

Economics 413: Economic Forecast & Analysis  
Department of Economics, Finance and Legal Studies  
University of Alabama  
Spring, 2016

Professor: Daniel J. Henderson  
Lecture: TR 9:30 – 10:45 am, Bidgood 125  
Office: Alston 262  
Office Hours: TR 12:50 – 1:50 pm or by appointment  
E-mail: [djhender@cba.ua.edu](mailto:djhender@cba.ua.edu)  
Phone: (205) 348-8991  
Course Web Site: <http://mycba.ua.edu/~djhender/classes/economics-413>

Teaching Assistant: Chi-Yang Chu  
Lab Section: W 1:00 – 1:50 pm, Bruno 6  
Office: Bidgood 351  
Office Hours: W 12:00 – 1:00 pm  
E-mail: [cchu2@crimson.ua.edu](mailto:cchu2@crimson.ua.edu)

**Course Description:**

This course deals with the analysis of univariate and multivariate time series data. The course will focus on the modeling of stationary and linear models within the Box-Jenkins framework for which optimal forecasts will be constructed. Nonstationary models will also be analyzed, together with topics such as unit roots and cointegration.

**Textbooks:**

Forecasting for Economics and Business, First Edition  
Gonzalez-Rivera, Pearson, 2013, ISBN 9780131474932 (Required)

Elements of Forecasting, Fourth Edition  
Diebold, South-Western: 2007, ISBN: 9780324359047

Applied Econometric Time Series, Third Edition  
Enders, Wiley: 2010, ISBN: 9780470505397

Time Series Data Analysis Using EViews, First Edition  
Gusti Ngurah Agung, Wiley: 2008, ISBN: 9780470823675

Time Series Analysis: Forecasting and Control, Third Edition  
Box, Jenkins and Reinsel, Prentice Hall: 1994, ISBN: 0130607746

Introduction to Econometrics, Fourth Edition  
Maddala and Lahiri, Wiley: 2009, ISBN: 9780470015124

Introductory Econometrics, Fourth Edition:  
Wooldridge, South-Western: 2009, ISBN: 9780324660545

### Prerequisites:

ST 260 or ST 250 and ST 251, as well as EC 308 and EC 309: all with a grade of C- or better. EC 471 is highly recommended.

### Grading Policy:

The course will consist of several homework assignments, two in-class midterm examinations and one comprehensive final examination. The course grade will be determined according to the following formula:

Homework	20%
Midterm I	25%
Midterm II	25%
Final Exam	30%

Note that homework assignments will require the student to use a statistical software package and to turn in output from that package. Simply writing down answers from the course website is not acceptable. Further note that no late assignments will be accepted.

Note that no make-up exams will be given. If a student misses a midterm examination for any reason, the weight of that examination will be added to that of the final examination (e.g., missing Midterm I would make the final worth 55% of the course grade).

### Course Outline:

#### Review of the Linear Regression Model

- Gauss-Markov Assumptions
- Ordinary Least Squares
- Coefficient Interpretation
- Goodness-of-Fit
- Statistical Inference
- Maximum Likelihood Estimation

#### Mathematics for Forecasting

- Difference Equations
- Lag Operators
- Higher-Order Difference Equations

#### Stationary Models

- ARMA Processes
- Forecasting
- Multivariate Time Series Models

#### Nonstationary Models

- Time Trends
- Unit Roots
- Spurious Regression and Cointegration

## Relevant Chapters from Gonzalez-Rivera:

Chapter 2: Linear Regression Models

Chapter 3: Mathematical Preliminaries

Chapters 6-7: ARMA Processes

Chapters 8-9: Forecasting Stationary Models

Chapter 10: Unit Roots

Chapter 11: Multivariate Nonstationary Models

## Relevant Chapters from Diebold:

Chapter 2: Linear Regression Models

Chapter 7: Mathematical Preliminaries

Chapter 8: ARMA Processes

Chapters 9-12: Forecasting Stationary Models

Chapter 11: Multivariate Stationary Models

Chapter 13: Unit Roots

Chapter 13: Multivariate Nonstationary Models

Note that the schedule is subject to change depending on the pace of the course.

## Policy on Academic Misconduct

The Department of Economics, Finance, and Legal Studies has a policy of zero tolerance for acts of academic misconduct. Any violation of the Code of Academic Misconduct will be reported to the Academic Misconduct Monitor for the college and the recommended penalty for any academic misconduct in a course offered by the Department of Economics, Finance, and Legal studies will be a grade of “F” in the course.

## Disability Statement

If you are registered with the Office of Disability Services, please make an appointment with me as soon as possible to discuss any course accommodations that may be necessary. If you have a disability, but have not contacted the Office of Disability Services, please call 348-4285 or visit 133-B Martha Parham Hall East to register for services. Students who may need course adaptations because of a disability are welcome to make an appointment to see me during office hours. Students with disabilities must be registered with the Office of Disability Services, 133-B Martha Parham Hall East, before receiving academic adjustments.

## Severe Weather Protocol

In the case of a tornado warning (tornado has been sighted or detected by radar, sirens activated), all university activities are automatically suspended, including all classes and laboratories. If you are in a building, please move immediately to the lowest level and toward the center of the building away from windows (interior classrooms, offices, or corridors) and remain there until the tornado warning has expired. Classes in session when the tornado warning is issued can resume immediately after the warning has expired at the discretion of the instructor. Classes that have not yet begun will resume 30 minutes after the tornado warning has expired provided at least half of the class period remains.

UA is a residential campus with many students living on or near campus. In general classes will remain in session until the National Weather Service issues safety warnings for the city of Tuscaloosa. Clearly, some students and faculty commute from adjacent counties. These counties may experience weather related problems not encountered in Tuscaloosa. Individuals should follow the advice of the National Weather Service for that area taking the necessary precautions to ensure personal safety. Whenever the National Weather Service and the Emergency Management Agency issue a warning, people in the path of the storm (tornado or severe thunderstorm) should take immediate life saving actions.

When West Alabama is under a severe weather advisory, conditions can change rapidly. It is imperative to get to where you can receive information from the **National Weather Service** and to follow the instructions provided. Personal safety should dictate the actions that faculty, staff and students take. The Office of Public Relations will disseminate the latest information regarding conditions on campus in the following ways:

- Weather advisory posted on the UA homepage
- Weather advisory sent out through Connect-ED--faculty, staff and students (sign up at myBama)
- Weather advisory broadcast over WVUA at 90.7 FM
- Weather advisory broadcast over Alabama Public Radio (WUAL) at 91.5 FM
- Weather advisories are broadcast via WUOA/WVUA-TV, which can be viewed across Central Alabama. Also, visit [wvuatv.com](http://wvuatv.com) for up-to-the-minute weather information. A mobile Web site is also available for your convenience.

## Make-up final exams

If a legitimate conflict exists you may request a make-up exam from the instructor. If you choose to request a make-up exam for this course, you must do so (in writing) before the drop deadline. It is **the student's responsibility** to learn from the instructor if the request has been approved. Only students who are approved may take a make-up final exam. Students who have not requested a make-up exam in this course by the drop deadline will be required to resolve conflicting exams with the instructor in one of their other courses.