Final Exam 1. December, 2018

We want to analyze the evolution of the public expenditure of an economy. To that end, the file pexf.wf1 contains information about:

gst: Public expenditure (real terms)

gt: Total GDP (real terms)

Rt: real interest rate

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 the three variables.
2. Determine the most appropriate ARIMA models for rt
3. Predict the future values of this variable for the 2017:1 period
4. Estimate the long-run relationship between the variables. Select the best possible model. Interpret this model in economic terms
5. Estimate the Error correction mechanism. Interpret this model in economic terms

Once you have finished the exam, send it to apleconometrics@gmail.com including your name in the text of the mail.