

ABSTRACT

This study is conducted to find out the impact of monetary policy on house price. House price, interest rate, inflation and stock market index are used as variables. Time series data is collected from 2016 to 2021. Sources include interest rate and inflation data is fetched from state bank of Pakistan, the data of stock market index is fetched from economic surveys of Pakistan and data for house price is collected from zameen.com. In this research vector error correction model approach is used. It is concluded that in long run there is negative relationship between the monetary policy and house price but in the short run monetary policy is ineffective to control the house price. In short this study reveals that there is positive relationship between the house price and interest rate. Further the relation of house price and interest rate is unidirectional. The effect of inflation in long run is positive. In short run impact of inflation negative by a small amount of 1.2% The causal relation of house price and inflation is bidirectional. Stock market index in the long run also negatively effect to house price and it is also unidirectional. The relationship between monetary policy and housing prices is complex and influenced by various factors beyond interest rates alone, including fiscal policies, market sentiments, and global economic conditions. So further research is needed in these areas as well.

Keywords: (monetary policy, interest rate, stock market index, inflation, housing price

Pakistan)