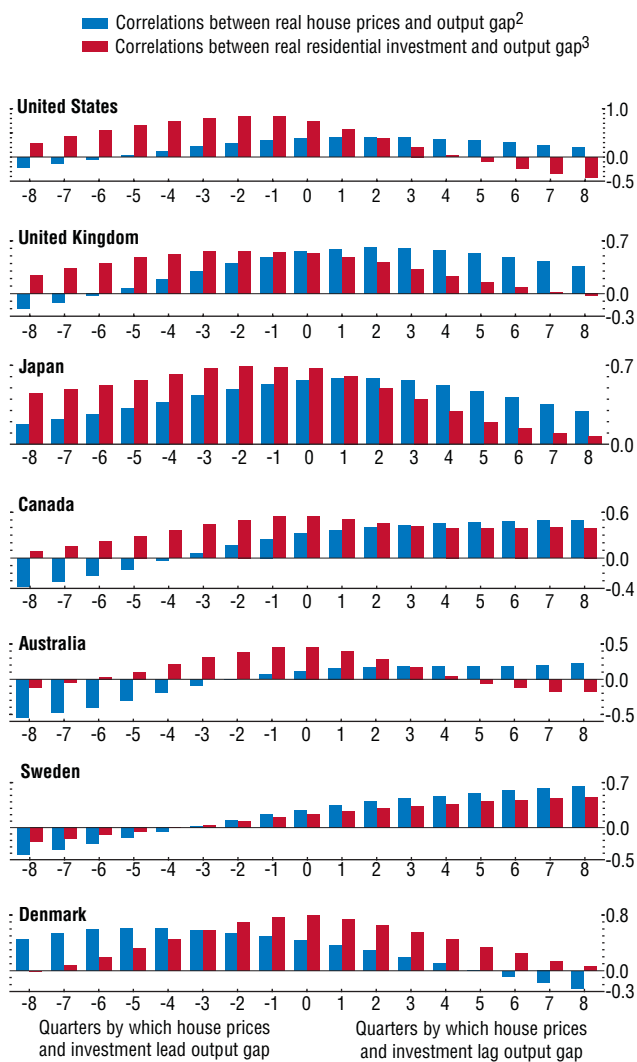


### Figure 3.2. Correlation of Real House Prices and Real Residential Investment with the Output Gap<sup>1</sup>

(X-axis in quarters)

In most countries, real house prices tend to lag the business cycle. Residential investment generally tends to lead the business cycle, with some exceptions in the euro area and Nordic countries.



Source: IMF staff calculations.  
<sup>1</sup>Real house prices and real residential investment are expressed as deviations from a log-linear trend.  
<sup>2</sup>Correlations between output gap at  $t = 0$  and real house prices at  $t = -8...+8$ . For example, a positive correlation at  $t = 2$  means house prices lag output gap by two quarters.  
<sup>3</sup>Correlations between output gap at  $t = 0$  and real residential investment at  $t = -8...+8$ . For example, a positive correlation at  $t = -2$  means residential investment leads output gap by two quarters.