





## Activity

# The Transmission Mechanism



Changes in the cash rate affect the economy through five channels. Read the [Explainer: The Transmission of Monetary Policy](#) and use the information to summarise the effects of a change in the cash rate on economic variables.

Complete the diagram below:

- by marking in an upward arrow  (to indicate an increase); or
- a downward arrow  (to indicate a decrease).

Complete this exercise for each scenario:

1. Decrease in the cash rate
2. Increase in the cash rate.

Tip: note whether the direction of the effect depends on any factors.

