

Abstract

This dissertation investigates the role of the housing market in financial crises by empirically analysing data from Hungary and China from 2008 to 2019. Financial crises typically trigger shocks in interest rates and foreign exchange rates, subsequently affecting the aggregate economy through various channels. This work introduces a theoretical framework that includes interest rate channels, such as the interest effect, credit effect, wealth effect, and the foreign currency rate channel. It utilizes GDP, housing price index (HPI), foreign exchange rate (FX), stock market indices (BUX and SSE), credit to the private non-financial sector (CR), and the interbank 3-month interest rate (IR) as variables to represent different economic aspects. The study employs the Vector Error Correction Model (VECM) to empirically examine the relationships and interactions among these indicators. Impulse response function analysis and variance decomposition analysis are conducted to further understand the housing market's role in the economy. The results indicate that both the interest effect and the wealth effect are evident in Hungary and China. In China, the credit effect shows that the housing market and GDP decline with credit expansion. The foreign exchange rate has a more significant impact on Hungary than on China. Based on these findings, the study offers several recommendations. Firstly, the impacts generated through different channels on the housing market and GDP occur at different times, a factor that policymakers should consider when constructing economic models. Secondly, the factors that most significantly influence fluctuations in housing prices and GDP vary across countries, suggesting that the focus of macroeconomic regulation should also vary.