



TRANSCRIPT

ACCI ACTING CHIEF EXECUTIVE GREG EVANS ON ABC TV'S "LATELINE" PROGRAM - 18 AUGUST 2009 - BUSINESS CONDITIONS

RBA Considering Rates Rise

Reporter: Emma Griffiths

The Reserve Bank has given a strong indication that Australians have seen the last of the interest rate cuts and it is watching for the right time to push them back up. Minutes from the bank's board meeting earlier this month have revealed it is watching closely to see if the economy will hold up when the Government's stimulus measures fall away.

TONY JONES, PRESENTER: It seems for interest rates the only way is up. The Reserve Bank has given a strong indication that Australians have seen the last of the interest rate cuts and it's watching for the right time to push them back up again. Minutes from the Bank's board meeting earlier this month, revealed it has been watching closely to see if the economy will hold up when the Government's stimulus measures fall away.

Emma Griffiths reports from Canberra.

EMMA GRIFFITHS, REPORTER: The Government's made a judgment call: that it's found a weakness.

LINDSAY TANNER, MINISTER FOR FINANCE AND DEREGULATION: The one thing the Leader of the Opposition has consistently shown in this debate is his lack of experience, his impetuosity and lack of judgment.

KEVIN RUDD, PRIME MINISTER: I would simply submit to the House this represents catastrophically-flawed judgment.

WAYNE SWAN, TREASURER: They are the masters of misjudgement, the masters of misjudgement.

EMMA GRIFFITHS: Malcolm Turnbull's got a favourite Government sore spot too and he's continuing to press it.

MALCOLM TURNBULL, LEADER OF THE OPPOSITION: The fact is we have had an enormous level of debt imposed on Australians. They'll pay for that with higher taxes and higher interest rates. That is a certainty.

EMMA GRIFFITHS: Unexpectedly good economic indicators have refocused the political debate back to the Government's multibillion dollar stimulus measures and whether they should be phased out early. The Treasurer isn't counting his recovery before it's hatched.

WAYNE SWAN: If we were to prematurely withdraw stimulus, we would threaten thousands of businesses and thousands of jobs.

EMMA GRIFFITHS: Business knows it - it's still preparing for deteriorating employment conditions, and contracting business investment.

GREG EVANS, CHAMBER OF COMMERCE AND INDUSTRY: We want to have a reality check, I suppose, that this robustness that's been spoken about in terms of an economic recovery. We just need to be very cautious, because when you actually look at some of the business conditions on the ground, things are still fundamentally quite weak.

EMMA GRIFFITHS: The Reserve Bank isn't sure of the exact impact of Government stimulus. At its August meeting, it held interest rates partly because of uncertainty over whether "growth in household spending was due ... to temporary fiscal measures, in which case it would probably soon fade". If revised forecasts of a quicker economic pick-up hold true, the Bank is ready to raise rates. But it's measuring the risks. On the one hand, no increase could mean "overstaying a very accommodative setting in a recovering economy" but on the other a hike could "choke off confidence and demand prematurely."

Analysts say it will happen, but it won't happen overnight.

STEPHEN WALTERS, JP MORGAN: There are uncertainties out there they'd like to get resolved, and I think will probably take a few months. So we are suggesting by February you'll see the first rate hike. I think once they start going, you'll get a series of 25 basis-point rate hikes pretty steadily through 2010.

EMMA GRIFFITHS: That means many more months of economic debate ahead.