



Report tabled: Review of the Reserve Bank of Australia *Annual Report 2003*

Report released on House of Representatives Economics Committee hearing with the Reserve Bank Governor

The House of Representatives Economics Committee today released a report on its most recent public hearing with the Governor of the Reserve Bank, held in Brisbane in December 2003. The six-monthly hearings are the only forums at which the Governor of the Reserve Bank, Ian Macfarlane, is obliged to publicly answer questions about Bank policy, including on interest rates.

Tabling the report the House Economics Committee Chairman, David Hawker MP, said "the hearing was held at an interesting time for Australian monetary policy. Just before the hearing the Reserve Bank increased interest rates twice – in November from 4.75 to 5 percent, and in December from 5 to 5.25 percent. These were the first increases in rates in 17 months."

"The Committee notes that figures released last Tuesday show the biggest one-month decline in investment property loans since 1991. The Committee has long been concerned about the high level of speculative investment in housing, and the recent data would appear to confirm the Reserve Bank Governor's judgement, at an earlier appearance before the committee, that a "degree of commonsense" is finally returning to the housing market. Hopefully this will help moderate any pressure for further increases in interest rates."

In addition to interest rates, the report also canvasses the following issues:

- the Reserve Bank's economic forecasts for the rest of 2004, showing continuing strong economic growth and moderate inflation;
- the level of household debt in Australia;
- whether voting patterns at Reserve Bank Board meetings should be disclosed;
- the rapid appreciation of the Australian dollar against the US dollar in the two years leading up to the Brisbane hearing, with concern being expressed by exporters about the impact on their competitiveness; and
- progress on reforms to various aspects of Australia's payments system, in particular "interchange" fees (fees paid between the financial institutions of persons receiving and making payments, and then passed on to consumers) in relation to credit cards and BPay transactions.

The report is on the Committee's website at www.aph.gov.au/house/committee/efpa. The next public hearing with the Reserve Bank Governor will be held in **Sydney** on **Friday 4 June**, further details to be advised.

For media comment: please contact David Hawker on (02) 6277 4837

For further information:

Russell Chafer, Secretary, House Economics Committee

tel: 02 6277 4564

email: EFPA.Reps@aph.gov.au

House Economics Committee:

Chairman: Mr David Hawker MP (02) 6277 4837 Parl House

Deputy Chair: Ms Anna Burke MP

Members:

Mr Anthony Albanese MP	Mr Peter King MP
Mr David Cox MP	Mr Gary Nairn MP
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