

Monitoring the real estate market and housing loans made by the BCB for detecting signals bubbles

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Abstract

The recent financial crisis showed that imbalances in real estate prices may have a negative impact on financial systems, so monitoring developments in the property sector is important for financial stability.

In the last decade, an observed increase in real estate prices in urban areas of Bolivia, raised the question of whether this phenomenon responds to economic fundamentals or is a speculative bubble. The analysis by the Central Bank of Bolivia showed favorable economic conditions for the increase of income and quality of life of the population, which would justify the increase in housing prices. Furthermore, indicators on the evolution of housing mortgage loans showed that the dynamics of this type of credit is not enough evidence to imply a credit boom.

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