

Title:

Are Rates Set For A Hike?

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Summary:

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Leading economists are speculating that that the Bank of England will announce a one quarter point rise in the basic cost of borrowing, of interest to those seeking a mortgage or loan, before the end of the year.

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Article Body:

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While the monetary policy committee (MPC) voted recently to hold interest rates for the 11th consecutive month, many economists are claiming that economic pressures, notably rising inflation, will force a rate hike in the medium term.

Milan Khatri, chief economist at the Royal Institution of Chartered Surveyors (Rics), said: Rics expects the Bank of England to follow the lead of other world central banks, and raise interest rates later this year by a quarter of one per cent.

With a rise seeming probable in the coming months, many fixed-rate mortgage providers have pre-emptively upped their rates in anticipation, while wider market pressures have already seen fixed rate mortgages become more expensive over the past year.

Fixed-rate mortgages now look expensive unless base rate rises above five per

cent, said Ray Boulger, of mortgage broker John Charcol.

However, Mr Boulger predicted that fixed-rate options would continue to find a market, commenting: There will always be a large market for fixes due to many people wanting the security of knowing exactly what they are paying out each month.

Meanwhile, mortgage advisers are warning that tracker mortgages could become more expensive than their holders originally anticipated if the predicted rate hike is followed by a second rise within the next two years.

Those with a tracker mortgage will, therefore, be grateful to hear that not all economists are predicting an interest rate rise anytime soon.

Jonathan Said, senior economist at the centre for economic and business research said that, despite recent economic data, rates are more likely to hold than move throughout 2006.

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