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## Media release

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## Banks gouge 3 cents out of every dollar spent in Australia

The nation's big four banks are reaping profits amounting to three cents in every dollar spent in Australia, according to new analysis by The Australia Institute.

Westpac's announcement today that its half year profit was \$2,175 million brings the total half year profit reported by the big four – Westpac, ANZ, Commonwealth Bank and National Australia Bank – to \$8,269 million, or 1.5 per cent of GDP.

This rises to 3.2 per cent of GDP when you examine the banks' underlying profits, which include loan loss provisions and income tax expenses.

"In contrast to the banks' concerns about the impact of the global financial crisis, our analysis shows they have managed to increase their underlying profits to 3.2 per cent of GDP up from 2.7 per cent of GDP in the same period to March 2008," said Senior Research Fellow David Richardson.

"Banks have hardly moved their interest rate charges even as the Reserve Bank has been cutting official interest rates. The exception has been home loans which have been under the spotlight. However, the banks have extracted even higher profits from business loans, unsecured personal loans, credit cards and bank fees.

"Because of the lack of competition and their control over credit cards and the payments system, banks have been able to extract monopoly profits from the Australian economy. Of every dollar spent in Australia, the big four banks are getting 3.2 cents in underlying profit.

"Banks have experienced losses on some of their loans but they have used their monopoly power to recover most of those losses from the rest of their customers," concluded Mr Richardson.