

Macro Roundup Article

Headline: [Can Monetary Policy Tame Rent Inflation?](#)

Article Link: <https://www.frbsf.org/economic-research/publications/economic-letter/2023/february/can-monetary-policy-tame-rent-inflation/>

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Tweet: The @sffed estimates that historically a 1pp increase in the federal funds rate reduced rent inflation by 3.2pp over two and a half years suggesting the current tightening will bring rent inflation down.

Summary: We estimate that, during the period from 1988 to 2019, a policy tightening equivalent to a 1 percentage point increase in the federal funds rate can reduce rent inflation—measured by 12-month percentage changes in the personal consumption expenditures (PCE) housing price index—by about 3.2 percentage points, but the full impact takes about 2½ years to materialize. Based on housing costs’ share in total PCE, this translates to a reduction in headline PCE inflation of about 0.5 percentage point over the same time horizon. Although average rents are slow to respond to policy changes, growth of asking rents on new leases has started to slow following recent monetary policy tightening. Our finding suggests that this tightening will gradually bring rent inflation down over time, thereby helping to reduce overall inflation.

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Primary Topic: Inflation

Topics: Database, GDP, Government/NGO, Inflation, Monetary Policy, Weekly

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