

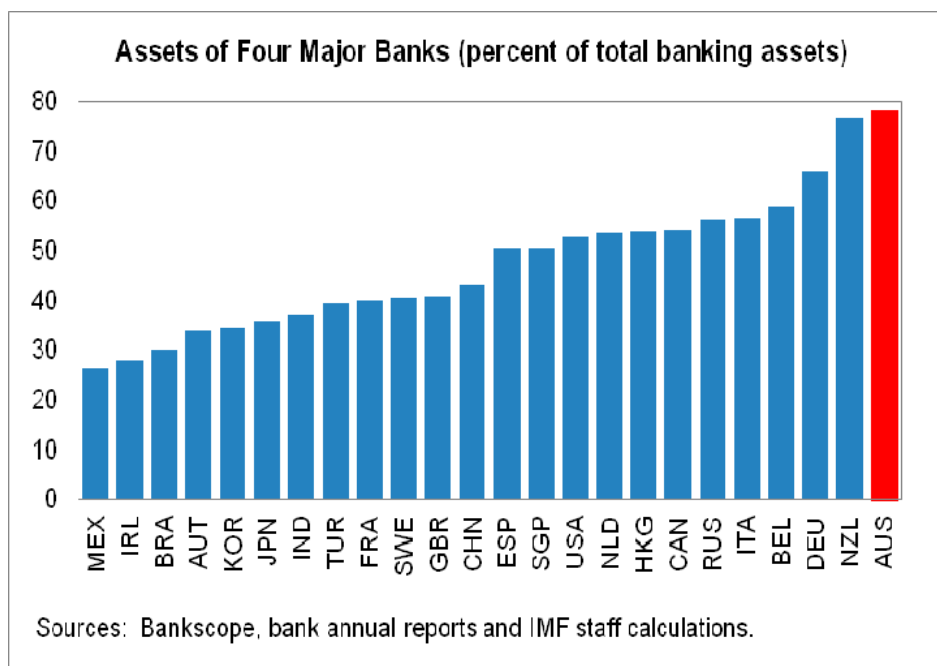
Media release

16 November 2012

IMF study confirms super profits of Australia's banks

A new study by the International Monetary Fund shows that Australia's 'big four' banks are the most concentrated in the world and are among the most profitable in the world.

The IMF today released its Financial System Stability Assessment for Australia¹. The following graph shows where Australia's big four rank in terms of share of total industry compared to other countries.



"The IMF publication shows the absurdity of claims by the Australian Bankers' Association's Steven Munchenberg that Australia's big banks are 'fiercely competitive'," said The Australia Institute's Senior Research Fellow David Richardson.

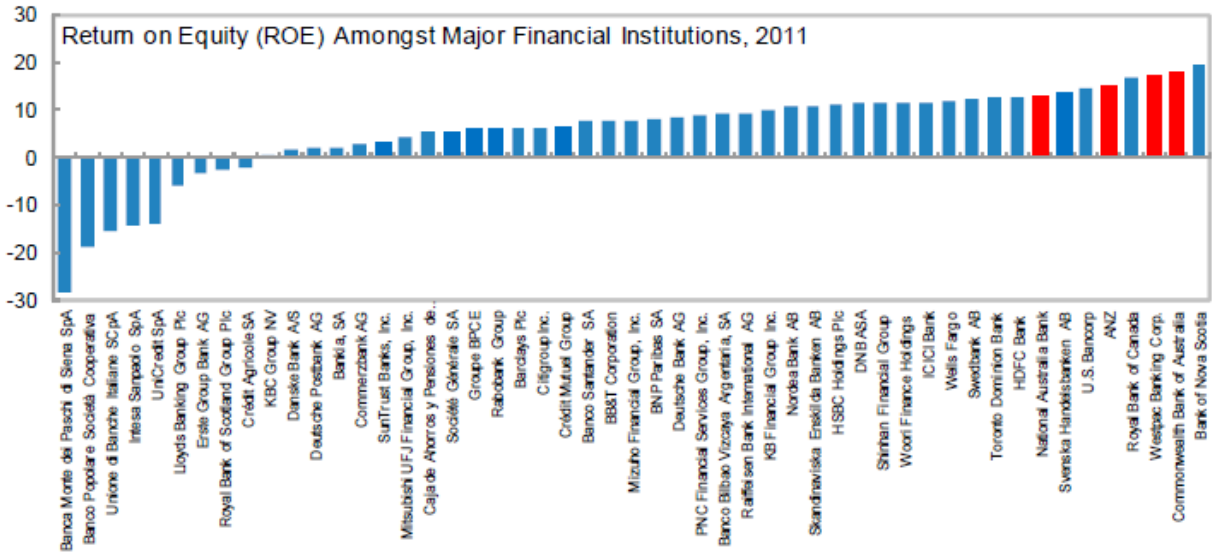
In fact the IMF said Australian banks enjoy "pricing power" and are "highly profitable". The IMF's assessment also said "in fact, Australian banks are currently among the most profitable in the world". That is clear in the following graph (overleaf) which shows Australia's big four banks make up half of the eight most profitable banks in the world.

¹ <http://www.imf.org/external/pubs/ft/scr/2012/cr12308.pdf>

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“The IMF study confirms the view that high concentration allows banks to extract very high profits from the Australian community. Super profits represent a major challenge for Australian policy makers,” said Mr Richardson.



Sources: Australian Bureau of Statistics; Australian Office of Finance Management; Bloomberg; IMF Financial Statistics; and IMF Financial Soundness Indications database.

An Australia Institute analysis recently showed that people taking out an average mortgage could potentially save \$1,200 per annum by choosing a mutually-owned bank, credit union or building society, instead of one of the big four banks.

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