Exercise 1. December, 2017

We want to analyze the Keynesian consumption function of an economy. To that end, the file cons.wf1 contains information about:

ct: Consumption (real terms)

Yt: Disposable income (real terms)

The sample covers the period 1992:1-2016:4. With this information, you should reply to the following questions.

1. Test for the unit root null hypothesis for ct and yt.
2. Determine the most appropriate ARIMA models for these two variables
3. Predict the future values of these variables for the 2017:1 period
4. Estimate the long-run relationship between the variables. Interpret this model in economic terms
5. Predict the future value of sales for 2017:1 according to the available information
6. Estimate the Error correction mechanism. Interpret this model in economic terms

Once you have finished the exam, send it to [apleconometrics@gmail.com](mailto:apleconometrics@gmail.com) including your name in the text of the mail.