



TRANSCRIPT

NERVES GROW AHEAD OF RBA RATES ANNOUNCEMENT

ACCI Chief Executive Peter Hendy on ABC TV's Lateline Program - Interest Rates - 7 August 2007.

TONY JONES: Governments, struggling homeowners and businesses are facing a nervous wait for tomorrow's news from the Reserve Bank, on whether interest rates are going up.

A rise in the official cash rate by a quarter of a per cent is widely anticipated and would be the ninth increase since May of 2002.

Helen Brown reports.

HELEN BROWN: A rise tomorrow would see interest rates at their highest level for almost 11 years. Financial markets and most economists are betting the Reserve Bank board will increase the official cash rate to 6.5 per cent. A few are saying it's not so clear cut.

TONY PEARSON, SENIOR ECONOMIST, ANZ BANK: The case for a rate rise is not open and shut. We think the decision is in fact a lot closer than the market might be thinking.

HELEN BROWN: Business also isn't convinced of the need for an interest rate rise.

PETER HENDY, AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY: I think we've calculated that that would raise costs of around \$1.8 billion for the economy. That is obviously a significant hit on the Australian economy and the business sector and so it is a very significant decision the Reserve Bank needs to make.

HELEN BROWN: Tony Pearson says while the economy's facing pressure in some areas, the bank might hold off as inflation is within the target range.

TONY PEARSON: They have been changing their forecast each quarter in line with the data that comes into hand and there would be sufficient uncertainty about the prognosis for inflation 12 to 18 months out.

HELEN BROWN: The Prime Minister was tonight continuing to sheet the blame to the billions of dollars he says are being borrowed by State Labor governments.

JOHN HOWARD, PRIME MINISTER: I don't think anybody would suggest that unlimited borrowings by either a state or federal government has no impact at all on the inflationary environment and therefore some ultimate impact on interest rates.

HELEN BROWN: The West Australian Premier says the Prime Minister's stance is ruining a working relationship.

ALAN CARPENTER, WESTERN AUSTRALIAN PREMIER: We have got a sad situation where the Prime Minister of Australia is running a dishonest campaign, transparently dishonest campaign, putting his own personal interest, the need to cling on to power, ahead of the national interest.

HELEN BROWN: But it's those struggling to meet their mortgage repayments who will probably sleep least tonight. And there's further evidence of the stress they're under.

A report on the insurance industry has found the cost of paying insurance claims to those who provide home loans has risen in one year from \$49 million to \$210 million. The rise comes off a low base. But the report says it's consistent with the housing stress being reported in western Sydney and other parts of the nation.

The Australian Prudential Regulation Authority says mortgage insurance claims have risen 329 per cent. It's a number the Prime Minister says he's aware of.

JOHN HOWARD: I acknowledge that some Australian families are missing out and some Australian families are not realising as much as the great bulk are.

HELEN BROWN: Social and economic researcher Bernard Salt says the division showing up the most is in Sydney. He says it costs \$137,000 more just to get a house in Sydney than Melbourne. With a home 50 kilometres from Sydney's city centre costing around \$425,000.

BERNARD SALT, KPMG: You can't adjust rich people in a city. You need to have average workers, you need to have below-average worker, you need people to work in factories, in warehouses, drive taxis, you need teachers and nurses.

HELEN BROWN: The Reserve Bank's decision on interest rates will be known at 9:30 tomorrow morning.