

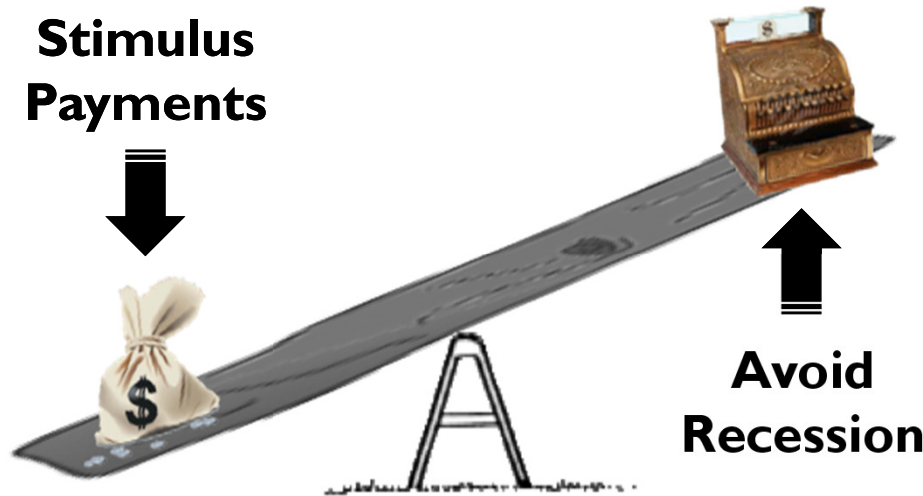


Part 2

Behavioural Modelling of the Household Stimulus

Purpose of Study

**Stimulus
Payments**



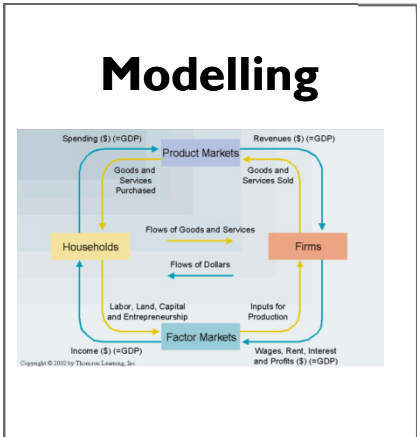
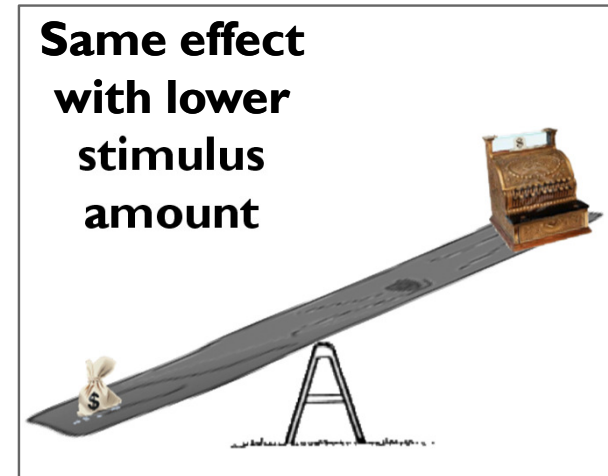
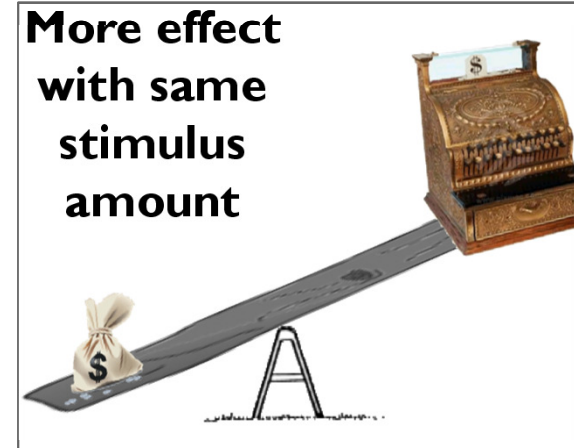
**Avoid
Recession**

Question:
By what mechanism did
the Stimulus influence
economic activity?

Answer:
Consumer
Spending.

Purpose of Study

Who spent (versus saved)?
How much did they spend?
What did they spend on?
When did they spend?



The “House Money Effect”

No-Windfall Decision

Choose between:

- (a) A 50% chance to win \$39 and a 50% chance to win \$21.
- (b) A sure gain of \$30.

Windfall Decision

You have just won \$30. Choose between:

- (c) A gamble in which you have a 50% chance to win \$9 and a 50% chance to lose \$9.
- (d) No further gain or loss.

	Choice	Expected Value	Percentage Chosen
No Windfall	(a)	$= (.5*39) + (.5*21) = 30$	44%
	(b)	$= 30$	56%
Windfall	(c)	$= 30 + (.5*9) - (.5*9) = 30$	77%
	(d)	$= 30$	23%

*difference
in risky
choices*

Stimulus income may be spent more readily than regular income.

Benefits of Understanding the Mechanisms

Bonus Category	Approximate recipients	Approximate spend
Tax	8.7m individuals	\$6.2 billion
Family	1.5m families	\$2.9 billion
Farmers Hardship	21,500 individuals	\$20 million
Training and Learning	550,000 individuals	\$511 million
Back to school	1.2m families	\$2.6 billion

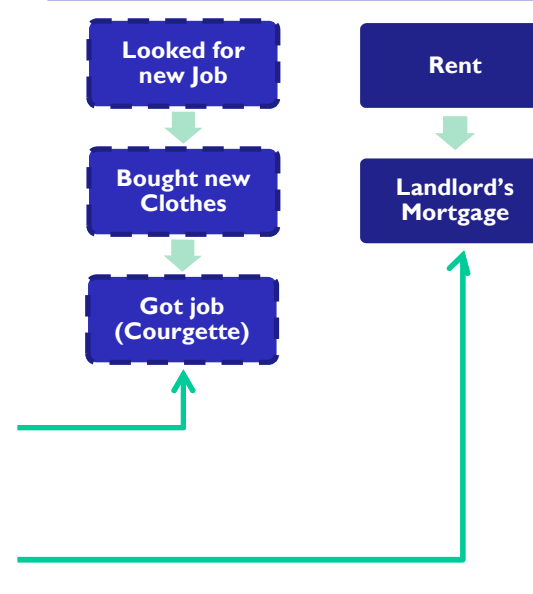
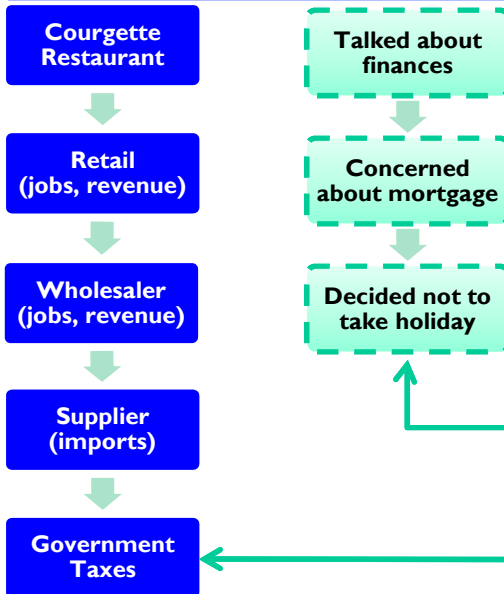


Income	Employment	Bonus
\$143,000	Full-time	\$0
\$91,000	Full-time	\$250
\$234,000	TOTALS	\$250



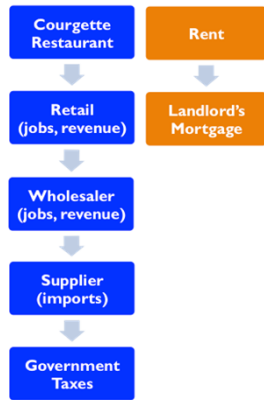
Income	Employment	Bonus
\$25,000	Part-time	\$900 + \$950
\$25,000	TOTALS	\$1,850

Benefits of Understanding the Mechanisms

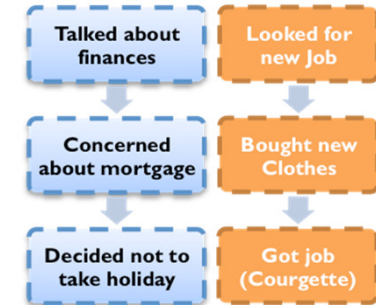
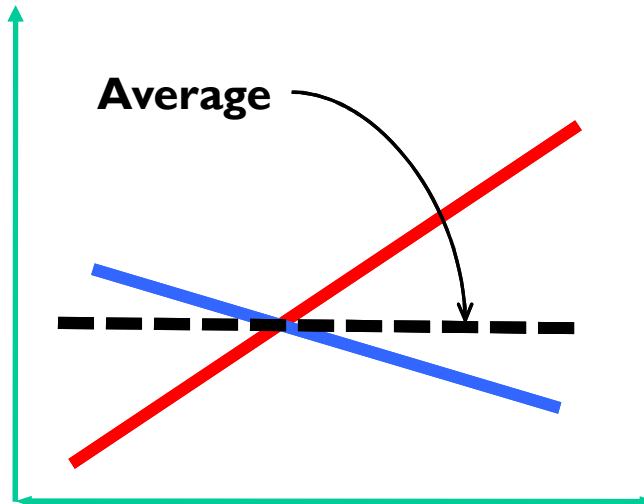


Consumer Confidence

Consumption Category



Impact on Multiplier Effect



Impact on Consumer Confidence

0.06



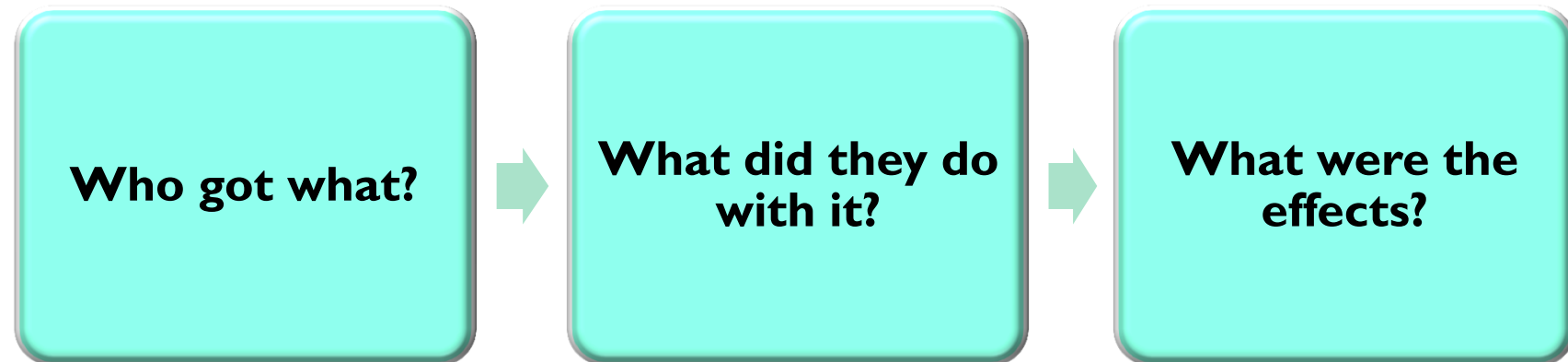
Materiality

$$= \text{Bonus} \div \text{Weekly Income}$$

3.86

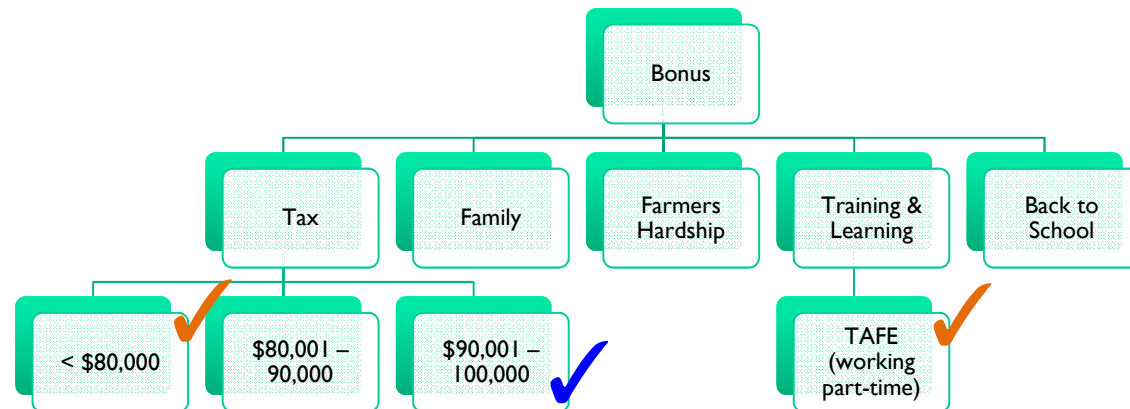


Understanding mechanisms allows for more precise interventions.



Who got what?

- ## Who got what?
- Stimulus amount
 - Demographics
 - Situational factors



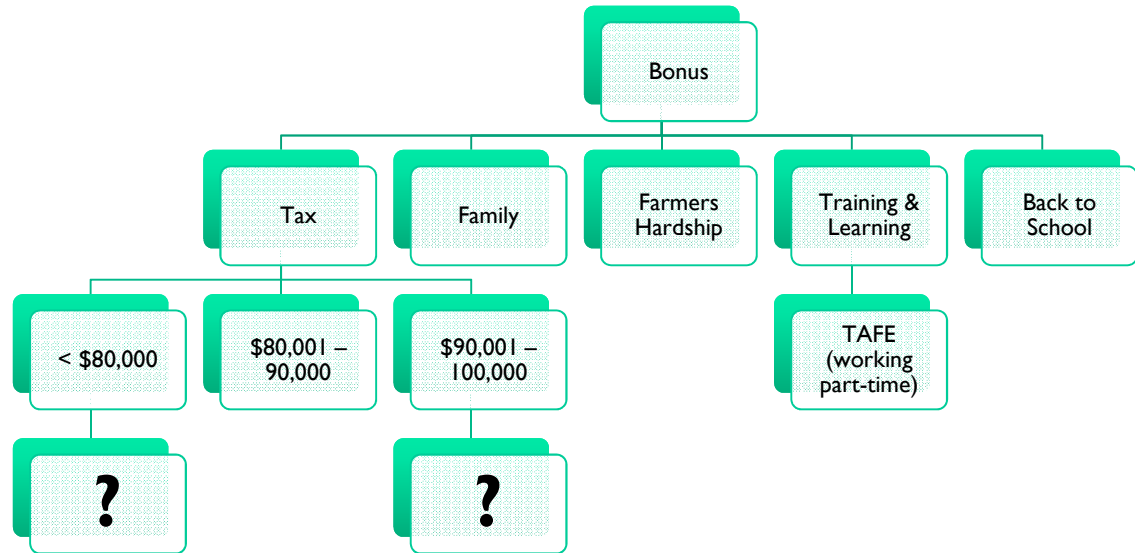
Who got what?

Who got what?

- Stimulus amount
- Demographics
- Situational factors



Age
 Gender
 Net Worth
 Family Size
 Industry / Job
 Labour force status
 Individual / HH debt
 Rent / Own Home
 Student Type
 Mortgage
 Education

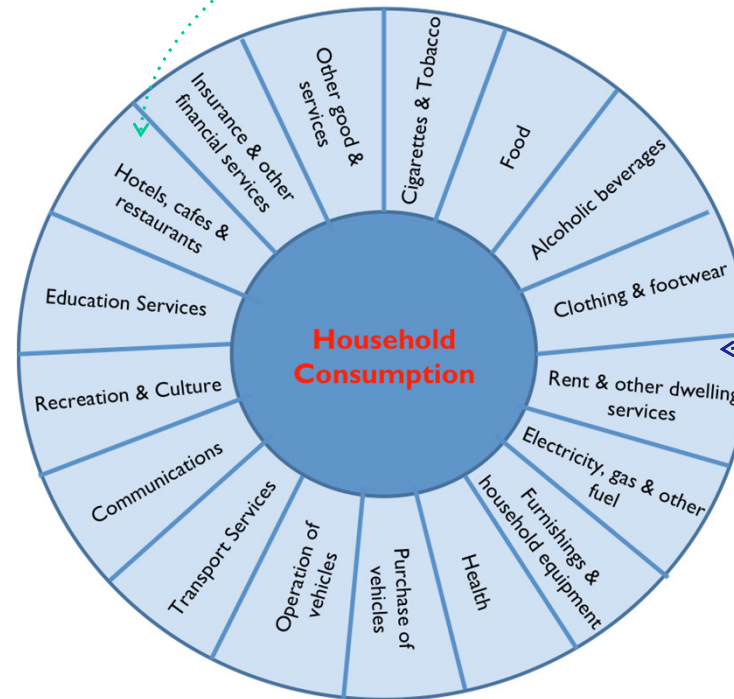


What did they do with it?

What did they do with it? & why?

- Spend Delay
- 17 Household (HH) Consumption categories

Job insecurity
Financial Stress
Relationship Stress
Social (Parental) Support
HH Mix
(intergenerational)
Other Gov Payment (FHOG)
Maintenance Deferrals:
-Health Care
-Dental Care
-HH Goods
-Vehicle



What were the effects?

