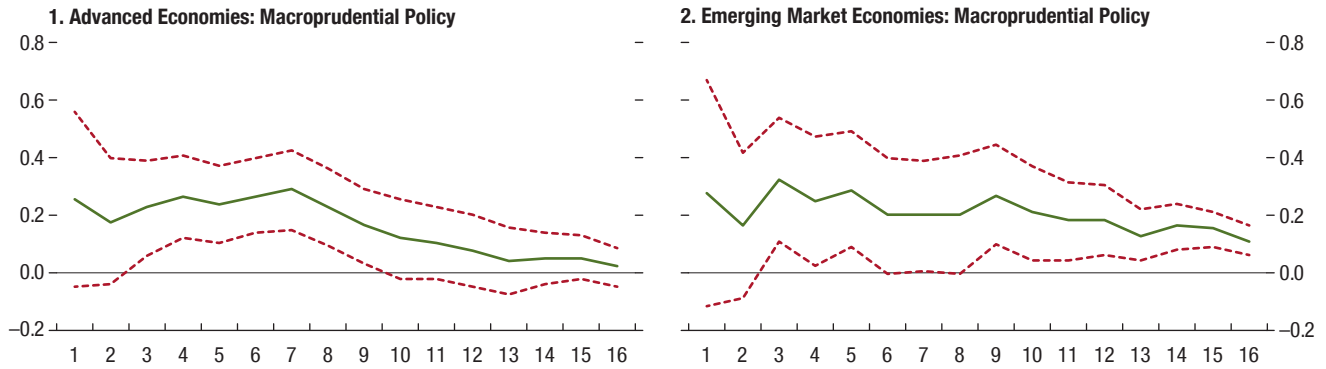
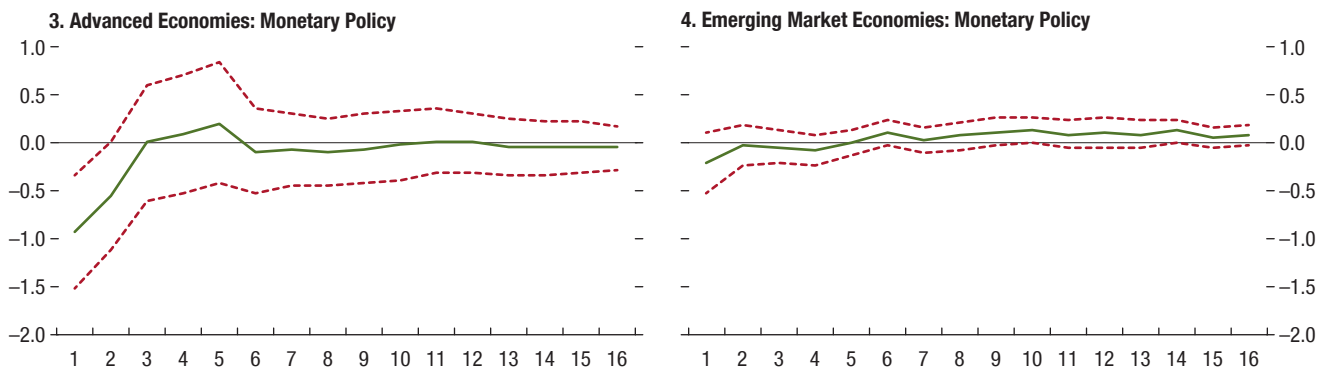


Figure 2.12. Effects of Macroprudential and Monetary Policy and Capital Flows on House Prices at Risk

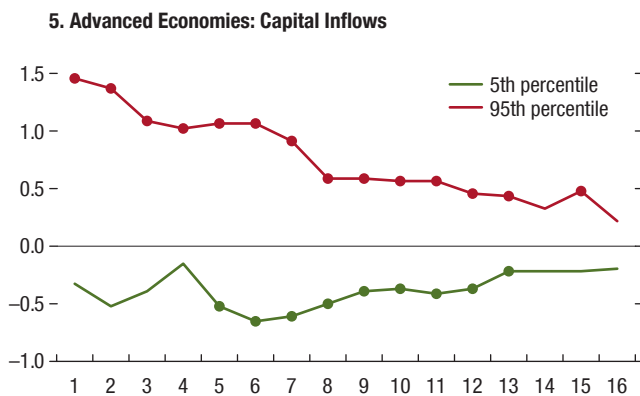
Tightening of macroprudential policy seems to improve the house prices at risk measure.



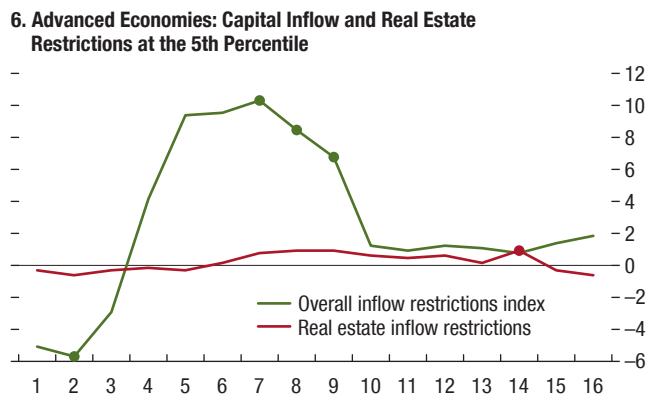
Monetary policy shocks have no significant impact on house prices at risk over longer horizons, nor in emerging markets.



Capital inflows increase downside risks in advanced economies ...



... but tightening of capital flow management measures may improve house prices at risk temporarily.



Source: IMF staff calculations.

Note: Panels show the effect of various policies on the house-prices-at-risk estimation. In panels 1 and 2, macroprudential policy measures have a statistically significant level-shifting effect on house prices at risk (reducing downside risk). The macroprudential policy variable used here is based on a three-year rolling window of debt-service-to-income and loan-to-value measures, and is purged for credit to GDP to remove potential endogeneity. In panels 3 and 4, for advanced economies, monetary policy, as captured by predicted residuals of a feedback rule (see Online Annex 2.1), has a significant effect (initially increasing downside risks, but less so over time). In panel 5, total capital inflows (as a percentage of GDP) at the 95th percentile tend to increase upside risks to house prices, and at the 5th percentile, they tend to increase downside risks to house prices. In panel 6, proxies for changes in capital flow management measures appear to reduce downside risks to house prices over some intermediate horizons. Dashed lines in panels 1–4 denote 95 percent confidence bounds for statistical significance and dots in panels 5 and 6 show statistical significance at the 10 percent level or higher.