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

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.

1 The 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.