Stockholm University
Department of Economics
EC7413 Econometrics 3b, Spring 2020

Assignment 3

Submissions must be made via Athena. The submission should be in the form of a script file that conforms to the requirements of script files of the term paper. These requirements are found in the file `assessment - UPDATED 2020-03-18.pdf` (section 1, point 8) available on Athena under "Course information". Only one file per group should be submitted.

Download data for the Swedish inflation rate (12–month change in CPI) from 1980:M01 to 2019:M12 from Statistics Sweden (SCB).

1. Construct recursive pseudo–out–of–sample forecasts for the horizons $h = 1, 12, 24$ months ahead with data from 2000:M01 for evaluation with two different models: (i) AR(1) and (ii) ARIMA(p,d,q) using the function `auto.arima()` in package **forecast**.

2. Test the forecasts for bias.

3. Compare forecasts with the same horizon and test them for equal forcast accuracy.