

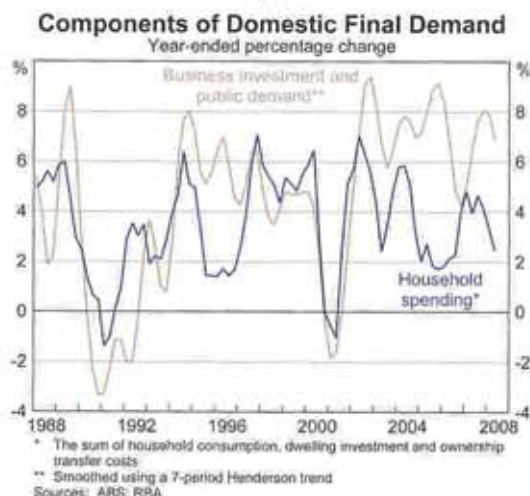


RESERVE  
BANK  
*of*  
AUSTRALIA

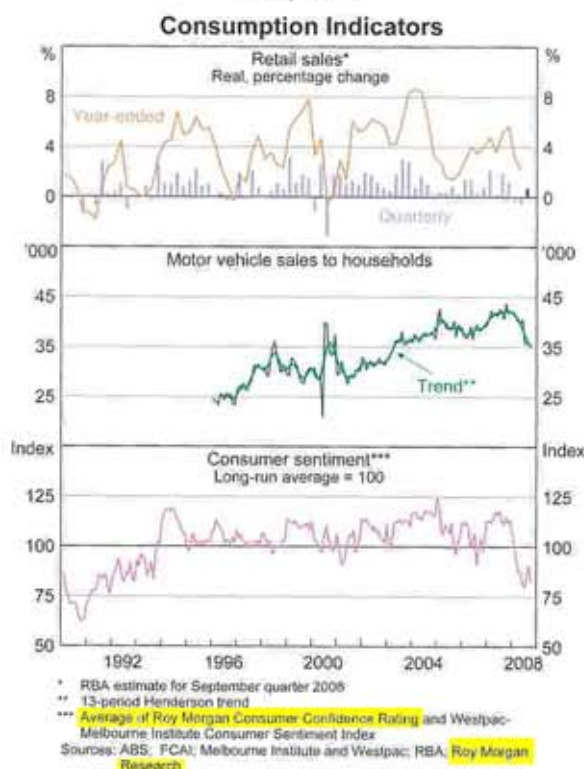
**BULLETIN**

**NOVEMBER 2008**

**Graph 38**



**Graph 39**



other sectors. Business surveys as well as information from the Bank's liaison suggest that difficulty accessing finance is also a growing constraint on firms' investment plans. However, working in the opposite direction, the recent large depreciation of the exchange rate and the easing of monetary policy will support economic activity, with the Government's fiscal measures – amounting to a little less than 1 per cent of GDP in 2008/09 – boosting consumption and home-building in particular.

## Household sector

Household spending slowed significantly in the first half of 2008. Consumption fell by 0.1 per cent in the June quarter, the first quarterly decline since 1993. This weakness was consistent with ongoing tightness in financial conditions, high petrol prices and subdued consumer confidence. More timely data as well as the Bank's liaison suggest that consumption remained weak in the September quarter and into the month of October. Real retail sales appear to have increased by only around  $\frac{1}{2}$  per cent in the quarter, and motor vehicle sales declined by 8 per cent in the three months to October. While measures of consumer sentiment have been volatile, they remain around the low levels last seen in the early 1990s (Graph 39). However, the

Government's stimulus package – the bulk of which represents one-off payments to pensioners, carers and low-to-middle income families – is expected to support household consumption in the December and March quarters.