

Monetary Policy and Housing Price A Case Study of Chinese Experiences in 1999-2010



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Objective: forecasting house price inflation (monthly)

- Key features**
- Short-run changes
 - Irregular volatilities

Focuses of modelling strategy

- Choice of variables 
- Choice of functional form 

Reasons

- Nonlinear phenomena \neq nonlinear model
- Model tractability and stability are vital
- Importance of interpretability to avoid high fit by chance
- ‘Soft’ model building: Importance of combined use of data/statistical information and substantive information (**appropriate mix of exploratory-confirmatory analysis**)

On Variable choice

Interpretability
(Variable & parameter)

- Difficult for nonlinear variables in Table 4
- Difficult to avoid colinearity in cointegration vectors (Table 5)
- Difficult to justify M2 as a policy variable

Identifying variables with leading information:

Importance of forecasting turning points –

Ultimate challenge of short-run forecasting

Cheers

加油！给力