KYIV SCHOOL OF ECONOMICS

MACRO – I

QUIZ – 4

Save your solutions file as Q4MacroI\_Petrenko\_Ivanenko\_Kosenko.docx (where Petrenko, Ivanenko and Kosenko are students in your team). There should be at most (!) three students in your team. Upload the solution to Moodle email before 11.54 pm September 11th. **Please do not email solutions!**

This quiz is worth **20 points** of which 1 point is given for uploading **exactly 1 solution** (not 2, 3 etc) and 1 point is given for the correct format of the file name. All other parts are equally weighted. 5 points will be subtracted if a student submits solution by him/herself. Limit your answer to 200 words for each part.

An average team should spend **at most** 6 hours in total (i.e. 2 hours per person) on this quiz.

1. Go to the homepage of World Economic Outlook provided by International Monetary Fund and obtain "Inflation, average consumer prices", "Unemployment rate" and "Gross domestic product, deflator" for Ukraine form 1992 onwards. Plot inflation index on horizontal index versus GDP deflator on vertical axis. What is the relation between the two series? Explain your findings in a few sentences.

2. Fit a linear regression model with a constant (intercept) and also add it to your graph above. Should the coefficient in this equation be equal to 1? Explain in 2-3 sentences using the class discussion. *Hint: You can build linear regression it in Excel or any other econometrics software.*

3. Plot a graph that links changes in unemployment and inflation. Fit a linear regression model with a constant (intercept) and also add it to your graph above. Explain your findings in a few sentences.

4. How do economists call the relationship between variables you plotted above? Is your finding for Ukraine consistent with data for US? Explain in a few sentences.