

Canada have lower interest rates. I am not sure if that is because they have greater access to local money, but could you characterise some of the differences and where Australia sits within those kinds of debates in terms of our reliance on international funds?

Mr Munchenberg—I cannot give any precise answer off the top of my head. We can provide that information if you wish.

#### Response

We have looked through the national data sources that are available for OECD to prepare the attached table that outlines the proportions of total bank sector liabilities coming from each source for 12 countries.

The Australian share of foreign funding - at around 20% - is not substantially higher than that seen elsewhere - in fact there are several economies with a far higher share of foreign liabilities in their total funding mix.

The economies with particularly high ratios of foreign funding fall into two groups

- those with very big banking sectors relative to the size of their economies and where these banks have very big foreign operations - so there are a lot of foreign liabilities and assets relative to the scale of the economy and national banking system - eg Switzerland, Belgium.
- those big financial centres with lots of assets and liabilities washing through the institutions located there - UK and Ireland

Where Australia and New Zealand might be different to these other economies with high ratios of foreign to total liabilities is that there is much less offset in the form of foreign assets - instead the banking systems have been the conduit through which the big current account deficits in both places have been funded and the counterparty to foreign liabilities is often domestic assets (eg housing mortgages) rather than foreign assets. So the net position of the Australian and NZ banking sectors could be their real differentiating factor rather than their share of foreign liabilities in total funding. Unfortunately we are unable to access overseas data to demonstrate this.

In essence therefore, while on liabilities (the amount borrowed overseas), Australia does not stand out, this is not matched by large amounts of overseas assets, therefore Australia is a large net borrower.

**STRUCTURE OF BANKING SECTOR LIABILITIES BETWEEN RESIDENTS AND NON-RESIDENTS**

<i>Country</i>	<i>% domestic liabilities</i>	<i>% liabilities to non-residents</i>
Australia	80	20
New Zealand	68	32
UK	48	52
Netherlands	80	20
Finland	82	18
Ireland	46	54
France (deposits)	71	29
Belgium	48	52
Spain (deposits)	78	22
Switzerland	45	55
South Africa	88	12
Canada	77	23

Source - Central bank statistics