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Review of the Reserve Bank of Australia Annual Report 2011 (Second Report)

House of Representatives
Standing Committee on Economics

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Chair's foreword

Australia's national economy continues to achieve sustainable growth with low inflation and low unemployment. This is despite global economic uncertainty particularly in the Eurozone. The RBA noted that the economic and financial problems in the euro area remain the most significant downside risk to the forecasts for global economic growth.

The fundamentals of the Australian economy remain strong. Public debt is low and underlying inflation is at the midpoint of the inflation target range. While resource investment is expected to decline gradually, the RBA noted that the effect of this on GDP growth is expected to be roughly offset by faster growth in resource exports and, in time, a gradual recovery in non-resource investment.

The outlook for Australia remains substantially the same as it has throughout the current calendar year. Real GDP growth is expected to slow over the second half of 2012, as growth in domestic demand in the first half of the year moderates. A surge in growth in the first half of 2012 has lifted the forecasted GDP growth over 2012 to 3½ per cent. This is expected to moderate a little in 2012, when the economy is expected to grow at around 3 per cent over 2013 and 2014.

Since the committee's previous public hearing in February 2012, global conditions have varied, with a general tendency towards weaker growth. The problems of the European economy remain unresolved, so growth throughout the Eurozone has been constrained, while the economy of the United States has grown at a modest pace. Growth in China also eased to a more sustainable rate.

In relation to Note Printing Australia and Securrency International the committee has at six consecutive public hearings examined the RBA about the Bank's knowledge of and response to allegations of corrupt activity. On 8 October 2012 the committee's examination of these matters continued for almost seven hours. It

is expected that once the criminal proceedings are finalised the RBA will be able to release relevant documents which are currently subject to court orders. This will then provide further opportunity for scrutiny by this committee.

Finally, 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 hearings on 24 August 2012 and 8 October 2012.

Julie Owens MP
Chair



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Membership of the Committee

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Members	Mr Scott Buchholz MP Mr Stephen Jones MP Dr Andrew Leigh MP Ms Kelly O'Dwyer MP Mr Craig Thomson MP
Supplementary Members	Mr Adam Bandt MP Hon Tony Smith MP

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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