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## PRIME MINISTER

FOR PRESS

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### REDUCTION IN BANK INTEREST RATES ON HOME LOANS

The Prime Minister today welcomed Friday's announcements by the Chairman of the Australian Bankers' Association and the Governor of the Reserve Bank of Australia that the savings and trading banks are prepared to reduce interest rates on most new and existing home loans.

The announcements, which follow discussions between the Reserve Bank and the Australian banks, state that lending rates on most bank housing loans will be reduced by 0.5 percent where the borrower resides or intends to reside in the home.

The savings banks have also indicated their intention to reduce their interest rates on savings investment accounts by approximately 0.25 percent.

These reductions follow an earlier reduction in savings bank interest rates of 0.5 percent in February this year. The Prime Minister said that these reductions will be of great benefit to home owners using bank finance and to prospective home buyers.

For home buyers with a home loan of \$25,000 being repaid over 25 years, the total 1 percent reduction in interest rates will mean a saving of the order of \$17 a month -- \$5,000 over the period of a new loan.

The Government's anti-inflationary policies have created the economic environment in which such reductions in interest rates are possible. These reductions will be further strong confirmation that the Government's economic policies are working.

The reductions in housing interest rates over the course of this year will give a further boost to confidence and over-all economic activity and in particular will assist the building and related industries throughout Australia.

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The proposed reductions in bank interest rates require similar reductions in building society rates. I have accordingly sent a message to the Premiers in the following terms:

My dear Premier,

By now you will no doubt have heard that the Chairman of the Australian Bankers' Association and the Governor of the Reserve Bank have announced that savings and trading banks have indicated a willingness to make significant reductions in housing interest rates and interest rates on savings investment accounts.

You will recall that we discussed the desirability of reductions in housing interest rates at the Loan Council meeting in Melbourne on 6 November.

We agreed that it is desirable that the rates for banks and competing institutions, and in particular building societies, should come down in co-ordination.

In the light of Friday's decision by the banks I would urge you to seek such comparable reductions in building society rates as you believe to be practical and responsible. I should be grateful if you would inform me of the progress of your consultations with the building societies.

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