

You'd have to believe in the Tooth Fairy ...

ROSS GITTINS

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You'd have to believe in the Tooth Fairy to have expected the official interest rate to stay long at a 50-year low, especially when the downturn has been so modest.

This has been a dream recession for the great majority of Australians. Few have lost their jobs or even looked like losing them, but everyone with a home loan has gained from a fall in mortgage interest rates of about 4 percentage points and almost everyone from a spray of \$900 cheques.

So it's little surprise the dream is ending. But although the money's been spent and interest rates are now starting to rise, we're being let down gently.

Those who protest that the economy, while not down the mine, is still quite weak are right. But the Reserve Bank knows this, which is why its intention is to remove only the additional, emergency element of the cut in interest rates, not to whack them back up to where they were.

In previous slowdowns the official rate has been lowered only to about 4 per cent, so that's likely to be the Reserve's next resting point. Once it gets rates back up to that point over the next six or eight months - with another three moves like yesterday's - it will pause.

Combined with some good luck, the efforts of the Reserve Bank and the Federal Government to cushion us from the global recession have been so successful they've created the illusion that there can't have been a problem in the first place, thus making their efforts unnecessary.

Don't fall for it. Their stimulus has worked so well not just because so many people spent their \$900 and used the lower interest rates to get ahead on their mortgages, but also because it calmed people's anxiety and cheered them up.

The recovery in consumer and business confidence has been remarkable. The Reserve's task now is to ensure its trimming of the wick doesn't undo that good work.

Source: [The Sydney Morning Herald](#)

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