



Governor's Foreword

The past year has been a challenging one in the life of the nation. We have experienced a global pandemic and the largest economic contraction since the Great Depression of the 1930s. While Australia has dealt with the health and economic challenges better than most other countries, it has been a difficult time.

There has been an unprecedented and coordinated economic policy response to the pandemic in Australia. The Government, the Reserve Bank and Australia's financial regulators and institutions have worked very closely together to build a bridge to the recovery. That bridge is helping many people and businesses now and means that Australia should be well placed for the recovery.

As part of the Reserve Bank's efforts to support the economy, interest rates have been reduced to the lowest level on record and low-cost funding arrangements have been put in place for Australia's financial institutions. The Bank also adopted a

target for the 3-year Australian Government bond yield for the first time. The strategy is to ensure that funding costs are very low right across the economy and that credit is available to businesses, especially small and medium-sized businesses. The Bank will maintain its accommodative approach as long as it is required.

The economic outlook remains highly uncertain and is dependent upon the efforts to contain the virus. It is likely, though, that Australia will experience relatively high unemployment over the next couple of years and that inflation will be below target. Addressing the high rate of unemployment will be an important national priority. This will require ongoing support to aggregate demand through fiscal and monetary stimulus. Structural reforms that help Australia be a great place for businesses to invest, innovate, expand and hire people also have an important role to play.

Like everyone in Australia, the Reserve Bank has adjusted to doing things differently this year. Since mid March, around 90 per cent of the Bank's staff have been working from home and all meetings, including the Board meetings, have been held by videoconference. The Bank staff have done an amazing job adjusting to this changed way of working. Among other things, they have made sure that our banking and payment systems have operated as normal, processing record numbers of payments as part of the Government's support packages.

The Reserve Bank remains committed to being open, transparent and accountable. We have continued to produce our regular flagship publications on monetary policy and financial stability. We have held virtual speeches and participated in online events to explain our decisions and to answer questions. We are also continuing to invest in public education resources for students and teachers of economics.

Both prior to and during the pandemic, a priority for the Reserve Bank has been to invest in our banking and payment systems to make sure that they are secure, stable and efficient. We are also focusing on how we can best benefit from the larger and more complex sources of data that are now available.

There has been record demand for banknotes this year as many people want to keep a little more cash around, while at the same time using banknotes less for day-to-day purchases. The Reserve Bank has met this record demand for banknotes despite the logistical challenges posed by the pandemic. Last October, we issued a new \$20 banknote as part of our efforts to keep Australia's banknotes safe and secure. Through the Payments System Board, we are also continuing to support the shift to electronic payments, focusing on the public interest benefits from having a system that is secure,

reliable and low cost and offers a wide range of payment options.

Our core value of serving the public interest has been very much on display by the Reserve Bank's staff over the past year. The staff have worked tirelessly and have played a critical role in building the bridge to the recovery. The Reserve Bank Board joins me in thanking all the staff for their dedication and their effort to support the Australian community through a very difficult period.



Philip Lowe
Governor
7 September 2020