

## **ABSTRACT**

This study attempts to estimate an empirical forecast model for forecasting Consumer price index for all items of USA. Initially Box and Jenkins approach has been used to estimate ARIMA modal with other selection criterions. ARCH- LM test has been applied for estimation autoregressive conditional heteroskedasticity. The generalized autoregressive conditional heteroskedasticity (GARCH) models are used to capture the volatility clustering in the Consumer price index for all items.

In this study the main focus is to forecast the monthly Consumer price index on short term basis which is helpful for the forecasting of future inflation rate for USA. The aim is to find an adequate model which has accurate predictions. Various GARCH models are applied and better model is selected on the basis of different criteria. It has been empirically observed that GARCH(1,1) is more adequate model for the forecasting of Consumer price index of U.S.A on the basis of different forecast evaluation criteria.