# ISTAT: ?MARKET WARNED OF NEED FOR 'STABLE' REACTION IF RATE RISES

**News / Airlines**

Stable **market** reactions to any interest-**rate** increase by the US Federal Reserve are crucial, Oxford Economics has warned.

David Goodger – director for Europe at the forecasting specialist's Tourism Economics subsidiary – expects the Federal Reserve to raise interest rates in December. However, the increase will "moderate" as the Fed will be realistic about setting expectations in the long term, Goodger predicted when he spoke at **ISTAT** Europe 2015 in Prague today.

"A raise could possibly happen in October, but there are a lot of concerns still about the global markets," he says.

"They [global markets] need more stability, and we need to see more credible and strong domestic numbers before a definite rise," he acknowledges.

Goodger argues that it is a question not of "when" but rather of "what pattern" will be next.

"Our base line is a steady growth to up to 4% over a period of five years," he says, adding that the forecast sits alongside the Fed's own.

He concedes that there is a minor risk of a disparity between market expectations and the actual rate rise translating into higher premium on the bond markets and potentially slowing down activity. In this scenario, the Fed could be forced to cut back interest rates again.

Goodger says that once rates start rising in December, the markets will adjust.

He expects the UK to follow with a rate increase in 2016 but that the eurozone will not increment a rise in interest rates before 2018 because of quantitative-easing issues.

"We are in a world of a rise in interest rates but it should be moderate," he adds.

In a poll, about 40% of ISTAT delegates foresaw an interest rate happening over the next two years while another 28% expected a rate hike with the next year. The remaining third of the audience does not see a rise before 2019.

At ISTAT Europe 2014 in Istanbul, close to half of delegates predicted a rate rise within two years, with 43% expecting a rise beyond three years.

Only 11% foresaw a rate rise within 12 months.

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**SOURCE: FLIGHTGLOBAL**
**ARTICLE LINK:**
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