

The Use of Residential Property Survey for Macroprudential and Monetary Policies

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Abstract

Residential or housing market has become an important segment in economy. As an asset, residential property development could drive economic condition. History proved that the development of residential market could generate financial crisis. This evolved primarily by the transmission through the financial institution as intermediary. Housing finance has credit risk and might create potential loss to financial institution which could spread out systemically to other financial institution. As an authority in macro-prudential policy, in order to maintain financial stability, central bank realizes that monitoring residential or housing market is essential. Moreover, financial stability is a prerequisite of monetary stability, and vice versa. Like a coin with two sides, financial and monetary stabilities bind each other.

To acquire data and information of housing market, Bank Indonesia as a central bank has conducted surveys in that segment. The surveys include primary and secondary markets in housing. The statistic from these surveys could infer analytical information related to potential bubble in housing price and speculation motives of investors. Bank Indonesia established macroprudential policy by introducing dynamic loan to value ratio measure to control credit risk in housing finance. This policy is expected to curtail price spiraling in housing market in order to prevent bubble creation. Based on the information of the surveys, in the future Bank Indonesia could make adjustment in loan to value measure including the possibility of imposing different regional loan to value ratio in housing finance. This paper will explain the design of residential surveys and their benefit for Bank Indonesia.

Keywords: Central Bank Policies, Housing Market

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