

Economic Forecasting

Exercise Sheet 9

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1. (a) Open the *EViews* file **canemp.wf1**, which contains quarterly data on Canadian employment from 1961q1 to 1994q4. Fit a simple exponential smoothing model to the **canemp** series. Experiment with different values for the smoothing parameter α .

Hint: Exponential smoothing procedures are available on the *proc* tab of the *series* window for a variable. The smoothing parameters can either be specified by the user or freely estimated (by specifying E in the *smoothing parameter* box).

- (b) Open the *EViews* file **nyse.wf1**, which contains monthly data from 1947m1 to 1990m2 on the volume of transactions on the New York Stock Exchange. Fit a double exponential smoothing model to the **nyse** series and a non-seasonal Holt-Winters smoothing model and compare them. Allow the smoothing parameters to be freely estimated from the data.
- (c) Open the *EViews* file **liquor.wf1**, which contains monthly data on US liquor expenditure from 1967q1 to 1994q4. Fit a seasonal Holt-Winters smoothing model to the **liquor** series, allowing the three smoothing parameters to be freely estimated over the period 1960-1990 but then projecting the smoothed series forecast over the period 1991-1994.