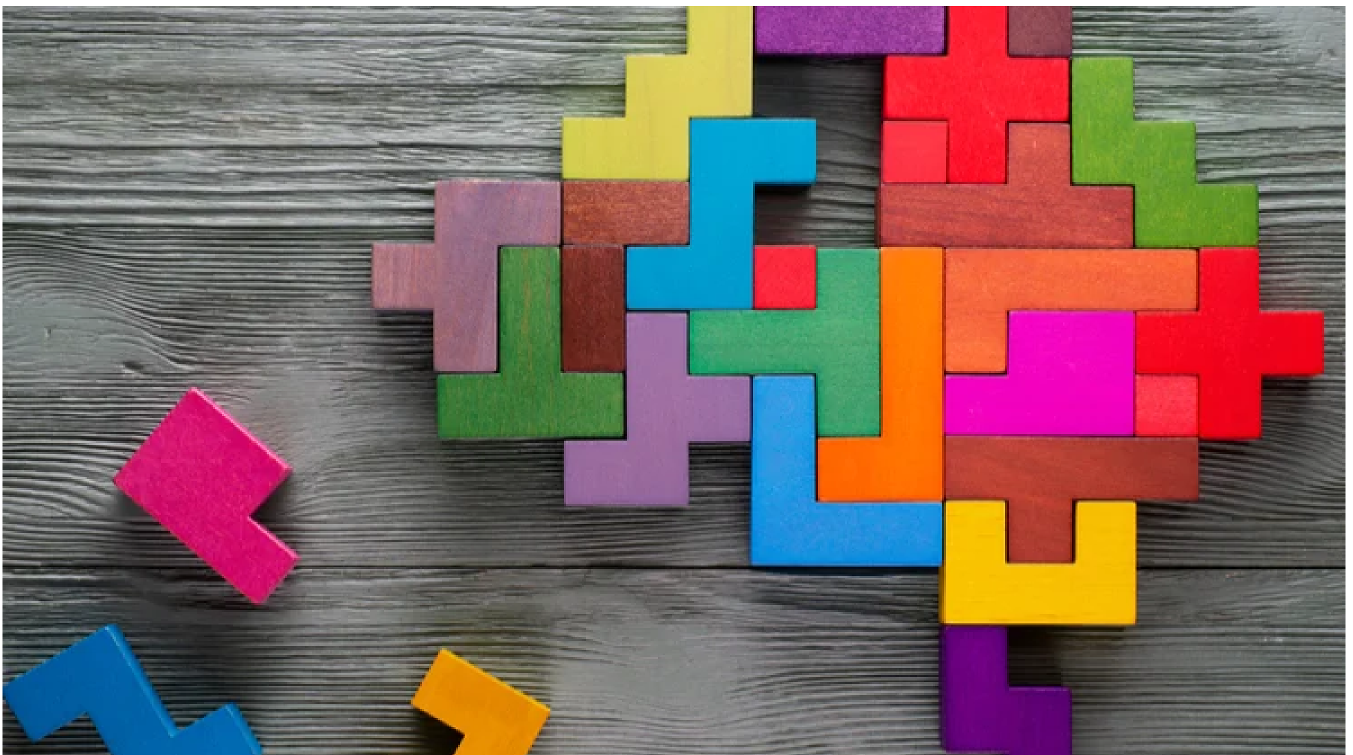
Perpetual Equity Investment Company Limited
ASX:PIC

Perpetual knowledge bank series: monetary stimulus

7 February 2022



Monetary stimulus describes the actions taken to manage an economy's money supply. Usually this involves a government or central bank trying to increase the total amount of money in the economy and decreasing the cost of accessing it. Together with fiscal stimulus, monetary stimulus is considered the most widely recognised macroeconomic tool used to manage or influence a nation's economic activity.

Monetary policy can be used to stimulate an economy in a variety of ways, but it usually managed by a central bank via interest rates, the supply of money in circulation and the ease with which consumers and businesses can access cash and loans. The traditional way of adding new money into an economy is by making lending cheaper and easier by reducing interest rates. As rates go down, more people and businesses can afford to borrow money. While the primary tool of monetary stimulus is interest rates, in recent times central banks have also been more willing to inject additional cash into the economy. This is usually done by large bond purchases, which encourage banks to lend and businesses to spend more freely.

For our *Knowledge Bank Series* article on how effective fiscal stimulus should deliver a government “bang for their buck” by generating the largest economic boost possible for the smallest cost to the taxpayer, click here.

This analysis has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information.

The information is believed to be accurate at the time of compilation and is provided in good faith. This document may contain information contributed by third parties. PIML and PSL do not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this document are opinions of the author at the time of writing and do not constitute a recommendation to act.

The product disclosure statement(PDS) for the Perpetual Diversified Income Fund issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS and Target Market Determination can be obtained by calling 1800 022 033 or visiting our website http://www.perpetual.com.au .

No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor’s capital. Past performance is not indicative of future performance.