RESERVE BANK OF AUSTRALIA

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Activity

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.

02 Read the text.

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

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.

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.

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.

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

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.

Title – Factors the RBA takes into account when making decisions about monetary policy

Main ideas

Evidence/Details

Considerations for Monetary Policy

1 Outlook for global economy is good

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

2 Inflation outcomes are as expected

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 1¾ 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

Rises in utilities prices and housing construction boosting inflation

3 Little pressure on wages growth

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.

Unemployment expected to go down

4 Economic growth moderate

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.

Increase in ToT

Low level of interest rates

Drag from ending of mining boom easing

Lower AUD helping

5 Housing market conditions vary between cities

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.

6 Housing credit growth outstripping growth in household income

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

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.

Evidence supports decision to maintain monetary stance

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