

Finance Minister says rise in long term interest rates since Trump's election sign of normalisation of rates and inflation; should signal to home buyers rates have bottomed out; also will help rebalance NZ\$ lower

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Finance Minister Bill English talking to reporters in Parliament on June 19. Photo by Lynn Grieveson for Hive News.

By [Bernard Hickey](#)

Finance Minister Bill English has signalled to home buyers that interest rates have bottomed out, which he said should make them more cautious about house values.

English told [Corin Dann on TVNZ's Q+A](#) the rise in long term interest rates since the election of US President Donald Trump was a healthy normalisation that would help rebalance the exchange rate and take some pressure off house prices.

"The interest rates starting to rise is a healthy sign of normalisation in the global economy and here. I see the NZ dollar's dropped back under US 70 cents for the first time in quite a while," English said.

"That would be a healthy rebalancing for our export sector. So, in a sense, the thing we've been waiting for for three or four years — that is a US economy with enough strength to lead to a rise in interest rates — is starting to happen, he said.

Inflation was also likely to rise to more normal levels, he said.

"The criticism for the last couple of years has been inflation too low. This is what I mean by normalising. If interest rates come up a bit, people will get a bit more sensible about the debt

and the housing market. A bit of inflation is actually not a bad thing in an economy. We've probably had not quite enough."

Long term mortgage rates have been rising in recent weeks. **Debt to income multiple not needed then?**

Asked if the Reserve Bank needed more tools to control the housing market, he pointed to the fact the Reserve Bank's November 10 cut in the OCR had not been passed on to mortgage borrowers as "a pretty clear signal to borrowers and households we're on an interest rate floor at the very least."

"And when they see rates rising, that does have an impact. Even if you know that they're going to rise sometime, it's still different when it actually happens, and they'll be recalculating what their debt servicing is going to be, and I think it'll make our housing market a bit more sensib