

Kevin Rudd has warned the voting public that interest rates will start to rise. Mr Rudd said “Over the next 18 months, rising growth will inevitably cause interest rates to rise off their record lows.”

Prime Minister Kevin Rudd expects that rates could start to move upward as early as December 2009 and we could see a 90 basis point increase to the cash rate by July 2010. This would take the cash rate from a 49 year low of 3 per cent to 3.9 per cent.

The same margin could be expected to be passed onto borrowers, taking a standard variable mortgage from around 5.70%pa to 6.60%pa. This works out to cost a \$400,000 mortgage owner about \$233 per month in additional repayments.

The Reserve Bank is worried about potential inflation while the government is worried that unemployment will continue to rise even after the economy starts to improve.

Prime Minister Kevin Rudd said “On average in recent economic crises, unemployment has peaked 13 months after growth turns positive.” For this reason the government will continue with its \$77 billion stimulus program to guard against a spike in unemployment.