Let,

Y=Inflation

X1= Euro xrate

X2=Trade deficit

X3=Interest Rate

> y=c(102,073,099,187,162,261,055,23,63,267,-144,-04,106,016,103,169,095,003,136,086,099,2,038,074,135,035,057,085,136,113,058,086,097,213,23,125)

> x1=c(454,466,463,487,49,529,534,576,559,73,631,589,606,591,608,622,668,652,658,618,64,616,637,632,666,663,686,729,765,756,769,821,877,904,973,934)

> x2=c(9.08,5.78,5.88,6.71,7.81,5.52,6,2.47,1.92,0.49,0.67,2.74,2.29,1.73,1.91,2.733,1.68,3.29,2.34,1.66,1.76,1.76,1.98,4.66,4.51,3.04,5.47,4.58,3.44,2.86,2.83,6.29,4.85,2.37,5.07,4.56)

> x3=c(1138,1148,118,1204,129,1512,1538,1734,226,2222,2163,2134,2031,1977,2029,2159,228,2271,1985,1745,1486,1279,1178,1037,955,946,917,829,724,713,708,92,1043,1121,1421,1635)

> length(y);length(x1);length(x2);length(x3)

[1] 36

[1] 36

[1] 36

[1] 36

> a1=lm(y~x1+x2+x3)

> print(a1)

Call:

lm(formula = y ~ x1 + x2 + x3)

Coefficients:

(Intercept) x1 x2 x3

126.573066 -0.088358 6.980531 -0.006815

**The estimated least square regression equation is ,**

**Y^=126.573066-0.088358X1+6.980531X2-0.006815X3**

> summary(a1)

Call:

lm(formula = y ~ x1 + x2 + x3)

Residuals:

Min 1Q Median 3Q Max

-204.76 -43.71 -14.72 39.16 158.60

Coefficients:

Estimate Std. Error t value Pr(>|t|)

(Intercept) 126.573066 63.351880 1.998 0.0543 .

x1 -0.088358 0.061795 -1.430 0.1624

x2 6.980531 6.995429 0.998 0.3258

x3 -0.006815 0.022028 -0.309 0.7591

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Signif. codes: 0 ‘\*\*\*’ 0.001 ‘\*\*’ 0.01 ‘\*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Residual standard error: 76.4 on 32 degrees of freedom

Multiple R-squared: 0.1067, Adjusted R-squared: 0.02298

F-statistic: 1.274 on 3 and 32 DF, p-value: 0.2998

> par(mfrow=c(2,2))

> plot(a1)

