
The Parliament of the Commonwealth of Australia

Review of the
Reserve Bank of Australia
Annual Report 2009
(First Report)

House of Representatives Standing Committee on Economics

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Canberra

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Foreword

The Australian economy has performed exceptionally well and suffered less from the impact of the global financial crisis than most other advanced economies. The February 2010 hearing was set against optimistic forecasts for growth and stability. It is notable that Australia was one of the few advanced economies not to fall into recession.

Through 2009 Gross Domestic Product (GDP) grew by about 2 per cent and in 2010 GDP is expected to reach about 3 per cent. Unemployment is trending down and hours worked is increasing. The strength of the upturn in the Asia-Pacific is quite strong which is helping Australia to achieve higher growth prospects. In the large industrial countries, however, growth has been more tentative.

As a result of Australia's positive growth prospects, the Reserve Bank of Australia (RBA) began lifting the policy cash rate from its emergency low of 3.00 percent. The cash rate was raised three times in succession between October and December 2009. In March 2010 the cash rate was lifted another 25 basis points taking the new cash rate to 4.00 per cent.

During the hearing, the committee examined the RBA on the key forecasts for the economy focusing on inflation and growth and their influence over the policy cash rate during the next 12 months. The committee examined some of the possible constraints to growth and possible impacts which could lead to inflationary pressures. In addition, the committee examined issues affecting bank funding.

The committee also dealt with the public claim that Australia might be at risk of defaulting on its sovereign debt. The committee was of the view that a claim like this is irresponsible and has the potential to undermine the economy. The Governor advised that 'there has never been an event of sovereign default by Australia as far as I know, and I very much doubt there ever will be.'

In conclusion, I would like to, on behalf of the committee, note that this is the 50th Anniversary of the Reserve Bank of Australia. On 14 January 1960 the RBA commenced operations under its first Governor, Dr H.C. 'Nugget' Coombs. The committee notes the contribution the RBA has made to the stability of the Australian economy and looks forward to its continuing contribution in the years 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 19 February 2010. The next public hearing will be held on 27 August 2010 in Canberra.

Craig Thomson MP
Chair



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Membership of the Committee

Chair	Mr Craig Thomson MP	
Deputy Chair	The Hon Kevin Andrews MP (to 3/2/10) Mr Jamie Briggs MP (from 11/2/2010)	
Members	Mr David Bradbury MP The Hon Joel Fitzgibbon MP Ms Sharryn Jackson MP Ms Julie Owens MP Mr Jim Turnour MP	The Hon Bruce Billson MP (from 3/2/2010) Mr Luke Hartsuyker MP (from 3/2/2010) The Hon Sussan Ley MP (from 3/2/2010) Mr Scott Morrison MP (to 3/2/10)

Committee Secretariat

Secretary	Mr Stephen Boyd
Inquiry Secretary	Ms Sharon Bryant
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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