



## AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

**ACCI Chief Executive Peter Hendy on ABC TV's Lateline Program - Interest Rates - 3 May 2006**

### **Business Fears Interest Rate Rise Will Hurt Industry**

**TONY JONES:** The housing sector and business groups are bitterly disappointed with the rate rise. They say it'll put the brakes on consumer confidence and any recovery in the housing industry. Welfare agencies say they're already struggling to cope with the number of calls for help from low income families in debt, and this latest rise will push many into financial crisis. Rachel Carbonell reports.

**RACHEL CARBONELL, REPORTER:** Paul and Tracey Kelly are a single-income family with three children and a mortgage in Melbourne's east. They say the latest rate rise won't break their budget, but it means they'll have to seriously re-evaluate it.

**PAUL KELLY, MORTGAGEE:** We've just had a new child, she's only four months old. It may mean that my wife, Tracey, has to go back to work early to cover the extra expense or myself having to perhaps go to - do extra overtime shifts to cover the deficit and that takes time away from the family as well so, I mean, the pressure is definitely there.

**RACHEL CARBONELL:** The Housing Industry Association says the rate rise won't only hit family budgets, it'll erode the recovery in the housing market.

(Auctioneer calls)

**SIMON TENNENT, HOUSING INDUSTRY ASSOCIATION:** It has an immediate effect on consumer confidence, it has an immediate effect on people looking for new homes, and it has an even bigger effect on people who've been toying with the idea of renovating their homes.

**RACHEL CARBONELL:** And as Australians struggle to afford to fill up the family car, retailers across the economy are worried about a dive in consumer spending.

**STEPHEN WALTERS, JP MORGAN CHIEF ECONOMIST:** There is a risk that with both interest rates going up and oil prices at record highs, some households are going to be in some trouble. But for the vast majority of households I think, it's a shot across the bows but it doesn't necessarily mean the economy is going to fall into a hole.

**RACHEL CARBONELL:** Economists say the Reserve Bank will now wait and watch the reaction to its rate rise and then decide whether another one is needed. Business groups say today's hike was unwarranted and damaging.

**PETER HENDY, AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY:** The interest rate increase will actually be a further burden on business in terms of costs, and it'll

be a further burden on the consumers in terms of costs and the government should now look at tax relief in the Budget next week.

**BEN FARGHER, NATIONAL FARMERS' FEDERATION:** Given the amount of debt we're servicing because we've been through several years of bad drought, has a big impact on Australian farmers - impacts on our competitiveness.

**RACHEL CARBONELL:** The banks won't only pass the rate rise on to mortgage holders, but also to credit card customers. Australians owe \$34.7 billion on credit cards, 70% of which is attracting interest. Credit card analysts don't think many Australians will be pushed into serious debt problems, but Karen Cox from the Consumer Credit Legal Centre disagrees.

**KAREN COX, CONSUMER CREDIT LEGAL CENTRE:** We're very, very concerned about this rate rise. We run a service that gives advice and assistance to people from across NSW who are in financial stress and we are already inundated.

There are a lot of people teetering on the edge so it could be as much as a small interest rate rise that tips the balance.

**RACHEL CARBONELL:** However, it's not bad news for everyone. Those Australians who have invested money in savings accounts and bonds will benefit from the rate increase. Rachel Carbonell, Lateline.