
The Parliament of the Commonwealth of Australia

Review of the Reserve Bank of Australia Annual Report 2004 (First Report)

House of Representatives
Standing Committee on Economics, Finance and Public Administration

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Foreword

The committee's February 2005 public hearing with the Governor of the Reserve Bank of Australia (RBA and the Bank) was the first meeting for the newly established House Economics Committee in the 41st parliament. The RBA continued to report on a healthy economy which is in its fourteenth year of continuous growth. However, with many good news stories there is a cautionary tale; demand continues to outrun supply and this is starting to stimulate inflation.

The February hearing came at a time when there had been no change in interest rates for 15 months. Much speculation surrounded this hearing as many forecasters were predicting another rise in rates as early as March 2005. While the prospect of further interest rate rises dominated much of the discussion, other issues examined at the hearing included the impact of the world economy on Australia, housing and household indebtedness and supply side constraints. As on previous occasions, the committee also sought an update on the reform agenda of the payments system.

The evidence given at the hearing enabled the committee to examine the setting of monetary policy. Whilst monetary policy is not used directly as an instrument to influence the supply side, the Governor did outline what he saw as major impediments to maintaining a GDP growth rate of 3.5 per cent or better over the long term.

The hearing continued to provide the community, financial sector, and the media with a valuable opportunity to monitor the way in which the Bank conducts monetary policy in Australia.

At the hearing, the committee welcomed a large number of school students and their teachers from Sydney and surrounds. Given the great interest shown by senior secondary students in these hearings over recent years, the committee obtained questions from selected schools and these were put to the RBA as part of the formal proceedings. It was gratifying to see that students of economics are receiving a good grounding in monetary policy as evidenced by the quality and insightfulness of their questions.

On behalf of the committee, I thank the Governor of the Reserve Bank of Australia, Mr Ian Macfarlane, for his discussion and for the contribution of his staff. The committee also appreciates the pre hearing briefings from Mr Chris Richardson, Director, Access Economics and Mr Saul Eslake, Chief Economist, ANZ. I also appreciate the hard work of the Deputy Chair, Chris Bowen and our fellow committee members and that of our secretariat staff and advisers.

The Hon Bruce Baird MP
Chairman



Membership of the Committee

Chair The Hon Bruce Baird MP

Deputy Chair Mr Chris Bowen MP

Members Mr Steven Ciobo MP

Mr Andrew Robb AO MP

Mr Joel Fitzgibbon MP

The Hon Alex Somlyay MP

Ms Sharon Grierson MP

Mr Lindsay Tanner MP

Mr Stewart McArthur MP

Mr Malcolm Turnbull MP

Committee secretariat

Committee secretary Ms Beverley Forbes

Inquiry secretary Mr Peter Keele

Adviser Mr David Richardson,
Parliamentary Library

Administrative officers Mr Andrew McGowan

Mr Robert Nicol



Terms of reference

The House of Representatives Standing Committee on Economics, Finance and Public Administration is empowered to inquire into, and report on the annual reports of government departments and authorities tabled in the House that stand referred to the committee for any inquiry the committee may wish to make. The reports stand referred in accordance with the schedule tabled by the Speaker to record the areas of responsibility of the committee.

The focus of the hearing was the *Reserve Bank of Australia annual report 2004* which was tabled in the House of Representatives on 17 November 2004 and the *Payments System Board annual report 2004* which was tabled in the House of Representatives on 30 November 2004.



List of abbreviations

ABS	Australian Bureau of Statistics
ACCI	Australian Chamber of Commerce and Industry
ASX	Australian Stock Exchange
CAD	Current Account Deficit
EFTPOS	Electronic Funds Transfer at Point of Sale
GDP	Gross Domestic Product
NAB	National Australia Bank
PSB	Payments System Board
RBA or the Bank	Reserve Bank of Australia

