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FOR IMMEDIATE RELEASE

10 February 2012

## Where to now for Monetary Policy?

Today's decision by the ANZ bank to increase lending rates by 0.06% is unjustifiable, and creates a major problem for the effective operation of monetary policy for the Federal Government, said the Housing Industry Association (HIA), the voice of Australia's residential building industry.

"The decision to increase rates in the same week as the RBA left official cash rates on hold is an immediate blow to families, small business and the economy," said HIA Managing Director, Shane Goodwin. "And the universal condemnation that the bank can expect is justified."

"However, the more profound issue is what this means for the execution of an effective monetary policy in Australia into the future."

"The economy, and therefore all Australians, has a high degree of dependence on the actions of the Reserve Bank in setting monetary policy."

"The RBA has an inflation range which they consider appropriate for the economy and when inflation moves outside this range, interest rates are adjusted to stimulate or put the brake on economic activity as appropriate."

"This has traditionally been an effective policy tool, when assisted by financial institutions acting in unison with the RBA."

"But when the banks signal that they no longer believe that there is a nexus between the RBA's decisions on rates and their own lending policy, then the RBA and Federal Government – and the economy - have a real problem."

"To increase lending rates in the absence of an RBA interest rate move upwards is unfathomable especially in the current economic climate."

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