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

House of Representatives
Standing Committee on Economics

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Chair's foreword

Australia continues to enjoy near-ideal conditions by every relevant measure of international comparison. Despite the disturbing persistence of uncertainty throughout much of the global economy, especially the Eurozone, the fundamentals of the Australian economy remain strong. Our public debt and unemployment rate are low by international standards. Our underlying inflation is at the midpoint of the inflation target range. We remain an attractive location for a wide range of both foreign and domestic investors. We are well-placed to benefit still further from the current historic surge in business investment, particularly in the resources sector. This surge assures Australians of still more growth in output and national wealth.

As this report demonstrates, the RBA's central expectation for the next two years is for growth to closely follow the trend and for inflation to be close to the target. This is no mere extension of previous growth, but evidence of a fundamental realignment within the national economy. As the bank has testified, the drivers of growth in our economy have changed quite recently. The long-term, structural, effects of the export oriented resources boom are now working their way through the nation, across region after region. The resulting investment boom continues to grow in strength. This is expected to last for the foreseeable future, though it has already taken the share of business investment in GDP to its highest level in at least 50 years.

It is now clear that household behaviour has changed, with Australian households taking advantage of the current condition to save more and spend less than they have done in the recent past. This will provide Australian families with an enhanced degree of financial resilience.

At the last hearing in February the committee expressed its very best wishes to Mr Ric Battellino on the occasion of his retirement as Deputy Governor and our congratulations to Dr Philip Lowe on his new position as Deputy Governor.
I would like to reiterate those sentiments here.

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 hearing on 24 February 2012. The committee will conduct the next public hearing with the RBA on 24 August 2012 in Canberra. Further details will be circulated in the weeks prior to the hearing.

Julie Owens MP
Chair

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Membership of the Committee

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	Mr Stephen Jones 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