

The global financial crisis (GFC) of 2007–2008, originating in the U.S., caused widespread economic disruptions across the world, including Australia. The Australian government, with its swift fiscal response and the country's robust banking system, was able to limit the long-term impact, even as global economic conditions worsened. While Australia's banks were not heavily exposed to the toxic subprime mortgage assets that triggered the crisis, they were connected to global financial markets and faced significant liquidity problems. The crisis began with the collapse of the U.S. housing market, where banks heavily invested in subprime mortgages, leading to the eventual failure of major financial institutions like Lehman Brothers. This created a global credit crunch, which affected financial institutions worldwide.