

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC18QON: Dr MULINO: What does your data tell you about the transmission of the stage 1 tax cuts to retail sales and to the real economy more broadly?

Mr Hartzler: We are seeing a bit of an impact, but I'm not sure I can quantify it. We think it's definitely been a bit of a contributor. Certainly on the housing market side we think that that's been somewhat positive but we've also seen that some of that has probably gone to paying down debt.

Dr MULINO: Could you give a ballpark figure as to what proportion people are spending? Less than half?

Mr Hartzler: Not off the top of my head, but I'd happily take that on notice.

Answer: Westpac Economics has sought to understand the impact of recent tax measures on household cash flows including the Low and Middle Income Tax Offset.

Westpac Economics' Red Book October 2019 included the results of questions on the offset payments, included in the September 2019 survey for the Westpac-Melbourne Institute Consumer Sentiment Index, asking: 1) whether respondents had received a tax offset; and 2) for those that had, how much they planned to spend.

At that time, just over 16 per cent of consumers reported receiving a payment, 69 per cent reported no payment and 15 per cent responded "don't know". Westpac Economics estimates around 30 per cent of all consumers would have been eligible for the tax offset payment

Amongst those that had received a payment, 29 per cent planned to spend it all, and a further 16 per cent planned to spend over half. The remainder (53 per cent) planned to spend less than half including around 25 per cent who planned to save the full payment.

The results point to about half of the tax offset payments being spent.