

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Budget Estimates 2014  
3 June to 5 June 2014

**Department/ Agency:** Treasury

**Question:** BET 37

**Topic:** International Monetary Fund

**Reference:** Hansard – page 95, 4 June 2014

**Senator:** Wong

**Question:**

37. Senator WONG: I had some household consumption questions, but I will try to put most of those on notice. I did want to ask this, though. Dr Gruen, I think in response to Senator Whish-Wilson, you did make the point that consumer sentiment does not feed through—I am paraphrasing—in a linear way to household consumption et cetera. I would ask you to respond to some of the market commentary around the speed with which there has been a decline in consumer sentiment, the levels at which it currently is—I think there was a small up-tick in another survey today or yesterday—but the index that you tend to look at has obviously shown a pretty substantial decline in a short space of time. There has been some commentary in the markets about this being the worst, fastest decline, or amongst the worst since the global financial crisis. That is obviously a cause for concern. I am giving you the opportunity to respond to that.

Dr Gruen: If you look at the chart that I handed out, you will see there was a very large decline at the onset of the global financial crisis. There is another substantial decline. I cannot date it exactly but it has to be later in 2010. You can see that. It is a fairly volatile series. I am going to agree with you that the decline over the past few months has been significant. It is. But it is certainly much smaller in magnitude than the decline that occurred at the time of the global financial crisis.

Senator WONG: We are not in a GFC.

Dr Gruen: No, indeed. I am just making the point that this does tend to be fairly volatile. The point I made was that I expect it to be ephemeral provided that the economy still keeps performing well, with good economic growth like we saw with the release of the national accounts in March, which, I agree, predates this. Also to the extent that we continue to see good employment growth, I would expect this to be ephemeral. The data does attract quite a lot of attention if you focus on the underlying determinants of consumption. Taking those into account, you get very little extra explanatory power from consumer sentiment in trying to explain consumption. What that means is, provided the economy continues to perform well, I would expect this to bounce back and there to be very little implication for household consumption over the coming months.

Senator WONG: Can you give me on notice the date or dates on which the Treasurer or his office met with IMF team?

Dr Parkinson: Yes.

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**Answer:**

37. The Treasurer met with the IMF Article IV team on Tuesday 12 November 2013, as part of the IMF's 2013 Article IV staff mission.