

Governor's Foreword



The past year has again been shaped by the pandemic. For much of the year, the economy experienced a stronger and quicker recovery than had been expected, with the unemployment rate declining to below pre-pandemic levels. But in June, the recovery was interrupted by the spread of the highly infectious Delta strain of COVID-19. While the outlook remains uncertain, the vaccination rollout offers a pathway to the resumption of the economic expansion.

The Reserve Bank has worked closely with the government and Australia's financial regulators to support the Australian economy during the pandemic. For its part, the Bank implemented a comprehensive package of monetary policy measures to ensure that funding costs remain low and that credit remains available. The cash rate has been reduced to its lowest level on record, and in November 2020 the Bank announced a purchase program for bonds issued by the Australian Government and the states and territories. These actions have been accompanied by a target on the yield for the April 2024 Australian Government bond and a Term Funding Facility for the banking system. Together, these measures have helped support households and businesses through a difficult period.

Inflation has been below target for a number of years and the unemployment rate is still too high. The Reserve Bank Board remains committed to achieving the inflation target and doing what it can to return Australia to full employment. It will maintain expansionary monetary policy in pursuit of these important goals.

The Reserve Bank is the banker to the Australian Government and has worked closely with Services Australia to process the government's pandemic-related support payments. Many of these payments have been made using Australia's real-time fast payment system, which allows money to be paid into bank accounts 24 hours a day, seven days a week. The Bank has been a long-time proponent of a fast payments system in Australia and it is pleasing to see this system being used to provide timely assistance to people in need.

More generally, the Bank is devoting additional resources to payments-related issues. The payments landscape is changing rapidly with the advent of new technologies and business models. There is also increased focus globally on the need to lower the cost of cross-border payments. The Bank is working closely with industry participants and other central banks on these issues. We are also continuing to support the shift to electronic payments, including by working with industry participants to ensure that the electronic system is secure and reliable, and that it meets the needs of its users.

In October 2020, the new \$100 banknote was issued. This brought to a completion the multi-year program to issue an updated series of Australian banknotes. This updated series incorporates new features to assist people with impaired vision and world-leading technologies to keep our banknotes safe and secure. At the same time, the new banknotes retain the look and feel that Australians have come to know.

The Reserve Bank staff have worked tirelessly in the public interest over the past year, while also adjusting to new ways of working. At times, more than 90 per cent of the staff have been working from home, and most meetings, including Board meetings, have been held by videoconference or in hybrid format. As an organisation, we are devoting additional resources to cyber security to help keep our IT systems safe and secure. We are also investing in our data management capabilities so that we can better harness the power of data.

We remain committed to being open and transparent and to explaining our decisions. This is more important than ever in difficult times and when unprecedented policy measures are required. The Bank staff have continued to deliver public talks, often online, and I have held media conferences to explain our decisions and answer questions. This year we also published our first podcast, on the topic of monetary policy during COVID-19. We are also continuing to invest in public education resources for students and teachers of economics.

It is a privilege to be the Governor of the Reserve Bank of Australia and to be part of a team that is so dedicated to doing its best to serve the community. The past year has been challenging, but the Bank's staff have been more than up to the task. The Reserve Bank Board joins me in thanking all the staff for their dedication and their efforts to serve the public interest.



Philip Lowe

Governor

10 September 2021