

Dynamic interdependencies among the housing market, stock market, policy uncertainty and the macroeconomy in the United Kingdom

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**Abstract**

In this study we examine the dynamic interdependencies among the housing market, stock market, policy uncertainty and the macroeconomy in the United Kingdom, over the period 1997M1-2015M02. The findings of this study suggest the following empirical regularities. First, the transmission of various types of shocks contributes significantly to economic fluctuations in the United Kingdom. Second, spillovers show large variations over time. Third, in the wake of the global financial crisis, spillovers have reached unprecedented levels. Specifically, we find large spillovers of shocks from the housing market, stock market and economic policy uncertainty to inflation, economic growth, and monetary policy stance. These results illustrate the contagion from the housing and financial crisis to the real economy and the policy reaction to stabilise the economy.

*Keywords:* Housing market, Stock market, Economic policy uncertainty, Spillover, Vector autoregression, Impulse response

*JEL codes:* C32; E40; E50; G10; G20

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