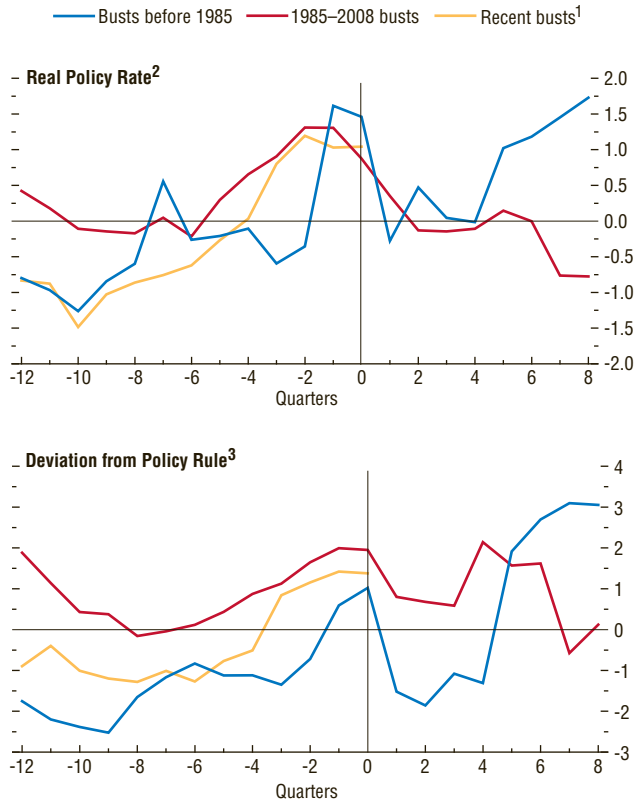


Figure 3.11. Monetary Policy before House Price Busts

(Percentage points; $t = 1$ denotes first quarter of bust)

In the post-1985 period as a whole, house price busts have typically not been preceded by loose monetary policy. However, monetary policy may have been too loose, on average, in recent years.



Source: IMF staff calculations.

¹Recent busts comprise 10 busts beginning after 2007:Q1 in Australia, Canada, Denmark, Finland, Ireland, New Zealand, Norway, Spain, United Kingdom, and United States.

²Deviation from eight-year moving average.

³Deviation from a policy rule of the form $r = r^* + 0.5 (\pi - \pi^*) + 0.5 (y - y^*)$, where the starred variables are computed as the trailing eight-year moving average.