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GRAY/21/3031

November 18, 2021

**Statement by Ms. Shortino and Ms. Senich on Australia
(Preliminary)
Executive Board Meeting
November 22, 2021**

We thank staff for the excellent reports and Ms. Grant, Ms. Johnson, and Mr. Becker for their helpful Buff statement. The authorities' forceful policy response has cushioned the pandemic's impact on the economy and households. **We generally agree with staff's overall appraisal and would like to highlight a few areas for emphasis.**

We agree with staff that fiscal and monetary support should ease in line with the recovery, and note that the authorities are prepared to lend additional support should downside risks materialize. Australia entered the pandemic from a position of strength, having experienced almost three consecutive decades of economic growth and having built significant fiscal buffers. While we support the recommendation that policy support should become increasingly targeted where possible, Australia's comparatively low levels of debt and credible fiscal framework give the authorities substantial policy space for additional stimulus if needed.

Despite a relatively high current account surplus, we note that staff judge the external position in 2020 to be broadly in line with fundamentals. We appreciate the information in the report highlighting the issue of trade restrictions on Australia and the attendant economic impacts. We note that the trade restrictions have been asymmetric in nature with China imposing restrictions on Australia, while Box 6 seems to imply that both countries have restricted imports. *Have there also been price effects resulting from Chinese restrictions on Australian exports, beyond the volume effects?*

We urge the authorities to undertake comprehensive policy efforts to address growing imbalances in the housing sector. We agree with staff that a high concentration of variable interest mortgages amid heightened risk of rising rates warrants consideration of tighter macroprudential policies, and we welcome the recent prudential measures described in the

Buff statement. We join staff, however, in calling on the authorities to find alternatives to housing policy measures that discriminate against non-residential buyers. A number of central banks are now reviewing how to incorporate housing sector risks and prices into their policy frameworks. *Could staff comment on the tradeoffs they consider to be relevant as central banks consider updating their policy frameworks to incorporate housing prices?*

The selected issues paper on increasing productivity growth highlights the need for the authorities to undertake a strong structural reform program. We agree with the report's recommendation to increase investment in R&D and communications technology, and we support the authorities' recent reforms to childcare and disability insurance that increase inclusiveness of the recovery.

We commend the authorities' commitment to achieve net zero emissions by 2050 in line with the Paris Agreement. We agree with staff that achieving targets will require strong policy ambition, credible targets, and comprehensive policies. A determined and broad-based approach will be necessary to reach emissions goals.