

# Accepted Manuscript

Title: Macroeconomic Effects of a Decline in Housing Prices in Sweden

Author: Peter Gustafsson Pär Stockhammar Pär Österholm

PII: S0161-8938(16)00021-1  
DOI: <http://dx.doi.org/doi:10.1016/j.jpolmod.2016.02.011>  
Reference: JPO 6264



To appear in: *Journal of Policy Modeling*

Received date: 26-10-2015  
Revised date: 17-2-2016  
Accepted date: 18-2-2016

Please cite this article as: Gustafsson, P., Stockhammar, P., and Österholm, P., Macroeconomic Effects of a Decline in Housing Prices in Sweden, *Journal of Policy Modeling* (2016), <http://dx.doi.org/10.1016/j.jpolmod.2016.02.011>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

# Macroeconomic Effects of a Decline in Housing Prices in Sweden\*

Peter Gustafsson<sup>∇</sup>  
*Sveriges Riksbank*

Pär Stockhammar<sup>#</sup>  
*National Institute of Economic Research*

Pär Österholm<sup>\*</sup>  
*National Institute of Economic Research*

## Abstract

Real housing prices in Sweden have roughly doubled the last 15 years. The rise in housing prices has coincided with a rise in household debt, sparking debate about both the presence of financial imbalances in the Swedish economy and the macroeconomic effects that a correction of these imbalances would have. In this paper, we conduct a quantitative assessment of the macroeconomic effects of a considerable decline in housing prices using a Bayesian VAR model. Results show that a 20 per cent drop in housing prices would lead to a recession-like impact on household consumption and unemployment. The impact would be even greater if falling housing prices coincided with a global economic downturn. This information should be useful to policymakers. If a fall in housing prices were to materialise, more expansionary stabilization policies would be motivated in order to dampen the effects on the real economy.

*JEL Classification:* C32, F43

*Keywords:* Bayesian VAR, House prices, Private consumption, Unemployment, Small open economy

---

\* We are grateful to seminar participants at the National Institute of Economic Research for valuable comments.

<sup>∇</sup> Sveriges Riksbank, 103 37 Stockholm, Sweden  
Email: [peter.gustafsson@riksbank.se](mailto:peter.gustafsson@riksbank.se) Phone: +46 8 787 0638

<sup>#</sup> National Institute of Economic Research, Box 3116, 103 62 Stockholm, Sweden  
e-mail: [par.stockhammar@konj.se](mailto:par.stockhammar@konj.se) Phone: +46 8 453 5910

<sup>\*</sup> National Institute of Economic Research, Box 3116, 103 62 Stockholm, Sweden  
e-mail: [par.osterholm@konj.se](mailto:par.osterholm@konj.se) Phone: +46 8 453 5948

Download English Version:

<https://daneshyari.com/en/article/10479083>

Download Persian Version:

<https://daneshyari.com/article/10479083>

[Daneshyari.com](https://daneshyari.com)