

## Possible Questions

### Queen and \$5 banknote

1. Andrew Leigh said the Government hasn't decided to replace the Queen with King Charles on the \$5 banknote at this stage. He's left open the idea that the monarch could be replaced altogether. You didn't mention the King in your media release. Whose decision is it to make?
  - Decision for the RBA but it doesn't mean we can't collaborate with the government.
  - As I understand it, the Government's focus is on updating the coins first. Andrew Leigh indicated on 13/9 a conversation will be had 'within government' on the \$5 banknote.
2. Are you waiting to see if a referendum is called to become a republic before you make a decision on the banknote?
  - The PM has indicated that now is not the time to be discussing it. Said his priority this term is bringing an Indigenous voice to parliament.
3. How much will it cost to update?
4. What is the process to update? How long will it take?
  - Complex process, won't happen overnight. Process can take well over a year.
5. Can existing \$5 still be used?
  - Yes, no immediate change and banknotes will not be withdrawn (reassure).

### RBA Review

6. Have you engaged with the reviewers?
  - Yes, we are providing all the support we possibly can.
7. At what stage is the review at now and when do you expect to receive a preliminary report?
8. You announced you are setting up panels of private-sector economist and academics. Was this in response to the RBA Review? How were participants chosen?
  - To supplement our long-standing liaison program.
  - Importance of seeking wide views

### Politically-linked Questions

9. Peter Costello slammed forward guidance and called for accountability, and Matt Canavan and Greens' Nick McKim called for the Governor's resignation. How do you respond?
10. Rate hikes now are counterproductive. You are forcing the Government to provide more stimulus. Why not pause?
11. The Government announced a public holiday on 22 Sept at short notice, creating issues with businesses. Do you support that? What is the economic impact?
  - As the PM has said, there are protocols to be observed and having a day of mourning for the Queen will mean a lot to many people. The public holiday is unlikely to have any lasting impact on the economy.

## **Governor's Anika speech**

12. You said missing the inflation forecast so badly has led to soul searching at the RBA. What steps have you taken to make sure it doesn't happen again?
13. How is it appropriate for you to talk about your support for flexible inflation targeting when there is a review going on?
14. You described high inflation as a scourge and said you're committed to eradicating it. Will you engineer a recession if that's what it takes?
15. You weren't clear in your speech, but have we reached the neutral rate? And will you moderate the pace of rate hikes from here on?
16. You talked about domestic labour costs and ask for people to accept their wages should not be rising in line with high inflation because the alternative is worse. Are you asking people to accept real wage cuts?
  - I know it is very difficult for people to accept that but the alternative is higher inflation and higher interest rates for longer, which will result in a more prolonged period of difficulty for everyone.
17. What evidence do you have that people are better off with a real wage cut now and that pausing would lead to higher rates and more pain later?

## **Monetary policy**

18. Markets are forecasting a cash rate to peak at 4 per cent in 2023. Does this look about right to you?
19. The Bank has been clear that it did not expect inflation to rise without wages rising materially but this has not eventuated. Can you talk us through your thinking about why you expect wages to rise further? What has changed to make inflation rise when wages have not? Did your previous plan backfire?
20. In February you said it was too early to conclude that inflation was sustainably in the target range. Since then, you've hiked by 225 bps. Can you understand the shock this has caused to households and dented confidence in the RBA? What changed between February and May to make you change your thinking so dramatically?
21. Many people say they were caught out by the Bank's unexpected decision to start increasing interest rates before 2024. Do they have any grounds to feel upset and angry at the Bank? When do you expect households to absorb the interest rate hikes you are making now? And how?
22. Who made the decision to put a firm date on the forward guidance that interest rates were unlikely to increase until 2024? Was it supported by everyone on the Board and staff advising the Board?
23. There are a lot of opinions that the forward guidance was misguided and should never have been done, that you should have stuck to more general terms and that the RBA should be held accountable for encouraging a lot of people to take out mortgages they won't be able to afford. How do you respond?
24. There is a view that you are now flying blind on the impact of the rate rises and some economists think you will now slow the pace or pause to avoid overshooting. Are they right?
25. How does raising the cash rate help when the current inflation problem is driven by the supply side?

## **Economy**

26. How far do house prices have to fall before they impact on the stability of the financial system?
27. What is your liaison program telling you about wage growth? Has anything changed?

28. The Government recently announced an increase to the permanent migration intake. Will this affect your forecasts for unemployment?
29. Did you attend the government's Job and Skills Summit? What else would you like to see the government implement to help the economy?
30. Unions are pushing for industry level wage bargaining. How do you think this will impact wage growth?
31. Are we heading for a wave of corporate defaults as a large portion of zombie firms kept alive by cheap money fail?

## **Financial Markets**

32. Can you comment on the RBA's financial losses from the bonds it purchased during COVID given interest rates are rising? What is the extent of these losses?
  - The losses on bonds purchased as part of the bond buying program will be announced next Wed, 21 September when we launch our review of our program.
33. As the financial year has ended, can you share some insights about how much of a hit the Bank's balance sheet has taken overall?
  - Our bond buying program review next week and annual report, tabled for release in October, will provide an update on the RBA's balance sheet.
34. Under what circumstances might the Board decide to sell bonds bought during the bond buying program?
35. How do you plan to calibrate, either speed up or slow down the timing of the balance sheet run off, to tighten conditions and get inflation back to where you need it to get to?
36. What are the maturity dates of the Bank's bond portfolio under the bond buying program?
  - The first major maturities from the Bank's portfolio will be about \$2 billion worth of the July 2022 Australian Government bond, followed by \$2 billion of the November 2022 bond. The maturity of the April 2023 bond is much larger, at slightly over \$13 billion. Maturities will then step up again to be more sizeable from 2024.
37. A lot of mortgages are fixed below 2 per cent until 2024 because of the cheap TFF money. Do you think the full force of higher interest rates will be felt in 2024 when these fixed mortgages run off and TFF funding is due? What sort of modelling has the RBA done on this run off when it happens?

## **Others**

38. When was the last audit of the RBA's gold holdings? What did that uncover?
39. The report you published on the gold audit was very light on details. Why don't you release the full report including evidence that the gold is all accounted for?
40. Is the RBA able to keep up with the pace of payments innovation?
41. What is the RBA doing towards practising what it preaches by making its own climate disclosures? Why isn't the RBA doing as much as other central banks on climate change?
42. Why did you do an interview with ABC 7:30 and do you have plans for similar engagements in the near future? Should you have made the inflation forecast public as soon as you told the ABC?
43. Why don't you do media conferences after every Board decision like some other central banks?

Communications Division

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