RESERVE BANK OF AUSTRALIA

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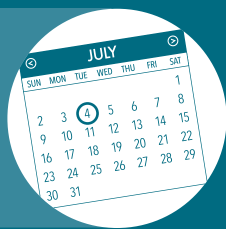
Monetary Policy in Australia

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%

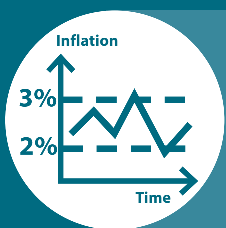
It does this by using an inflation target to help keep inflation between 2-3%, on average, over time. The tool to manage inflation is the cash rate.

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.