



Rudd warns Westpac after banana stunt

By Colin Brinsden
December 09, 2009 4:25PM

WESTPAC points out it's not the discount airline of banking, but comparing itself instead to a banana smoothie seller has done little to soothe its relationship with the Prime Minister.

Westpac remains unapologetic over raising its standard variable mortgage rate by nearly double last week's official cash rate increase.

The nation's second largest bank told analysts on Monday that it was not the "Jetstar of banking".

But likening itself to a business selling banana smoothies hit by rising fruit prices after storms decimated banana plantations has not impressed Prime Minister Kevin Rudd.

"A bank is a business that buys and sells something ... only in this case that something is money," Westpac says in a video attachment to an email sent to customers.

Mr Rudd said the bank should take "a long hard look at itself".

"(They are) talking about people's most basic things in life - a mortgage, an affordable mortgage, to underpin things as basic as a home," Mr Rudd told ABC Radio in Townsville today.

He said the bank had done "the wrong thing" through its rate hike and urged customers to take their business elsewhere if they were concerned.

Family First senator Steve Fielding said Westpac was living in "fantasy land", but he also called Mr Rudd a "hypocrite" over the Government's handling of excessive rate increases by the retail banks.

He said if the Government really wanted to stop the big banks slugging customers, it should use Family First's draft laws introduced this year to protect families from unjustified interest rate hikes.

New data released today showed consumers with a mortgage were beginning to feel less chirpy after an unprecedented three interest rate increases in as many months.

The monthly Westpac-Melbourne Institute consumer sentiment survey found confidence among people with a mortgage fell 8.9 per cent in December, while confidence among renters

rose 1.6 per cent.

Overall sentiment fell by 3.8 per cent, which Westpac chief Bill Evans said was "surprisingly modest", having expected a much sharper fall.

In comparison, when the RBA lifted the cash rate in March 2005 and the variable mortgage rate was increased to 7.3 per cent from 7.05 per cent, the sentiment index fell by a massive 15.5 per cent.

"Each subsequent increase in mortgage rates over the course of 2006 and 2007 generally saw double-digit falls in the index," Mr Evans said.

"With households now holding even more debt relative to their incomes we expect that we must be getting close to levels of the variable mortgage rate where households will become much more sensitive."

Mortgage rates are currently around 6.5 to 6.75 per cent after the latest round of rate hikes.

Mr Evans said encouraging news on the labour market was probably helping to offset rising interest rates.

The number of people employed grew by some 25,000 in October, on top of the 40,000-odd increase in September.

Economists are expecting a more modest 5000 increase when November labour force data are released tomorrow.

This won't be enough to stop the jobless rate ticking up to 5.9 per cent, which would be the highest level in over six years.

The Government's own leading employment indicator released today pointed to an acceleration in jobs growth above the long-term trend of 1.8 per cent after the index rose for the sixth month in a row.

Source: <http://www.news.com.au/breaking-news/rudd-warns-westpac-after-banana-stunt/story-e6frfku0-1225808733709>