

## Transcript: Shayne Elliott with Neil Mitchell -3AW Mornings

**Neil Mitchell:** On the line now, as he is regularly chief executive of the ANZ, Shayne Elliott. Good morning.

**Shayne Elliott:** Good morning.

**Neil Mitchell:** Do you agree that inflation is out of control?

**Shayne Elliott:** Out of control is a strong statement. I think it's just a bit surprising to be here today when only a year ago we were still considering rates potentially even going negative in many parts of the world. So, I think it's more surprising than out of control, it sort of crept up on people.

**Neil Mitchell:** I noticed the Federal Treasurer said it was almost out of control, and he was criticised by Terry McCrann who said that's 'like shouting fire in a cinema.' Was it an unwise thing to say?

**Shayne Elliott:** I think what it is, is we're all a bit surprised. None of us has lived through a period like this for quite a period of time. We're at this massive pivot point globally in all sorts of ways, some to do with COVID, some to do with geopolitics, some to do with the outcome of all this excess liquidity. We've had to float around the system. All of those things have sort of conspired to entrench a whole different world that none of us has been used to. Labour shortages, emerging inflation, supply chains, you can't even buy certain things. So I think it's all a bit of a shock, and that's what I think people are reacting to.

**Neil Mitchell:** Now, I read today that you're reducing your lowest variable rate. Is that correct?

**Shayne Elliott:** You're a step ahead of me on that one, I'll have to go and check what we're doing on variable rates at the moment. I think it'll be one product rather than right across the board.

**Neil Mitchell:** Well, it was reported that it was only available to new customers. Would that be right?

**Shayne Elliott:** That's probably right. It's probably a special rate for a part of our book as opposed to across the board. It's a very competitive market at the moment and as we know, all of the banks are out there trying to look at special offers and so we've introduced a special discount around our simplicity plus product. So, that's a pretty important product for people, but it's sort of part of the normal. We've always got specials on, to try to attract business as best we can.

**Neil Mitchell:** I can understand that. But if I'm a regular customer I'm not too happy if a new customer can get the deal, but I can't because I'm a regular customer.

**Shayne Elliott:** Well, that's life I guess. Things are on special at Woolworths and Coles today and certain cars are on special and Qantas have got a special, I mean that's just the nature of life and the way things work. What we've got to do is make sure that our existing customers do get rewarded for their loyalty, and we try to do the best that we can to make sure that rate falls were passed on all the way down, not measuring basis point for basis point, but we do our best to pass those things on. And what have you seen? You've seen the difference between what we pay customers for deposits and what we charge for borrowing actually come down and reduce. So, our margins have reduced pretty consistently over a period of time, and that tells you that in aggregate, customers are getting a better deal.

**Neil Mitchell:** Well, maybe it does, and I'm not an ANZ customer, but if I was and I was paying a higher interest rate than new customers, I'd be saying 'hang on, I've been so loyal to you and what do I do? Shop around and see if the Commonwealth will give me a better deal?'

**Shayne Elliott:** Well, that is always what people can do, and again, with respect, it's no different than sitting on a flight and asking the person next to you what they paid for their ticket and I bet you it's going to be different. Or the people in the hotel or whatever. Consumers should shop around and get a good deal, and at the moment, we've got a great deal out there and hopefully, people will do that. But if you feel you're not getting the best deal from ANZ, call us up.

**Neil Mitchell:** Well, I would. If you're offering a lower variable than I'm able to get because you're offering it to new customers and I rang up, would you give it to me?

**Shayne Elliott:** Potentially, depending on your credit situation. We have to do a credit assessment when you come in and make sure that you can afford it and all those other things. It's like applying for a new loan. Absolutely, people do that and it's their right to do so, and they should. They have to keep us honest. Our job is to make sure we're as fair as possible across the whole range of products. But yes, you should ring your bank.

**Neil Mitchell:** Reports today that I think the number of new businesses that opened in the last year was just on six per cent which is a huge increase. It's pretty game opening a new business in this environment, isn't it? Or do you think Australians are entrepreneurs?

**Shayne Elliott:** Definitely, Australians are entrepreneurs. But let's just look at inflation, why do we have inflation at the moment? Some of it has to do with supply shortages undoubtedly, but a lot of it has to do with what economists would say is excess demand. There's too much money in the system, and that turns itself into people having money and they want to go out and spend it. Therefore, businesses get created to absorb that demand. So absolutely, it's probably not a bad time to be starting a business. Obviously, it depends on what you do and how robust your financials are and what segment. But I think this is actually precisely the time when businesses will be starting. We're already seeing demand for borrowing increase right across the corporate sector. Why? Because businesses see an opportunity to soak up the excess demand out there. They want to provide services to people who have money for that.

**Neil Mitchell:** Okay. By the way, we've checked, it was The Australian newspaper who said '*ANZ drops lowest variable rate to 2.29 per cent for new customers.*' So that's the article I was referring to.

**Shayne Elliott:** Yes, I've just had a look too. It's additional on new products.

**Neil Mitchell:** Okay, how long does it last?

**Shayne Elliott:** I don't know. It's certainly available from now and I guess it'll depend on how successful it is.

**Neil Mitchell:** How is working from home going for you? I was looking at the figures today something like 36 per cent occupancy in the city? Mondays and Fridays are still flat. How do you find it with your staff? I know you're doing all sorts of things to get them in, how's it going?

**Shayne Elliott:** Well I'm in the office, but we're doing about the same actually. It's about 20 per cent of our people who haven't come in at all since about March. So those people are sort of like, really committing to working from home and depending on what they're doing that might be okay. The other 80 per cent of our people are coming back into the office, but clearly not every single day. So, it's sort of plateaued a bit, we had a bit of a rush back into the office, people were excited, they came back, particularly younger people, and people who really want to invest in their career and want to learn by observing others and being

part of a team. But it does seem to have plateaued a little bit, I was just saying to my team in the last two weeks that I'm not sure why. So we're at about a third of our people on any given day in a major office. I don't think that's good enough, I think we need to get people back because I think there's real value from working in teams in close proximity to others.

**Neil Mitchell:** Do you think it might be the new normal though? I would have thought it would have increased by now if it was going to.

**Shayne Elliott:** I think it may well be. I think though, we've got to dig into why some of that is. I worry for the long term. And this is gross generalisation, but I think particularly for people wanting to build a career and learn, that is much harder to do remotely. It's not impossible, but hard. It's how you pick up the culture, right? You observe others, you see what the boss is doing, what they're talking about, you go to meetings, all those things. That's how you absorb. I think people might potentially do their careers damage if they're not really engaged, it doesn't mean they have to be in the office five days a week, I get that.

**Neil Mitchell:** A lot of people changing jobs too. Have you had many resignations?

**Shayne Elliott:** Our attrition is back to where it was before COVID. So we have, obviously attrition fell, people stayed connected to the company, but it's sort of back. The market's hot, Neil. As I said, there's excess demand out there, economic activity is up and there are jobs. What's interesting is when you look at where the turnover is coming from actually, it's generally people who have been at the company for a relatively short period of time, for a year or two. And my theory, I might be wildly wrong, but I think that's because they joined ANZ from their spare bedroom, and they've been sitting there working there and they haven't really made a connection to the company. So it's easier to move. So it's a little bit different than it was, but yes, the total turnover numbers are sort of back to where they were pre-COVID.

**Neil Mitchell:** I was talking to some people yesterday about shortage of workers and I was looking at the figures today, it's quite extraordinary. A lot fewer foreign students coming in, a lot fewer on working holidays, which means that those lower paid jobs, the fruit pickers, the service stations, the car washes are not there. Food prices are going up because of a shortage of pickers and because of the weather conditions. We're told petrol is going up even further, it's going to be well over \$2 now. Where does that take us? Where do we end up then? Do people change their spending habits do you think?

**Shayne Elliott:** They are changing their spending habits, we see that already. People are shifting what they spend their money on. I mean, depending on your circumstances and depending what you do, for many people, things are tight. And it goes back to that environment we've talked about. And so, suddenly we've got all of these strains on household budgets that we didn't have before. Their home loan is costing a little bit more, all the things that you mentioned are costing a little bit more and at this point, wages haven't really gone up enough to offset that and that's why we're talking about the fact that real wages have actually gone backwards. Now, one would imagine and hope that actually wages catch up a little bit, but what we've got to be careful of is we don't end up in this horrible spiral where wages go up almost too much, which only puts prices up again, and we end up in this bad inflationary cycle. And that's what people are worried about. I think over the medium term, no signs that's the case yet, but there's always a fear.

**Neil Mitchell:** I mean the government is saying they'll support 5.1 per cent, would you put a figure on it?

**Shayne Elliott:** All I know is that for our staff, salary inflation is going to be higher than it would have been otherwise. And we had a chat with our people about it yesterday. Over the last couple years it's probably been on average an increase of somewhere in the two, two and a half per cent sort of number. Well, clearly it's got to be more than that, it's probably going to be in the three to four per cent, maybe even a bit higher. I don't know. But we're at the very early stages of the cycle and we'll have to keep our heads about us. We want

our people to be fairly paid, but from an economy point of view, if we let that get out of control that just refeeds inflation and that's when it gets really difficult to slow down.

**Neil Mitchell:** We're getting a few calls about ATMs, have you reduced ATMs further?

**Shayne Elliott:** The ATM fleet continues to shrink as a general observation, that's true. Not the machines necessary in our branches, but the ones out in shopping centres and all that. The sad reality is, across the industry, people don't use cash like they used to. Cash usage, per the last data I think fell about seven per cent per annum, and that's a lot right? Well you know as a rule of thumb you'd say there will probably be seven per cent less ATMs as a result of it.

**Neil Mitchell:** Do you reckon we'll have a cashless society eventually?

**Shayne Elliott:** Not in my lifetime, but I think there will be less and less cash. Cash is actually remarkably efficient technology if you think about it. It works really well right? When you think about your ability to pay for coffee or a newspaper at the shop, it's really efficient, it's cheap to do and it works really well. So, I think there's still a role for it, particularly in smaller payments but obviously, it's going to reduce pretty heavily. I think coins might disappear but people will still have a few notes in their pockets I imagine, over the next ten years.

**Neil Mitchell:** Got any tips on the housing market and where it's going?

**Shayne Elliott:** Well, I think simple economics says that house prices are probably going to be a lot softer. And the reason is, when the cost of borrowing goes up - which it is already, and probably going to go further - that reduces demand. Because people can borrow less, they can't afford the same mortgages they used to have. So, when they turn up at an auction, instead of being able to spend \$800,000, they might only be able to spend \$750,000. So in that world, demand falls. So you have to say house prices will soften a little bit but not a lot. I don't think we're talking about a calamity because the economy is still really strong.

**Neil Mitchell:** And the new treasurer is also saying there are very tough times ahead, do you agree? You've been very optimistic through it all.

**Shayne Elliott:** I am optimistic. Look, I think he's got a tough time ahead of him, I don't envy him his job. He's got us sitting on a trillion dollars worth of debt, and remember, the interest payments on that debt are going to be going up. But they've got a lot of things that they want to get done, rightly, across the economy. I think for your average punter out there, people who have never had unemployment rates this low in their generation, people are confident about their jobs. Wages are probably going to look pretty decent in terms of growth prospects and so I'd say things look pretty good. Companies have been formed. I am optimistic about the future. Not to say there aren't risks, there are always risks but the risks this time look a lot different than they probably did over the past ten years. The new risks are around inflation and overheating and all those other things.

**Neil Mitchell:** Some of your colleagues and other banks are quite enthusiastic about the change of government, and looking forward to working with the new government. Are you comfortable with the change of government?

**Shayne Elliott:** Yes, absolutely. I think we're really blessed here - I know people have different views on politics but - to have both sides that are pretty centrist in their approach. And yes, there are differences, but there are no massive gaps or differences here in Australia. I think, we have sensible people on both sides who are essentially trying to achieve the same thing and are really focussed on making sure people have access to jobs, people have access to housing, and talking about the things that matter in their lives about health care and other things. So, yes, we're totally happy to work with either side and will continue to do so.

**Neil Mitchell:** And I always think New Zealand does things better, which you'd appreciate as a New Zealander. But Australians pay 23.2 per cent of their income in tax, 23.2. In New Zealand 19.3 per cent, Britain it's 14.3 per cent. We're paying too much tax aren't we?

**Shayne Elliott:** It's interesting. At some level, it matters what level of tax you pay, but I think what's really important is what you get for it. I mean, what do your voters or their citizens get for that tax? And what's interesting around the world is if you look in particular at Scandinavian countries, which we tend to look at a lot, is people are actually quite happy to pay higher taxes because they think they get value for it. I think that's really the question, as opposed to is 19 better than 23, I think it depends what you get.

**Neil Mitchell:** Okay. Thank you so much for your time, let's talk again soon. I appreciate your time.

**Shayne Elliott:** Thank you.

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