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The Parliament of the Commonwealth of Australia

# Review of the Reserve Bank of Australia Annual Report 2010 (Third Report)

House of Representatives  
Standing Committee on Economics

November 2011  
Canberra

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## Chair's foreword

Australia continues to experience favourable conditions for future growth, economic stability and monetary policy. As the Committee has heard from the Reserve Bank, Australia enjoys extraordinarily good economic conditions, across a range of key areas.

The Australian economy demonstrated resilience through its swift recovery from the effects of various natural disasters early in the year, such as Cyclone Yasi and the Queensland floods. Though production recovered more slowly than first expected, the Reserve Bank's expectations about the limited and temporary effects of the disasters on domestic prices has been vindicated.

Our terms of trade remain at an all high time high, and unemployment remains low by historical standards. Inflation remains within the parameters of the long-established policy of inflation targeting and looks set to remain under control for the foreseeable future. In contrast to many leading economies, our banking sector is sound and does not pose concerns about liquidity, solvency and the reliability of the credit system that plague some international markets.

The soundness and strength of our national situation is evident from the international recognition it receives: our sovereign credit position is in the topmost tier of the international market. However, the retail sector is under pressure because of increased caution by Australian consumers. This caution underpins the financial resilience of household balance sheets and marks a return to higher rates of savings.

While there are concerns about the broader global economic outlook, it is undeniable that the Australian economy is in a strong condition to meet the challenges ahead.

On behalf of the committee, I would like to thank the Governor of the Reserve Bank, Mr Glenn Stevens, and other representatives of the RBA for appearing at the hearing on 26 August 2011.

Julie Owens MP

Chair





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## Membership of the Committee

Chair	Ms Julie Owens MP (from 24 August 2011) Mr Craig Thomson MP (until 23 August 2011)
Deputy Chair	Ms Kelly O'Dwyer MP (from 12 September 2011) Mr Steven Ciobo MP (until 11 September 2011)
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## Terms of reference

The House of Representatives Standing Committee on Economics 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.





## List of abbreviations

CPI	Consumer Price Index
GDP	Gross Domestic Product
IMF	International Monetary Fund
RBA	Reserve Bank of Australia