



Review of the RBA Public Perceptions Research

Department of Treasury

Qualitative Research Report

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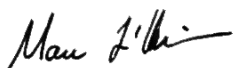
Review of the Reserve Bank of Australia - Public Focus Groups - Qualitative report

This document presents the final report that was commissioned to provide insight from the public on the Reserve Bank of Australia.

This report has been prepared in accordance with terms and conditions found in the Reserve Bank of Australia (RBA) review Public Focus Groups Work Order dated 17th October 2022. It is important to note the scale and scope of the research that underpins the report. It is qualitative research and exploratory. The report needs to be read and interpreted in that context.

Please reach out to either of us if you have any questions regarding this report and we look forward to discussing this research with you in due course.

Yours sincerely,



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Report disclaimer

Our report has been provided to the Department of the Treasury pursuant to the terms of our engagement letter dated 17th October 2022. Our report has been provided for the sole purpose of confirming the factual accuracy of its contents and should not be used or relied on for any other purpose or distributed to any other party outside of the Department of the Treasury without Ernst & Young's prior written consent. No representation, warranty or undertaking is made or liability is accepted by Ernst & Young as to the adequacy, completeness or factual accuracy of the contents of our report. In addition, we disclaim all responsibility to any party for any loss or liability that any party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to any party or the reliance upon our report by any party.

In carrying out our work and preparing our report, Ernst & Young has worked solely on the instructions of the Department of the Treasury and has not taken into account the interests of any other party. Our report has been constructed based on information current as of 22nd December 2022 and provided to us by Department of the Treasury or its advisors. Material events may have occurred since this date which are not reflected in our report.

The scope and scale of the research needs to be taken into account in reviewing and interpreting the report. In line with objectives and agreed approach, the study took the form of qualitative research in the form of focus group discussions provide insight into attitudes and perceptions. While the sample is structured to capture different segments of the population, the research is not a representative sample. This report should be interpreted with that constraint in mind.

Accreditation

EY Sweeney is accredited under the International Standard, ISO 20252.

All aspects of this study have been completed in accordance with the requirements of that standard.

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Executive summary

Executive summary

A series of six focus groups were conducted with a cross-section of the Australian public to understand perceptions of the Reserve Bank of Australia (RBA) as an input to the current review of Australia's central bank. It is important to note that this is qualitative research and not large-scale. The attitudes and perspectives captured are reflective of those involved in the sessions, but it is not a representative sample of the Australian population at large.

The current economic environment

As 2022 heads to a close, Australians are weighed down by the burden of uncertainty about what 2023 holds given the current challenges in the economy and the forecast for it to deteriorate further. The number one concern for Australians is the cost of living (particularly essentials), amplified by the increased cost of servicing a variable rate mortgage and the concurrent flow-on effect through the economy. The slide in house prices also casts a pall and subdues the outlook. Geopolitical tensions and the waves of natural disasters add a further layer of concern. Australians are bracing and adapting for difficult times ahead.

While economic conditions always impact on people's life, they tend to lean into the commentary on the state of the economy when there are major headwinds being reported, household budgets are under pressure and worries about job security start creeping in.

The prevailing and expected economic conditions in Australia are playing on the minds of many in the public and are starting to drive more conservative behaviour. While the data may show that many can 'afford' rate rises, the reality is that successive increases do unsettle and make people think more deeply about the affordability of essential and discretionary goods and services.

Engagement with Australia's economic management

The management of the Australian economy is largely perceived to be difficult and complex. The level of engagement and understanding is directly linked to a person's 'economic acumen' and the extent to which they are impacted by economic cycles. Their age, life-stage and financial position also have a significant bearing on engagement.

While not large-scale, the research showed that most people are relatively passive around the economy and lean in if there is something that is directly and personally relevant (like a rate rise) or if there are employment cut-backs taking place in their circles. Beyond that, the level of engagement for most in the sessions was more low level. However, the monthly RBA meeting is a time when they are engaged if the economy isn't being reported to be heading in the right direction and there are changes to rates. It engages both those directly impacted by rate rises and it also conveys a message to the wider population. Australia's focus on the housing market is also a major factor

elevating the level of engagement when rate rises occur.

Participants acknowledged that they don't necessarily understand how 'rate decisions' are made or who makes the decisions, but interest rate changes are seen as a clear sign of how the Australian economy is performing.

Responsibility for Australia's economic management

The topic of 'responsibility' for Australia's economic management drew mixed responses. It is challenging territory for most and there is no clear answer. The main perception is that it is an interplay between the Government who set policy and release the budgets and the RBA who are seen to set 'interest rates', which is considered to have the most tangible and immediate impact.

The delineation between the RBA and the Government is not well understood and questions abound: Is it part of the Government? Is it independent? How do they make their decisions? This underlines the lack of true appreciation for the governance and role of the RBA and the relationship with the Federal Government. Regardless of the understanding of the relationship, the RBA is seen to hold significant power and is regarded as highly influential across the economy.

Perceptions of the RBA

When the public involved in the research talked about the RBA, the immediate reactions tended to revolve around not knowing much detail about the RBA other than their role in setting “home loan interest rates” (they don’t tend to refer to the cash rate).

In the current environment, the perceptions of The RBA are also more negative as a function of the interest rate rises and the incorrect guidance about no further rises ‘until 2024’. Given the research was being conducted after seven straight interest rate rises, the skew towards more negative associations is not unexpected.

It was evident that they don’t see the RBA as particularly open or accessible. The institution also came in for criticism as being overly technical, dry and disconnected from everyday Australians. The RBA isn’t seen to engage directly with the public (or at least to engage regularly) and most of their knowledge about the organisation and the decisions is relayed through the media.

While the intensity of the negativity varied, the RBA is seen as being ‘somewhat trustworthy’,

albeit not all that open and transparent. The trust in the institution is important, reflected in those involved in the sessions wanting to feel like there is someone ‘in control’ of the economy at times of uncertainty. The RBA is a critical body alongside the Federal Government in managing the economy.

More proactive communication and education around The RBA was seen as a means to help further build credibility, take some of the mystery out of the economic management and help to temper the negativity when rate rises occur.

Understanding the role of the RBA

Few have a deep or sophisticated understanding of what the RBA actually does, with a fairly narrow perspective around interest rates tended to emerging in the discussions.

Australians understand that the RBA sets the ‘rates’ and operates to an inflation target – as referenced frequently in the media and echoed in the sessions. Beyond that, the discussion tended to taper there with few able to talk in any real detail.

The participants didn’t tend to talk of ‘monetary

policy’, but are aware of the macro Australia-wide impact of rate changes.

Overall, The RBA is recognised as a powerful institution that plays a pivotal role in shaping the direction of the Australian economy. However, it falls short in the way it communicates with the public and in the way it explains decisions. There is also only limited understanding of the full breadth of what The RBA does. There is a clear opportunity to elevate the way The RBA engages with Australians – both in terms of educating on the role of Australia’s central bank and in the way rate decisions are managed.

The detailed analysis and commentary from the participants follows.

Our approach

Background, objectives and methodology

Background

On the 20th July 2022, the Australian Government announced a review of the Reserve Bank of Australia (RBA). This review is the first of its kind since the 1990's when Australia's current monetary policy arrangements were set in place.

An important part of the review is capturing feedback from the general public through a range of channels. In line with this, a need for qualitative insight into attitudes and perceptions of the RBA from the public was identified. EY Sweeney was commissioned to conduct the exploratory research.

Research objectives

The overall objective of the qualitative research with the general public was to explore awareness, understanding and perceived impact of the RBA and its engagement with Australians.

Specifically the objectives comprised...

- ▶ Explore awareness and understanding of the RBA's role and functions.
- ▶ Explore the perceived impact of the RBA's actions.
- ▶ Understand perceptions of the issues the RBA review is considering.
- ▶ Understand what issues relevant to monetary policy making are of most concern to the public.

Methodology

A series of six focus groups were conducted with members of the Australian general public over the period of the 25th and 27th October 2022.

The final qualitative sample structure for the focus groups is shown opposite.

This report

This document presents the key insights from focus groups conducted with the general public, as well as data from our recent wave of the Future Consumer Index. The report also includes de-identified comments from the public to provide additional context. The scope and scale of the research needs to be factored in when reviewing and interpreting the research.

Focus group structure

| | Annual household income | | | |
|--|--------------------------|--------------------------|------------------|--------------|
| | Under \$70k | Between \$70k and \$120k | More than \$120k | Total groups |
| Singles/ Couples (no children) | 1 (22 - 28 years old) | 1 (29 - 40 years old) | | 2 |
| Younger family (children under 12) | | 1 | | 1 |
| Older family (children 12 and over) | | | 1 | 1 |
| Older / empty nester | 1 | | 1 | 2 |
| Total groups | 2 | 2 | 2 | 6 |

Group respondents included a mix of:

- ▶ Gender
- ▶ Location (metro/regional/rural) and state/territories
- ▶ Employment status
- ▶ Home ownership
- ▶ Education level
- ▶ Financial literacy and RBA awareness

The focus group structure was agreed with the Treasury team prior to commencement.

The detailed findings

1. Perceptions of the current economic environment

The level of engagement with the RBA is heavily influenced by the performance of the Australian economy and the level of intervention required. Rises in interest rates, as have occurred throughout 2022, have an impact not just on those directly affected, but on the disposition of the broader public. It is one of the main signals that the economy is not where it should be. The attitudes and perceptions around the economy were explored to provide a backdrop to the discussion on the role and level of engagement with the RBA.

- ▶ **Escalating anxiety...** Feeling in control is a universal aspiration, but the quest for certainty and stability has proven more elusive than ever in recent years. For Australians, 2022 promised more clarity about what lies ahead as the pandemic's impact on day to day life tapered and freedoms were rediscovered. However, this has been counterbalanced by escalating anxiety around the economy and increasing pressure on household finances.
- ▶ **Confidence remains subdued...** Concern about the economy has seen consumer confidence collapse. While consumer spending has held firm, concurrently all of the major consumer

confidence indices have shown an acute decline in recent months and are likely to oscillate at that level in the foreseeable future. The lead confidence metrics hit close to a three-decade low this year, matching a time when the country was last in recession. It's confronting data, with most Australian households concerned about the cost of essential goods and services as they are hit by accelerating inflation. The pressure is elevated by the interest rate rises and limited real wage growth. Geopolitical tensions (war in Ukraine) and the ongoing environmental issues in Australia also come into play. Multiple forces are colliding. This played out in the way that Australians spoke about the current economic environment - their observations and experiences. It also has a bearing on how they view the RBA and the actions taken.

- ▶ **Bracing and adapting...** People are experiencing inflation first hand, particularly as they look to purchase essential goods and services. This experience at the supermarket checkout and at the petrol bowser is made all the more confronting for those experiencing increased housing costs (mortgage repayments or rent). EY's Future Consumer Index data shows the financial outlook spectrum among the population, with few confident and most feeling

cautious or concerned. This is tempering spend in the economy. We heard examples in the sessions of people cancelling health insurance, cutting back or trading down on groceries and reconsidering housing options.

- ▶ **Some feeling marginalised...** Not surprisingly, we heard in the research that some are getting hit much harder than others through the cost of housing (be it building a new home, entering the property market, servicing a mortgage, paying rent, etc). In the focus groups, this was echoed much more strongly amongst those in the lower income brackets, single parents and single income households where there is less of a financial buffer.
- ▶ **Employment is holding firm...** While Australia is experiencing comparatively low levels of unemployment and underemployment, with strong demand in the market in different sectors, there does seem to be the start of a shift in the mindset of those in the focus groups relating to employment. The increasing fragility means there may be a more conservative approach emerging compared to the first half of the year - people are suggesting they prefer to wait and hold to see what unfolds to minimise risk.

► **Mixed messaging on the economy...** Interest rate rises hit the household budget of those with a variable interest rate on their mortgage and also flowed through in terms of the impact on small to medium enterprises (SMEs), but the rises equally send a message and have a wider impact on the disposition of the community. The guidance offered by the RBA that there would not be interest rate rises until 2024 that was subsequently over-written caused frustration and undermined credibility. It also delivered the message that there are challenges and perhaps an economic hit is coming.

► **Global research...** EY conducts quantitative surveys across 24 countries three times a year. Key data from the latest October edition of the 'Future Consumer Index' research is captured overleaf and shows that:

- 25% of Australians feel worse than they did 3 months ago
- Only 6% feel confident and in control about 2023
- 47% expect the economy to worsen in the next 6 months (reflecting an 8 point increase in recent months)
- 71% expect the cost of living to rise in the next 6 months
- 52% are trying to spend less on non-essential items

► **Recovery...** There is a sense that it may be a longer journey out than originally anticipated. While the conditions may not be perceived as harsh as elsewhere, we know from our research dating back to the GFC that Australians can be more pessimistic than those in other countries. We saw in the public sessions that although there is recognition that Australia may be in a better position than elsewhere, they are still worried about the road ahead.

For large tranches of Australians, there is a strong undercurrent of anxiety about what 2023 holds. In times of economic uncertainty and compounding pressure on the most exposed households, the RBA's monthly interest rate meeting is right in the public spotlight. It sees the public lean into the economic news and the rates announcements, even if only the soundbite commentary in the media. Beyond the impact on those with a variable rate mortgage (or a fixed rate that is due to be recalibrated), a rise in the cash rate on top of previous increases sends the message to the wider population that the economy is not where it needs to be. It has a direct impact on people with variable mortgages and a wider emotional impact on the disposition of Australians.



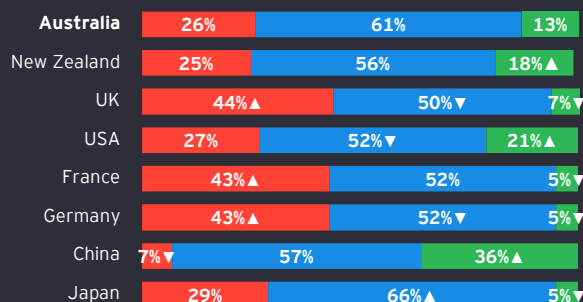
Outlook in Australia

(OCTOBER 2022)



Personal disposition

Feelings compared to last month

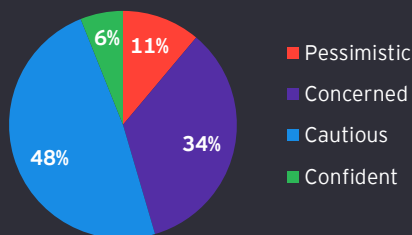


■ Worse than I did 3 - 4 months ago ■ About the same ■ Better than I did 3 - 4 months ago

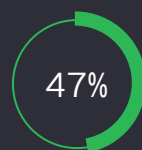
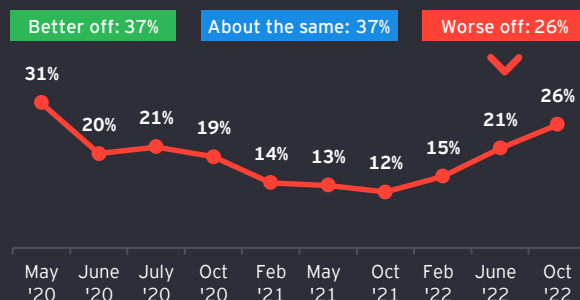
The economy

| | | |
|-------------------|-----|--|
| The economy | 47% | expect the economy to worsen in the next 6 months (+8) |
| Cost of living | 71% | expect the cost of living to rise in the next 6 months (-2) |
| Affordability | 46% | say the rising cost of goods and services is making it hard to afford things (+2) |
| Non-essentials | 56% | say they are spending less on non-essentials (e.g. fashion, cosmetics, homewares) (+4) |
| Personal finances | 27% | expect household finances to worsen in the next 6 months (+6) |

Financial outlook next 12 months



Personal financial situation in 12 months



I am purchasing only the essentials



I plan to shop less for non-essentials in the future



I am trying new brands to reduce costs

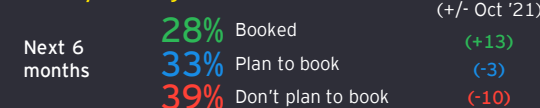
Values and priorities

- 64% I'm thinking a lot about the future and what's important to me
- 49% My values and the way I look at life has changed over the past year
- 60% I will continue to work differently three years from now (employed)
- 58% Working from home gives me the flexibility to fit non-work activities into my day (employees)
- 49% I expect to be living differently in 3 years times
- 46% I will spend more time in my local area than pre pandemic

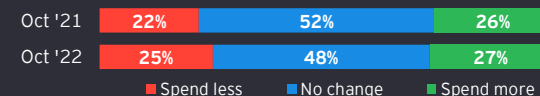
Festive season spend intent vs previous year



Holiday bookings for the next 6 months



Intended spend on holidays v previous year



About the Future Consumer Index (FCI) research: The data shown was sourced from a nationally representative survey of n=1,001 Australians from 23rd September to 17th October 2022.

Current economic environment (verbatim comments)

“

[It's] Scary! I'm an independent mum. The cost of everything, it just seems to be going up. I want to move industries but I am stuck in a job I don't have passion for because I can't afford the change.

Younger family (children under 12) / Annual household income between \$70k and \$120k

I'm lucky I own a home without a mortgage and I had to work awfully hard to be in that position. My only income [now] is [the] pension and for anyone paying rent [currently], the pension is not sufficient. You can't survive on it at all! I can survive on [it] being careful.

Older/Empty Nester/ Annual household income under \$70k

I feel uneasy, stressed at times when you hear inflation and recession on news. Everyone talking about it.

SINK/DINK (29 - 40 years) / Annual household income between \$70k to \$120k

“

It (inflation) is bad in Australia, but worse elsewhere... 10% in the UK. Governments around the world gave people money during Covid. There was a graph put up on ABC news, despite the fact that people are restless economically, spending has gone up. It doesn't normally happen. People think the outlook is poor but they're still spending. There is pressure in market, and the RBA is hitting interest rates that hard now.

Older/Empty nester / Annual household income over \$120k

Price of everything is going up! Mortgage, putting food on the table, it's all very uncertain. If it gets worse, it will force us to change jobs again.

Younger family (children under 12) / Annual household income between \$70k and \$120k

Natural disasters and flooding are costing the economy billions.

Older family (children 12 and over) / Annual household income over \$120k

“

Normally we have recovery which is very slow, but it hasn't happened this time. After the Covid restrictions everything boomed! We're in uncharted territory. What the RBA is doing is correct, but in 2-3 years we may look back and think it's terrible. But since the Spanish flu, this hasn't happened before.

Older/Empty nester / Annual household income over \$120k

It's just the past year that have really felt it – everyday items have shot up like 30% in a day.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

I'm hesitant to plan big trips. Normally we go overseas every year but now I don't feel comfortable putting outlays on a trip with the cost of living.

SINK/DINK (29 - 40 years) / Annual household income between \$70k and \$120k

Current economic environment (verbatim comments)

“

I noticed at Easter [in April] that business sales were dropping. People were still wanting to buy but were negotiating lower prices. Since then they've been getting lower. Prices in Melbourne skyrocketed with everything.

Older/Empty nester / Annual household income over \$120k

It's just another cat and mouse game, once prices go up, you rarely see them come down. I don't think those properties that were \$350 a week for an average 3-bedroom house - that are now \$600 a week - they won't come back down to \$350! It's going to stay!

Younger family (children under 12) / Annual household income between \$70k and \$120k

My husband likes Scott Pape [the Barefoot Investor] books. Good lessons to teach kids to live within means. We've been revisiting what is important to us as a family, what we need in our house and what we can afford.

Older family (children 12 and over) / Annual household income over \$120

“

Diesel prices when I bought diesel car 10 years ago was the most cost effective option. It's awful now. With 2 active children I can be between Geelong and Dandenong for sports events. Makes you re-evaluate. I grew up playing lots of sport., there are so many benefits doing it, but we have to make sacrifices to get kids to those events.

Older family (children 12 and over) / Annual household income over \$120

Main concern is about not getting into the housing market – if I rent for so much longer, it affects your retirement plan.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

So many teaching jobs [are available] but they can't get people to apply, [and there are] not enough teachers. Restaurant and hospitality [industries are] struggling to find people. A lot of work out there, but not enough [right] people to fill the roles.

Younger family (children under 12) / Annual household income between \$70k and \$120k

“

Wages won't go up – that's pretty scary. Mine hasn't gone up in the last 3-4 years as is. Things are going up, it's outrageous. I understand there are people working 2 jobs – I'm one of them. I work a weekend job on top of my full time work. It's been 20 years ago since I did that, but now the need is still there to keep it on.

Older/Empty Nester / Annual household income under \$70k

I think the worst is in front of us. So many people struggling, deciding whether they eat or pay their rent. Most of the causes are outside our control.

Older/Empty Nester / Annual household income under \$70k

I know every time I have to spend money to invest in my business it's such a struggle.

Younger family (children under 12) / Annual household income between \$70k and \$120k

2. Engagement with Australia's economic management

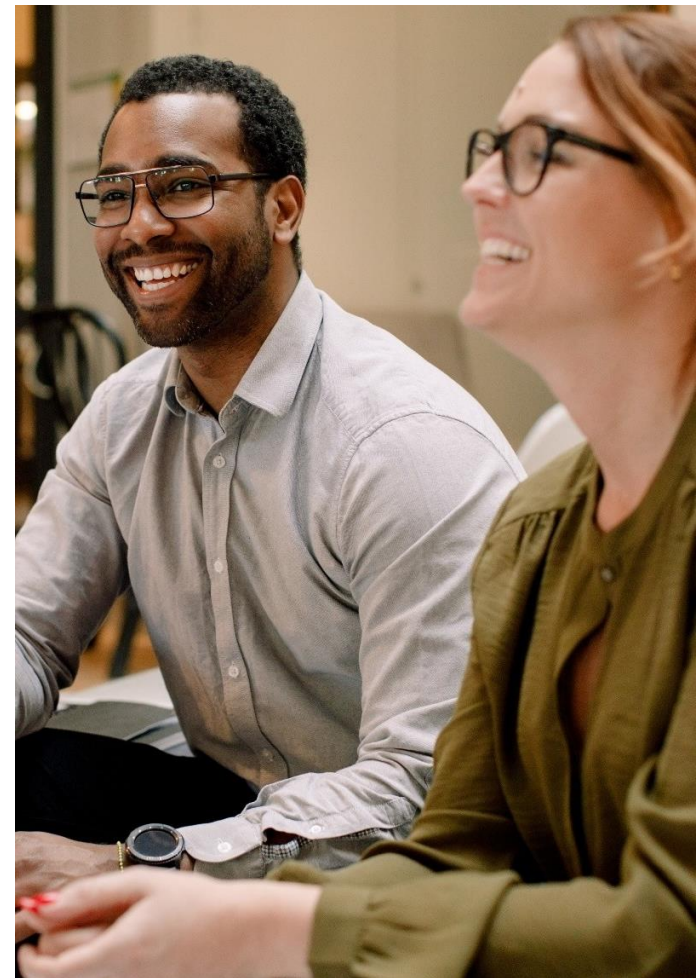
A wide range of people were involved in the research. Some had a strong understanding of what drives and influences the Australian economy, with others more at the rudimentary end of the economic knowledge spectrum. Regardless of their level of economic acumen, three sources are used to engage on the performance and management of the economy.


- ▶ **The media...** The main avenue for most is learning about what is happening in the economy through the mainstream media. The media make the economic news accessible, providing a simple perspective on what can be an extremely complex topic. The people involved in the research were conscious that the interpretation of news outlets and commentators can frame the information in different ways, but were largely comfortable with the interpretation. Those who were more economically astute actively sought out more independent news sources to try and get some balance and a different perspective. Regardless of the channel, the news about interest rates and the RBA's outlook is generally reported second hand rather than hearing from the RBA direct.
- ▶ **Friends/family/colleagues...** Discourse about the economy was prevalent, with the cost of living a major point of discussion with friends, family and colleagues.
- ▶ **Financial institutions...** Those with a mortgage,

other loan (personal or business), or with other type of investments may receive communication from financial institutes around rate rises/decreases. Some also receive economic updates.

The extent to which people 'engage' on the state of the economy varied from those who are more passive to those who are much more active.

- ▶ **Passive engagement (most)...** For many in the sessions, their understanding of the economy and its management is consumed passively alongside other news and information. The daily commentary is absorbed and frames how they feel the economy is going. Active listening is more likely to occur around the interest rate changes (rises) as it is seen as a major indicator of the strength of the economy, alongside the direct impact it has on the rest of the economy. Overall, the views of the mainstream media has a major bearing on Australia's economic outlook.
- ▶ **Active engagement (some)...** Those with more of a background and understanding of economics were drawn to reporting on the economy and discussion with friend/family/colleague circles. While the qualitative research focussed on specific segments and doesn't reflect the views of the wider population, in the sessions those who actively engaged seemed to be more of the exception.





We saw that a number of factors impact on the level of engagement with different segments either more or less engaged with the management of the economy...

- ▶ **Age and Lifestage:** The experience that the public has with previous market fluctuations, as well as their current responsibilities, frames how they currently engage with the economy and the RBA as a result.
 - Older Australians were hopeful that the current downturn is temporary, having been through cycles in the past.
 - Younger Australians were less certain about the impact of the current economic environment, particularly given the extended period of low interest rates and the strong performance of the economy for a sustained period.
- ▶ **Financial position:** The financial capacity of Australians also plays into their current attitudes and experiences; impacts spanned those sacrificing non-essential purchases (e.g., holidays, dining out) to some having to make difficult decisions because basic essentials are in danger of becoming out of reach.

Although uncertainty is a prevailing concern across the board, it is heightening amongst those who are feeling more constrained financially.

- ▶ **Economic knowledge:** Appreciation of decisions that are made, and the impact they will have in the long run, is driven by a person's level of knowledge and understanding of the economy.

Those with a deeper knowledge recognise the extraordinary times that have characterised the past few years and feel they understand (at least at a basic level) the RBA decision-making and what it means for the economy in the longer term.

Conversely, those with a cursory or minimal understanding feel less in control of their own situation and it is amplified by not appreciating the true impact of key decisions across the wider economy.

The management of the Australian economy is largely perceived as difficult and complex. The level of engagement and understanding is directly linked to a person's economic acumen and the extent to which they are impacted by economic cycles.

Lifestage also plays a role, with those in the older age bands able to draw on past experience of the ebb and flow of economic cycles. While not large-scale, the research showed that most people are relatively passive and lean in if there is something that is personally relevant (like a rate rise) or if there are employment cut backs taking place. Beyond that, it is more something they absorb at an overarching level.

Engagement with Australia's economic management (verbatim comments)

“

Overall [we] need more transparency. Feels like there is poor communication.

Younger family (children under 12) / Annual household income between \$70k and \$120k

I don't understand fully why prices are inflated. Not really keen to know more about it. It's stressful thinking about that stuff. There's nothing I can do to change it so there's nothing else I'd like to know, just get through it.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

I don't understand how it all starts before the snowball effect. I'm not financially educated, it's really overwhelming as a commoner to understand the things they put out there. And its overwhelming to try and keep up.

Older/Empty Nester / Annual household income under \$70k

“

I can't understand [why they are] raising mortgages, what the real purpose is? It makes it difficult for people to pay for their homes and properties, and impacts on their spending habits. I would appreciate if the RBA could create a program to explain to people [about the economy], and where people can ask questions of the RBA. Asking why they're making decisions and how things resolve. I just rely on what I hear through news.

Older/Empty Nester / Annual household income over \$120k

I can't understand; on the Gold Coast when we go out on weekends for shopping in main centres, they are full of people. People are spending and buying things. Centres aren't empty. I can't understand inflation, to control it you need to reduce spending but it's not happening. Where are we headed because of this?

Older/Empty Nester / Annual household income over \$120k

“

If the Government controlled banks, they would say to keep rates low. They're [the RBA] independent from Government, trying to keep it low. Inflation was going through the roof, people buying everything. They're trying to stop things going up by increasing rates. Where you lose on your rates your materials pricing will come down. Learned all this from media, watching news and understanding. As soon as inflation levels out they will stop increasing rates. When it's a recession they will drop them to get people spending. Get inflation at happy medium. They need to do it, even though it's terrible, we don't want inflation up to 20%. They're doing the right thing even though its painful.

Older family (children 12 and over) / Annual household income over \$120k

I don't understand it [inflation], but I don't search for the information either. I would be more anxious and worried if did search it.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

3. Responsibility for Australia's economic management

The topic of 'responsibility' for Australia's economic management drew mixed responses. It is challenging territory for most and there is no clear 'answer'. The main perception is that it is an interplay between...

- ▶ The Government, who set policy and release the budget and have primary responsibility for steering the economy; and
- ▶ The RBA, who are seen to set 'interest rates' which in many cases have the most tangible and immediate impact on people.

The views that emerged in the research are summarised opposite.

THE GOVERNMENT

- ▶ The Federal Government plays a pivotal role and most see them as responsible for driving the performance of the Australian economy.
- ▶ With the current high cost of living and the budget being released in the week of the research, the public are looking to the Government for solutions and management of the economy. The participants didn't tend to talk in specifics (or those that did were the exception) and tended to focus on the Government playing a role at many levels in making sure Australia is in strong economic shape. What they focus on is...
 - People having jobs and feeling secure
 - Wages going up
 - Low interest rates
 - Affordability of goods and services
 - Strong business performance (particularly SMEs)
 - Good exports
 - A strong Australian dollar
 - Steady/increasing house prices

These are some of flagship areas the research participants think about when they reflect on economic management. Overall, the Federal Government (and to a lesser extent state governments) are perceived to play a major role.

THE RBA

- ▶ The RBA is the organisation that 'sets interest rates'. Few know much about the process, but with recent monthly interest increase announcements, members of the Australian public see The RBA as the organisation that manages whether rates go up or down.
- ▶ There is minimal mainstream understanding of what the RBA does beyond 'interest rates'.
- ▶ Although the RBA is largely acknowledged as an independent organisation, they are perceived to have a strong connection with Government. People in the sessions referred to the RBA as 'part' of Government/connected to the Government. The types of language used included 'interlinked' or that the RBA is 'like a Government department'. Some questioned the independence of the RBA. Whilst independence between Government and entities is perceived as positive, there was equally some concern over who holds the RBA accountable - particularly for an organisation that is perceived to hold so much power over the Australian population and its prosperity.

The Federal Government is seen to be primarily responsible for economic management, with the RBA playing an important role in directly influencing household spend and savings through the interest rate decisions. While the RBA is seen to be a standalone body, it is not seen as completely separate from the Government. The lines are blurred and while independence is important, questions were also raised about who keeps the RBA accountable.

Perceptions of Australia's economic management (verbatim comments)

“

We need people to be able to guide us in the right way. I wonder what organisational body would be able to inform us [with information] we can trust. All organisations have their own interest to push.

Older family (children 12 and over) / Annual household income over \$120k

The RBA doesn't have the power to keep inflation low, but their decision may result in inflation being lower. There are so many levers that impact inflation, and the RBA only has one lever to pull and they try their best to do the best thing with their one lever, but the Government has the majority of levers and they have the overarching say.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

The cost of living is feeling very terrible at the moment with how things are going. It isn't being managed well, I don't know what steps might be in place to handle it but it doesn't feel like it's being well managed.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

“

I'm uncomfortable with the amount of power they have over the Australian economy. This is a group of people sitting on the board collectively deciding our economic future. On a month-to-month basis. I didn't realise they had so much power to make these decisions and for them to be enforced through the Government.

Older/Empty Nester / Annual household income over \$120k

They never say how it's going to help or what the direct impact will be. The Government has a large part to play. There is no planning – this has been building for some time, [the] repercussion of Government not doing anything, and other corporations as well!

Younger family (children under 12) / Annual household income between \$70k and \$120k

I think [the RBA] is separate and above the Government. I don't know? Maybe they're answerable to the Government in a certain way, but they're not run by the Government?

Older family (children 12 and over) / Annual household income over \$120k

“

I think it's Government – some governmental departments that work alongside the RBA. When there's news, they're clumped together. They're not quite the Government, they're just the authority for bank stuff, but it's considered Australia's national something, I think.

SINK/DINK (22 - 28 years) / Annual household income between \$70k to \$120k

That was the whole design [of the RBA], to be totally independent of people and Government. Whether it's still current, I don't know? But I do know having a Commissioner's enquiry into the RBA to see how it's structured in 21st century. [They] need to be transparent.

Older/Empty Nester / Annual household income under \$70k

[The RBA are] independent, [and manage] monetary policy. The Government looks after fiscal policy, tax, and spending. The RBA print our money.

Older/Empty Nester / Annual household income over \$120k

4. Perceptions of the RBA

The RBA was front of mind during the research as the sessions were conducted in the week of a rate rise announcement. Of all the associations that came through, the predominant ones were that the RBA is 'powerful' and 'influential', but few seemed to really understand the way the organisation operates.

What was clear was that the RBA tends to typically be more associated with negative imagery, as the main time they come into focus and are covered in the media is when interest rates go up. When the rates go down the reaction is positive, but less intense than when they go up. Given the research was being conducted after seven straight interest rate rises, the skew towards more negative associations was not unexpected. People are ambivalent when there is little news around interest rates.

Significantly, few participants in the sessions had a deep or sophisticated understanding of what the RBA actually does and this limits associations to interest rate decisions.

The main positive and negative associations around the RBA are summarised opposite.

POSTITIVE ASSOCIATIONS

- ▶ **Economic experts...** There is a perception that within the RBA there is 'the best economic expertise' to manage Australia's economy. Although the research participants couldn't articulate any real details around the expertise, they do place trust in the organisation to do the right thing.
- ▶ **Knowledge and expertise...** Some in the older lifestages reflected on the GFC where Australia's economic management was considered successful. This helps inspire trust in the RBA's current decisions. They assume that the RBA has access to the best knowledge and information to navigate the current environment - even if the current situation feels somewhat different to previous economic downturns.
- ▶ **Considered...** It was discussed that the RBA is acting primarily in the best interests of Australians and are appreciative of this role. For most, the RBA is seen to mainly make decisions that best benefit the wider Australian economy.

NEGATIVE ASSOCIATIONS

- ▶ **Rate rises...** Because of the direct impact they have on individual financial situations, any rises cast the RBA in a negative light. While they understand that the RBA is looking to temper spending and tighten household budgets across the economy as a whole, the rises do drive negative associations.
- ▶ **Overly technical...** The complexity of the topic makes it difficult for many people to connect. Technical jargon and complex theories means people feel that the RBA does not want to engage with the general public.
- ▶ **Faceless...** The RBA isn't considered to communicate with the public in an engaging way. They hear about RBA decisions through the media rather than direct communication from the RBA. As a result, they believe that the RBA is largely hidden and once removed from everyday Australians.
- ▶ **Disconnected...** Some believe that there is a lack of understanding from the RBA around the impact their decisions have on everyday Australians. This is a result of - The direct impact of the cash rate rises and the concern of further rises to come; A lack of easy to understand the reasoning behind decisions; a perception that decisions are made by 'men in suits' - i.e. those who are in vastly different positions to themselves.

There is distance between the public and the RBA. Whilst the public feels like they have to place their confidence in the RBA to make the right decisions and there is trust, they don't feel like the RBA really understands them or wants to engage directly.

Perceptions of the RBA (verbatim comments)

“

I trust they're making decisions based on what's available at the time. It's hope more than trust. It's like the weather, can only predict so far.

Older/Empty Nester / Annual household income over \$120k

I more care about the reasons they've made their decisions rather than their actual decisions. I care less about what they're going to do and care more about how they're going to do it.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

I don't get it, people will lose their houses if rates go up. It's a good thing if people are spending money, but they think it's not and they want to slow it - then people won't make money from businesses. I would like to know why they're doing this. If rates stayed the same my businesses would stay steady. People won't buy things they want, only things they need; like fridges, rather than nice furniture.

Older/Empty Nester/ Annual household income over \$120k

“

I might not like it in my situation but have to trust it's the right course of action. There is no alternative.

Older family (children 12 and over) / Annual household income over \$120k

[They should] stop us all fighting and arguing about money. Slow down and curb spending. The RBA is scared as well because they're in uncharted grounds.

Younger family (children under 12) / Annual household income between \$70k to \$120k

I assume the Reserve Bank [of Australia] would have projections, foresight, understanding that they're going to make these interest rate rises and it feels like we're left in the dark. It can help us plan – people are living in fear! It's such a horrible feeling. You don't know if you're going to lose your business – people are a little frozen.

Younger family (children under 12) / Annual household income between \$70k and \$120k

“

[I only know] what I see on the news. You hear their name [the RBA] when interest rates go up or down. I still don't understand from this convo who they answer to, I assumed it was the Government. You hear about them only when they have something to report.

Older/Empty Nester / Annual household income under \$70k

To me it's like a high management situation, they're in a glass tower and I'm down there living it.

SINK/DINK (29 - 40 years) / Annual household income between \$70k to \$120k

It's like trusting a stranger. I trust they will do the right thing, but I don't know them. You have to trust them because they're up there with all that power. But because they're so unaccountable, I don't trust them. They seem to be a power unto themselves.

Older/Empty Nester / Annual household income under \$70k

5. Understanding of the role of the RBA

A recurring theme was that understanding of the role of the RBA is limited.

The RBA is essentially described as the organisation responsible for 'setting interest rates'. Their role is to manage the economy by changing how much people pay on their mortgage/loan and it is recognised this has a flow-on effect on inflation and general economic conditions.

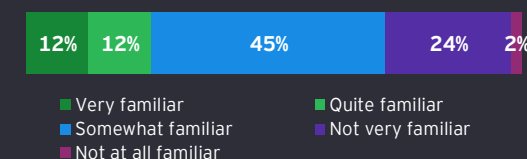
Overall, the cross-section of Australians involved in the research struggled to talk about the role of the RBA in any real detail beyond interest rates. There was no real commentary or discussion of the interplay between monetary and fiscal policy. Some asked about 'other tools beyond interest rates' to manage the economy.

As emphasised in the report, the participants also lacked insight into the way the RBA makes decisions and see them as quiet – not all that accessible or communicative. It was clear that the RBA needs to be more progressive and engaging to bridge the distance that currently exists with the general public. Misconceptions need to be addressed and the role of the bank demystified.

There is not a deep understanding of the role of the RBA beyond managing interest rates. The interest rates have a major bearing on the economy and on individual households, but awareness of the role of the RBA beyond 'rates' is limited.

Familiarity with the RBA

Results from a poll conducted during each focus group (n=42 participants)



Q: How familiar are you with the Reserve Bank of Australia (RBA)?
Note: Due to technical difficulties in the online forums not all respondents submitted a rating. Results should not be viewed as representative.

Role of the RBA (verbatim comments)

“

I find it interesting why the decisions are made the way they are. Should they still be lowering interest rates? Now it's such shock they're raising them. Being a scientist, economics is bit of an art. They are portrayed as not knowing what they're doing well. Hindsight has an impact on their decisions.

SINK/DINK (29 - 40 years) / Annual household income between \$70k to \$120k

I do trust them as they've navigated some past shocks like the GFC and Covid when the whole world shut down. They've got a lot of smart people working there using all the available information to make the best decisions independent from the Government. It makes them feel more trustworthy, they haven't got many ulterior motives that would make them not make decisions that would best benefit the country.

SINK/DINK (22 - 28 years) / Annual household income under \$70k

They're responsible for the future prosperity and the welfare of people.

Younger family (children under 12) / Annual household income between \$70k to \$120k

“

We want to know the details, not only the highlights. For example, unemployment rate is at an all-time low, but if you look into it more, it's confusing how this is calculated. People can go from a high paying to low paying job but this is not regarded as unemployed, or a full time job to a casual job, and this is not regarded as unemployed. I want to know the details. It should be for the people, and not just the report card. This is important as well.

Younger family (children under 12) / Annual household income between \$70k and \$120k

They know way more than the average joe like myself. To try and have a beneficial conversation [about decisions] would be a struggle. Trying to get them [the RBA] to open up and converse about their role, I don't think those types of people at senior level want to talk too much to people. Unless you have experience and an accountant degree, why would they bother talking to us.

SINK/DINK (29 - 40 years) / Annual household income between \$70k and \$120k

“

It's unfortunate that this is the best tool we have: inflation controlled by RBA increasing rates. Kicking people down [by] increasing their mortgage during tough times. The RBA's justification is that it's the lesser of two evils, inflation would be a worse outcome. But banks collect benefits from it. Retirees are sometimes happy because they now get a decent return.

Older/Empty Nester/ Annual household income over \$120k

I don't know if I trust that broad term [low unemployment] – what does that mean? What level of employment of people participating in economy? Guarantee of their employment? Contract based work? Part time people working freelance? Not sure if I trust that data.

Younger family (children under 12) / Annual household income between \$70k and \$120k

Jobs and employment and housing markets and retirement income as well! [That is] surprising because you wouldn't think they'd have anything to do with it, I thought they just sat there and picked the interest rates.

SINK/DINK (22 - 28 years) / Annual household income under \$70k



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