The impact of housing and financial wealth on household consumption: evidence from Hong Kong

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Abstract
Housing is the most important single investment for most individual investors. Thus, the equity of housing capital would have a major psychological impact on the homeowners through a consumption effect. This study explores the wealth effect of housing and stock markets in Hong Kong. Taking into account the factors of money supply and interest rate, our results show that there is a long-term equilibrium relationship between household consumption and the changes in housing wealth. This effect appears to be more significant than that associated with changes in financial wealth.

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