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# Banks could hike rates regardless - Swan

By staff writers and wires

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FEDERAL Treasurer Wayne Swan has warned that banks may be forced to raise [interest rates](#) independent of any action by the [Reserve Bank](#).

While welcoming [Australia's better-than-expected economic growth](#) in the June quarter, Mr Swan said global financial pressures were still having an impact.

It could force the banks to lift rates ahead of the RBA, he said.

"There may come a time where events in international markets increase the cost of global funding (and) increase to the point, where rates may be pushed up by the banks," he said.

"But they'll want to have a very, very good justification for that.

"They'll want to be able to prove that their funding costs were certainly on the move."

Mr Swan said official interest rates were on an "emergency" setting and suggested they would have to rise as economic conditions improved.

## Bank guarantee up for debate

Still on the economic growth figures, Mr Swan said the bank deposit guarantee was part of the reason why the Australian economy was able to continue to grow despite ructions around the world.

The Federal Government has said it will leave its bank deposit guarantee in place for three years and will look at the term funding guarantee for banks when global financial conditions normalise.

The guarantees were put in place last October when the global financial crisis reached its peak just after the collapse of [US investment bank Lehman Brothers](#) and at a time when banks were struggling to raise funds on global markets.

"No country can unilaterally remove its guarantee," Mr Swan said.

He said it has kept the flow of credit going in the economy in a way it hasn't in others, but will be up for discussion at this weekend's [G20 meeting of finance ministers](#) in London.