

TRANSCRIPT

3AW INTERVIEW - 04.02.22

Mornings Host Neil Mitchell and NAB CEO Ross McEwan

Neil Mitchell, 3AW: Ross McEwan from the National Australia Bank. Good morning.

Ross McEwan, NAB CEO: Good morning Neil. How are you?

NM: Well, thank you. What's your view of the West Australian border being closed in terms of business? Alan Joyce from Qantas today said it was like North Korea and un-Australian that the borders were still closed. What's your view?

RM: Well, I'm not surprised that Alan has got so upset about it. You can't run a business with the rules changing all the time. We'd assumed that the borders would be open by now that was the timetable and then all of a sudden, we've still got them closed. It's a bit like my county of New Zealand, changing the rules constantly, we just need some consistency so we can plan and get on with business.

NM: So, it affects the bank as well, does it?

RM: Yes, it does. And it affects business customers and we just need to know what the rules are, and let's stick to the rules so that we can plan accordingly. You're seeing this with the big cities closed at the moment, Sydney and Melbourne. This is having a massive impact on those businesses, particularly the small businesses. With this thing about 'stay at home if you can'. Well people just stay at home. I saw down Chapel Street and Bridge Road the other day night clubs jammed with people with no masks, but you know, it's not safe to come into the workplace. We need to get these cities moving again.

NM: Who do you put that responsibility on? The State Government?

RM: Well, I think it's the states, and I know they've been trying to protect everybody and look after everybody, but we are well and truly vaccinated. People need to start taking some responsibility. If they're not feeling well, don't come onto the work site. If they are, let them come on in. Encourage it so that we can get businesses going again.

NM: I have some figures from the ANZ this week. I think 3% of their staff in Melbourne, only 3%, are in the office. What percentage of yours would be in the office?

RM: It would be about the same. I'm in the office and there would probably be about two people per massive floor. You'd be safer in here than you would be certainly at a nightclub or certainly going to the tennis or the AFL. You'd be safer in the workplace. I think we need to encourage people back.

NM: How many people do you have in Melbourne? How many staff?

RM: We've got about 14,000 across Victoria, most of them in Melbourne. We've got two very large buildings here. One of them is brand new and as I said, we've probably got about two people per floor. It's a shame and I think it all comes back just to saying to people 'if you can work from home, you should'.

NM: The state government says. Have you given your employees a date to come back into the office?

RM: We had them coming back this year and then when Omicron came, we pushed it back until the end of January. Now with the requirement to 'if you can work from home do so', I think we need to change that to 'if you feel safe, let's get into work'.

NM: Have you set a date for your people?

RM: At this stage we're just waiting to see what the state governments say and we've said to people if they can't work at home, come on in. The building is here, and you should feel reasonably safe.

NM: You personally work from the office?

RM: I've been working from the office.

NM: The city's dead, isn't it? It's really struggling, the city of Melbourne.

RM: I think Melbourne and Sydney, and look I think it all comes around to the instructions that people are given. And we have been abiding by what the States have been saying to us. As I said, you can go to the tennis, you can go to the AFL, you can line up to go to a nightclub without a mask there, but it's not safe to come to work. I think we just need to quietly rethink those now as people have done all the right things about getting vaccinated. It would be great to have people back and it would be great for businesses. There are so many small businesses in Melbourne and in Sydney that are really struggling because there's no one in the town.

NM: Does the state government consult you?

RM: Look we've had some conversations. They're very well aware of our views. They're looking at the health issues, but I think we need to look more broadly now as we start to emerge out of the real devastation that has been caused by Covid and try and get the country back to a normal state.

NM: OK. Interest rates. Commonwealth Bank, I read this morning, is raising interest rates. Is it inevitable you will?

RM: Look, all banks have been moving interest rates, particularly the fixed rates, up. Standard variable haven't moved. Just a reminder that I think we've had 18 cuts since 2010. The cash rate back in 2010 for 4.75%. It's now 0.1%, so I think it's inevitable it's on its way back up again and you're starting to see that in the fixed rates because our cost of money is going up because when we borrow it out of wholesale markets or institutions, their expectation is we are going to be paying more and that's why you're seeing fixed rates going up now without the Reserve Bank moving the overnight cash rate.

NM: The Reserve Bank is confusing me though – one minute they're saying nothing until 2024 and the next thing 'maybe this year maybe not'. How do you interpret the Reserve Bank's advice? I take the point you're saying is that the market is going to put up interest rates regardless.

RM: Yes, the market has already anticipated and therefore we're seeing the cost of our money going up which gets passed on, particularly in fixed rates, and that's why you're seeing the change. I just think that with inflation starting to build and unemployment at an incredibly low 4.2%, you are going to see interest rates going up. It's just a matter of timing. But the rates are still very, very low.

NM: Yes, but a lot of people have overcommitted. What's your advice to mortgage holders? Perhaps even come back a step. If you look at the housing market, people are still going out there and paying a hell of a lot of money for houses and perhaps over-committing themselves. What's your advice to people there? Is it time to be cautious?

RM: First off, we don't assess them against the interest rate that they're paying when they take out their mortgage. There is a buffer we put on top of that of an additional 3% so that we do know that they can pay higher interest rates should they be required to. Because we know interest rates go up and down, and they're very much more likely to go up than down in the next few years. So, we assess a customer on a greater rate than what they pay.

What we've also done here at the NAB is, where interest rates have dropped, we haven't moved the payments down on behalf of those customers. So, they are paying a lot more off their principle, not interest, so there's a big buffer in our book. The average, and it's always dangerous on averages, the average of our book has forward paid already about 4 years of interest payments because of those measures. And there's at least 70% of our book that are a month in advance on their payments. But if they are starting to get into difficulty, talk to their bank early. Don't be frightened about talking through the problem.

NM: What would be the range of, if I was to come to you, I know there would be a range of different products, but the range of interest rates for a house mortgage?

RM: Well, you can still get a fixed rate in the twos, in the two percent range. One-year at 2.54%, two-years at 2.69, through to a 5-year at 3.59. The basic variable rate is still 2.29, so very low rates.

NM: What sort of increase are we looking at do you think?

RM: Our assessment over the next probably 12 months is to be up 75 basis points, 0.75%. Look, that depends on what inflation starts to look like. Rates are going up. They've already started in the fixed rate, which is an indication.

Joe, caller: Ross, just a question, do you have an idea of Footscray at all?

RM: Do I have an idea of Footscray?

NM: Yeah, do you know Footscray?

RM: Yes.

NM: What's your point Joe?

Joe: How come National Australia Bank is the only one that's closed its branch. There's no branch of NAB in all of Footscray.

NM: Alright, thank you Joe. Reaction Mr McEwan.

RM: We have been looking at where our branches sit and there'll be one in a reasonably close area to Footscray because we've got 566 branches around the country. Where the branch itself isn't being used, we make the modifications. But we're committed to having a good range of branches – and Joe, if you can give us your details, we'll find you the local one.

NM: Hang on Joe, we'll get it off you. I think you closed, am I right, 70-odd branches in 2020-21?

RM: I think over that period of time it was more around 60. Yes, we did. And as I say we've got 566 branches around the country. The use of branches has dropped, we know that – and we've got to modify our branch network. More and more people are using their mobile phone, or their laptop to do their banking, because it is easier for them. But we are committed to having a good branch network.

NM: Do you think we'll see more closed this year if there's been 60 in the past two years?

RM: I think you will. As less and less use of the branches is taking place, I think you will see branch numbers reduce. But only as the numbers relate to customer usage.

NM: Westpac is today reported to be cutting costs – are you doing that as well? Will you need to do that?

RM: Look we've taken a slightly different approach. I've been trying to grow the business, which we've been very successful with. We do have to keep a close eye on costs, particularly as inflation takes off. We've said that we're just going to hold our cost structure to where it was about two years ago. So it's nowhere near the numbers that some other banks have talked about reduction. I'd rather actually get our service levels right, get our bankers back into the marketplace, look after our rural communities with bankers. So we've been investing very heavily in our business and it's showing through.

NM: Where's your call centre, by the way?

RM: They're all in the cities and towns of Australia.

NM: Ok. We've talked about the city, but are you optimistic about recovery?

RM: Look, I am. And if you look through the numbers we're seeing – Andrew Irvine, my head of Business Banking was out with some numbers yesterday – we had a quieter start to January, but the latter part of January into the early part of February has been very, very strong and if you look at our business banking results last year, the latter half of last year, the momentum has continued. There is still good growth in this Australian marketplace but, some businesses, particularly the city ones we've talked about, are really hurting. But overall, Australia's growing and it's showing through in our business banking numbers.

NM: We've talked about the state government getting people back to work, what do you want from federal and state government now?

RM: We want students back, we want immigrants able to get back in. Every business needs people to work for them and that's the biggest complaint I'm hearing from our customers: 'I'm struggling to get people to work' ie not enough people. And that's what we need – the borders back open again and we need to allow the students and the temporary and the permanent migrants back into Australia like we've done for decades. That will be the best thing that helps.

NM: Just finally, I'm getting a message off air that you've cut back on the number of ATMs, is that correct?

RM: Yeah, look we've got about 880. We've got about 880, that is down a small amount. Not hugely down, though. And again, ATM usage, cash usage, ie taken out of ATMs has dropped quite dramatically over the last couple of years. People are using their card or their mobile phone to actually do the transactions so, and they're all free remember. So you know, people can use them for free. And I think they're using them less and less as it stands.

NM: Thank you for speaking to us. Sorry you're a bit lonely in the office. I agree, I hope people are back in there soon. Thanks for talking to us.

RM: We'd love to get them back and get this city going again, Neil.

NM: Thank you. Ross McEwan, Chief Executive of the National Australia Bank.

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