

## Media release

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### Interest rates up—bank profits up

The market power enjoyed by Australia's big four banks is allowing them to increase profits when official interest rates rise, according to The Australia Institute.

This is the case even when banks pass on only the official rate rise to their mortgage customers.

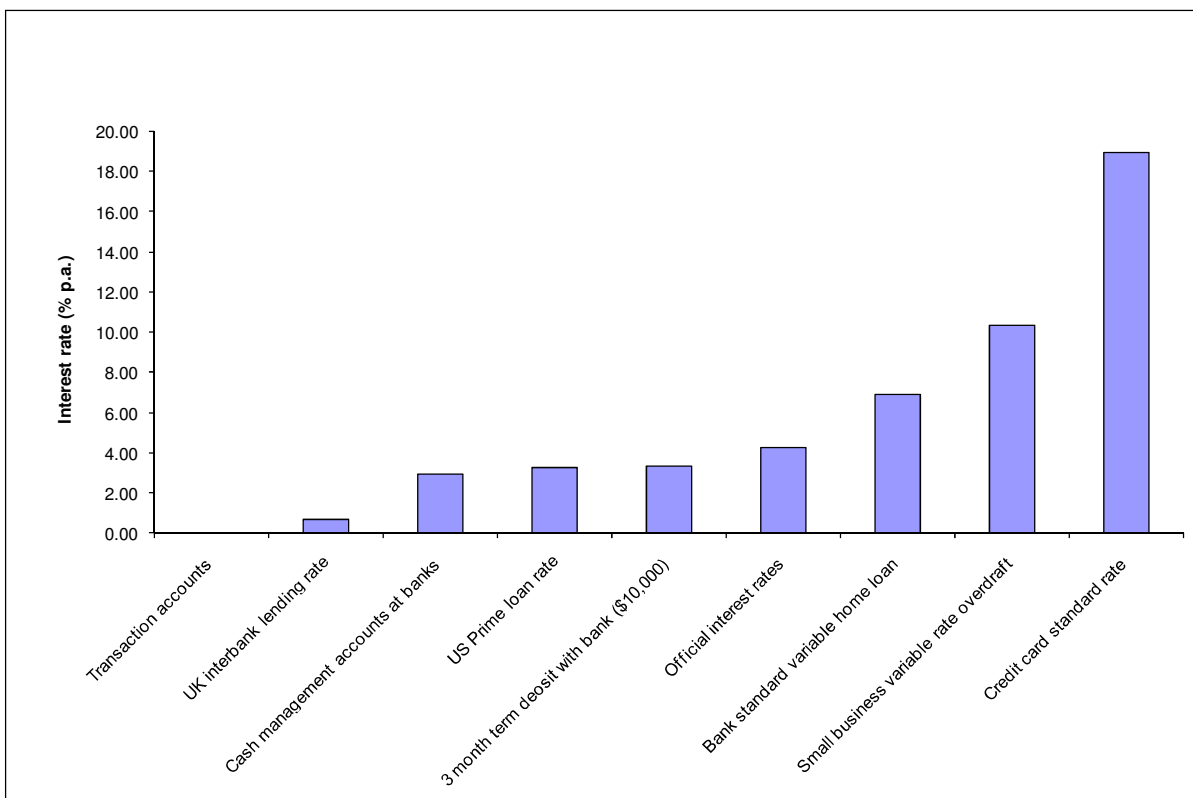
'Yesterday's official interest rate rise will increase repayments on a \$300,000 mortgage by \$47.92, up to half of which will go towards expanding bank profits', said David Richardson, Senior Fellow at The Australia Institute.

According to a recent Institute poll of 1,360 people, 72 per cent of Australians believe that the big four banks have too much market power.

'While the banks say they have no choice but to pass on the increase in official interest rates to mortgage customers, they have clearly chosen not to do the same for savings accounts or term deposits. They act as though all their funding costs suddenly become more expensive, even though they pay official interest rates only on a portion of the funds they lend out.'

'People with mortgages should check their bank statements or their bank's website. It is easy to confirm that most interest rates on deposits have not changed since well before the official interest rate increase in March', said Mr Richardson.

The figure below compares the low interest rates the banks were paying at close-of-business on April 6 to the high rates they charge to lend that money out. While banks tend to focus on the official rate of interest in Australia, RBA data make it clear that in fact the banks rely heavily on funds obtained at little or no interest from savings accounts and at very low interest from overseas. *(Cont'd overleaf)*



Source: Reserve Bank of Australia Statistical Tables.

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