

Macroprudential Policy Interactions in a Sectoral DSGE Model with Staggered Interest Rates

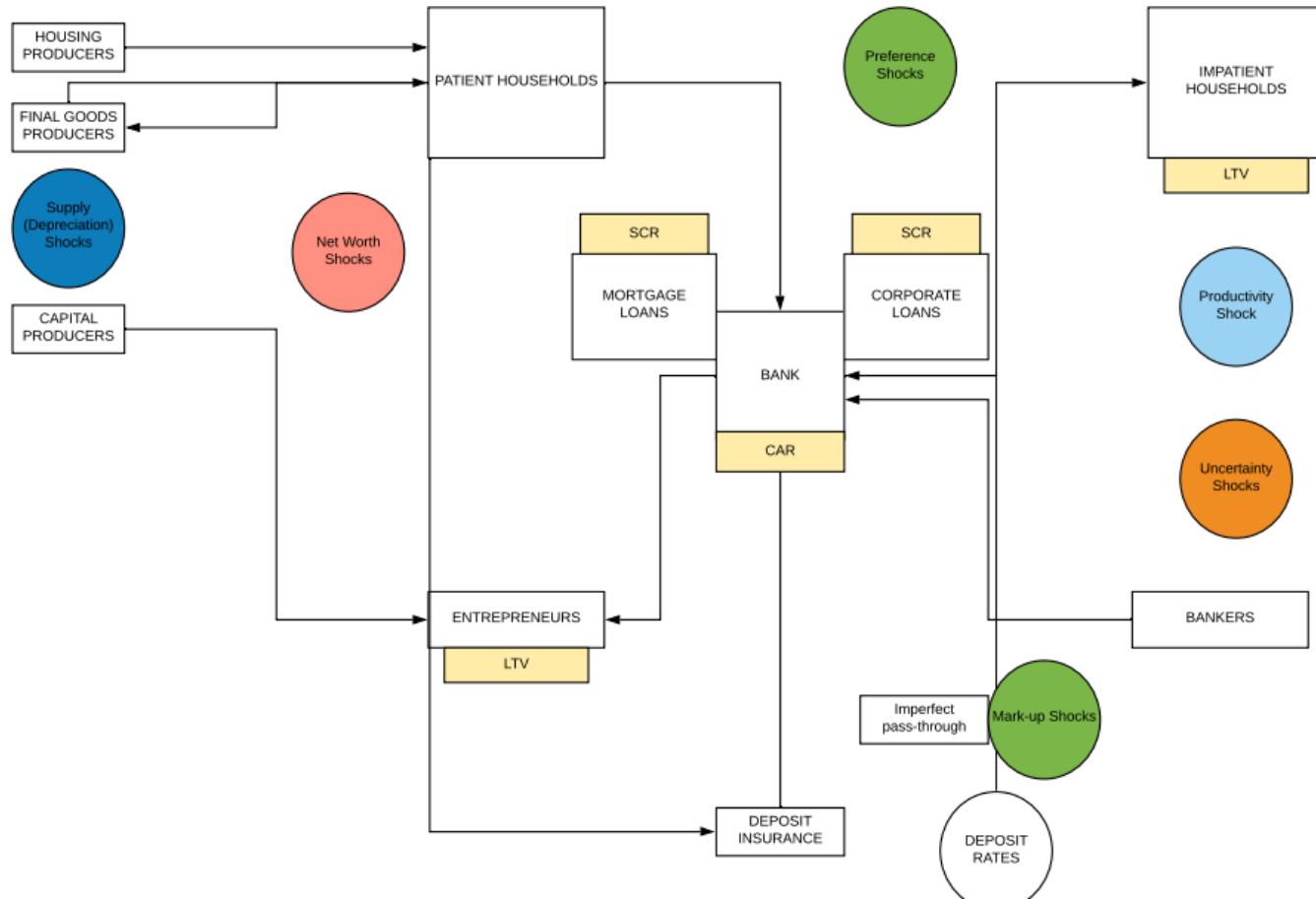
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Overview

- ▶ Model summary
- ▶ Estimation highlights
- ▶ Macroprudential Policy (CAR, SCR, LTV & CCyB)
- ▶ Interest rate pass-through & Macroprudential policy

Model Overview

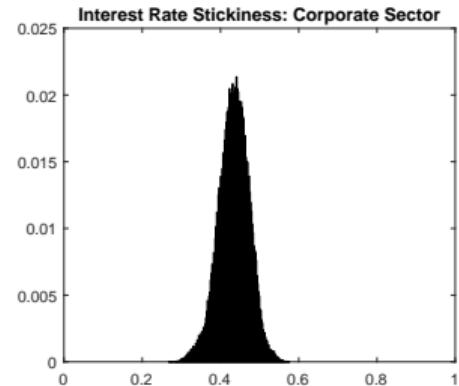
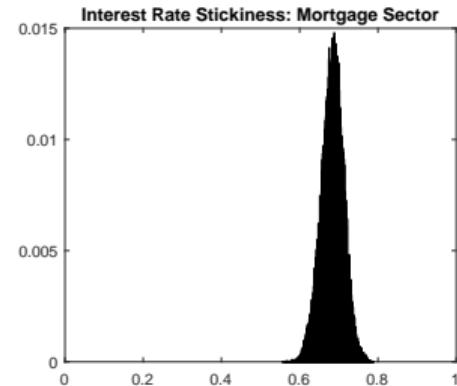
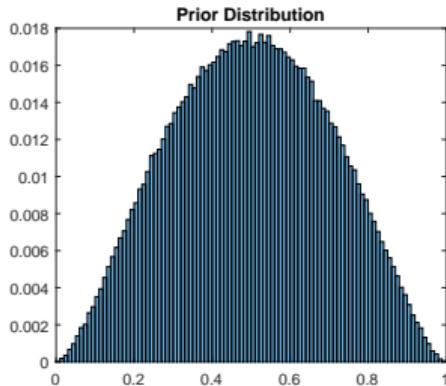


Estimation-I

- ▶ Quarterly data for the U.K. economy over 1998Q1-2016Q4.
- ▶ 10 observables in:
 - ▶ Interest rates (Official bank rate, mortgage & corporate rates)
 - ▶ Real growth rates (output, investment, consumption and wages)
 - ▶ Credit growth rates (mortgage & corporate sectors)
 - ▶ House price growth
- ▶ Model (partially) estimated using Bayesian likelihood methods.

Estimation-II

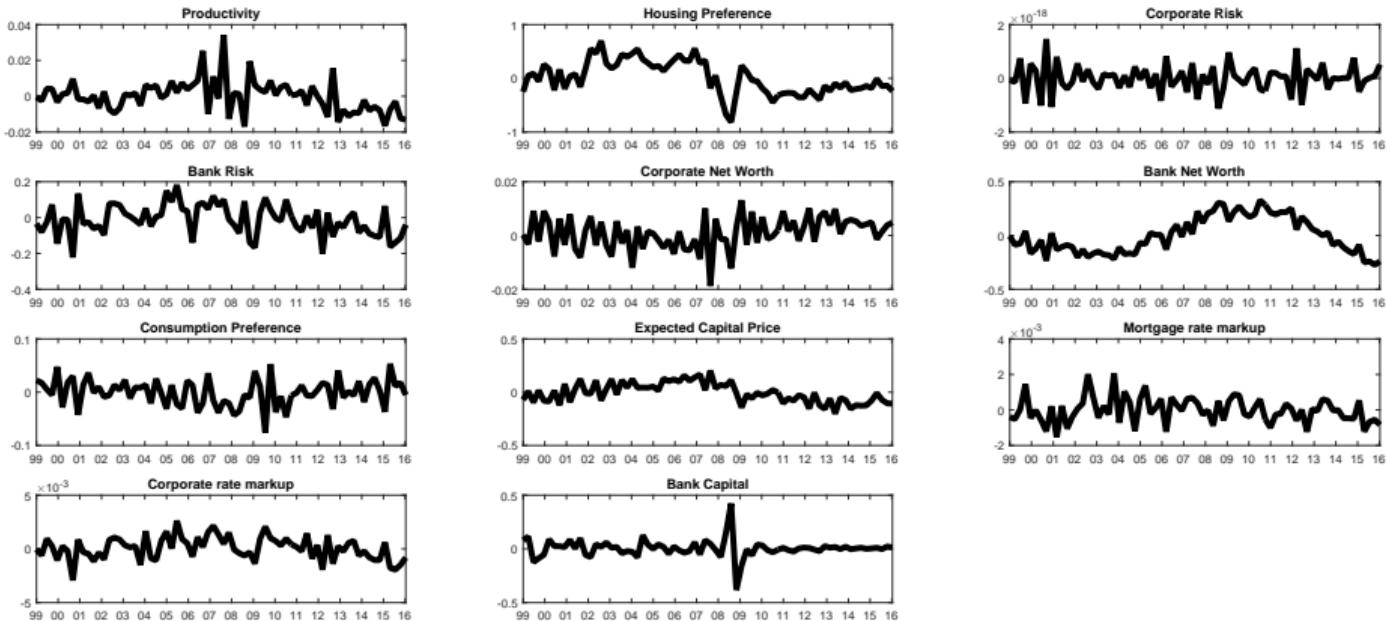
Figure: Example: estimated interest-rate pass through



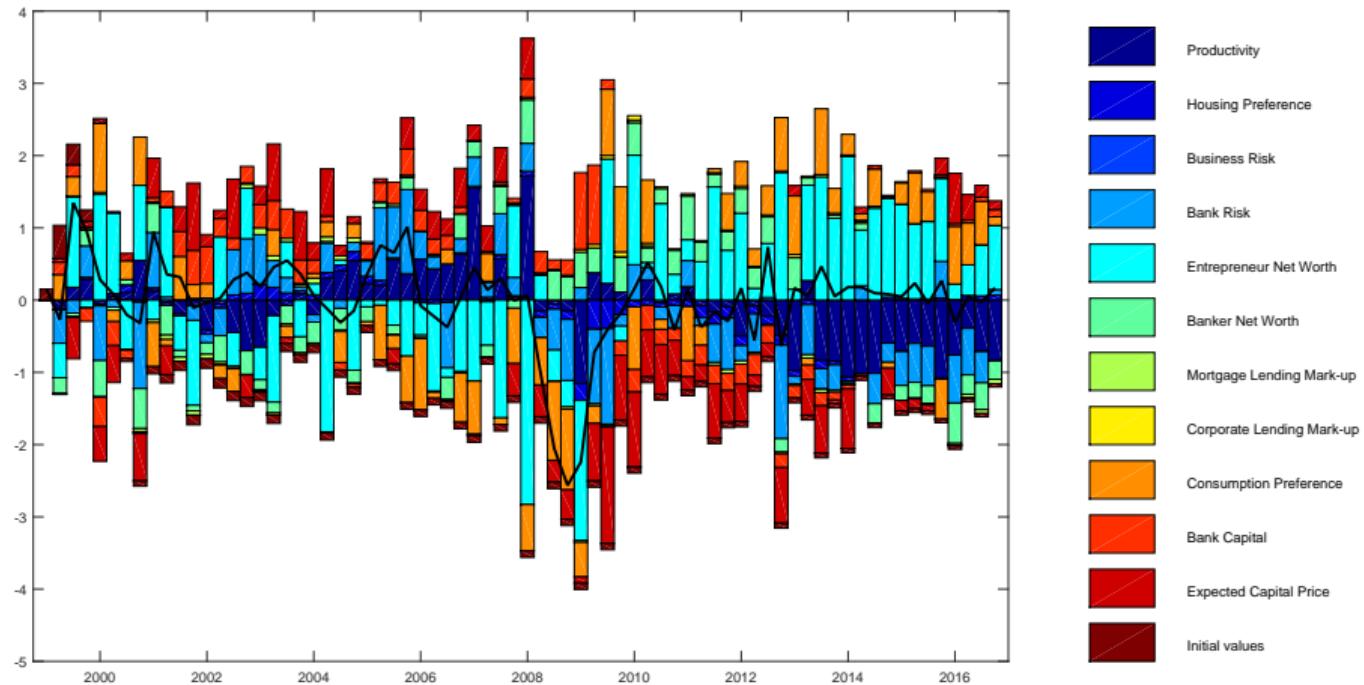
- ▶ Average Bank Rate pass-through is $[4.73, 5.93]$ months on corporate rates and $[8.21, 11.1]$ months on mortgage rates.

Estimated shocks over 1998Q1-2016Q4.

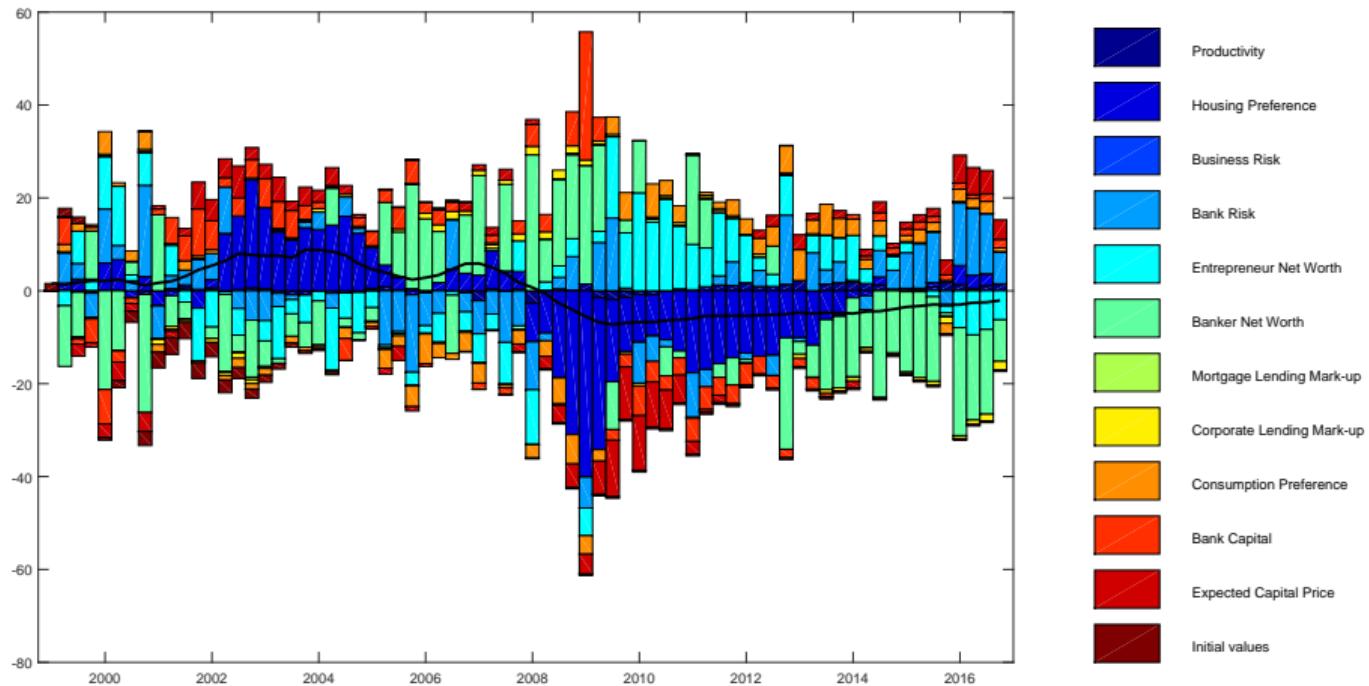
- ▶ Sequence of shocks over the estimation sample.



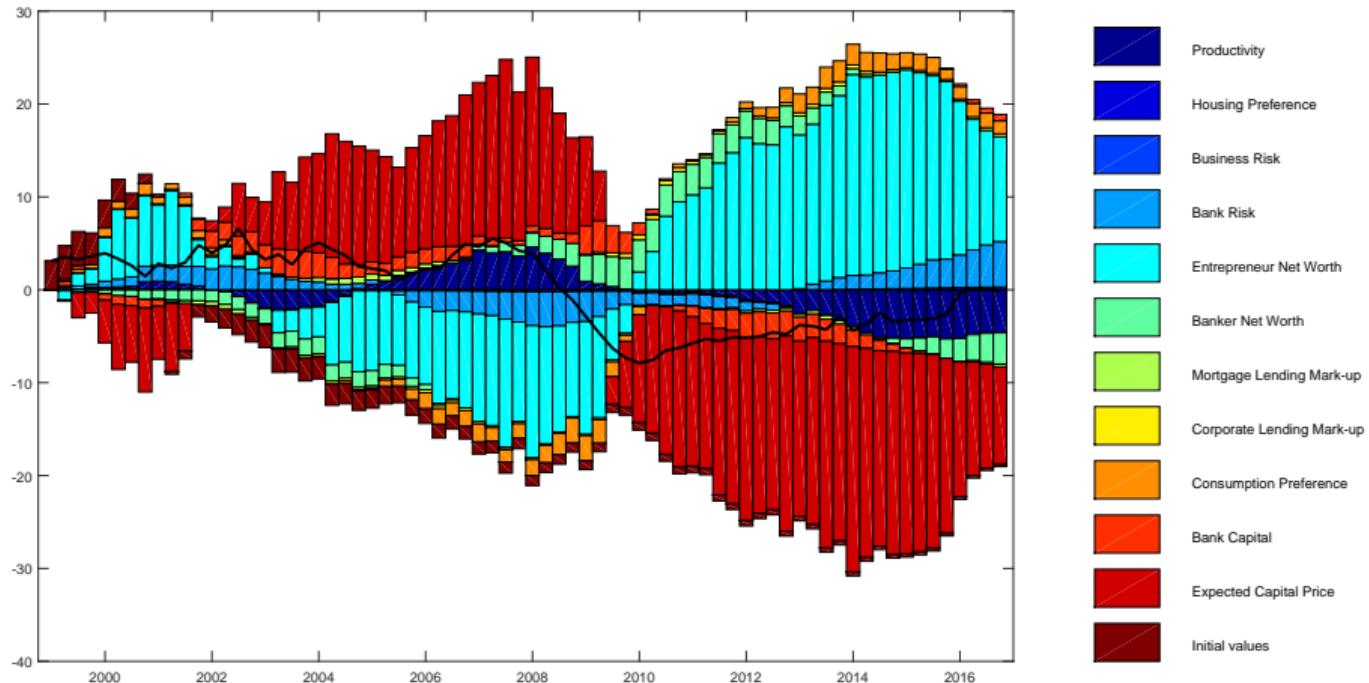
Historical Variance Decompositions: Output Growth



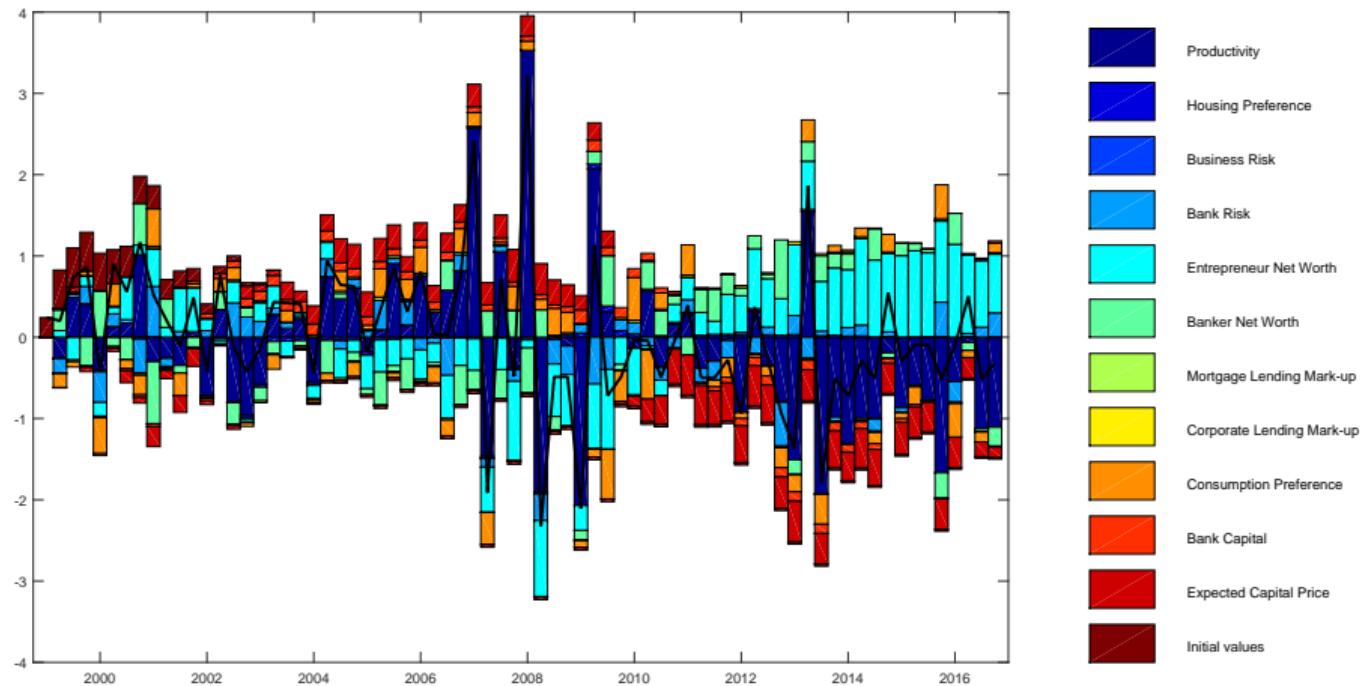
Historical Variance Decomposition: Household Lending Growth



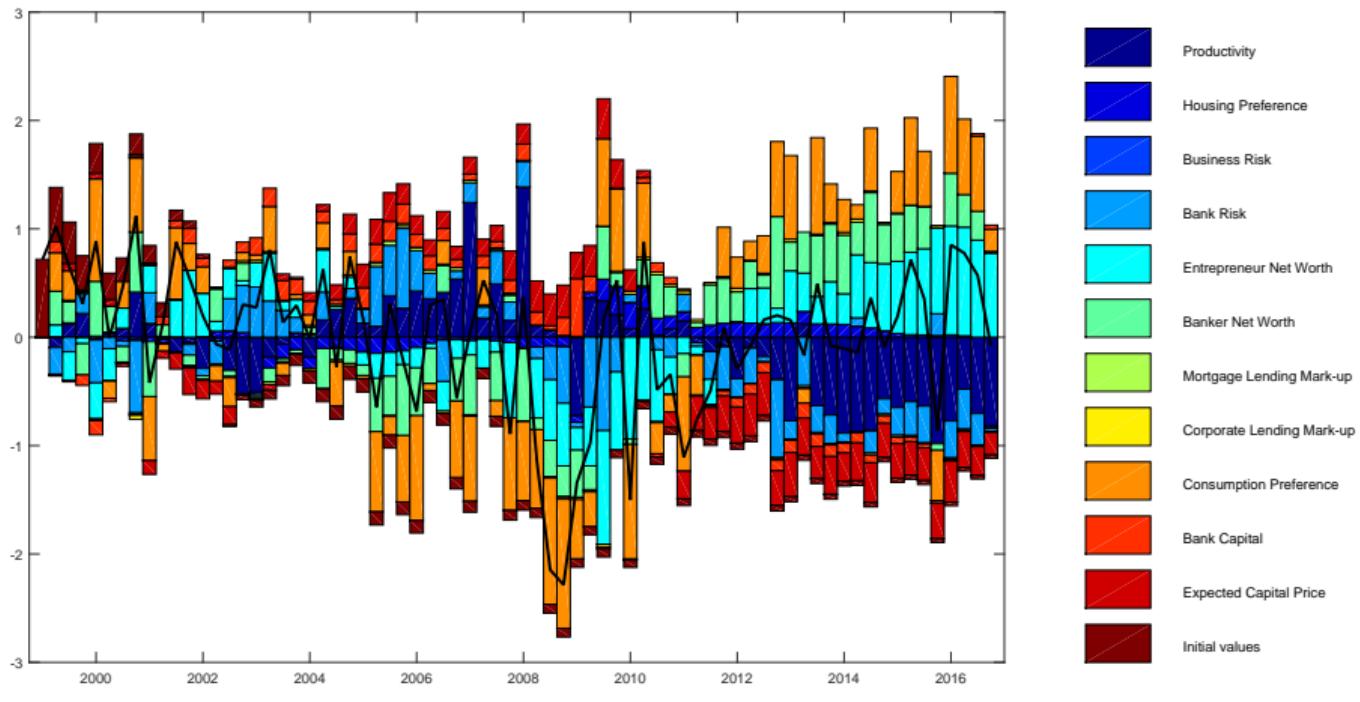
Historical Variance Decomposition: Corporate Lending Growth



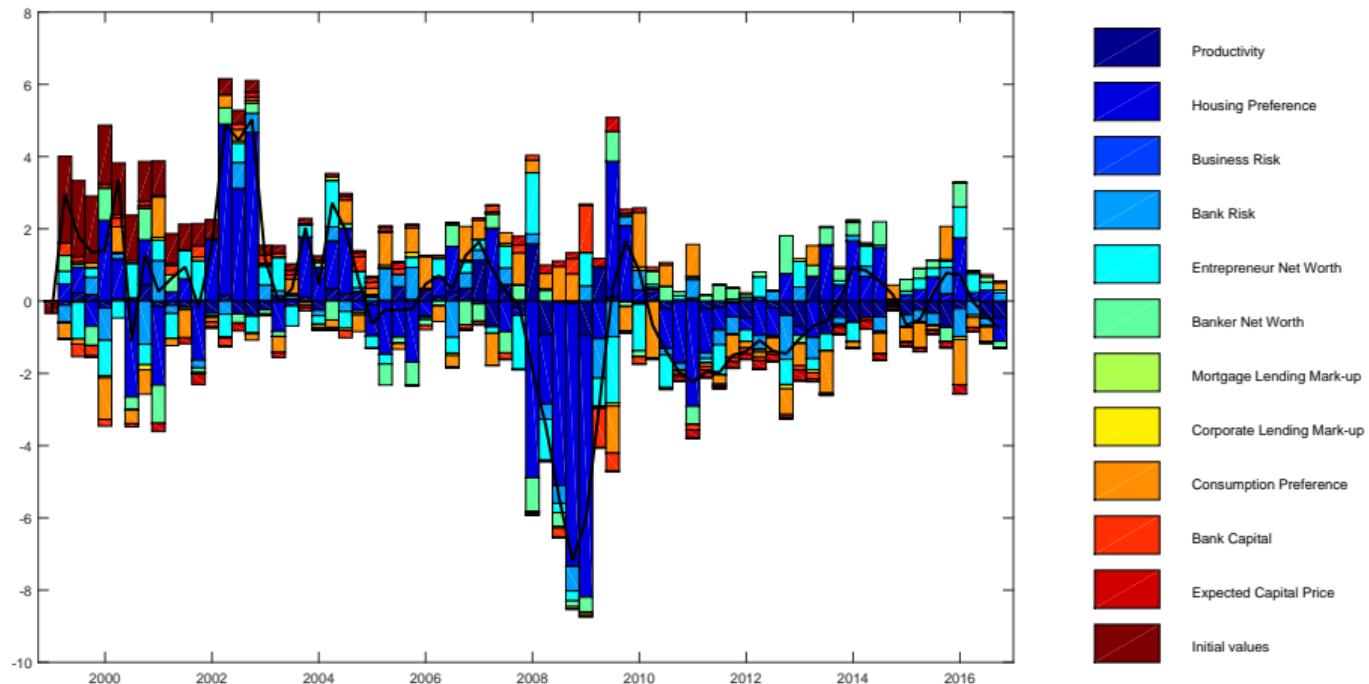
Historical Variance Decomposition: Consumption Growth



Historical Variance Decomposition: Investment Growth



Historical Variance Decomposition: House Price Growth



Historical Variance Decomposition: Wage Growth

