

Rate pressure on mortgages

THE ECONOMY

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THE number of home buyers unable to meet their mortgage repayments will rise sharply if interest rates increase this year, a study indicates.

A report by mortgage insurance heavyweight QBE showed about 2 per cent of people polled as part of the study said they were unable to meet their mortgage repayments with their current household incomes.

But 11 per cent said they would fail to meet their repayments if rates climbed 0.25 percentage points, with the proportion rising to 23 per cent if rates increased 0.50 percentage points.

The report published yesterday coincided with data

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Commsec economist SAVANTH SEBASTIAN

indicating the economy was bouncing back after slowing following the summer floods and the interest rate rise late last year.

The National Australia Bank monthly business survey showed that business conditions jumped last month to reach their highest level in a year.

The bank's index of business conditions rose to nine points from minus 2 points as hiring, sales and profits ticked upward.

Confidence remains highest in Western Australia as the resource-rich state

benefits from China's insatiable demand for the commodities needed to fuel its rapid industrialisation.

CommSec economist Savanth Sebastian said "the key has been the fact that the Reserve Bank has remained on the interest rate sidelines for five consecutive months, allowing businesses to get back to focusing on what they do best".

According to NAB, the data implies that the Reserve will lift interest rates, currently at 4.75 per cent, by 0.25 per cent in August, with a further rise in November.