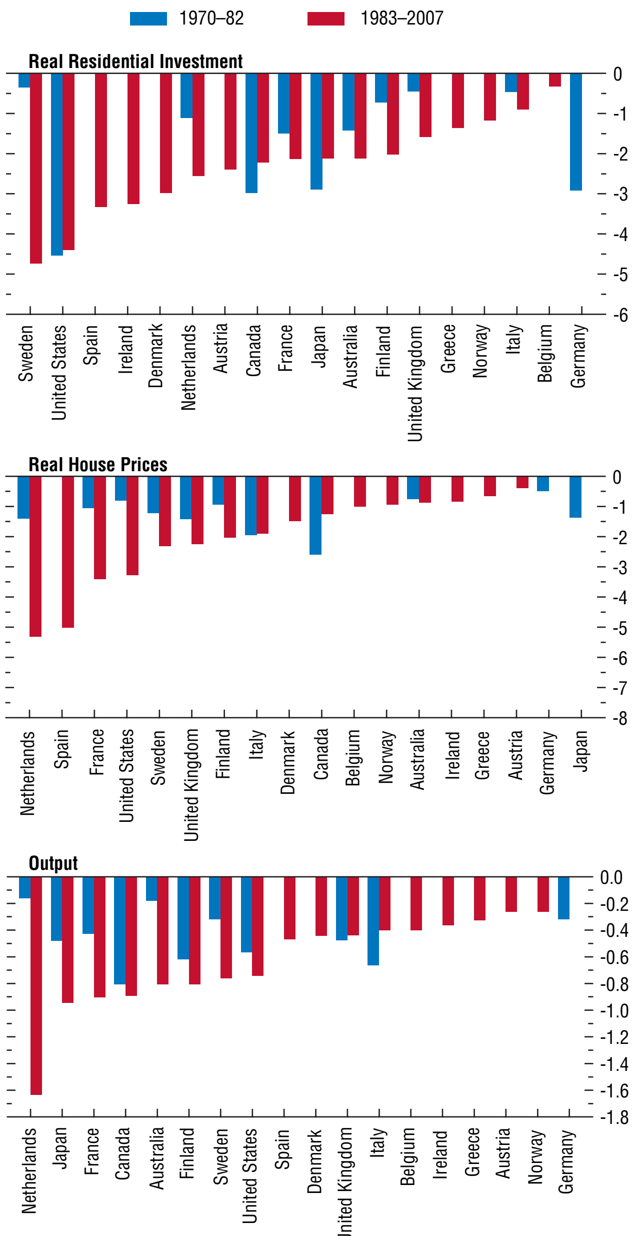
Figure 3.10. Elasticity of Real Residential Investment, Real House Prices, and Output to a 100-Basis-Point Increase in Short-Term Interest Rates[1]

(Percent)

Normalizing the maximum decline of output and housing variables by the size of the monetary policy shock suggests that the interest rate elasticity of residential investment and output has declined only modestly in the United States, and that the elasticity of house prices has increased in the majority of countries.



Source: IMF staff calculations.

[1]Peak impulse responses to a one-standard-deviation innovation in short-term interest rates divided by the initial change in interest rates. For Austria, Belgium, Denmark, Greece, Ireland, Norway, and Spain, no data are available for the first period. For Germany, the missing elasticities in the second period reflect the “wrong” sign of the response, possibly reflecting the impact of German unification (see also Calza, Monacelli, and Stracca, 2007).