

Accountability and Communication

Relationship with Government

Section 11 of the *Reserve Bank Act 1959* sets out the relationship between the Government and the Reserve Bank Board. It confers substantial independence on the Board, but balances this with an obligation to inform the Government of its policies 'from time to time' and a requirement for Parliamentary accountability. Regular discussions between the Governor and the responsible Minister – the Deputy Prime Minister and Treasurer – served to keep the Government informed during the year in review.

Reporting Obligations

The Reserve Bank is a Commonwealth authority and the members of the Reserve Bank Board are the directors of the Bank. Those directors are responsible for the preparation of the annual report. At its meetings on 7 August and 4 September 2012, the Board resolved that the Chairman sign the annual report and financial statements as at 30 June 2012, and provide them to the Deputy Prime Minister and Treasurer for presentation to the Parliament, in accordance with the *Commonwealth Authorities and Companies Act 1997* (CAC Act).

The House of Representatives Standing Committee on Economics has, in its Standing Orders, an obligation to review the annual report of the Reserve Bank and the annual report of the Payments System Board. The Committee holds twice-yearly public hearings at which the Bank presents its views on the economy and financial markets, and responds to questions from Committee members. In 2011/12, the Governor and senior officers attended hearings of this Committee in Melbourne in November 2011 and in Sydney in February 2012. These appearances, and the quarterly *Statement on Monetary Policy* (see below), are important elements of the arrangements embodied in the understandings between the Governor and the Treasurer (outlined in the fifth *Statement on the Conduct of Monetary Policy*, an update of which was issued in September 2010 following the re-election of the Labor Government).

The Reserve Bank made two written submissions to Parliamentary inquiries during the year: a submission to the inquiry into the post-global financial crisis held by the Senate Economics References Committee, and responses to questions on notice to an inquiry into the integrity of overseas Commonwealth law enforcement operations by the Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity. Both these submissions were lodged in May 2012.

Communication

The Reserve Bank seeks to ensure a high degree of transparency about its goals, decision-making processes and the basis of its policy decisions. Transparency facilitates the accountability of an independent central bank in a democracy. Importantly, it also increases the effectiveness of policy decisions by promoting more informed decision-making by the community.

In addition to the regular communication about monetary policy and decisions of the Reserve Bank Board, the Bank has an active program of communication.

The quarterly *Statement on Monetary Policy* informs the financial markets, media and general public about the Reserve Bank's thinking about monetary policy and developments in financial markets. It also provides a basis for the Parliamentary Economics Committee's questioning of the Bank. The *Statement* provides an analysis of conditions in the economy and financial markets, the outlook for inflation and economic growth and a further explanation of recent decisions on interest rates.

The Reserve Bank's quarterly *Bulletin* contains analysis of a broad range of economic and financial developments as well as aspects of the Bank's operations. *Bulletin* articles over the past year covered topics ranging from regular articles on bank fees and margins to developments in the markets for foreign exchange and domestic securities. Another explained aspects of banknote quality, while there were also articles on the increasingly important economies of China and India, along with a feature on Indonesia. Some articles explored structural change in the Australian economy and the regional dimensions of economic growth. Others complemented the *Statement on Monetary Policy* by providing more detail about specific economic developments.

The *Financial Stability Review*, published in March and September each year, gives a detailed assessment of the condition of Australia's financial system, along with analysis of issues of specific interest. In the past year, such issues included foreign-owned banking activity in Australia, aspects of home mortgage debt and arrears, the shadow banking system, global systemically important banks and the stress tests conducted on European banks. The *Review* also reports on the Reserve Bank's involvement in financial regulatory policy, including through its work with the Council of Financial Regulators.

During 2011/12, the Governor, Deputy Governor and senior officers gave 40 on-the-record speeches on various topics and participated in several public panel discussions. In addition to explaining current economic conditions, many speeches addressed the longer-term forces shaping the economy and the challenges associated with structural change. There were also speeches devoted to innovation and reform in the payments system, bank funding, financial system stability and developments in financial markets. Audio files of these speeches and the associated Q&A sessions and panel discussions were published on the Reserve Bank's website to further enhance accountability and communication.

The Reserve Bank disseminates research conducted by the staff in the form of Research Discussion Papers (RDPs). While the views expressed in these papers are those of the authors and do not necessarily represent those of the Bank, their publication encourages discussion and comment on economic issues among a broad range of researchers. During 2011/12, RDPs were released on a range of topics, including the terms of trade, the effects of conditions in financial markets on the real economy and co-movements in inflation across countries.

In addition, Reserve Bank staff published papers in various external journals, such as: the *Journal of International Economics*; the *Journal of Monetary Economics*; the *International Journal of Central Banking*; the *Journal of International Money and Finance*; the *Journal of Economic Dynamics and Control*; *Applied Economics Letters*; the *China Economic Review*; the *Economic Record*; and the *Australian Economic Review*.

Research undertaken at the Reserve Bank is frequently presented at external conferences and seminars. Presentations to domestic conferences and workshops in 2011/12 included the 17th Australasian Macroeconomics Workshop at Monash University; the 23rd Annual Meeting of the Association for Chinese Economic Studies (Australia), at the University of Western Australia; the Econometric Society Australasian Meeting, at the University of Adelaide; and the Economic Forum 2011, hosted by the Economic Society of Australia. Bank staff also presented seminars at a number of universities, including the Australian National University, the University of Melbourne, the University of Tasmania and the University of Technology, Sydney.



Photo: David Lawrey



Photo: CEDA



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Photo: Ray Williams



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1. Governor Glenn Stevens speaking at the Inaugural Warren Hogan Memorial Lecture, at Sydney University, December 2011
 2. Philip Lowe's first speech as Deputy Governor was to the Committee for Economic Development of Australia, February 2012
 3. Assistant Governor Guy Debelle speaking at a Bloomberg Financial Markets seminar, February 2012
 4. Deputy Governor Ric Battellino speaking at *The Economist's* Bellwether Series, August 2011
 5. Luci Ellis, Head of Financial Stability Department, speaking at the Australian Mortgage Conference, February 2012

Papers were prepared for a number of international conferences and workshops, including the Macro Workshop at the Victoria University of Wellington, New Zealand; the Reserve Bank of New Zealand's conference on Macro Policies after the Crisis; the SEACEN Research Workshop and High-level Seminar on Policy Responses and Adjustments in the Course of Exchange Rate Appreciation, in Indonesia; and the Labour Market Dynamics Workshop at the Centre for Central Banking Studies in London.

The Reserve Bank hosts regular conferences to foster interaction between academics, central bankers and other economic practitioners. The Bank's annual conference for 2012 was held jointly with the Bank for International Settlements in August in Sydney on the theme of Property Markets and Financial Stability. The conference focused on several important topics, including issues in measuring property prices, housing finance, the effects of macroprudential policies, the management of banks' risks and securitisation. A volume containing the conference papers and discussions will be published in late 2012.

The Reserve Bank held a workshop in December 2011 on Quantitative Macroeconomics. The workshop featured 10 papers by international and Australian academics and central bankers. Another macroeconomic workshop, to be organised jointly with Australian academics, will be held in December 2012.

A number of academic researchers were hosted by the Reserve Bank through the year. They presented seminars and participated in research activities at the Bank during their visits.

The Reserve Bank publishes information in both electronic and hardcopy formats, though most access to information is online. In 2011/12, the number of page views/downloads of information on the website averaged about 192 000 per day, up from 90 000 per day only two years earlier, with visitation boosted by heightened interest in monetary policy decisions in late 2011. The number of subscribers to the conventional email service for information published on the website fell to around 13 500 at the end of June 2012, from around 15 500 in recent years. In contrast, having commenced using Twitter in early 2011, the number of followers grew to 9 200 by the end of June 2012. Furthermore, visitors to the website made greater use of the RSS feeds, which allow them to receive alerts about updates to selected data, media releases, speeches, research papers and other documents.