

Homework assignment 3

Course: Introductory Econometrics

Lecturer: Dmytro Vikhrov

Due date: December 2, 2014 (in class or by email).

Instructions. Before starting the assignment, you are advised to read chapters 21 and 22.1–22.7 from Gujarati’s book (Basic Econometrics) on pages 792–848. You are required to understand the general picture of time series modelling, but *not* technical derivations. You can work in groups, but students must submit their own answers.

Use Table.21.1.gdt from Gujarati tab for this assignment. Consider only *PDI* and *PROFITS* variables. Following the steps outlined in class, setup two *ARIMA*(p, d, q) models and perform one step ahead forecasts.