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Media release

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Put customers before profit

The Australia Institute, an independent think tank, today welcomed the dramatic decision by the Reserve Bank of Australia to reduce interest rates by a full one percent.

“Australian banks should pass on the full cut to their customers. The Reserve Bank is trying to stimulate the economy, not the profits of Australia’s big banks,” said David Richardson, Research Fellow at the Australia Institute.

“Today’s cut is the biggest cut since May 1992 and is equal to the biggest cut the Reserve Bank has ever announced” said David Richardson.

“Clearly the Reserve Bank’s intention is forceful action to offset the shock from the world financial crisis.”

“However, the Reserve Bank’s action will be frustrated unless the banks pass on the full cut to the people and businesses of Australia. Australia’s banks already make unjustifiable profits.”

“In the 12 months leading up to March 2008 Australia’s banks made \$23.5 billion. That’s a lot of money. In fact, \$23.5 billion is equivalent to around 2 per cent of GDP – put another way, of every \$100 earned in Australia, \$2 goes to the owners of Australia’s banks.”

“Banks must restrain themselves in the interest of Australia’s jobs and its peoples’ incomes” said David Richardson.