

Introduction

Background

- 1.1 The House of Representatives Standing Committee on Economics (the committee) is responsible for scrutinising the Reserve Bank of Australia (RBA) and for ensuring its transparency and accountability to the Parliament, the community and the financial sector.
- 1.2 The appearance by the Governor of the RBA at biannual public hearings of the committee is an important element of the RBA's accountability framework. The details of this framework are set out in the *Seventh Statement on the Conduct of Monetary Policy*, agreed between the then Treasurer, the Hon Scott Morrison MP, and the RBA Governor, Dr Philip Lowe. The statement formalises the biannual appearance before the committee and is reproduced at Appendix B. It states:
 - ...the Governor will continue to be available to report twice a year to the House of Representatives Standing Committee on Economics, and to other Parliamentary committees as appropriate. The Treasurer expresses support for the continuation of these arrangements, which reflect international best practice and enhance the public's confidence in the independence and integrity of the monetary policy process.¹
- 1.3 A second procedural mechanism for achieving this accountability is set out in the Standing Orders of the House of Representatives, which provide for the referral of annual reports within a committee's area of portfolio responsibility for any inquiry the committee may wish to make. Hence, the committee may inquire into aspects of the annual reports of the RBA.

1 Reserve Bank of Australia (RBA), *Seventh Statement on the Conduct of Monetary Policy*, 19 September 2016.

Scope and conduct of the review

- 1.4 The sixth public hearing of the committee with the RBA during the 45th Parliament was held in Sydney on 22 February 2019.
- 1.5 The proceedings of the hearing were webcast over the internet, through the Parliament's website, allowing interested parties to listen to the proceedings as they occurred. The transcript of the hearing is available on the committee's website.²
- 1.6 Before the hearing, the committee received a private briefing from Mr Alan Oster, Group Chief Economist at the National Australia Bank. This briefing provided valuable background information for the committee and perspectives on issues for discussion at the public hearing. The committee appreciates Mr Oster's cooperation and assistance.
- 1.7 The committee also appreciates the provision of additional briefing material from the Parliamentary Library Research Service.
- 1.8 The public hearings with the RBA continue to bring issues of monetary policy into the public arena, and have assisted in providing a public face to parliamentary committees and the RBA. These hearings are also an important means whereby financial markets can be better informed on the current thinking of the RBA.
- 1.9 This report focuses on matters raised at the public hearing, and also draws on issues raised in the RBA's February 2019 *Statement on Monetary Policy*. The *Statement on Monetary Policy* may be viewed through the RBA's website.³

2 House of Representatives Standing Committee on Economics, *Past Public Hearings and Transcripts*, 22 February 2019, <https://www.aph.gov.au/Parliamentary_Business/Committees/House/Economics/RBAAAnnualReport2018/Public_Hearings>, accessed 5 March 2019.

3 Reserve Bank of Australia, *Statement on Monetary Policy*, February 2019, <<https://www.rba.gov.au/publications/smp/2019/feb/>>, accessed 8 February 2019.