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Financial mathematics – Master's study

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**Local prediction of weather parameters based on historical
data**

Project report

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ABSTRACT

Keywords: time series, ARIMA, weather forecast, error evaluations

1. INTRODUCTION

2. THEORETICAL BACKGROUND

3. METHODOLOGY AND IMPLEMENTATION

3.1. Data. The data I worked with is in the form of time series with 5 minute time steps of weather parameters' measurements. The parameters are ambient temperature, solar radiation intensity, air pressure, relative humidity, wind speed, wind direction and rain intensity. To reduce the dimension of the data set, I aggregated the 5 minute time steps into 1 hour time steps by taking the hourly means. There were also some missing measurements and since the *ARIMA* model requires equal time intervals I filled the gaps by taking the next available measurement.

3.2. ARIMA model fitting and evaluating. For each of the parameters I was searching for the best $ARIMA(p, d, q)$ with two different methods. First one is with the function *auto_arima* function from the *pmdarima* Python library. It searches through a range of potential models and selects the best one based on the *AIC* value. The second method was also done by searching for the optimal p , d and q parameters and checking *AIC* and *BIC* values.

3.3. Errors. There are many ways to evaluate the errors of the model. In case of modelling time series, investigating the residuals is important. I looked at *ACF* and *PACF* plots of all the *ARIMA* models. A good way to compare the models is also to compare the histograms of their residuals. I also considered the absolute errors and the mean absolute error. Another insightful comparison, especially for the solar intensity radiation, was hourly absolute error for 1 day, since there is considerably less solar radiation in the night, the error in the night should be lower than the error during the daytime. For evaluating the fitted *ARIMA* models, I compared them to 2 simple models and compared their forecasts, which will be explained in the next subsection.

3.4. Forecast. I did the forecasts of all the weather parameters for 1 day (24 steps). I compared the absolute errors of *ARIMA* models' predictions with the actual measurements and 2 simple models' predictions. The first simple model forecasts the tomorrow's weather with today's measurements. The second simple model forecast the next day's weather with the average of the last 3 days' measurements. The *ARIMA* model is considered 'good' if it is predicting better or at least closely to this two simple models.

3.5. Testing on new data. The final way of evaluating the fitted *ARIMA* models was testing them on new data. New data was again measurements of the 7 weather parameters in 5 minute intervals. I aggregated it to hourly values and fit the suggested *ARIMA* models to it. For each parameter I tested the better *ARIMA* fitted to the first data to see if it also fits well here. I evaluated that by checking the *AIC* and *BIC* values, calculating the absolute errors and mean absolute error of fitted values and actual values and also by testing the forecasts. The forecasts were tested the similar way as in the previous step (2 simple models, 1 *ARIMA* model and actual values).

4. RESULTS

In this chapter I will make an overview of all the weather parameters and lastly a multivariate model for all of them combined. For purposed of this report, I will only present the main results of my work. Detailed results can be found on the repository of this project.

4.1. Ambient temperature. The plot on the left side below is of the data in 5 minute time intervals and on the right side is are the average hourly measurements.

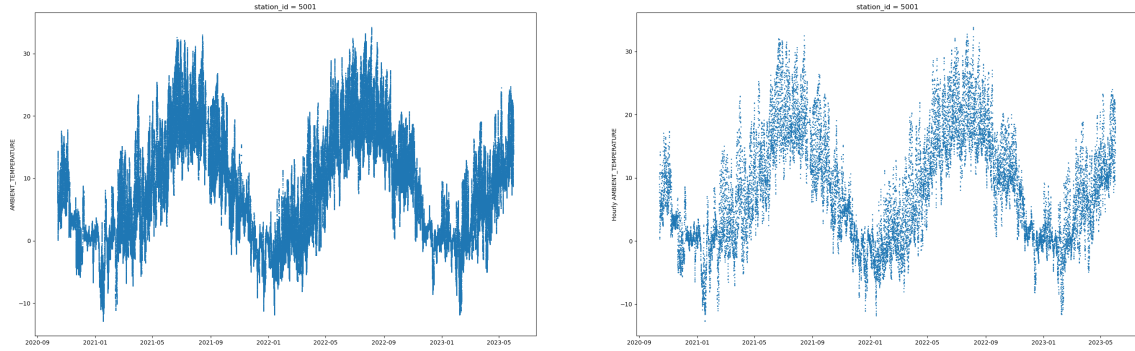


FIGURE 1. Ambient temperature

The best *ARIMA* models for ambient temperature are *ARIMA*(2,1,5) and *ARIMA*(4,1,2). We will compare them by some statistical metrics and later with 2 simple models.

Based on *AIC*, *ARIMA*(4,1,2) is preferred. The value is $AIC = 38849.130$. Let's look at the autocorrelation and partial-autocorrelation plots of the residuals of model *ARIMA*(4,1,2).

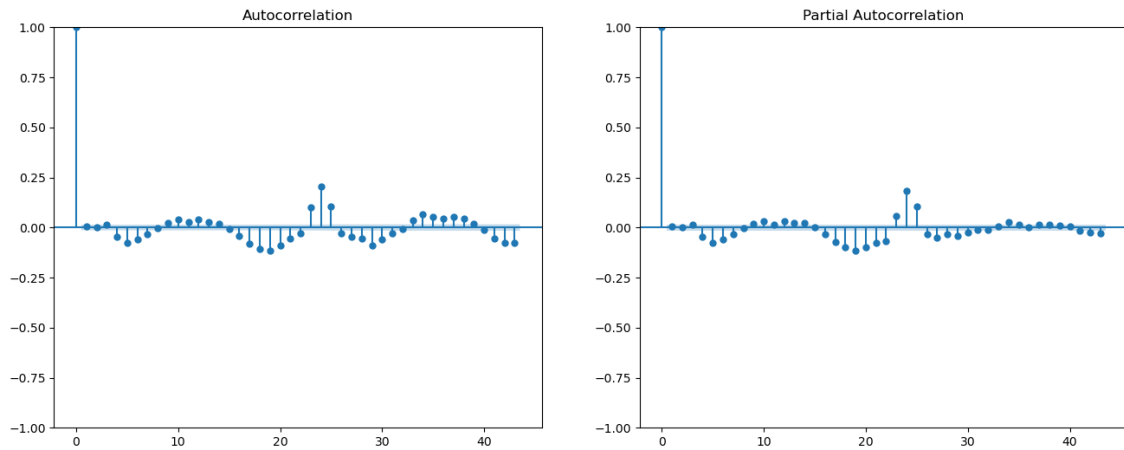


FIGURE 2. *ACF* and *PACF* of *ARIMA*(4,1,2) model residuals

The mean of the residuals is 0.000211676, which is close enough to 0 and the result of the Ljung-Box test is 0.28, which means the residuals are uncorrelated. Based on the residuals, the model successfully captured the information of the data.

The evaluation of the model continues with checking the absolute errors. The mean absolute error of the *ARIMA*(4,1,2) is 0.447° .

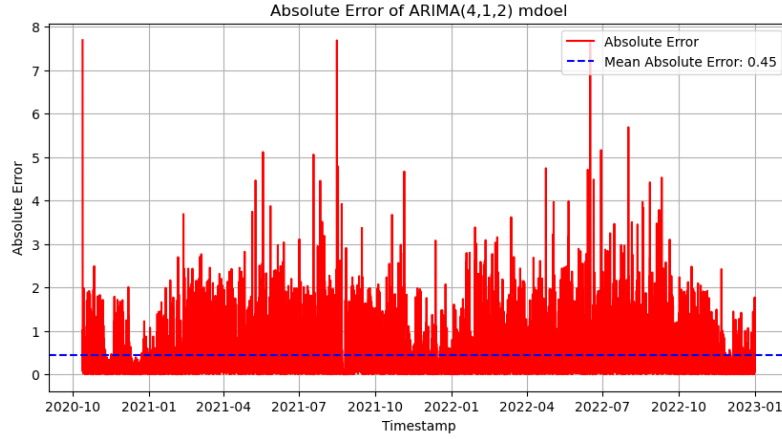


FIGURE 3. Absolute error of the *ARIMA* model

Now let's investigate the results of the forecast. We will look at the forecast of the next day (24 hours) and calculate the absolute errors and the mean absolute error of each of the 4 models. The results are seen on the plots below.

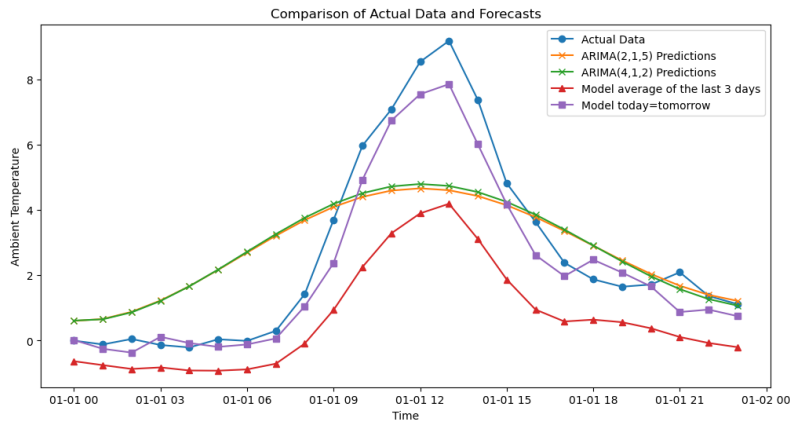


FIGURE 4. Models' forecasts and actual data

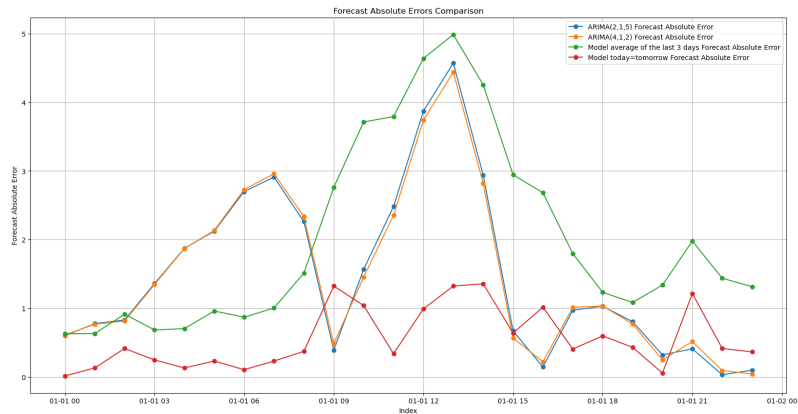


FIGURE 5. Absolute error of the models' forecasts

Model	Forecast Absolute Error
$ARIMA(2, 1, 5)$	1.490556
$ARIMA(4, 1, 2)$	1.474775
Model average of the last 3 days	1.995486
Model today=tomorrow	0.560069

TABLE 1. Forecast Absolute Errors

According to the forecast absolute errors, both $ARIMA$ models are better than the simple model that forecasts the value as the average of the last 3 days at the same time hour, but worse than the simple model, that forecasts the tomorrow's values with today's measurements.

REFERENCES