



PRIME MINISTER

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INTEREST RATES

The action of the trading banks this evening in reducing interest rates on a range of bank loans is welcome. This is particularly so in the case of the .5 percent reduction in the maximum overdraft rate on loans of less than \$100,000. I am pleased that this reduction will also apply to new term loans and to new farm development loans of less than \$100,000.

Earlier this year the trading banks and savings banks reduced their interest rates on housing loans by .5 percent.

The present action of the banks is an extension of these reductions to other types of lending.

It is to be expected that, on average, a .5 percent interest rate reduction will also take place on banks' loans of above \$100,000. Many other private lending rates to businessmen, farmers and individuals have come down during the past year, by 1 percent and more, and I am hopeful that these reductions will be followed up in other sections of the market.

Commonwealth bond yields have now come down by up to 1.7 percent (in the case of long-term bonds) since September 1977.

These reductions are consistent with the objective of maintaining proper control of the money supply. The Government will continue the policy to lower rates on a sustainable basis as inflation is reduced and as general economic conditions permit.

With yesterday's reduction of .25 percent in the interest rate on Australian Saving Bonds, the interest rate on these securities has now come down from 10 percent to 8.75 percent since September 1977. I expect this latest reduction will soon be followed by reductions in other rates. In the case of building societies I am pleased to see that various societies are independently taking action to lower their rates.

Interest rates on housing loans have come down in the case of permanent building societies, by upward of .5 percent, in the case of savings and trading banks by .5 percent, and from finance companies and life offices by about 1 percent.