

## **Transcript: Shayne Elliott with Neil Mitchell – 3AW – 25/05/20**

**Neil Mitchell:** The chief executive of the ANZ, Shayne Elliott. Good morning.

**Shayne Elliott:** Good morning Neil.

**Neil Mitchell:** Thanks for your time. We're just talking about, a moment ago, about working from home and the government suggesting that those who can work from home continue to work from home until the end of June. What percentage of your staff would be working from home?

**Shayne Elliott:** So if we exclude the branches, people working in branch, we've got 95 percent of our people are working from home and have been actually since mid-March.

**Neil Mitchell:** Gee, will you bring them back from the end of June?

**Shayne Elliott:** We're ready. We're actually ready to go now. We're obviously just waiting for the best advice. So I tell you what won't happen for a long time. We won't have everybody back. So our plans are that we could have about a third of our people in the buildings at any point in time. And we're just figuring out we would rotate people, stagger them and all that other stuff.

**Neil Mitchell:** And is that because of the virus or is that a broader decision? It's working so well, you'll make it permanent.

**Shayne Elliott:** No, that's a really good question actually. There's lots of people think, I know not so much, but I know talking to a lot of our customers, a lot of people are toying with this whole idea. Is working from home a good or bad thing? When is it beneficial? And people really questioning, why do we have everybody coming into offices? From our point of view though, no we want people back in the office. We see real benefits of having people working together. So our issue is more about just making sure we can do it safely.

**Neil Mitchell:** So over what period of time you reckon it'll be before you can get them all in?

**Shayne Elliott:** Well, that's the big question. We don't know. We are planning for months and months, so up to six months, of being in this sort of hybrid situation of having some of our people in here and some still at home.

**Neil Mitchell:** Why do you want people in the office? What's the benefit?

**Shayne Elliott:** Well, there's two great benefits, there's probably a third. But the first is collaboration. A lot of what we do is not just people sitting at their desk beavering away, it is actually reliant on communication and collaborating with others. Teams are really, really effective. So that's the first one. The second one is actually, we have really, the technology that's available and infrastructure available in an office, is just superior to what people can have at home. And while people can make do at home, particularly in a bank ... we're a big tech firm. We need massive amounts of data and bandwidth and all of that stuff. So all that stuff that we can provide is frankly better. The third area, frankly is, a lot of our people like it. I have a weekly call, I've got one today with all our people. And time and time again, not everybody, lots people miss coming to work. It is a social aspect to work and people want to get back.

**Neil Mitchell:** Another area, are you concerned by the deteriorating relationship with China?

**Shayne Elliott:** Yes. I mean, I'm not ... It's funny you say that, just even this morning I've been reading more and more stuff about Hong Kong. Yes, so we kind of sit down, we have to sit down and do a bit of a review and say, what does this all mean? I mean, obviously I can't predict how it's going to end up, but it's raised the risk profile around certain parts of our business. We facilitate a lot of trade in the region. We facilitate a lot of money going backwards and forwards. We need to sit and understand that. And then, of course we've got operations all around the region. So, what does it mean for our offices in Hong Kong, for example? Should they be bigger or smaller and all of those things. Yes, they are big questions. And particularly for Australia, New Zealand, our home markets. We are liberal, open economies that depend on the free movement of people and goods. And if those things start to be less free, for health reasons or geopolitical reasons, of course that's concerning.

**Neil Mitchell:** ANZ China, are you responsible for ANZ China?

**Shayne Elliott:** Yes.

**Neil Mitchell:** I'll just read the website. ANZ has been in China since 1986, is fully committed to China. Over the past three decades ANZ remains one of Australia's largest investors in China. Do you see any of that changing?

**Shayne Elliott:** I don't imagine that we, I imagine we'll continue to be in China. I don't think that's under threat. I think though, like everything, you're constantly questioning the scale and breadth of your operations in any country. So that's what I mean, we are going to sit down and think, well what does it mean for our business? Our business in China, just to be really clear though, it is to service the trade and capital flow in and out of China. Mostly to Australia and New Zealand, but also to other parts of Asia. That'll continue to be a great business and China is still going to buy iron ore and we're still going to buy lots of stuff from China. But the scale and breadth of that operation may well change as a result of this.

**Neil Mitchell:** Or may well be reduced?

**Shayne Elliott:** Yes and we were already seeing that actually. If you spoke to most large multinationals who are operating and dealing with China, they already had, I'm going back a couple of years, what they call a China-plus-one strategy. And it had nothing to do with these recent issues. It was just the fact that China's becoming more expensive to operate in as the country develops. And so people were worried about having all their eggs in one basket. So they were moving plants and factories to Thailand and Vietnam and India and other places. I think all these recent changes are just going to speed some of those changes up.

**Neil Mitchell:** What's your view of the Belt and Road Initiative, MoU signed by the Victorian Government?

**Shayne Elliott:** Well look, so we've been following the Belt and Road Initiative for a long time because of our business in China and obviously a lot of our customers are beneficiaries of that. I mean, my understanding of the initiative, that it doesn't, when they get the map out, it didn't really have Australia on it. It didn't quite reach down here. And I can understand people wanting to attach themselves to what looks like a pretty big spend on China's part. I struggle a little bit to understand how individual states can sign up to things like that, as opposed to the Federal Government. So I can see the complexity in that. But I understand the attraction of wanting to bring jobs and investment into Victoria.

**Neil Mitchell:** But both the United States and Australia federally seem to see it as something of a security issue. Is it?

**Shayne Elliott:** I don't know. I'm not, that's not my area of expertise. I saw it as, it was an infrastructure play really about sort of recreating the old Silk Road. And saying how can China enhance its trade connections in to the rest of the world? I mean most of the focus of Belt Road Initiative is not into the Pacific or into the US, it's actually across Europe.

**Neil Mitchell:** Yeah, but is it there to buy influence or buy control or to help trade?

**Shayne Elliott:** Well, I think it's a little bit of both. I think we'd be naive to think that any investment that, in your own self-interest, to enhance trade obviously buys you some influence in those countries as well. I think that's just, those things go hand-in-hand as they have through all of human history. And as I said, China's trying to reach out to enhance its trade reach, does that give it more influence? Yes. Clearly people have influence with their trading partners, just as we do, Australia has with our trading partners.

**Neil Mitchell:** You think it'll settle down? I mean, the tensions are significant at the moment. Some are saying, the Global Times in fact, say the worst for decades.

**Shayne Elliott:** It does feel, look again it's not my area of expertise, I'm just a boring old banker, but, it doesn't feel good right now, does it? I mean, there seems to be a ratcheting up as the weeks go by. Obviously it's a very important year with the US election. That's going to be a massive deciding point, I guess. Whether Trump is re-elected and that takes you down one path versus the alternative. So look, I think we're just in a heightened period of uncertainty, Neil. And that means the risk profile around the region and the world is just higher. And you know that's certainly what's on the minds of our customers.

**Neil Mitchell:** Lyn has asked off-air when the ANZ will open all branches, is a decision made on that yet?

**Shayne Elliott:** So we actually have most of our branches open. We've got about 560 branches in the country, about 90 closed on any given day. And that's because, what we've been needing to do is, first of all there's not many people going out to branches. So there's not a lot of traffic. We've been reassigning those people to actually take hardship calls and talk to customers about loan deferrals. And so we can't be doing both. So the people are at work still, but rather than taking transactions, they are focused on that. So it really depends on our customer activity. If customers want to come back to the branches and are allowed to, we'll open them back up.

**Neil Mitchell:** Speaking of deferring of loans, etc. When do the financial chickens come home to roost?

**Shayne Elliott:** Well, that is the big question. The way that we think about this is, first of all, these deferrals are the right thing to do. Because people, through no fault of their own essentially, their jobs and their livelihood is essentially being made illegal through the stroke of a pen. And we all understand why, they said, no you can't go to work or you can't open your business. So those people, we need to help these people get through this. The old bridge to the other side thing. So it's the right thing to do. The problem is, it is masking what's really going on. We don't really know how many of those people can get back on their feet. I've got some interesting data though Neil. Of the 11 per cent of people that have come and asked us for a home loan deferral, which hasn't really got any worse, there was a rush of about 11 per cent. What's been really interesting. When we go and have a look at those people, about 20 per cent of them actually when we go back to them and said "oh, you registered, you're interested?" They say, actually, I don't need it. So a lot of people, they applied out of initial fear. And then they've actually calmed down and said, actually I don't need it. And what we know of the rest. When you look into them to say, well, what actually has happened in April and May. About half of them actually haven't seen their income deteriorate. So they got a deferral out of caution, but actually they've still got a job. So it's not quite, at this point we're hopeful that it's not as bad. And that was part of the reason why we could never reconcile the Job Keeper numbers. If half of people are supposed to be on Job Keeper, how come we weren't being flooded with more people?

**Neil Mitchell:** Really? So you weren't surprised there was a \$60 billion error?

**Shayne Elliott:** Well, I was surprised. I mean, we took it at face value, we trusted the number. But I'm just saying, we were scratching our heads a little bit thinking, hang on, if half of all workers are on Job Keeper and another seven per cent are unemployed; how

come people are still able to make all their loan payments, at the rates we were seeing? So it does make a little bit more sense where we've landed today.

**Neil Mitchell:** We'll be talking to Josh Frydenberg about that soon.

**Shayne Elliott:** I'm sure.

**Neil Mitchell:** What do you see happening to the housing market?

**Shayne Elliott:** Well, look, clearly we're a little bit bearish. We think prices are going to moderate and fall, somewhere between 10 and 15 percent over the next 18 months. And I think you stand back and say - good old supply and demand - there's going to be less demand for houses. People have less income, there's less immigration. Let's not forget, migrants were a big driver of that market. Population growth is a big part of it. That's going to be slower. So you just say, when you work it all through, you say net-net, demand falls. You've got to believe that house prices are going to be softer. I don't think it's Armageddon. I think, when we say 10 percent falls, that just means we're going back to where we were not that long ago. So that's our view. We're not alone in that, most of the banks have got a number that's pretty similar to that. Doesn't mean it's right. But that would be our view.

**Neil Mitchell:** If you made a \$60 billion error, would you still have your job?

**Shayne Elliott:** Unlikely, in my game, we have slightly different requirements. Yes I think I wouldn't be on the phone here today.

**Neil Mitchell:** Just a final point, with your connections in China and the business in China. Is there any chance of playing some sort of mediating role with the Australian government and the Chinese government?

**Shayne Elliott:** For the bank, for us?

**Neil Mitchell:** Well, to try and get them on the same page.

**Shayne Elliott:** That's an interesting question. We haven't been asked that yet. But, we do have really good relationships there. I'm obviously not able to go, but I've been going to China multiple times every year for a number of years. And a lot of what we do up there is try to be a bridge and explain different perspectives to our Chinese customers and vice versa. So, we'd always be available to those sorts of things. Yes.

**Neil Mitchell:** Thank you very much for your time.

**Shayne Elliott:** Thank you.