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GRAY/21/3024

November 18, 2021

**Statement by Mr. Hilbers and Mr. Scholer on Australia
(Preliminary)
Executive Board Meeting
November 22, 2021**

We thank staff for their comprehensive report, as well as Mrs. Grant, Mrs. Johnson and Mr. Becker for their helpful Buff statement. After a gap since the Board's last discussion of Australia under Article IV, we welcome that regular bilateral surveillance is resuming once again. **We broadly share staff's appraisal and offer the following remarks for emphasis.**

First, we commend the authorities for their handling of the COVID-19 crisis and the sizable policy support, which has limited the economic fallout and positioned the country well for a quick rebound. The outlook has improved markedly on the back of high vaccination rates following a slower start. Looking ahead, both fiscal and monetary policy should remain nimble and responsive to developments, while seeking a gradual return to longstanding principles of fiscal prudence once overall economic conditions allow. We do note that Australia initially put in place a very strict set of sanitary measures (incl. prolonged border closures) that has kept cases exceptionally low. *How does staff assess the effectiveness of this strategy compared to those deployed by other countries?*

Second, we welcome the authorities' recent net zero emissions target for 2050. It is essential that all countries contribute to this global effort, but the contributions from G20 countries are particularly relevant for our common success. The report rightly focuses on mitigation policies, notably on the need to reduce the reliance on coal. In the future a deeper focus on adaptation needs might be warranted, given Australia's exposure to increasingly dry weather, which – according to the IPCC – has prolonged and increased the severity of the fire season.

Finally, we take positive note of the financial sector's overall strength, as illustrated by solid liquidity and capital positions as well as low NPL rates. It is also remarkable to see the authorities' steady progress on FSAP recommendations throughout the COVID crisis. With regard to housing sector developments, *could staff please provide additional information on the increased concentration risks in real estate loans – notably whether this trend is identifiable across all banks and holds true for both residential and commercial real estate?*