

# No surprises in OCR increase

By [Tony Field](#) 3 News

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From homeowners to currency traders, no one was surprised when the Reserve Bank increased the official cash rate (OCR) to 3 percent today.

It was the second increase in a row, but the pace of future increases looks less certain due to the fact that inflation - or the cost of living - is not increasing as fast as the bank expected.

But it's still not what homeowner Lisa Hamilton wanted to hear - half of her family's mortgage comes up for renewal in June.

"It's not good, we should have got in a bit sooner I think and got something fixed, but we had to wait until our time is up. We just hope we can find something that is competitive," says Ms Hamilton.

Inflation has been lower than the Reserve Bank was expecting, partly due to a high dollar that is hurting exporters, but making imports cheaper.

"I would be saying to those who are worried get out there, shop around, fix your rate, then you don't have to worry about what is going to happen to interest rates in the next few years," says Co-operative Bank chief executive Bruce McLachlan.

ASB Bank's chief economist Nick Tuffley thinks the OCR will rise by 1.5 percent over the next year-and-a-half.

"A 4.5 percent OCR would imply that floating mortgage rates are somewhere around 7.75 percent, so that would be up about 2 percent from what we saw before the first OCR increase," says Mr Tuffley.

Labour says New Zealand's interest rates are the highest in the developed world, but Prime Minister John Key says they're not high by historic standards.

"Interest rates have been on a 50-year low, so I think that most people would accept that they couldn't stay at these levels forever," says Mr Key.

The banks are now doing deals on mortgage rates.

"We've had discounted rates, anywhere from 0.5 percent up to 0.8 of a percent - it is quite possible right now to get a two-year rate that is under 6 percent," says mortgage broker David Windler.

Mr Windler says the banks are also starting to give out more low-deposit loans.

"The main banks are clearly signalling to us that they have got capacity in that above-80 percent space - we are six months down the track and they have got comfortable with the levels they are operating at."

Ms Hamilton and her husband Scott are both freelance workers, so a fixed mortgage rate appeals to them.

"I just think we need a bit of certainty because our incomes are not certain, so we need a bit of certainty in what our mortgage rates are going to be and what our monthly payments are going to be," says Ms Hamilton.

But what is painful for anyone paying a mortgage is a gain for anyone saving money.

A higher OCR means the banks are increasing term deposit rates - something that will be welcomed by anyone with savings in the bank, including pensioners and people trying to get the deposit together to buy a home.

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