

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.

Your Task

Put yourself in the position of the Board and come up with a decision about the cash rate. Do this by working through the five steps below.

01

Think about how changes to key economic indicators could influence the cash rate decision.

02

Identify key economic indicators in the Chart Pack and in the Snapshots that could be used to help the Board make its decision.

03

Interpret recent movements in these indicators and identify any trends in the charts.

04

Think about whether recent movements and current economic conditions support the case for an increase, decrease or no change in the cash rate.

05

Check your decision against the decision of the RBA Board.

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				

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':
