

EconS 450
Assignment #4 (50 points)
Forecasting –Price Data and Basic Forecasts
Due: Monday, March 2, 2012

You should continue to analyze the data you obtained for assignment 3. Please hand in your completed assignment in the form of an Excel spreadsheet. Submit this as an email attachment sent to **both** mcintosh@uidaho.edu **and** curtis.roy@email.wsu.edu

Your task:

- 1) To your previous spreadsheet, add three new forecasting models, choose from the following:
 - a. Simple exponential smoothing
 - b. Exponential smoothing of linear trend
 - c. Exponential smoothing of non-linear trend
 - d. Regression based autoregressive model

- 2) Compute the Mean Squared Error (MSE) and Mean Absolute Percentage Error (MAPE) for each of the forecasts developed in part 1. Compare these to both the Naïve model and the moving average forecasts you developed in assignment 3. Comment on the differences.

- 3) Compute a Theil's U statistic for each forecast and discuss your conclusions as to which model is the best forecast and why.

- 4) Create a chart showing the three new forecasts and the original data in the same quadrant. Provide an assessment of whether your forecast has any value.