ECON 4325-01
Economic Forecasting
Spring 2017

Instructor: Dr. Aaron Smallwood
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Course Webpage: Please refer to blackboard for all course related content.

Special note: Please check the course website 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: T-Th 9:30 - 10:50, COBA 139.

Office Hours: Wednesday 5:50- 6:50 (pm) Thur. 11:00 - 12:00 (p.m.)

Textbook: The lectures will be based on the following textbook:

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

Students will be required to obtain the software R. The software will be used in forecasting exercises throughout the course. The software is free and can be obtained by visiting the following website:

http://cran.r-project.org

Should the opportunity arise, I may also demonstrate how to conduct forecasting analysis using the software EViews. Acquisition of this software is entirely voluntary. A student version of the software can be obtained for $39.95 directly from the manufacturer at the following URL:


Course Description and objectives:

This is a challenging and extremely useful course that employs statistical techniques in developing forecasts for economic and financial data. The course begins with a description of what a forecast is and the tools necessary to evaluate competing forecasts. Various forecasting models are introduced, with emphasis placed on modeling the statistical properties of the data under consideration. 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 will be able to employ this software to develop and analyze forecasts.
5. The student will gain presentation skills and will be able to demonstrate how forecasting methods can benefit specific organizations that use them.
Grading:

Course grades will be based on the following:

- Assignments 33%
- Group presentation 13%
- Midterm 27%
- 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 (subject to change):

a. Assignment #1: Administered: February 2, Due: February 14.
b. Assignment #2: Administered: February 16, Due: February 28.
c. Assignment #3: Administered: April 6, Due: April 18.

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 be late to class on any of the above dates. Please note that there is absolutely no flexibility on this policy. If you come into the classroom and attempt to turn in your assignment after I have collected them, you will receive a zero on the assignment. Please treat these dates as you would a critical deadline for a project with an employer. If you can not 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. Again, regrettably, students that do not turn in their assignments at the start of class on their due dates will receive a zero on that assignment.

II. Group presentation:

The course will culminate in a group presentation where all methods taught in class will be brought to bear on a data set of your group’s choosing. The group presentation will allow you to work in teams, while demonstrating your proficiency in technical analysis related to forecasting. The development of this skill will likely serve you quite well in the workplace someday. Specific instructions on group presentations will be given during the month of February. Presentations will be given on either April 27 or May 2.

III. Exams:

- Exam 1: Scheduled for March 7, 2017
  Exam coverage: determined by pace of the course.
- Final Exam: May 11, 8:00-10:30 am
  Exam coverage: Again determined by the pace of the course.

Special notes: 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:

Formally, there is no attendance policy. However, this is a challenging course, and I suspect you would find that there is not a good substitute for the in-class lecture. If you suspect, for any reason, that you may have difficulty attending every class, I would recommend not taking this course.
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 nonattendance. 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/ao/faq/).

Americans with Disabilities Act:

The University of Texas at 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). 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 that disability. Any student requiring an accommodation for this course should provide me with official documentation in the form of a letter certified by the staff in the Office for Students with Disabilities, University Hall 102. Only those students who have officially documented a need for an accommodation will have their request honored. Information regarding diagnostic criteria and policies for obtaining disability-based academic accommodations can be found at www.uta.edu/disability or by calling the Office for Students with Disabilities at (817) 272-3364.

Title IX:

The University of Texas at Arlington is committed to upholding U.S. Federal Law “Title IX” such that no member of the UT Arlington community shall, on the basis of sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any education program or activity. For more information, visit www.uta.edu/titleix.

Academic Integrity:

Students enrolled in 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 as they see fit in their courses, including (but not limited to) 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 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.
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.

Student Feedback Survey:

Students enrolled in this class shall be 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 enters the SFS database anonymously and is aggregated with that of other students enrolled in the course. UT Arlington’s effort to solicit, gather, tabulate, and publish student feedback is required by state law; students are strongly urged to participate. For more information, visit http://www.uta.edu/sfs.

Final Review Week:

A period of five class days prior to the first day of final examinations in this session 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 I will not assign any themes, research problems or exercises of similar scope that have a completion date during or following this week. During Final Review Week, I will not give any examinations constituting 10% or more of the final grade, except in the unlikely event of a makeup test. In addition, I will not give any portion of the final examination during Final Review Week. During this week, classes are held as scheduled. In addition, please note, instructors are not required to limit content to topics that have been previously covered; I will likely 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, or view the information at www.uta.edu/resources.
Course Outline: The following is a tentative outline of the course that is likely to change given the pace of our meetings.

Week 1 (Jan 17 - Jan 19): Elements of forecasting: The decision environment and loss function. The forecast object, forecast statement, forecast horizon, the information set, and methodology (chapter 1&4).

Week 2 (Jan 24- Jan 26): Reviewing the linear regression model (chapter 2).

Week 3 (Jan 31 - Feb 2): Linear regression model continued. Concept of stationarity introduced (chapter 2-3). Problem set #1 administered.

Week 4 (February 7 - 9): 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 5 (February 14-16): Problem set #1 is due. 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). Problem set #2 administered.

Week 6 (February 21-23): Properties of ARMA models. Introduction to forecasting with ARMA models (chapter 6,7,8).

Week 7 (February 28 – March 2): Problem set #2 is due. Forecasting with ARMA models (chapter 7,8).

Week 8 (March 7 – 9). Exam #1. Return exam number 1 if possible.

Week 9 (March 21-23): Dealing with seasonality. Deterministic seasonality. Introduction to stochastic seasonality and SARIMA models (chapter 7,8).

Week 10 (March 28 – March 30): Stochastic seasonality continued. Forecasting data with seasonal characteristics. (chapter 7,8).


PRESENTATIONS TO BE HELD APRIL 27 AND/OR MAY 2

Week 15 (May 2 - May 4): VAR analysis finalized. Review. MAY 11, FINAL EXAM.