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| **Press release** **For immediate release**  **May 27, 2015** | Michelle Hutchison Head of PR & Money Expert  finder.com.au  +61403 192 994  +61 2 9299 7602  Michelle@finder.com.au |

**More borrowers expected to fix as rate hikes on the horizon**

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| * [finder.com.au Reserve Bank Survey](http://www.finder.com.au/rba-cash-rate) found all 34 experts expect no change on Tuesday * One in three chance of another rate cut for 2015 * More borrowers expected to lock in fixed home loan rates this year |

**MAY 27, 2015, SYDNEY, AUSTRALIA** – Despite no cash rate move expected by the Reserve Bank on Tuesday, more borrowers are likely to start fixing their home loans in the wake of imminent interest rate hikes next year, according to one of Australia's biggest comparison websites [finder.com.au](http://finder.com.au/)[[1]](#footnote-1).

The [finder.com.au Reserve Bank survey](http://www.finder.com.au/rba-cash-rate), which is the biggest survey of leading experts and economists in the country, found all 34 respondents unanimously agreed the cash rate would remain on hold at 2.00 percent on Tuesday, June 2, 2015. It's been six months since the panel of experts were unanimous with their cash rate forecast – the last time was December 2014.

The vast majority of respondents cited a need to ‘wait and see’ the results of the two rate cuts in February and May this year as reason for the Reserve Bank to hold the cash rate at the June board meeting. It was noted by some that, if the economy didn’t improve even after these reductions, further cuts were a possibility.

About one in three experts (10) are expecting another cash rate cut this year, with most of which forecasting as early as July. The remaining 21 experts who responded to this question are expecting no cash rate moves this year.

One expert – Mark Crosby, Associate Professor of Economics at Melbourne Business School – expecting the cash rate to start rising in the last quarter of this year.

There were almost two in three experts (68 percent) expecting the cash rate to start rising next year, while eight are forecasting the cash rate will rise beyond 2016.

**When will the cash rate move?**

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| **Forecast time of next movement** | **How many respondents** |  |
| The cash rate will rise in Q4, 2015 | 1 |  |
| The cash rate will drop in Q3, 2015 | 6 |  |
| The cash rate will drop in Q4, 2015 | 4 |  |
| The cash rate will start rising in 2016 | 23 |  |
| The cash rate will start rising beyond 2016 | 8 |  |

Source: finder.com.au Reserve Bank Survey, May 2015

According to the Survey, the cash rate will rise to 3.70 percent, while eight experts are expecting the cash rate to hit above 4.00 percent – two of which are forecasting it will reach 5.00 percent, that's 3.00 percentage points higher than the current cash rate of 2.00 percent.

Michelle Hutchison, Money Expert at [finder.com.au](http://finder.com.au/), said more borrowers will start to lock in fixed home loan rates.

"The majority of experts from the Survey (82 percent) are expecting to see more borrowers concerned about rising interest rates and lock in a fixed rate home loan. Of these experts, 21 of which are expecting this will happen this year, while seven don't think more borrowers will fix until next year. There were also four experts who don't think more borrowers will fix at all.

"While it is a good idea to fix your home loan if you're concerned that rates will rise, it's a worry that some experts don't think more borrowers will fix. We're seeing record low numbers of borrowers fixing their home loans and as prices rise and rate hikes on the horizon, some borrowers will be under financial strain if they don't consider fixing while rates are low.”

**What our experts had to say in the** [**finder.com.au**](http://finder.com.au/) **Reserve Bank Survey:**

* **Melissa Browne, A+TA:** “With the recent rate drop I believe the Reserve Bank will adopt a wait and see approach to see the result of the drop in rates.”
* **Garry Shilson-Josling, AAP:** “The Reserve Bank knows the economy is underperforming, but doesn't think the risks associated with even lower rates are worth it… Many first-home buyers are entering the market as investors so the extent to which they are ‘locked out’ of the market is somewhat exaggerated.”
* **Shane Oliver, AMP: “**Having cut in May, the Reserve Bank will prefer to sit back and see if it’ll be enough.”
* **Peter Munckton, Bank of Queensland:** “The Reserve Bank will want some time to see whether the lower cash rate is boosting the economy.”
* **Steven Pambris, Bank of Sydney:** “The Reserve Bank will need to give a chance to see impact of last rate cuts and impact of budget stimulus.”
* **David Bassanese, BetaShares:** “The Reserve Bank moved just last month, so they'll take some time to sit back and assess the economy.”
* **Richard Robinson, BIS Shrapnel:** “They will wait for a time when the rate cut will help engineer a fall in the dollar. Residential markets are still too buoyant.”
* **Chris Caton, BT Group:** “The Reserve Bank is now a reluctant cutter. It may still cut again, but it will wait to see what's happening to growth, unemployment and investor behaviour in residential property.”
* **Michael Blythe, Commonwealth Bank:** “The Reserve Bank is waiting for more information.”
* **Savanth Sebastian, Commsec:** “The rate cut in May was a line ball decision. The ability for the Reserve Bank board to flesh out its decision in the Statement of Monetary Policy was a defining factor in the recent rate cut.”
* **Andrew Wilson, Domain Group**: “There was a cut last month, so now the Reserve Bank will wait and see.”
* **Mark Brimble: Griffith University:** “The Reserve Bank will wait to see how the markets and participants respond to the change in rates last month. Continued uncertainty in the global market as well as weak domestic indicators will continue a downward bias. Notably the weakness in China and expected falls in minerals and energy will also keep inflation below the Reserve Bank's target band.”
* **Paul Williams, Heritage Bank:** “The Reserve Bank has provided enough signals that rates are on hold for the next few months.”
* **Shane Garrett, Housing Industry Association:** “The Reserve Bank will take its time in assessing the effects of May's rate cut.”
* **Michael Witts, ING Direct:** “The budget appears to have gained positive traction and nothing has fundamentally changed in the economy over the past month.”
* **Grant Harrod, LJ Hooker:** “After last month's rate cut and a small business-friendly federal budget, we expect the Reserve Bank to hold rates steady until the effect of those measures are known.”
* **Peter Jones, Master Builders Australia**: “The Reserve Bank has finished cutting for this cycle.”
* **John Caelli, ME Bank:** “The Reserve Bank is unlikely to cut again in June. They will wait and assess the full impact from May’s rate cut before moving again.”
* **Mark Crosby, Melbourne Business School:** “The case for another cut is not strong enough at this point...The Reserve Bank has been aggressive in cutting rates in recent months, but they are now running up against too hot a housing market and it is time to consider raising rates as the Fed moves to raise in Q4 or Q1 2016.”
* **Katrina Ell, Moody’s Analytics:** “After cutting in May, the Reserve Bank will take a wait-and-see approach to determine whether further interest rate cuts are necessary.”
* **Lisa Montgomery, Mortgage & Consumer Finance Expert:** “The board will wait for the flow on effect of its May adjustment before considering a further cut.”
* **Ken Sayer, Mortgage House**: “The market is happy at this level.”
* **Jessica Darnbrough, Mortgage Choice:** “Given that the Reserve Bank of Australia cut the cash rate again in May, we believe they will take a wait and see approach to rates for the next few months at least until they see what impact the latest rate cut has on the economy.”
* **Chris Shade, MyState Limited**: “We believe we have reached the bottom of the interest rate cycle, unless economic conditions deteriorate further over the coming 6 months.”
* **Alan Oster, NAB:** “The Reserve Bank is waiting to see the effect of recent easings”
* **Peter Boehm, onthehouse.com.au:** “The business and consumer response to the May Budget has generally been positive, especially regarding the welcome incentives directed towards small business. I think the Reserve Bank will take this into account as well as wanting to get a clear line of sight on how well the Budget is stimulating economic growth before deciding on further cuts. In fact, we may even be looking at a period of rate stability until there is more certainty about the direction of the economy and unemployment in particular.”
* **Linda Janice Phillips, Propell:** “The Reserve Bank is displaying a lower propensity to reduce rates further and will likely wait on further economic news before moving. Reductions will probably be in sync with anticipated moves by the US Federal Reserve to raise rates, while the wild card of a Greek exit from the Euro will be watched… With the lack of significant domestic news, the Reserve Bank will keep watching trends in other markets before lowering rates further, which is likely sometime between July and September. The disappointing result for US growth in Q1 is being attributed to the weather by the Fed which is forecasting a rebound in Q2/Q3 and the first increase in US interest rates is expected in Q3, though the increase will be small. Lower Chinese rates and further easing of bank requirements on lending will likely keep the Chinese economy growing at around 7%. This has had a positive impact on commodity prices though they have hit a ceiling at present. Higher prices have given our resource sector a breather but no one is anticipating any further rises in the next year. A lack of growth in our non-mining sector, combined with higher US interest rates, will likely trigger another rate cut by the Reserve Bank, and then rates are likely to stay on hold over the next year. There are wildcards that could disrupt the outlook, such as a Grexit, Brexit or expansion of the war in Syria/Iraq.”
* **Jonathan Chancellor, Property Observer:** “The Reserve Bank can now monitor the possibly cooling Sydney markets over winter as APRA is finally implementing measures that may change Sydney's increasingly reckless sentiment on investor property.”
* **Matthew Peter, QIC:** “The recent cut in May combined with a positive reaction to the federal Budget resulted in a sharp rise in consumer confidence. The Reserve Bank has highlighted the role that a rebound in consumer spending plays in their thinking and they will be encouraged by the rebound in confidence. In addition, the exchange rate has moderated. Taken together, we see the Reserve Bank as being on hold in June.”
* **Noel Whittaker, QUT Business School:** “The Reserve Bank is awaiting the full result of the last movement.”
* **Nathan McMullen, RAMS**: “The Reserve Bank is seeking to assess impacts of recent changes before considering further revisions.”
* **Janu Chan, St. George Bank:** “Some concerns remain about the outlook for growth, and the economy could do with some more support. However, there is a high bar for the Reserve Bank to cut again, particularly since the Reserve Bank has already cut rates in February and May.”
* **Nicki Hutley, Urbis:** “The case for a further rate cut is unclear and the Reserve Bank will need to see some more data points to gain a clearer read of the impact of both the last rate cut and the Budget.”
* **Bill Evans, Westpac:** “We have consistently argued that 2% will be ‘the resting place’ for this easing cycle. The Reserve Bank will now take time to assess the sustainability of their current forecast that economic growth in 2016 will exceed 3%... For our part the next significant date will be the November Board meeting.”

**Please note:** the above respondents are ordered alphabetically by name of organisation.

**Disclaimer:** the comments, forecasts, projections and other predictive statements by the panel of experts are assumptions based on currently available information. These forecasts are based on industry trends and economic factors that involve risks, variables and uncertainties. No guarantee is presented or implied as to the accuracy of these forecasts and consumers are advised to read product disclosure statements and understand if financial products are right for them before signing up.

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**For further information:**

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1. Experian Hitwise, since 2013 [↑](#footnote-ref-1)