News Release

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Transcript – ANZ CEO Shayne Elliott speaks with Tom Elliott on 3AW Drive

Tom Elliott: All right. Well, the, ANZ Bank yesterday reported its half year profit, and like all the big banks do, they made a lot of money. Their statutory profit after tax was $3.41 billion. However most of the profit metrics that the ANZ uses, because there's more than one of them, was slightly down. And the bank said that there was significant stress in the economy. Our next guest, CEO of the ANZ Bank, Shayne Elliott. Good morning.

Shayne Elliott: Good morning.

Tom Elliott: Is that true that our economy is under stress?

Shayne Elliott: Oh, absolutely. There's stress, depending how you think about it. Cost of living is real – inflation, people are paying higher taxes, bracket creep, interest rates are higher. So for many, yes, their household budgets are struggling and we see that in our numbers. We see that people are changing the way they spend their money – they are cutting back. And we also see that there are more households who are struggling to keep up with their home loan payments. Not too many, which is good, but there are more than there has been. So, yes, there's definitely stress.

Tom Elliott: I mean, for example, we've got a report on Melbourne's coffee culture, would you believe, and it says that people are buying smaller cups, they're drinking more instant coffee, they're not buying a muffin to go with their coffee. That's consistent with, you know, household incomes being, under some stress, isn't it?

Shayne Elliott: Absolutely. Funny you say that – I didn't know you were talking about coffee – I was just saying to my team, you know, we have a whole bunch of retailers around here in Docklands, and there's no doubt that the local 7-Eleven, which does $2 coffees, cappuccinos and whatever – it's got a got a line outside. And so, yes, absolutely, people are changing the way that they spend their money.

Tom Elliott: Now the ANZ Bank is headquartered in Melbourne, of course, though it is a national bank. What did you think of the state government's budget yesterday? We just spoke to the Treasurer, Tim Pallas. What did you make of it?

Shayne Elliott: Clearly they've got a whole bunch of very difficult decisions to make in terms of how do they keep their services current. And there obviously are needs to spend a bit more here and there. There's trying to spend for the future and build a better state for all of us, but at the same time, coping with the burden of quite high levels of debt. Look, relative to the state, ANZ's a pretty small business, and I know how hard it is to get those balances right, we're the same, right? We need to keep services current so that people can go about their banking, but we've also got to take enough money aside to pay our shareholders – but also invest heavily, making sure that we're relevant and contemporary for the next generation. And so it's a difficult thing to get right. I think there was some really good balance in some of the decisions. You know, they've cut back, cancelled some of the projects, but then on the other hand, they've been willing to put a bit of money out there for families in need. So I think it's a balanced approach. But you know, as I said, difficult when you're sitting with that level of debt.

Tom Elliott: And let's just say the state government was a customer of the bank's and you were just trying to assess them as though they were a household, I know governments are different from households, but I mean, if you look at their cash flow projections and their debt projections – everything's still trending in the wrong direction. Despite the cuts that they've made, debt for the next four years – and probably well beyond – continues to rise.

Shayne Elliott: That's true. But you know, again, it's a difficult thing to compare them to a household. But let's imagine more to business. It's okay in many cases to have debt – it really depends on what you've done with the debt. Are you building for a stronger future? If you've just gone and, you know, spent it, to have a good time, that's very different to say, "No, no, I've gone and built infrastructure that ultimately will build the tax base of the state". Now, I don't know enough about all of that, but I think there's two types of debt, as I said – debt that's sort of been wasted and spent; and debt that's actually been an investment in the future. Because ultimately, if you can increase the attractiveness of Victoria, make it easier to do business, you know, increase the tax base over time, then that's an investment in the future. And that would be a positive.

Tom Elliott: Now, clearly, interest rates are crucial to the Victorian government's future success or not, as they are to Victorian households. And I noted with some concern yesterday that the Reserve Bank hinted that the next move in interest rates could actually be up because inflation isn't going away. Is that something you're worried about?

Shayne Elliott: Yes, and we've been worried about that for a little while. I think we made that point 6-7 months ago, when everybody was really excited and thinking interest rates were going to come down tomorrow. We did make the point that this inflation looks like it's stickier than we might like, not just in Australia, by the way – globally. And if it is stickier, then don't get too excited. If the rate cuts are coming, they're probably going to be a lot further away. And you cannot rule out rate increases. And we said that, as I said, six months ago and continue to have that view. Again, our view is that the next move will be down, but it's probably not until next year. But you can't rule out an increase. And one of the big factors is we've got the Budget. Let's see what that does. Obviously, the Federal Treasurer is saying it's not going to be inflationary, but let's wait and see. And of course, you've got the tax cuts coming through in a couple of months – and that puts money into people's pockets. I imagine we're going to have to wait and see what do people do with that money. Now if people pay off the debt, that's very different. If they run out and buy new flat screen TVs, that'll be very different. So we have to wait and see.

Tom Elliott: What about Victoria's credit rating? Currently it's the lowest, I think, of all the states and the territories. I think it's AA and most of the others are AAA or AAA+. I've spoken privately to people who work at both Moody's and Standard and Poor's and they sort of say, well, unofficially, the state is under review. And in fact, it seems to me likely that our credit rating could be cut again. Is that a real risk?

Shayne Elliott: I think, again, they'll know more about it than me. I mean, it clearly is a risk. It's not something anybody would want. I don't think anybody sits here and plans to have a credit rating cut. Look, it's still AA – it's still very, very strong in a global sense. Okay, they've got amazing neighbours around and other states are AAA, but you know when you stand back and think of that globally, it's an amazingly strong credit rating that most would be very, very happy with. But you wouldn't want to… nobody would wish for it to be downgraded.

Tom Elliott: No. That my concern is more...

Shayne Elliott: More interest costs, right.

Tom Elliott: …exactly, yeah. That's the concern. I mean, at the moment, almost 10% of state revenue is being spent servicing debt. Can I ask you – going back to your bank, the ANZ Bank. The future of banking. I was walking past your very impressive banking chambers at 388 Collins St the other day. And I know you're doing tours and things, you know, "This is the way banking used to be done". But is it true that we're sort of moving towards a cashless, and possibly a branchless system of banking in the next 10 or 15 years?

Shayne Elliott: I don't think we're moving to a cashless or branchless future. We are moving toward a "less cash" and "less branch" future, if that makes sense. I don't think we're going to eliminate cash, but the reality is today, cash is only something like 13% of all transactions in the economy. It's not that long ago – and I'm not talking ancient history, I'm talking like ten years ago – something like ten years ago, well over 50% was cash. Now, it's 13% and the projections are that that will halve in the next five years – it'll be 5 or 6. So there'll be less and less and less cash. Something about half of Australians leave their home in the morning with no cash, because they don't feel they need to. And therefore if there's no cash then there's sort of less need for branches as well. So there'll be changes. Just like there have been over the last 200 years, there will continue to be change.

Tom Elliott: Do you think it's legitimate for businesses – and a lot of businesses would be clients of the ANZ – to charge people for cashless transactions, you know, 1 to 1.5% – but also refuse to take cash? And I've encountered that at quite a few businesses.

Shayne Elliott: Yeah I know, and I have too, and some of them are customers of ours. I mean they will make the argument – and I've heard the argument that actually handling cash is really expensive: they've got to do lots of reconciliations at the end of the day depending on what you're doing; if you're in food services, it's dirty and all those other things – so they make the choices for them. I think, at the end of the day, businesses should be able to do what they want as long as it's transparent and people have a choice. I think it's up to businesses to decide how they want to get paid and what they want to charge.

Tom Elliott: Well the problem is it's often transparent, they often don't get a choice. I mean, plenty of places say they don't take cash and they will slug you with a credit card payment fee.

Shayne Elliott: Then don't shop there, if you don't like it, shop somewhere else.

Tom Elliott: Yeah. Have you got plans to get rid of many more ANZ branches?

Shayne Elliott: We don't have plans to get rid of them. What we have plans to do is to respond to what customers want and use. And so the reality is customers, as I say, they're using less and less cash. That means, almost hand-in-hand, that they use branches less and less, because why do you need to go to a branch? And so we are seeing a reduction in need for branches – and so we have to keep adapting. Now I know people focus on branch closures, but we do open branches and we refurbish branches. I was just in – I know it's not Victoria – but I was just in the Northern Territory, which is opening a brand new branch in Darwin, and we just refurbished our branch in Tennant Creek to make them more appropriate. So it's just changing. But I think the reality is there'll be less branches in the future. I think we should just understand that that's the trend – that's the world we live in.

Tom Elliott: Shayne Elliott, CEO of the ANZ Bank. Thank you for your time.

Shayne Elliott: Thank you.

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