
The Parliament of the Commonwealth of Australia

Review of the Reserve Bank of Australia Annual Report 2013 (Third Report)

House of Representatives
Standing Committee on Economics

October 2014
Canberra

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ISBN 978-1-74366-204-5 (Printed Version)

ISBN 978-1-74366-205-2 (HTML Version)

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Chair's foreword

The RBA has recently forecast Australia's trading partner growth to be a little above its long-run average, assisted by strong export trade to China. It is encouraging that expectations of stronger growth in the advanced economies are strengthening.

At the August hearing before the committee, the Governor of the Reserve Bank estimated Australian growth at two to three per cent of GDP over the year ahead. He commented that our near-term growth may be slightly below recent trends but could increase to above trend in the future.

The RBA continues to hold official interest rates at two and a half per cent, due in part to favourable financial conditions and adequate capital inflows to market economies. The Governor has commented that lowering cash rates was unlikely to encourage growth in the current environment, although it could be considered under appropriate circumstances. The committee has learned that there is currently very low volatility in financial prices. The Governor has also commented previously that markets are not anticipating global interest rate rises or other adverse events in the period ahead.

The exchange rate continues to remain high by historical standards and the Australian dollar has seen little recent change on a trade-weighted basis and against the US dollar. The Governor commented that Australia has undergone a re-rating over the past five to ten years from the global capital markets perspective and this has contributed significantly to the high Australian dollar.

The unemployment rate has increased slightly in recent months and the Governor has commented that reversing this trend may take some time despite improvements in labour market indicators. The Governor has stated that the labour market is responding to these conditions with slower growth in wages, and there are indications of a lower unemployment rate into the future which is to be welcomed.

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 20 August 2014.

Kelly O'Dwyer MP
Chair



Contents

Chair's foreword	iii
Membership of the Committee	vii
Terms of reference	viii

REPORT

1	Introduction	1
	Background	1
	Scope and conduct of the review	2
2	Monetary policy and other issues	3
	Overview	3
	Forecasts	5
	The cash rate	8
	The exchange rate	8
	Inflation	10
	Labour	11
	Housing	14
	Small business	14
	Conclusion	16

APPENDICES

Appendix A — Hearing, briefing and witnesses	17
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Appendix B — *Sixth statement on the conduct of monetary policy*.....19

Appendix C — Glossary of terms.....23

TABLE

Table 1 RBA Output growth and inflation forecasts (per cent)^(a) 7



Membership of the Committee

Chair	Ms Kelly O'Dwyer MP
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Members	Mr Scott Buchholz MP Dr Jim Chalmers MP Mr David Coleman MP Mr Pat Conroy MP Dr Peter Hendy MP Mr Kevin Hogan MP Mr Craig Kelly MP Mr Clive Palmer 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.