

Task 1: Estimating interest rate for next years (USD, EUR or local currency)

Interest rate is one of the most important price for international finance. Interest rate is directly influencing the cost of capital and its volatility is an important source of uncertainty. We cannot decide between different financing alternatives without a proper forecast on the evolution of interest rate. This study is proposing you to try to forecast interest rate using the following modelling procedures:

- Trend: **Interest rate = Function (time) = a x Time + b**
- Autoregressive models: **Interest rate (t) = Function [(Interest rate (t-i)]**
- Linear regression: **Interest rate = Function (factors)**

The factors that could be used for linear regression should be selected from those presented to you (income level, anticipated inflation, economic growth rate etc.).

Note:

For data samples we recommend:

- <http://epp.eurostat.ec.europa.eu>
- <http://www.federalreserve.gov/>
- <http://www.imf.org/external/data.htm>
- <http://www.oecd.org/> (Section Statistics)
- <http://web.worldbank.org> (Section Data & Research or Countries)