

Swan warns banks on rate moves outside official hikes

Posted by [LC Team](#), Thursday, July 24, 2008

“There’s a global credit crunch which is putting upward pressure on rates,” Mr Swan told journalists in Sydney.

“They (the banks) have a choice between their shareholders on the one hand and their customers on the other.

“They need to take great care in taking decisions on passing on rate rises outside the official cycle.”

Mr Swan said there needed to be an “eagle on competition” in the lending market.

Economist today said the figures dashed hopes of an official rate cut by Christmas.

But many don’t think the numbers will pressure the RBA to hike rates again in the short term, after the cash rate was raised to 7.25 per cent in February, because the economy is showing signs of cooling.

Mr Swan said the June quarter CPI confirmed that high global oil prices were hurting.

He noted that the RBA’s preferred underlying measure of inflation was at its highest in 16 years.

On average, the RBA measures posted a quarterly rise of 1.1 per cent, with the annual rate edging up to 4.4 per cent from 4.25 per cent.

“We inherited inflation at a 16-year high,” Mr Swan said.

“Now that didn’t happen overnight, it’s been building for a long time and it will take time to deal with.

“Putting in place the budget is just the beginning of the long-term battle to combat inflationary pressures in the Australian economy.

“It’s certainly going to take a significant amount of time.

“We have probably the most difficult global conditions in 25 years, no doubt about that, in terms of the global liquidity crunch. That is putting upward pressure on rates,” he said.

Mr Swan said sky-high global oil prices and higher rents had pushed up the rate of inflation in the June quarter, and he wasn’t surprised by the figures.

“No, I’m not surprised because underlying inflation is at a 16-year high, and it’s been there for some time,” he said.

“We inherited very significant inflation pressures.

“We put our hand up on day one to say we would deal with them.

“And we have been dealing with them through budgetary policy.

AAP