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The Parliament of the Commonwealth of Australia

# **Review of the Reserve Bank of Australia *Annual Report* 2003 – Interim Report**

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

March 2004  
Canberra

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## Foreword

The Committee's December 2003 public hearing with the Governor of the Reserve Bank was held at an interesting time for Australian monetary policy. The value of the Australian dollar was rising rapidly, household debt had increased to all time highs, and there was continued growth in the Australian economy.

Immediately prior to the hearing the RBA increased the cash rate twice – in November from 4.75 to 5 percent and in December from 5 to 5.25 percent. These were the first increases in 17 months. Much of the focus at the hearing was on the RBA's decision to increase interest rates at this time, and the tension between the rising exchange rate and the rapid rise in household debt when determining monetary policy settings.

The Brisbane hearing, like previous ones, was a very important part of the ongoing accountability of the Reserve Bank of Australia to the Federal Parliament and the wider community. I would like to thank the Governor of the Bank, Mr Ian Macfarlane, for his frank comments on monetary policy and other issues at the hearing. I also congratulate the Governor on his subsequent appointment as a Companion in the Order of Australia, a well-deserved honour.

The December hearing – the first ever in Brisbane – followed the Committee's practice of holding every second hearing in a centre outside Sydney or Melbourne. We welcomed members of communities in the Brisbane area and students of Queensland schools and universities who attended the hearing.

I would like to thank the RBA for its ongoing support for the biannual hearings, and acknowledge the continuing assistance the Committee receives from David Richardson from the Parliamentary Library and Geoff Dodd from the House of Representatives Liaison and Projects Office. I would also like to thank Dr Barry Hughes from Credit Suisse Asset Management for the valuable briefing he gave the Committee before the hearing.

Despite the recent two rises in official interest rates, as at February 2004 speculation continues that there will be a further rise within the next few months. The Committee looks forward to questioning the RBA on this and other issues at

the next public hearing, likely to be held shortly after the Bank's June Board meeting.

**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

Ms Teresa Gambaro MP

Mr Alan Griffin MP

Mr Peter King MP

Mr Gary Nairn MP

The Hon Alex Somlyay MP

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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 2003* was tabled in the House of Representatives on 11 September 2003 and the Payments System Board's *Annual Report 2003* was tabled in the House of Representatives on 7 October 2003.



## List of abbreviations

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
GDP	Gross Domestic Product
RBA	Reserve Bank of Australia
US	United States