

Meltdown could have been worse than it was

Economists review the past year and conclude things could have been worse than what eventuated.

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by Sonia Speedy Mortgage News

The "huge and synchronised" policy response of governments and central banks around the world has been credited with preventing the collapse of the global financial system, in this week's [ASB Business Weekly](#).

Its last [Business Weekly](#) for the year reflects on 2009, stating that while it had been a hard year for many, it could have been worse. It describes the global economy as "in freefall" at the end of 2008 and early 2009.

"What made all the difference were the huge and synchronised policy responses from governments and central banks," it says.

"These swift efforts helped to stabilise the global economy fairly quickly, showing that people can learn from history."

ASB suggests the biggest uncertainty around 2010 is how fast the global recovery will be.

"But that is a far nicer uncertainty to have than the ones we faced a year ago," it says.

[Westpac's Weekly Commentary](#) also notes that the growing prospect of hikes to the Official Cash Rate (OCR) in the first half of next year will soon start flowing through to short-term fixed rates - which have only seen small increases to date.

"As a result we could see more borrowers moving to fix at the favourable rates still on offer," it says.

"The experience of March/April this year shows that these types of flows can put a great deal of upward pressure on mortgage rates."

The latest [ANZ/National Bank Market Focus](#) also touches on this point.

"With so much media surrounding the change in tone by the Reserve Bank and the potential for fixed mortgage rates to go higher, there was a chance that those on floating mortgage rates would look to fix, adding pay side pressure a thin and stressed market," it says.

However, to date, the move to fixed has not eventuated, it ad