ECON 5337-001
Business and Economic Forecasting
Spring 2019

Instructor: Dr. Aaron Smallwood
Office Location: COBA 327
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Course Webpage: All course material can be found on blackboard.

Please check blackboard before each class, as I will frequently post data that we will work with in class. Students are encouraged to bring their laptops to class so that they can follow the examples directly.

Time and Location: W 7:00 - 9:50 pm, COBA 151.
Office Hours:
  Tuesday: 12:45-1:45 (pm)
  Wednesday 5:30 – 6:30 (pm)
  And by appointment

Textbook: The author of the forecasting package in R co-wrote the following online textbook, which contains some useful commands in R:


Textbook: (optional). Some lectures will be based on the following textbook:

  Forecasting for economics and business, 1st edition. Author: Gloria Gonzalez-Rivera.

Software:

Students will be required to obtain the software R. R can be obtained through the following url:

  http://cran.r-project.org

Assignments will be based on R throughout the course.
Students also have the option of obtaining the very useful software EViews. The student version of the software can be obtained for $49.95 directly from the manufacturer at the following URL: (a free version with limited functionality is also available):


Course Description and objectives:
This is a challenging and extremely useful course that employs statistical techniques in developing forecasts for business data. The course begins with a description of what a forecast is and the tools necessary to evaluate competing forecasts. Various forecasting methods are introduced, and eventually, emphasis is placed on modeling the statistical properties of the data under consideration. Very early, we will discuss simple methods that are free of complicated modeling, including naive forecasts, forecasts based on averages, and exponential smoothing. As the course progresses, the models become more elaborate as we will introduce so-called “ARMA” and “SARIMA” models, forecasts based on regression models, and ultimately, multivariate techniques. Upon successful completion of the course,

1. The student will understand complicated statistical techniques related to modeling business data over time.
2. The student will independently be able to develop a model to forecast business data.
3. The student will be able to compare the relative forecasting ability of various models and choose the most appropriate model among a set of alternatives.
4. The student will gain familiarity with the computer package R and maybe to a lesser extent EViews and will be able to employ these tools to develop and analyze forecasts.

Grading: Course grades will be based on the following:

Assignments 33%
Group Project 14%
Midterm 26%
Final 27%

I. Assignments:
There will be a total of 3 assignments, which will be administered throughout the course. The assignments will be intensive in both mathematical and computational analysis associated with the techniques developed in this class. Each assignment is worth 11% of your overall grade. Assignments will be administered (and collected) on the following dates (dates are potentially tentative):

a. Assignment #1: Administered: February 6 Due: February 13
b. Assignment #2: Administered: IN CLASS APRIL 10
c. Assignment #3: Administered: April 10, Due: April 17.
Please note, as we will typically review the assignments at the beginning of class on the dates they are due, I am unable to collect assignments should you arrive late to class on any of the above dates FOR ANY REASON. If you cannot arrive on time or are unable to attend, I will be happy to make arrangements with you to allow you to turn in your assignment before the start of class. Regrettably, students that do not turn in their assignments at the start of class on the dates listed above will receive a zero on that problem set.

To begin assisting you in working with others in the class, one of the assignments can be completed as a group project. I will provide clear instructions on which assignments can be completed with collaboration. Otherwise, working with others on the assignments, in any capacity, is not allowed. For individual assignments where collaboration occurs, the offending student will automatically be referred to the Office of Student Misconduct with the minimum recommendation that the student receive a 0 on the assignment in question. Please refer to the statement at the end of the syllabus regarding violations of the University Honor Code.

II. **Group Project:**
   By hopefully the start of the third month of class, groups of about 4-5 students will be formed. Each group will select a single series to forecast using all of the methods developed by the end of the semester. Group presentations are scheduled for April 24 or May 1. Additional details on presentations will be given throughout the course.

III. **Exams:**
   
   **Exam 1: Scheduled for March 6, 2019**
   Exam coverage: determined by pace of the course.
   
   **Final Exam: May 6, 8:15-10:45 pm**
   Exam coverage: Again determined by the pace of the course.

   *In the case of a necessitated emergency, properly documented, arrangements will be made to take the exam at a different time. An unexcused absence for an exam will result in a 0% on that exam.*

IV. **Participation and attendance**

   At The University of Texas at Arlington, taking attendance is not required. Rather, each faculty member is free to develop his or her own methods of evaluating students’ academic performance, which include establishing course-specific policies on attendance.
You may have been successful in previous courses with intermittent attendance supplemented by reading the textbook. Unfortunately, this course will not lend itself well to that strategy. Additionally, this course relies on collaboration with fellow students and missing class presents complexities for both the instructor and your classmates. Due to the technical nature of the course and its difficulty, I do not anticipate that you will be successful without attending each class period. I understand the complexities that go along with a college schedule, especially for those that have significant responsibilities outside the classroom. However, if you feel that you may miss class even just on rare occasions, then I suspect you will find yourself struggling accordingly. Please feel free to discuss any specific concerns you may have.

As it relates to a formal policy related to attendance, I will allow you to decide. We will discuss this at the start of class, but your options are as follows.

First, this classroom is equipped with ECHO360 technology. Regrettably, providing access to these videos in the class has created a problematic environment in terms of attendance in the past. Students have attempted to substitute attendance for watching the videos, which has resulted in serious problems both for the students making this decision, and as discussed above, the rest of the class including me. The videos are NOT an effective substitute for class attendance, where I go to significant lengths to integrate active learning concepts into each lecture.

Given these concerns, I am more than happy to provide access to the video lectures, provided it does not interfere with your class attendance. As such, you can either have no attendance policy or you can have access to the video recordings. In the event that the class decides to adopt an attendance policy, the policy will be as follows:

The first two absences will result in a zero-point reduction off your final course grade. Each additional absence will result in a four-point reduction from your overall course grade. Please note that should this policy be adopted, there will be no distinction between “excused” versus “unexcused” absences. I am allowing two absences, no questions asked, in the event that you have some sort of emergency. Suppose, for example, that you decide to skip 2 classes early in the semester. Later in the semester, you have a legitimate and even potentially documented emergency that precludes you from being able to attend. In the event an attendance policy is adopted, you will receive a 4-point reduction from your final grade.

Please feel free to discuss any concerns that you may have regarding the potential adoption of an attendance policy.
**Drop Policy:** Students may drop or swap (adding and dropping a class concurrently) classes through self-service in MyMav from the beginning of the registration period through the late registration period. After the late registration period, students must see their academic advisor to drop a class or withdraw. Undeclared students must see an advisor in the University Advising Center. Drops can continue through a point two-thirds of the way through the term or session. It is the student's responsibility to officially withdraw if they do not plan to attend after registering. **Students will not be automatically dropped for non-attendance.** Repayment of certain types of financial aid administered through the University may be required as the result of dropping classes or withdrawing. For more information, contact the Office of Financial Aid and Scholarships ([http://wweb.uta.edu/aaofao/](http://wweb.uta.edu/aaofao/)).

**Disability Accommodations:** UT Arlington is on record as being committed to both the spirit and letter of all federal equal opportunity legislation, including The Americans with Disabilities Act (ADA), The Americans with Disabilities Amendments Act (ADAAA), and Section 504 of the Rehabilitation Act. All instructors at UT Arlington are required by law to provide “reasonable accommodations” to students with disabilities, so as not to discriminate on the basis of disability. Students are responsible for providing the instructor with official notification in the form of a letter certified by the Office for Students with Disabilities (OSD). Only those students who have officially documented a need for an accommodation will have their request honored. Students experiencing a range of conditions (Physical, Learning, Chronic Health, Mental Health, and Sensory) that may cause diminished academic performance or other barriers to learning may seek services and/or accommodations by contacting: The Office for Students with Disabilities, (OSD) [www.uta.edu/disability](http://www.uta.edu/disability) or calling 817-272-3364. Information regarding diagnostic criteria and policies for obtaining disability-based academic accommodations can be found at [www.uta.edu/disability](http://www.uta.edu/disability).

**Counseling and Psychological Services, (CAPS)** [www.uta.edu/caps/](http://www.uta.edu/caps/) or calling 817-272-3671 is also available to all students to help increase their understanding of personal issues, address mental and behavioral health problems and make positive changes in their lives.

**Non-Discrimination Policy:** The University of Texas at Arlington does not discriminate on the basis of race, color, national origin, religion, age, gender, sexual orientation, disabilities, genetic information, and/or veteran status in its educational programs or activities it operates. For more information, visit [uta.edu/eos](http://uta.edu/eos).

**Title IX Policy:** The University of Texas at Arlington (“University”) is committed to maintaining a learning and working environment that is free from discrimination based on sex in accordance with Title IX of the Higher Education Amendments of 1972 (Title IX), which prohibits discrimination on the basis of sex in educational programs or activities; Title VII of the Civil Rights Act of 1964 (Title VII), which prohibits sex discrimination in employment; and the Campus Sexual Violence Elimination Act (SaVE Act). Sexual misconduct is a form of sex discrimination and will not be tolerated. **For**
information regarding Title IX, visit www.uta.edu/titleIX or contact Ms. Jean Hood, Vice President and Title IX Coordinator at (817) 272-7091 or jmhood@uta.edu.

**Academic Integrity:** Students enrolled all UT Arlington courses are expected to adhere to the UT Arlington Honor Code:

*I pledge, on my honor, to uphold UT Arlington’s tradition of academic integrity, a tradition that values hard work and honest effort in the pursuit of academic excellence.*

*I promise that I will submit only work that I personally create or contribute to group collaborations, and I will appropriately reference any work from other sources. I will follow the highest standards of integrity and uphold the spirit of the Honor Code.*

UT Arlington faculty members may employ the Honor Code in their courses by having students acknowledge the honor code as part of an examination or requiring students to incorporate the honor code into any work submitted. Per UT System Regents’ Rule 50101, §2.2, suspected violations of university’s standards for academic integrity (including the Honor Code) will be referred to the Office of Student Conduct. Violators will be disciplined in accordance with University policy, which may result in the student’s suspension or expulsion from the University. Additional information is available at https://www.uta.edu/conduct/.

In my course, there will be at least two projects that must be completed individually. Working with others will not be allowed. Further, to the extent that it becomes necessary to use resources outside of class notes and the textbooks, proper citation must be adhered to at all times. For example, with proper attribution, one may include brief statements lifted directly from other sources within quotation marks. You should never quote entire paragraphs and for many assignments, direct quotation will not be appropriate anyway. If you are using another source for information that you are providing, proper citation must be given. Failure to do so results in plagiarism and is a violation of academic misconduct standards.

**Electronic Communication:** UT Arlington has adopted MavMail as its official means to communicate with students about important deadlines and events, as well as to transact university-related business regarding financial aid, tuition, grades, graduation, etc. All students are assigned a MavMail account and are responsible for checking the inbox regularly. There is no additional charge to students for using this account, which remains active even after graduation. Information about activating and using MavMail is available at http://www.uta.edu/oit/cs/email/mavmail.php.

**Campus Carry:** Effective August 1, 2016, the Campus Carry law (Senate Bill 11) allows those licensed individuals to carry a concealed handgun in buildings on public university campuses, except in locations the University establishes as prohibited. Under the new law, openly carrying handguns is not allowed on college campuses. For more information, visit http://www.uta.edu/news/info/campus-carry/.
**Student Feedback Survey:** At the end of each term, students enrolled in face-to-face and online classes categorized as “lecture,” “seminar,” or “laboratory” are directed to complete an online Student Feedback Survey (SFS). Instructions on how to access the SFS for this course will be sent directly to each student through MavMail approximately 10 days before the end of the term. Each student’s feedback via the SFS database is aggregated with that of other students enrolled in the course. Students’ anonymity will be protected to the extent that the law allows. UT Arlington’s effort to solicit, gather, tabulate, and publish student feedback is required by state law and aggregate results are posted online. Data from SFS is also used for faculty and program evaluations. For more information, visit [http://www.uta.edu/sfs](http://www.uta.edu/sfs).

**Final Review Week:** for semester-long courses, a period of five class days prior to the first day of final examinations in the long sessions shall be designated as Final Review Week. The purpose of this week is to allow students sufficient time to prepare for final examinations. During this week, there shall be no scheduled activities such as required field trips or performances; and no instructor shall assign any themes, research problems or exercises of similar scope that have a completion date during or following this week *unless specified in the class syllabus*. During Final Review Week, an instructor shall not give any examinations constituting 10% or more of the final grade, except makeup tests and laboratory examinations. In addition, no instructor shall give any portion of the final examination during Final Review Week. During this week, classes are held as scheduled. In addition, instructors are not required to limit content to topics that have been previously covered; they may introduce new concepts as appropriate.

**Emergency Exit Procedures:** Should we experience an emergency event that requires us to vacate the building, students should exit the room and move toward the nearest exit. When exiting the building during an emergency, one should never take an elevator but should use the stairwells. Faculty members and instructional staff will assist students in selecting the safest route for evacuation and will make arrangements to assist individuals with disabilities.

**Student Support Services:** UT Arlington provides a variety of resources and programs designed to help students develop academic skills, deal with personal situations, and better understand concepts and information related to their courses. Resources include tutoring, major-based learning centers, developmental education, advising and mentoring, personal counseling, and federally funded programs. For individualized referrals, students may visit the reception desk at University College (Ransom Hall), call the Maverick Resource Hotline at 817-272-6107, send a message to [resources@uta.edu](mailto:resources@uta.edu), or view at [http://www.uta.edu/universitycollege/resources/index.php](http://www.uta.edu/universitycollege/resources/index.php).
**Course Outline**: The following is a tentative outline of the course:

**Week 1 (Jan 16)**: Distribute syllabi and introduction to forecasting (chapter 1&4).

**Week 2 (Jan 23)**: Simple forecasting methods. Naïve forecasts, mean forecasts, and exponential smoothing (chapter 7 from Hyndman and Athanasopoulos).

**Week 3 (Jan 30)**: Exponential smoothing concluded, reviewing the linear regression model (chapter 2, main text). Problem set #1 distributed

**Week 4 (Feb 6)**: **PROBLEM SET #1 IS DISTRIBUTED.** Linear regression model continued. Concept of stationarity introduced (chapter 2-3).

**Week 5 (Feb 13)**: Problem set #1 is due. Statistical characteristics of data we wish to observe: Mean of the data, covariance of the data, indirect correlation of the data over time, and direct correlation of the data over time. Introduction to the Box-Jenkins methodology (chapter 3).

**Week 6 (Feb 20)**: The building block of all forecasting models: the white noise process. How do we know if a model actually exists, which can be applied to our data? The Wold decomposition theorem. Introduction to ARMA models (chapter 6).

**Week 7 (Feb 27)**: Characteristics of basic ARMA models (chapter 6).

**Week 8 (March 6)**: **EXAM #1.**

**Week 9 (March 20)**, Return exam #1. Properties of ARMA models. Introduction to forecasting with ARMA models (chapter 6,7,8).

**Week 10 (March 27)**: ARIMA models continued (chapter 7,8). Problem set #2 administered.

**Week 11 (April 3)**: Introduction to stochastic trends. Dealing with unit roots (chapter 10).

**Week 12 (April 10)**: In class assignment. Problem set #3 administered.

**Week 13 (April 17)**: Problem set #3 is due. Unit roots concluded. Dealing with seasonality. Introduction to SARIMA models (chapter 7-10). Relationship to exponential smoothing. (chapter 7,8).

**Week 14 (April 24)**: **Problem set #3 is due.** Putting it all together. SARIMA models with trending. Introduction to multivariate methods. Possible presentations. (chapter 7,8,10).


**PRESENTATIONS TO BE HELD April 24 or May 1.**