

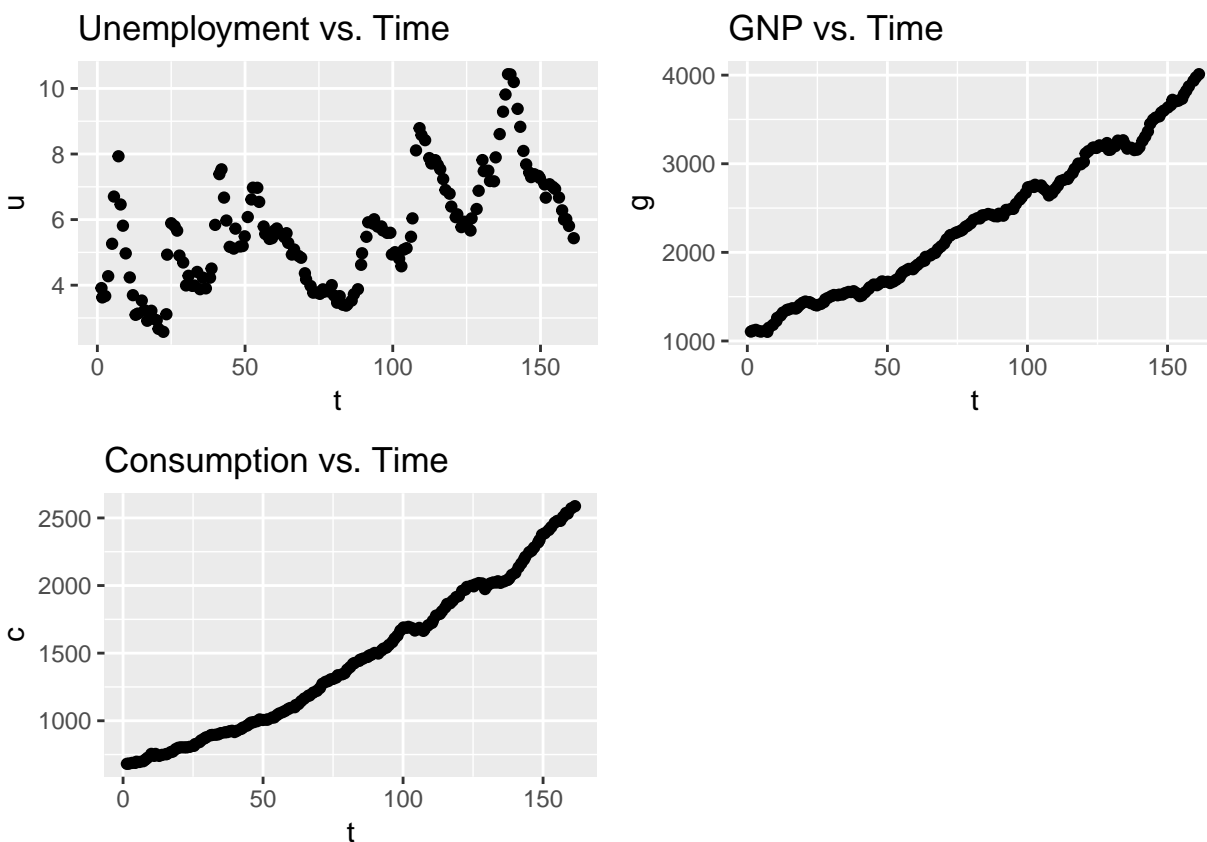
ARIMAX Modeling - US Economy

Andira Putri

This exercise is taken from **Time Series Analysis and Its Applications: With R Examples** by Shumway and Stoffer. We will be using the `econ5` data set from the `astsa` library. `econ5` is a five quarterly economic series containing the following numeric variables: quarterly U.S. unemployment, GNP, consumption, government investment, and private investment. There are 161 observations spanning from 1948-III to 1988-II.

Consider the data set `econ5`. The seasonal component has been removed from the data. Concentrating on unemployment (U_t), GNP (G_t), and consumption (C_t), fit a vector ARMA model to the data after first logging each series, and then removing the linear trend. That is, fit a vector ARMA model to $x_t = (x_{1t}, x_{2t}, x_{3t})^t$ where, for example, $x_{1t} = \log(U_t) - \hat{\beta}_0 - \hat{\beta}_1 t$, where $\hat{\beta}_0$ and $\hat{\beta}_1$ are the least squares estimates for the regression of $\log(U_t)$ on time t . Run a complete set of diagnostics on the residuals.

Curious Plotting



Model Fitting

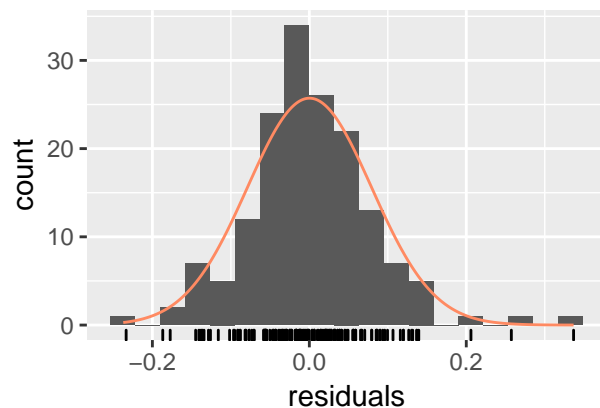
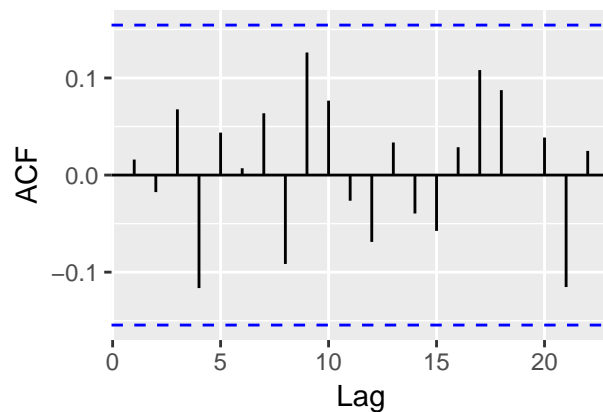
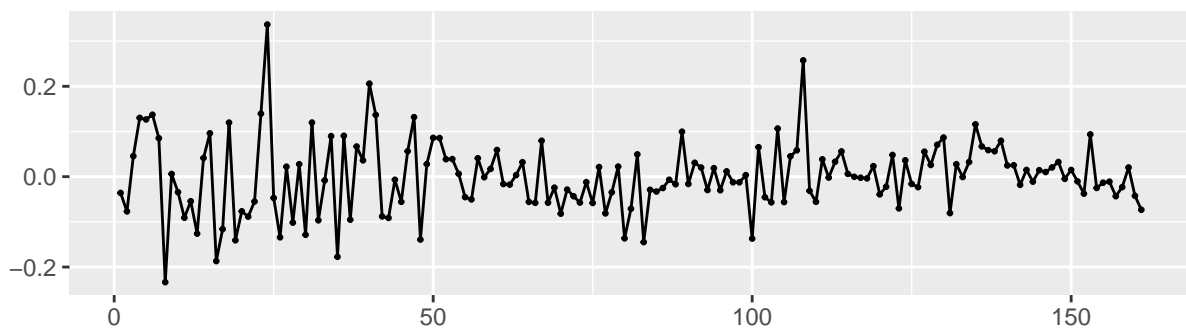
```
# log transform
log.u=log(u)
log.g=log(g)
log.c=log(c)
log.df=cbind(t,log.u,log.g,log.c)
# fit vector ARMA model
```

```
varma=auto.arima(log.u,xreg=log.g+log.c)
summary(varma)
```

```
## Series: log.u
## Regression with ARIMA(2,0,2) errors
##
## Coefficients:
##          ar1          ar2          ma1          ma2  intercept      xreg
##          1.3402   -0.4594   0.0105   0.1673   -0.5774   0.1519
## s.e.    0.1629    0.1505   0.1615   0.1218    1.2475   0.0838
##
## sigma^2 estimated as 0.006463:  log likelihood=179.12
## AIC=-344.24   AICc=-343.51   BIC=-322.67
##
## Training set error measures:
##              ME          RMSE          MAE          MPE          MAPE
## Training set 0.0002232862 0.07887831 0.05894522 -0.2729806 3.777929
##              MASE          ACF1
## Training set 0.8940719 0.01596416
```

Diagnostics

Residuals from Regression with ARIMA(2,0,2) errors



```
##
## Ljung-Box test
##
## data: Residuals from Regression with ARIMA(2,0,2) errors
```

```
## Q* = 9.3476, df = 4, p-value = 0.05297
##
## Model df: 6.    Total lags used: 10
```

Forecasting

