Forecasting

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Forecasts are predictions but the word "forecast" is more common in connection with time-series data.

I want to reinforce some points made about prediction in the last video of Week 3. Predictions from data can only work well if the data you have is representative of the way things behave in the setting in which you want to make the prediction. Predictions that use data from the past to predict the future can only work well if the historical relationships between variables continue to hold.

Major structural changes to the economic environment, for example, can make the way things behaved in the past largely uninformative about the way they will behave in the future.

For a really fascinating introduction to forecasting, read the first page of Section 1 of Hyndman and Athanasopoulos's excellent free online text "Forecasting: Principles and practice". Then continue reading while you are enjoying it!