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FORECASTING

PRINCIPLES AND PRACTICE

A comprehensive introduction to the latest forecasting methods using R. Learn to improve your forecast accuracy using dozens of real data examples.



3RD EDITION

 **OTexts**
Oxford Texts in Finance and Statistics

2. Time series graphics

2.3 Time series patterns

OTexts.org/fpp3/

Time series patterns

Trend pattern exists when there is a long-term increase or decrease in the data.

Seasonal pattern exists when a series is influenced by seasonal factors (e.g., the quarter of the year, the month, or day of the week).

Cyclic pattern exists when data exhibit rises and falls that are *not of fixed period* (duration usually of at least 2 years).

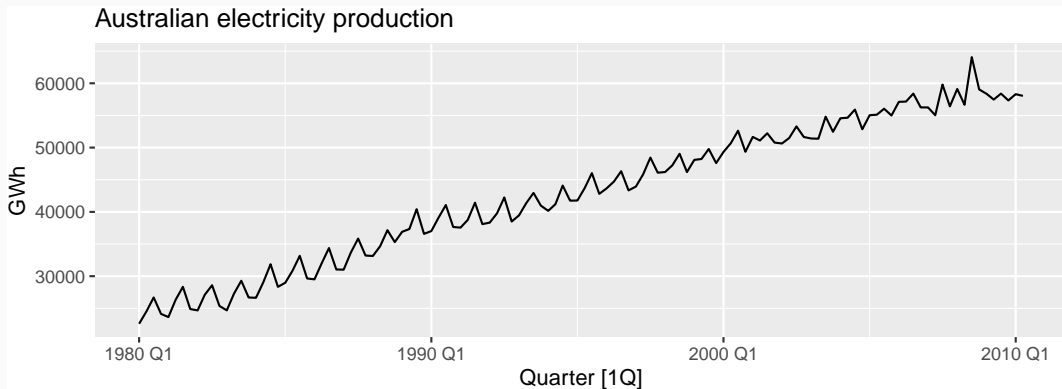
Time series components

Differences between seasonal and cyclic patterns:

- seasonal pattern constant length; cyclic pattern variable length
- average length of cycle longer than length of seasonal pattern
- magnitude of cycle more variable than magnitude of seasonal pattern

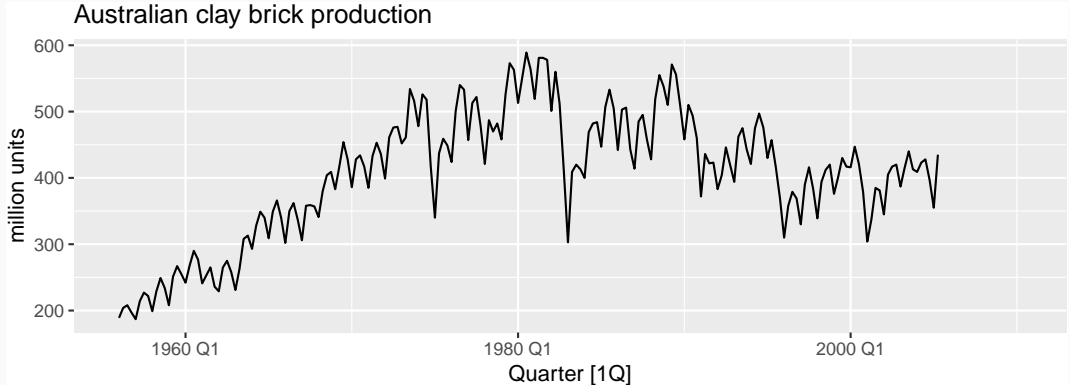
Time series patterns

```
aus_production |>  
  filter(year(Quarter) >= 1980) |>  
  autoplot(Electricity) +  
  labs(y = "GWh", title = "Australian electricity production")
```



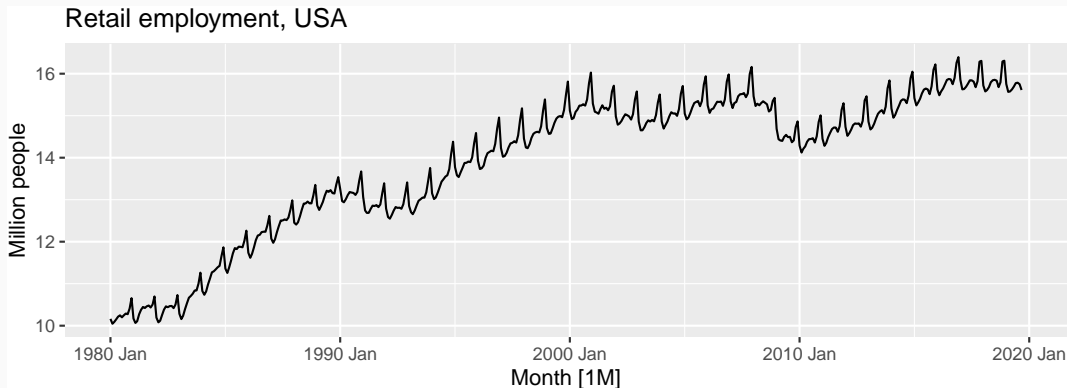
Time series patterns

```
aus_production |>  
  autoplot(Bricks) +  
  labs(y = "million units", title = "Australian clay brick production")
```



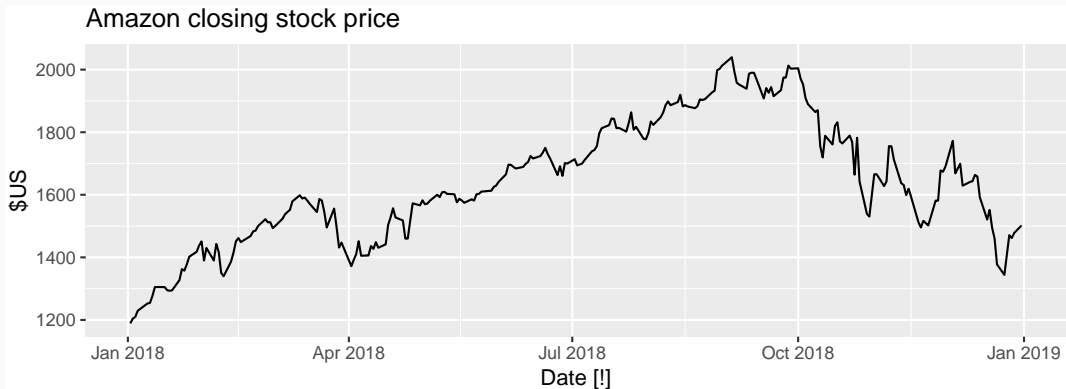
Time series patterns

```
us_employment |>  
  filter(Title == "Retail Trade", year(Month) >= 1980) |>  
  autoplot(Employed / 1e3) +  
  labs(y = "Million people", title = "Retail employment, USA")
```



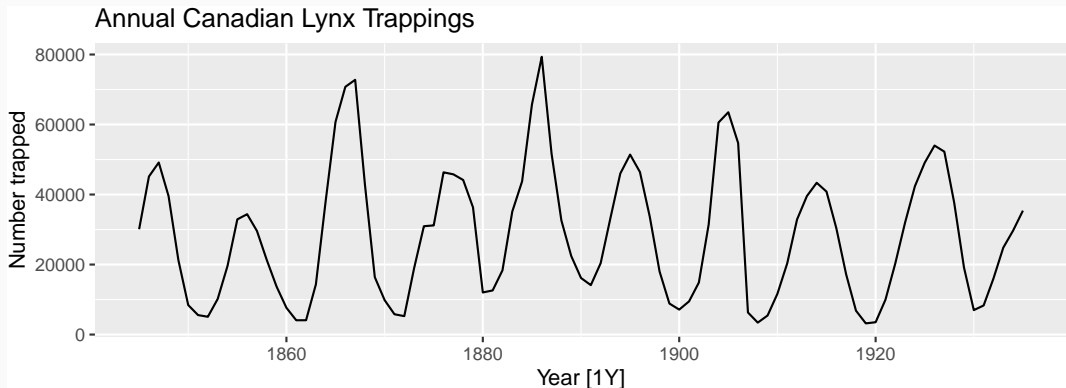
Time series patterns

```
gafa_stock |>  
  filter(Symbol == "AMZN", year(Date) >= 2018) |>  
  autoplot(Close) +  
  labs(y = "$US", title = "Amazon closing stock price")
```



Time series patterns

```
pelt |>  
  autoplot(Lynx) +  
  labs(y = "Number trapped", title = "Annual Canadian Lynx Trappings")
```



Seasonal or cyclic?

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The timing of peaks and troughs is predictable with seasonal data, but unpredictable in the long term with cyclic data.