

## **Transcript: Shayne Elliott with Ross Stevenson and Russel Howcroft – 3AW – 07/10/20**

**Ross Stevenson:** You watched the budget. I didn't. Josh Frydenberg's thrown a staggering \$507 billion in tax cuts, cash payments and wage subsidies to drive business investment, in last night's budget. Shayne Elliott is the CEO of the ANZ bank. Shayne, good morning to you. Are you happy with the budget?

**Shayne Elliott:** I think you have to be happy with the budget, yes.

**Ross Stevenson:** Because of the amount of money it's going to put in the pockets of people who will spend it rather than save it?

**Shayne Elliott:** Well, you'd have to say the Treasurer has followed the doctrine of overwhelming force here. They've thrown everything at this in multiple pockets, they've put money into all sorts of pockets. I've thought about it and I would describe the budget in 12 words or less: 'money's cheap so borrow big and incentivise others to invest, spend and hire'. That's sort of what the doctrine is here and there's going to be people quibbling at the edges about which pockets it went into, but I think it's pretty comprehensive.

**Russel Howcroft:** So Shayne obviously this is about business getting up and going and wanting to invest and getting energised. Do you think it will have that effect?

**Shayne Elliott:** I think it will. Yes, it's going to have that effect. Some of these are going to be much more attractive than others and what we saw in the last round of stuff, things like this instant asset write-off – allowing people to go and buy a truck or a piece of machinery and write that off quickly – that was hugely attractive and there's a big chunk of that again in here, so I think things like that will work really, really well. What they've done well here Russ, is they've sort of hedged their bets. What we saw in the first round, some stuff hit the mark and was really effective and some sort of missed it a bit. So they've taken a bit of a scattergun approach of 'let's try lots of things' and I imagine there's a little bit of hedging here saying 'look, we'll take it for granted that not all of these things are going to hit the mark', but overall it's pretty powerful.

**Ross Stevenson:** Shayne, we are in lockdown here in Victoria, as you know, and we are going to be for some time I fear. Will these measures work when you're in lockdown or will they work when we get out of lockdown?

**Shayne Elliott:** Well I'm here with you, so I would say they are much more effective out of lockdown. The problem we are seeing at the moment today with our customers is just the uncertainty. It's fine, you can give me all sorts of incentives, but I still don't know when I'm going to open my shop or my restaurant or my factory and until I really know that and until I really get a sense of sales and revenue and customer activity it's a bit hard for me to say I'm going to go and hire people under the Job Maker scheme, or I'm going to go and buy a new truck. So yes, it's completely dependent on confidence around the lockdown scenario. So yes, Victoria will still be a bit of a lag.

**Russel Howcroft:** So Shayne, the measure debt to GDP is something which we're all learning about now. It's getting up there, is it okay?

**Shayne Elliott:** Well, it's a good question. It's high by historical standards, we've never been this high for 50-odd years or something, since the 1950s. It's low by international standards, we're going to peak at 55 per cent of GDP, Japan's at 200. So I think it's kind of hard to know what's right. The difference here though compared to the past is money is cheap. So the reality is, look, yes it's a big number and we still have to pay it back. We're in this game all day, banks, it's easy to lend money, it's easy to spend it, the hard bit is

getting it back. But the good news is, the cost of funding it, the interest bill is literally zero. So I think the servicing costs – just like lots of mums and dads out there with their mortgages – your servicing costs on your mortgage today are so low that you can probably afford to take on a little bit more debt than you would have otherwise. So I think it is absolutely a reasonable number and I don't it's anything to be particularly concerned about.

**Ross Stevenson:** Shayne, Russel and I, in terms you would understand – sorry that sounds insulting – what I'm saying is, we decided yesterday that yesterday was day one of 14 days that would end on October 19, where we're supposed to get out of restrictions. So in order to average 5 cases a day, we've got 70 cases to spend, call that 70 dollars. We've got 70 dollars to spend between now and the 19<sup>th</sup> of October – we spent 15 bucks yesterday! Which means that we now must spend no more than \$4.23 a day. My question to you is, do you rely on government modeling about cases, or do you do modeling of your own?

**Shayne Elliott:** We don't do modelling. It's a really good way of putting it actually, the way you've described it. No we don't do our own modeling. And the reason we don't do our own modeling is because we just don't have access to the same data, I don't know where these clusters are and we just get the same press conferences as everybody else. So no, we don't do that.

**Ross Stevenson:** Shayne, lovely to chat with you ... what do you make of the stock market by the way? How is it at the level that it's at given the trouble we're in?

**Shayne Elliott:** It's a good question isn't it because a lot of people would sit there and go 'how on earth? Unemployment's high, all these businesses are under stress how on earth can the stock market be high?' I think it all boils down to that idea, money is cheap. And so because money is so cheap and there's so much money around, it's got to go somewhere right? And so people sit there and go 'well look, I put it in the bank, I get nothing. I don't really want spend it per se, so I invest it for the future and stocks look pretty good'. You look at the dividend yield and even though dividends have been cut here, there and everywhere but the stock market is still reasonably good value on that basis and that's what people do. So they basically say 'hey, look my return hurdle, my expectations are so low, I'll put it into the stock market'. So I think there is a logic to it. The real issue, when this gets really sort of messy and potentially all unwinds is, what if interest rates suddenly had to go up? Now, nobody is predicting that anytime soon, but that's the big bogey in the room. Because then, hey all that government debt is suddenly really expensive and all that other stuff starts to unwind. But that's obviously not on the horizon just yet.

**Ross Stevenson:** Good on you Shayne, thanks for your time because you'd be a busy man. Shayne Elliott, CEO of the ANZ bank.