

d. Briefly explain the model coefficient of X_1 & X_4

A unit change of X_1 (money supply) will change gross capital formation (Y) by 0.4527 X_1 .

A unit change of X_4 (interest rate) will reduce capital formation (Y) by 0.0269 units of X_4 .

e. Which variables are significant?

Private sector credit (X_2)

Inflation rate (X_3)

Interest rate (X_4)

f. Given the values of $X_1 = 1.5$, $X_2 = 3$, $X_3 = 0.5$, $X_4 = (-1.5)$; What is the value of Y

$$Y = 0.1862 + 0.4527X_1 + 0.0455X_2 + 0.0010X_3 + 0.0269X_4$$

$$Y = 0.1862 + 0.4527(1.5) + 0.0455(3) + 0.0010(0.5) - 0.0269(-1.5)$$

$$Y = 0.9669$$

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