
The Parliament of the Commonwealth of Australia

Review of the Reserve Bank of Australia *Annual Report* 2002

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

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Foreword

In August 1996, the Treasurer and the Governor of the Reserve Bank of Australia agreed that the Governor would appear before the Committee twice each year to report on the conduct of monetary policy. These public hearings are the only occasions on which the Governor is obliged to publicly answer questions about Bank policy, including on interest rates. The hearings have therefore played a valuable part in enhancing community understanding of the Reserve Bank's role.

The hearings have also played a positive part in helping business and investors plan for better productivity growth. Nothing dents confidence like sudden surprises and to date, since the hearings began, any such unexpected changes have been modest and rare. However, a possible contradiction of the better public understanding is that one sometimes wonders whether public speculation on RBA future decisions takes more prominence than in the past when other economic matters appeared to receive more attention.

This report concludes the Committee's review of the Bank's *Annual Report 2002*. The Committee conducted two hearings in support of the review – at Warrnambool in regional Victoria in December 2002, and at the University of Melbourne in June 2003. As ever, the hearings attracted considerable attention from the public and market commentators, and were well-attended by students keen to hear first-hand the factors taken into account by the Bank in its decisions on monetary policy.

The public hearings coincided with a long period of stable official interest rates, which at that time had remained unchanged since June 2002. Issues examined at the hearings included the impact of the world economy on Australia, the unusually high level of speculative investment in housing, and – at the June hearing – recent rapid appreciations in the value of the Australian dollar. These last two issues, and the conflicting demands they place on monetary policy, remain topical and will be examined at the public hearings for the Bank's *Annual Report 2003*, along with anticipated progress on reforms to Australia's payments system.

On behalf of the Committee I would like to thank David Richardson from the Parliamentary Library, and Geoff Dodd from the House of Representatives Liaison and Projects Office, for their continued work in support of the public hearings. I would also like to thank Mr Alan Oster from the National Australia Bank and Dr John Edwards from HSBC for the private briefings they gave the Committee before each of the two hearings. Likewise, the strong support of all Committee Members and the Committee Secretariat ensure the ongoing strength of the hearings.

Finally, I would like to thank the Governor of the Reserve Bank, Mr Ian Macfarlane, and his staff for their continued support for the public hearings, and to congratulate the Governor on his recent re-appointment for a further three years. Mr Macfarlane's seven-year tenure has coincided with a remarkable period of uninterrupted economic growth and stable interest rates. In light of the rise in official interest rates in November 2003 – the first increase in 17 months – the next public hearing with the Bank, to be held in Brisbane on 8 December 2003, will provide an important opportunity for the Governor to elaborate on the reasons for the increase and on the future challenges for monetary policy and related issues.

David Hawker MP
Chair



Membership of the Committee

Chair Mr David Hawker MP

Deputy Chair Ms Anna Burke MP

Members Mr Anthony Albanese MP

Mr David Cox MP

(from 10 December 2002)

Ms Teresa Gambaro MP

Mr Alan Griffin MP

Mr Peter King MP

Mr Mark Latham MP

(to 10 December 2002)

Mr Gary Nairn MP

The Hon Alex Somlyay MP

Dr Andrew Southcott MP

Committee Secretariat

Secretary	Mr Trevor Rowe (to February 2003) Mr Russell Chafer (from February 2003)
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Terms of reference

The House of Representatives Standing Committee on Economics, Finance and Public Administration is empowered to inquire into, and report on, any matter referred to it by either the House or a Minister, including any pre-legislation proposal, bill, motion, petition, vote on expenditure, other financial matter, report or paper.

Annual reports of government departments and authorities tabled in the House stand referred to the relevant committee for any inquiry the committee may wish to make. Reports stand referred to committees in accordance with a schedule tabled by the Speaker to record the areas of responsibility of each committee.

The Reserve Bank of Australia's *Annual Report 2002* was tabled in the House of Representatives on 28 August 2002; the Payments System Board's *Annual Report 2001* was presented to the President of the Senate on 28 March 2002; and the Payments System Board's *Annual Report 2002* was presented to the President of the Senate on 28 March 2003.



List of abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
ACCC	Australian Competition and Consumer Commission
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ATM	Automatic Teller Machine
CAD	Current Account Deficit
EFTPOS	Electronic Funds Transfer at Point of Sale
GDP	Gross Domestic Product
IMF	International Monetary Fund
NSW	New South Wales
RBA	Reserve Bank of Australia
UN	United Nations
US	United States

