

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: RBA

Question: BET 147

Topic: Housing market exposure to liquid fuel prices

Reference: written - 12 June 2015

Senator: Whish-Wilson, Peter

Question:

147 Have members of the Australian Council of Financial Regulators – either individually or collectively – modelled the potential impact of an increase in liquid fuel prices?

Answer:

147. Changes in oil prices have a direct effect on spending and inflation, as well as second-round effects as consumers and businesses respond to the change in the price of petrol. In regard to the direct effects, recent RBA modelling suggests that a permanent USD15 decline in global oil prices would boost household disposable income by around ¼ per cent within a few quarters and reduce the CPI by around ¼ per cent over the same period. Second-round effects are more difficult to estimate and track, in part because these effects can work in offsetting directions. Further details are available in Reserve Bank of Australia (2015), [Box C: The Effects of the Fall in Oil Prices](#), *Statement on Monetary Policy*, February, pp 46–48.