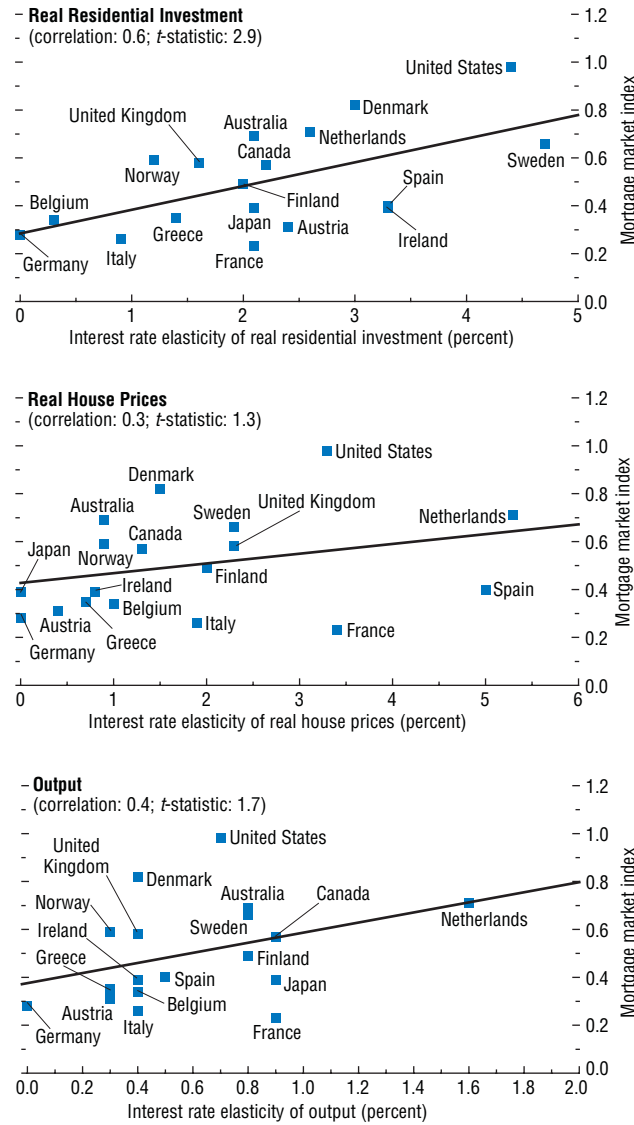


Figure 3.11. Interest Rate Elasticity of Real Residential Investment, Real House Prices, and Output and the Mortgage Market Index¹

In the second subperiod (1983–2007) the interest rate elasticity of both housing variables and output tends to be higher in countries with more developed mortgage markets.



Source: IMF staff calculations.

¹The interest rate elasticity of real residential investment, for example, is the maximum response (in absolute value) of real residential investment to a one-standard-deviation increase in the interest rate divided by the size of the interest rate increase at the time of the shock.