

HOW THE GFC CHANGED FISCAL & MONETARY POLICY

OF THE

FIRST HOME OWNERS BOOST (GRANT)



AND IT'S FUTURE



First Home Owner Grant Act 2000

Monetary Policy:



Open Market Operations:

The Reserve Bank Board sets interest rates

so as to achieve the objectives set out in the

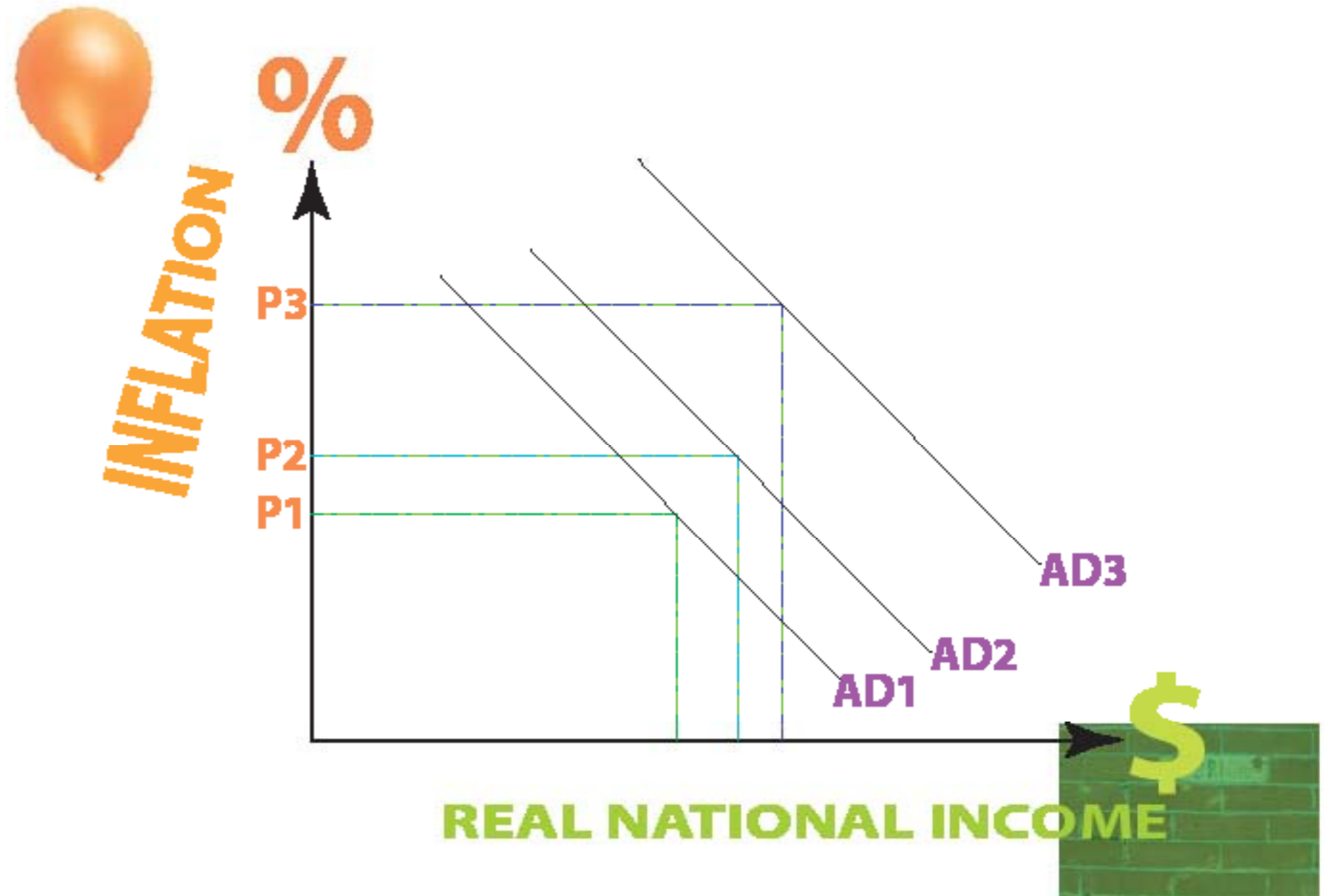
Reserve Bank Act 1959

\$A42billion fiscal stimulus package launched 08

FHOB response from Commonwealth

Oct 7, first significant macroeconomic policy RBA cuts interest rates by 100 basis points

bank rates fall from approx. 9% Jan 08 to 6% Jan 09



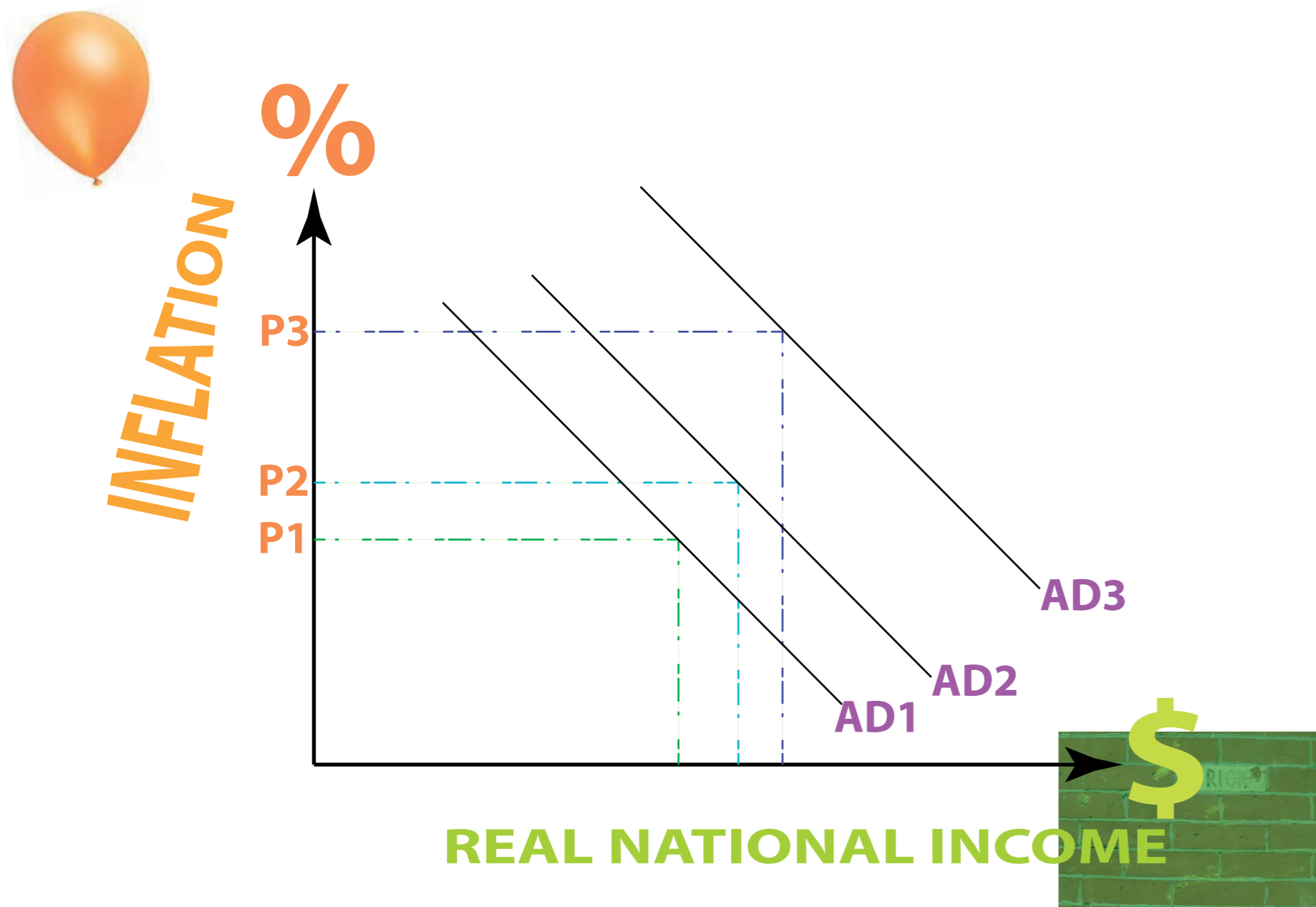
Fiscal policy:

Government spending, taxation and borrowing to influence economic activity and level and growth of Aggregate demand, output and employment

First initiative – FHOG commenced July 2000
one-off payment of \$7000

Second initiative – FHOB commenced November 2008

Emphasis on stimulating residential construction



Both 2000 and 2008 grants had a positive impact on number of housing finance commitments

Critical factors = bank rates on home loans + low interest rates

Directly related to Stimulated residential building activity

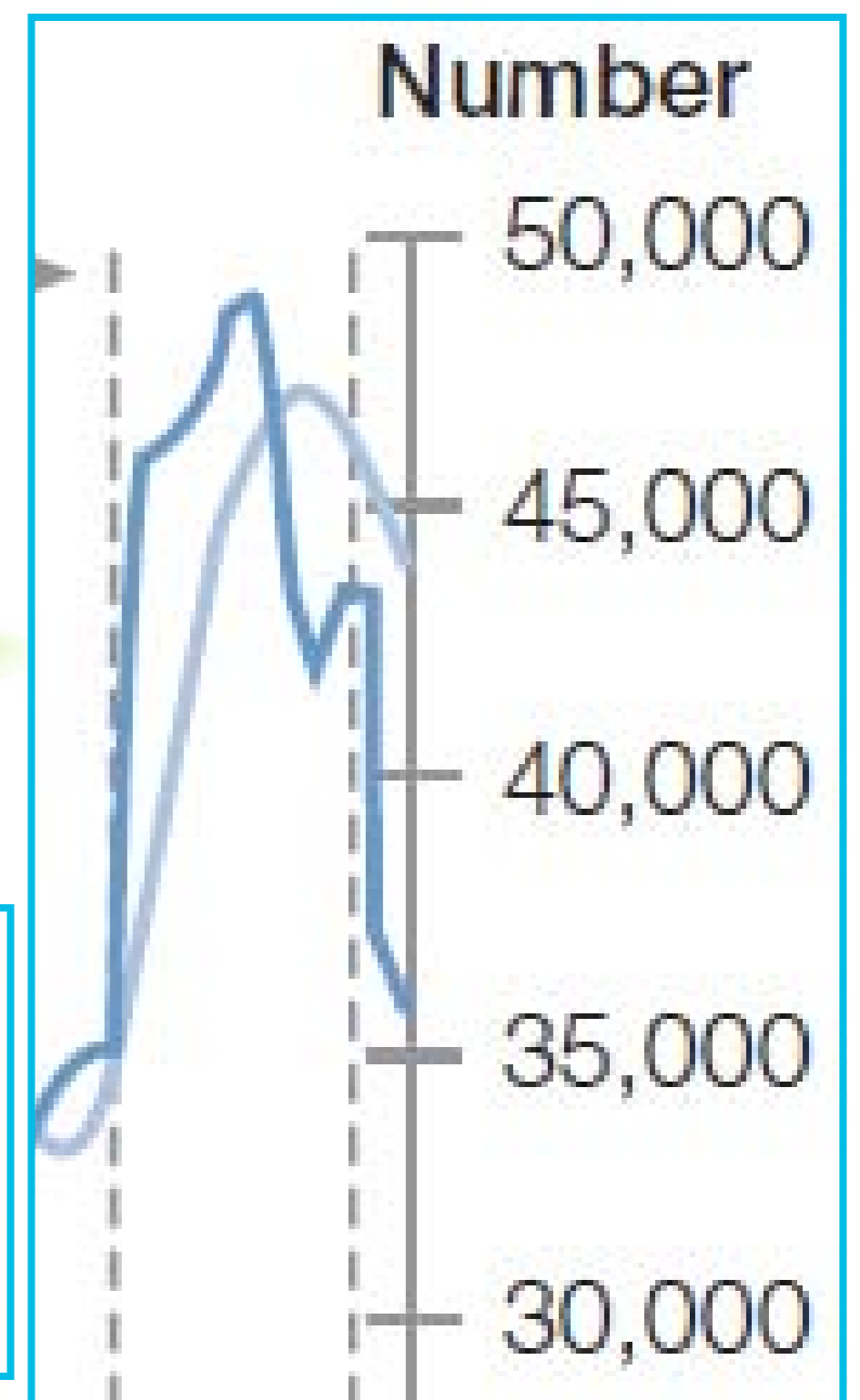
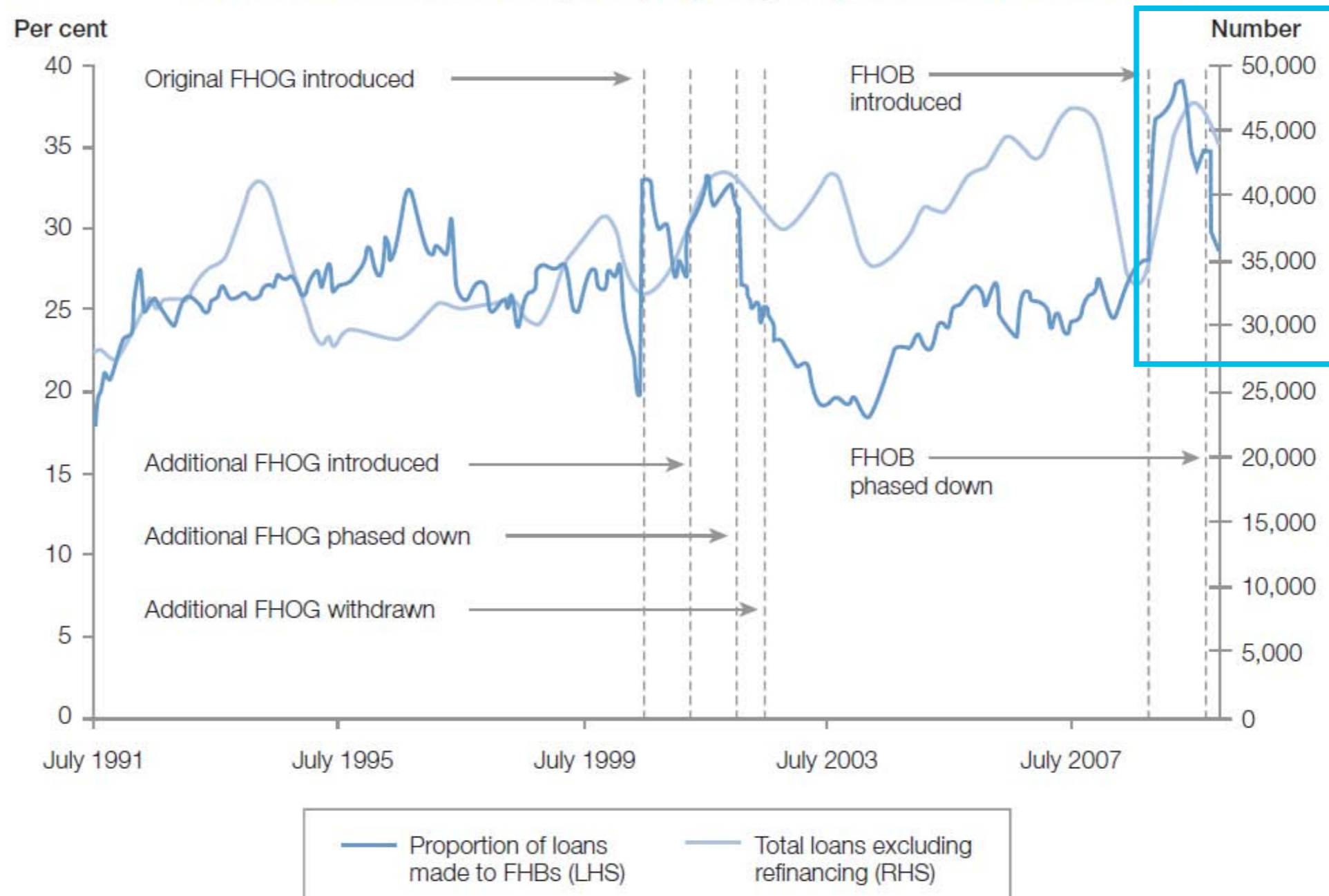
Recommendations

construction industry trends largely dependent on interest rates & government initiatives

Less government spending = reduced residential construction



Monthly loans to all home buyers by number (trend) and proportion of loans to first home buyers (original), July 1991 to December 2009



Source: Australian Bureau of Statistics, Housing Finance, Australia, December 2009, cat. no. 5609.0. ABS, Canberra, 2010.