**Name: g2**

In excel file column 1 provides time period over which data is collected; column 2 provides rate of change in money supply of a particular country; column 3 provides the output growth rate and column 4 provides inflation rate in this country.

*(Hint: Assume that the intercept term (constant, beta1) in your model is zero)*

Estimate the impact of changes in Inflation and output growth on the money supply.

1. Formulate the relevant Null and alternative hypothesis for examing the impact of various factors on the supply of money.

1A. Are all these variables stationary? (Use unit root test)

2. Is coefficient associated with inflation and output growth statically significant? (Use t-test). Interpret these coefficients.

3. Which of the two variables has stronger influence on the money supply.

4. Determine the value of adjusted r-square. And how will it change

5. How will r-square change, if you drop inflation from the model?

6. Examine the various properties of Error term obtained from this model. Using correlogram, check is there a presence of autocorrelation in the error term.

6. Run a test for presence multicollinearity in the estimated model.

7. Plot the predicted and actual values of changes money supply. What do you infer?

8. Based on evidence from date, what will be your advice to the Central Bank of the Country?

Note:

* Your response to each question must be supported by the results/estimates you obtain from estimation of the above equation.
* You are advised to submit it by 08 Dec 2021.