**EXPONENTIAL SMOOTHING**



Forecast t+1 = alpha\*Actual t + (1-alpha)\* alpha\*(Actual t-1 + (1-alpha)\*( alpha\*Actual t-2 + (1-alpha)\*(…

Forecast t+1 = alpha\*Actual t + alpha\*(1-alpha)\*Actual t-1

**The weight of each more distant term becomes smaller and smaller (exponentially fast)**

+ alpha\*(1-alpha)2 \*Actual t-2

+ alpha\*(1-alpha)3 \*Actual t-3

+ alpha\*(1-alpha)4 \*Actual t-4

…