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GRAY/21/3037

November 18, 2021

**Statement by Mr. Binzarah and Ms. Alzamel on Australia  
(Preliminary)  
Executive Board Meeting  
November 22, 2021**

We thank staff for the well-written set of reports and Ms. Grant, Ms. Johnson, and Mr. Becker for their helpful Buff statement. We broadly agree with the thrust of staff appraisal and would like to offer the following points.

**After being hit by the pandemic, economic activity in Australia is recovering in 2021 and is expected to resume in 2022, supported by the authorities' robust policy response amidst strong macroeconomic fundamentals.** We take positive note that the authorities' policy actions have played an important role in protecting the most affected and maintaining economic stability. Also, amid the uncertainty associated with the pandemic trajectory, we take note that risks to the outlook are tilted to the downside in the near-term but are broadly balanced beyond that.

**In view of the high uncertainty, we concur with staff that accommodative macroeconomic policy mix remains appropriate in the short-term to support the recovery.** Here, as Australia maintains substantial fiscal space, we agree that fiscal policy should continue to support vulnerable households and businesses in a well-targeted manner while being calibrated to the evolving conditions. We are, therefore, reassured by the authorities' readiness to provide additional fiscal support if needed. On the monetary policy, we take positive note of the RBA's commitment to not raise interest rates until actual inflation is sustainably within the target range. More generally, monetary policy should remain data dependent given the elevated uncertainties, as rightly noted by the staff.

**We commend the authorities for their efforts in advancing financial sector reforms.** Looking ahead, we encourage the authorities to continue enhancing the resilience against financial risks, and thus, welcome their plan to push ahead with reforms in line with the FSAP recommendations. Regarding the housing markets, while we see merit in staff's advice

that land taxes can generate stable source of revenue for the government, in addition to promoting labor and housing mobility. However, we note the authorities' concern of the near-to-medium term revenue losses from such a reform. In our view and in light of political economy consideration, these measures should be appropriately designed, and should be combined with macroprudential measures to avoid unintended consequence. Like staff, we support continued efforts aimed at further improving housing affordability while remain ready to deploy additional measures should financial risks continue to mount. Separately, we encourage the authorities to further strengthen the AML/CFT framework and agree with staff that the coverage of the AML/CFT regime should be expanded to include all non-financial and business professionals.

**Going forward, accelerated structural reforms will be essential for growth to be more inclusive and sustainable in the long-term.** To this end, we appreciate staff's focus on this area and encourage the authorities to continue enhancing, inter alia, productivity, competition, including by further supporting the digitalization and innovation. In addition, we find it encouraging to note that labor market disruptions were seen as less severe than initially feared, thanks to the active labor market policies that has helped limiting scarring risks. In this connection, we see merit in staff's recommendations to closely monitoring the effectiveness of the ALMPs. Like staff, we welcome Australia's continued support for an open trade environment, including through reforms at the WTO.

**We commend the Australian authorities for the recent commitment to achieve net zero emissions by 2050.** We support their focus on a multi-faceted approach, including the technology-based means, to reducing emissions. We positively note the authorities' climate mitigation policies including the voluntary scheme, ERF and CSF, that helped reduce 66 million tons of emissions since 2015. The authorities' commitment to step up investment in developing low emission technology is encouraging. Here, staff's recommendation on a broad-based carbon tax seems not feasible nor available given the political and socioeconomic considerations. Further, we commend the authorities' commitment to ensure reliable and sustainable energy supply and welcome the recently released Long-Term Emissions Reduction Plan.

With these comments, we wish the authorities all the success in their future endeavors.