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The Parliament of the Commonwealth of Australia

# Review of the Reserve Bank of Australia Annual Report 2013 (First Report)

House of Representatives  
Standing Committee on Economics

February 2014  
Canberra

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## Chair's foreword

The RBA noted in its November 2013 *Statement on Monetary Policy* that 'the prospect of a pick-up in conditions in many advanced economies is likely to see growth for the world as a whole improve from a below-average pace in 2013 to around average in 2014'. The RBA also forecast 'a little above average' growth in Australia's major trading partners in 2014.

Australian growth was two to three per cent of GDP in 2013 and the RBA assessment is that inflation will remain consistent with the medium term target over the next one to two years.

The economies in China, the United States, Japan and Europe are all showing signs of recovery. The Governor commented that global financial conditions remain very accommodative, market volatility has abated, and there is ample funding available for creditworthy borrowers.

Despite these initial signs of recovery in developed economies, there is still a lot of work required to avoid further economic instability.

The RBA Board decided to leave the cash rate unchanged at 2.5 per cent at its December meeting. The Governor stated that although the Board viewed this as appropriate, it would continue to assess and adjust policy as needed.

The exchange rate has been a significant source of economic uncertainty and the Australian dollar has appreciated significantly over the past decade. The Governor commented that a lower rate is likely to be needed for balanced growth, which would also likely see a sooner than forecast growth increase with some upward pressure on inflation. The Governor does not favour intervention in the exchange rate at this stage.

The RBA welcomed the one-off \$8.8 billion grant to the Reserve Bank Reserve Fund which will be made by the Government before the end of the financial year. The MYEFO states that this grant will ensure that the RBA is adequately resourced to conduct foreign exchange and monetary policy operations. The Governor stated

that this one off injection of funds will be important in bringing the fund up to 15 per cent of assets at risk, the level sought by the RBA, on as early a schedule as possible.

Australia is transitioning to a post-mining boom era with both the MYEFO and RBA forecasting declining investment in the resources sector. This may create opportunities to invest in other sectors of the economy, including infrastructure. Such investments will be needed to realise productivity gains and future growth but the decision making in this regard must be sound.

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 18 December 2013.

Kelly O'Dwyer MP  
Chair



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