

- Minutes ▶
- Statement on Monetary Policy ▶
- Financial Stability Review ▶
- Bulletin ▼
- 2018 ▶
- 2017 ▼
- December
- September**
- June
- March
- 2016 ▶
- 2015 ▶
- 2014 ▶
- 2013 ▶
- 2012 ▶
- 2011 ▶
- 2001–2010 ▶

## Bulletin September Quarter 2017

The *Bulletin* contains articles that discuss economic and financial developments as well as the Bank's operations.

Download the complete *Bulletin* [PDF](#) 5.2MB



### Contents

#### Articles

- [The Transmission of Monetary Policy: How Does It Work?](#) [Abstract](#) [Download PDF](#) 414KB
- [The Neutral Interest Rate](#) [Abstract](#) [Download PDF](#) 534KB
- [The Rising Share of Part-time Employment](#) [Abstract](#) [Download PDF](#) 619KB
- [The Resources Economy and the Terms of Trade Boom](#) [Abstract](#) [Download PDF](#) 499KB
- [Structural Liquidity and Domestic Market Operations](#) [Abstract](#) [Download PDF](#) 1.8MB
- [Shadow Bank Lending to the Residential Property Market](#) [Abstract](#) [Download PDF](#) 436KB



## Publications:

# Statement of Monetary Policy

## Excellent Charts and 'boxes'

The screenshot shows the Reserve Bank of Australia website. At the top, there is a navigation bar with links for Careers, Education, Media, Q&A, Glossary, and Contacts. A search bar is located on the right. Below this is a secondary navigation bar with links for Media Releases, Speeches, Publications, Statistics, and Chart Pack. The main navigation bar includes links for About Us, Monetary Policy, Market Operations, Financial Stability, Payments & Infrastructure, Financial Services, and Banknotes. The breadcrumb trail reads: Home > Publications > Statement on Monetary Policy > 2018 > Statement on Monetary Policy – May 2018.

**In Publications**

- Minutes
- Statement on Monetary Policy
  - 2018
    - May**
    - February
  - Boxes
- 2017
- 2016
- 2015
- 2014
- 2013
- 2012
- 2011
- 2001–2010
- 1997–2000
- Financial Stability Review
- Bulletin

## Statement on Monetary Policy May 2018

[RSS Feed of Statement on Monetary Policy](#)

The *Statement on Monetary Policy* sets out the Bank's assessment of current economic conditions, both domestic and international, along with the outlook for Australian inflation and output growth. A number of boxes on topics of special interest are also published. The *Statement* is issued four times a year.

The May 2018 issue of the *Statement on Monetary Policy* includes a number of changes to the structure and format of the document to make it easier to read. The new chapter 'The International Environment' combines content previously found in the 'International Economic Developments' and 'International and Foreign Exchange Markets' chapters. This new chapter also includes the outlook for global growth. Section headings within chapters are more narrative in style to provide a guide to content.

Download the complete [Statement](#) PDF 9.07MB

- [Overview](#)
- [The International Environment](#)
- [Box A: Recent Trade Protectionism Measures](#)
- [Domestic Economic Conditions](#)



[Download PDF](#) 841KB

[Download PDF](#) 2.73MB

[Download PDF](#) 167KB

[Download PDF](#) 2.05MB

# An aside: - Subject Selection: Promoting Economics

## Speech Skills for the Modern Workforce

**Alexandra Heath** <sup>ORCID</sup>  
Head of Economic Analysis Department

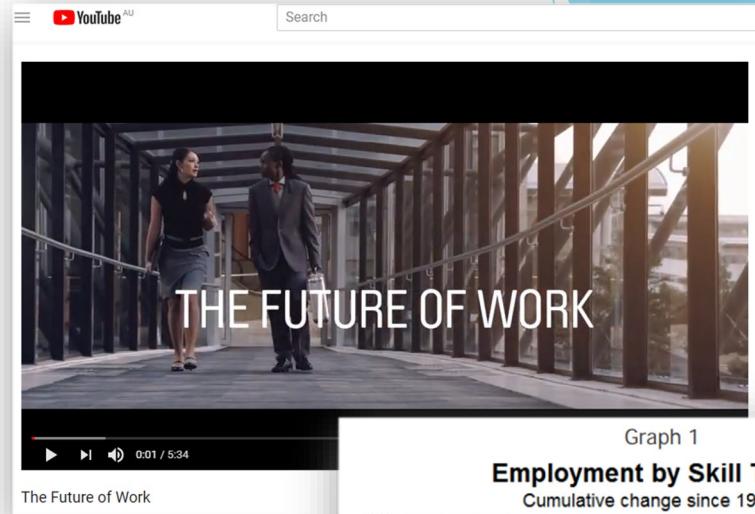


**Remarks to the Victorian Career Advisors conference**  
Melbourne – 1 December 2017

It isn't hard to find commentary about the fact that the nature of work is changing, potentially in quite profound ways. This means that the skills young people will need to negotiate the new landscape of work need to change as well. But what does it all mean for students who must decide what subjects to choose in high school or what they should do after school?

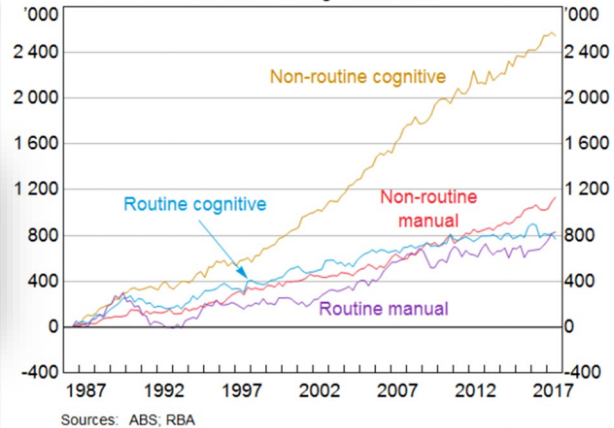
It is difficult to answer this question in general, because each young person is different in their skills, preferences and aspirations. The best we can do is to make sure they have good information about the options they have available. Plenty of studies have shown how important parents (and their life experiences) are as sources of information about subject and career choices. Young adults (and their parents) also look to career advisors for information and advice.

Today, I'm going to give you some information about how the skills used in the workforce have been changing over time to help you frame the discussions you have with your students. I'm also going to take a bit of time to advocate for economics as a discipline of study that provides skills that are likely to be valuable in the future workforce.



Graph 1

### Employment by Skill Type Cumulative change since 1986



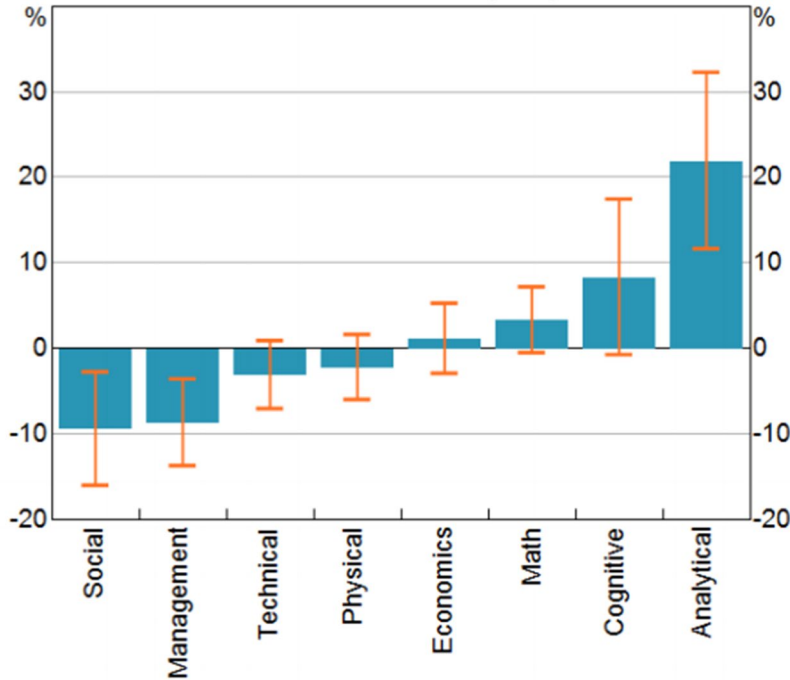
## Cognitive skills of Economics

# Promoting Economics - "Show me the money!!"

Graph 3

## Skill Wage Premium\*

Estimated coefficient from wage regression



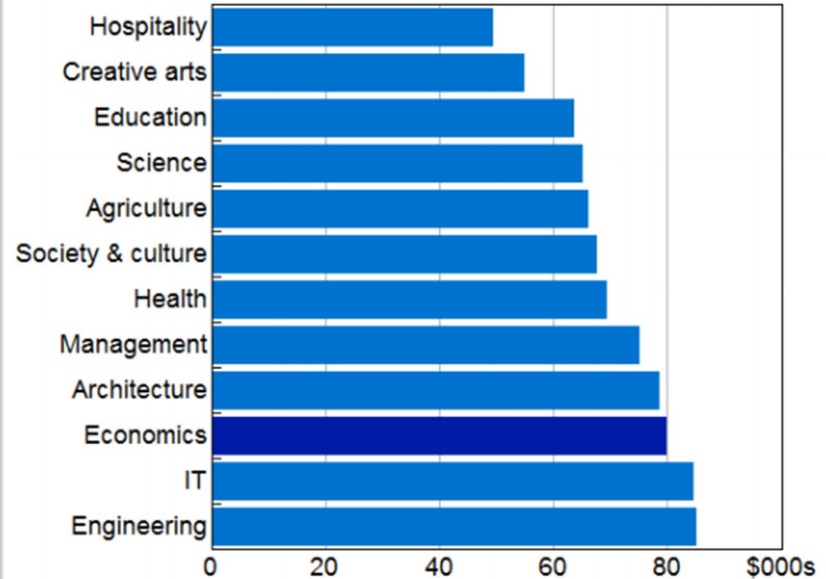
\* 95 per cent confidence intervals are shown in orange

Sources: ATO; O\*Net; RBA

Graph 4

## Earnings by Field of Bachelor Study

Full-time employees, total income from all sources, 2016



Sources: ABS; RBA

# Graphs and 'content'

# Email Service

... for  
everything!!



## Subscribe to others from this page

[Statement on Monetary Policy](#)

[Research Discussion Papers](#)

[Freedom of Information](#)

[Changes to Statistical Tables](#)

### Podcasts

In addition to online and Adobe PDF versions, podcasts of the latest [speeches](#) delivered by senior Reserve Bank staff are available.

### E-mail Service

This service delivers links to the latest Reserve Bank news on our website (including speeches, media releases, statistics, *Statements on Monetary Policy*, Research Discussion Papers and other publications) directly to your e-mail inbox.

Complete the form below, then check your e-mail inbox for a message containing further instructions. Our service provider L-Soft will send an e-mail message requesting confirmation to the subscription address you provided. Please follow the instructions in the message so that your details can be added to our database.

#### Confirmation of your request is required.

To **Remove** your e-mail address from a list, complete the form below and choose 'Leave List'. To **Change** your e-mail address, simply leave the list then re-join it with your new e-mail address.

Before completing this form, please read our [Personal Information Collection Notice for Website Visitors](#).

Required fields are indicated by \*

Full name

E-mail\*

List to join/leave



# Let's reverse this trend!

Speech  
What Happened to the Study of Economics?

Jacqui Dwyer <sup>[\*]</sup>  
Head of Information Department

Address to the Business Educators Australasia Annual Meeting  
Sydney – 26 May 2018

Download [PDF](#) 385KB

