

Lecture 11

Seasonal ARIMA

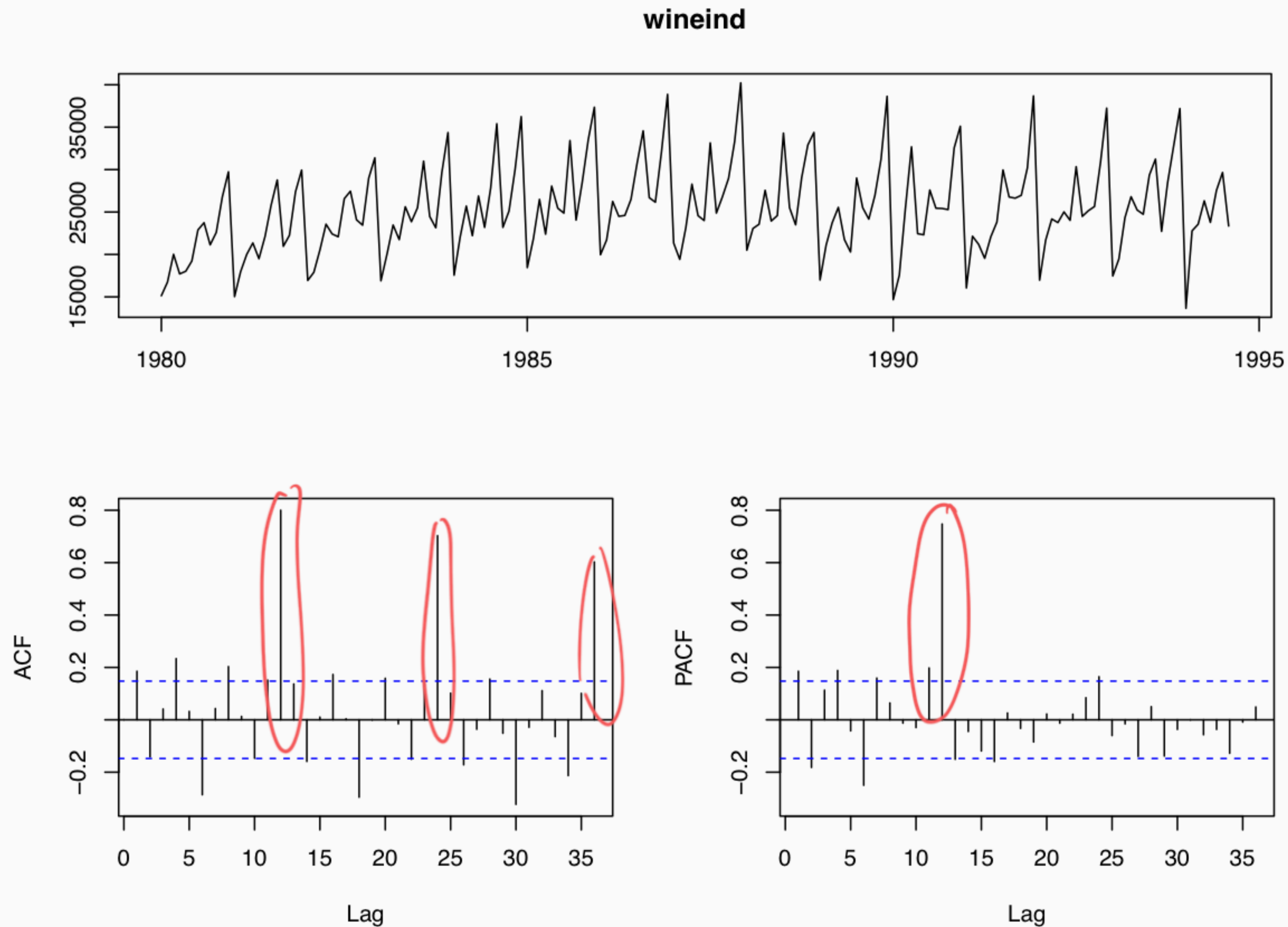
Colin Rundel

02/22/2017

Seasonal Models

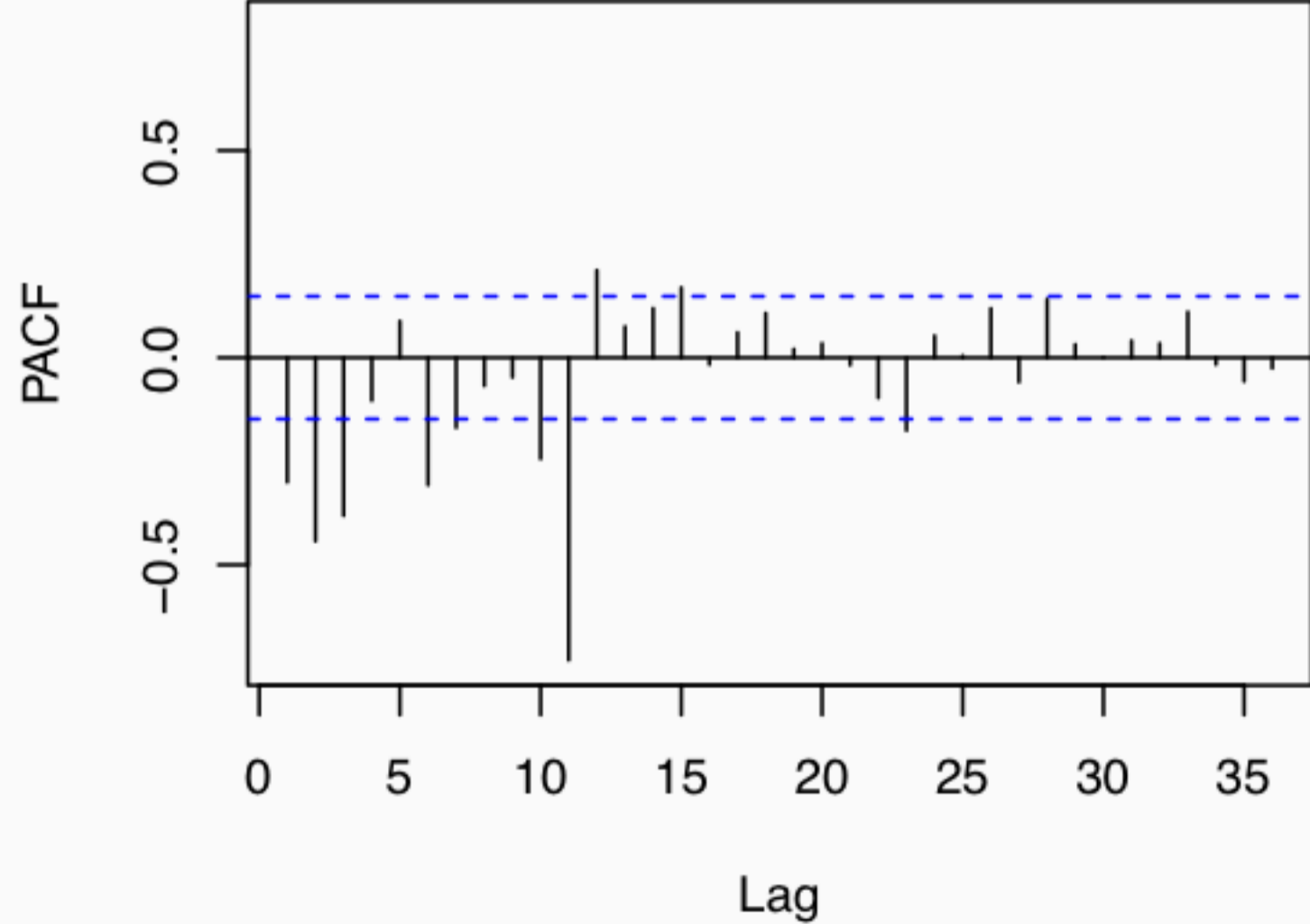
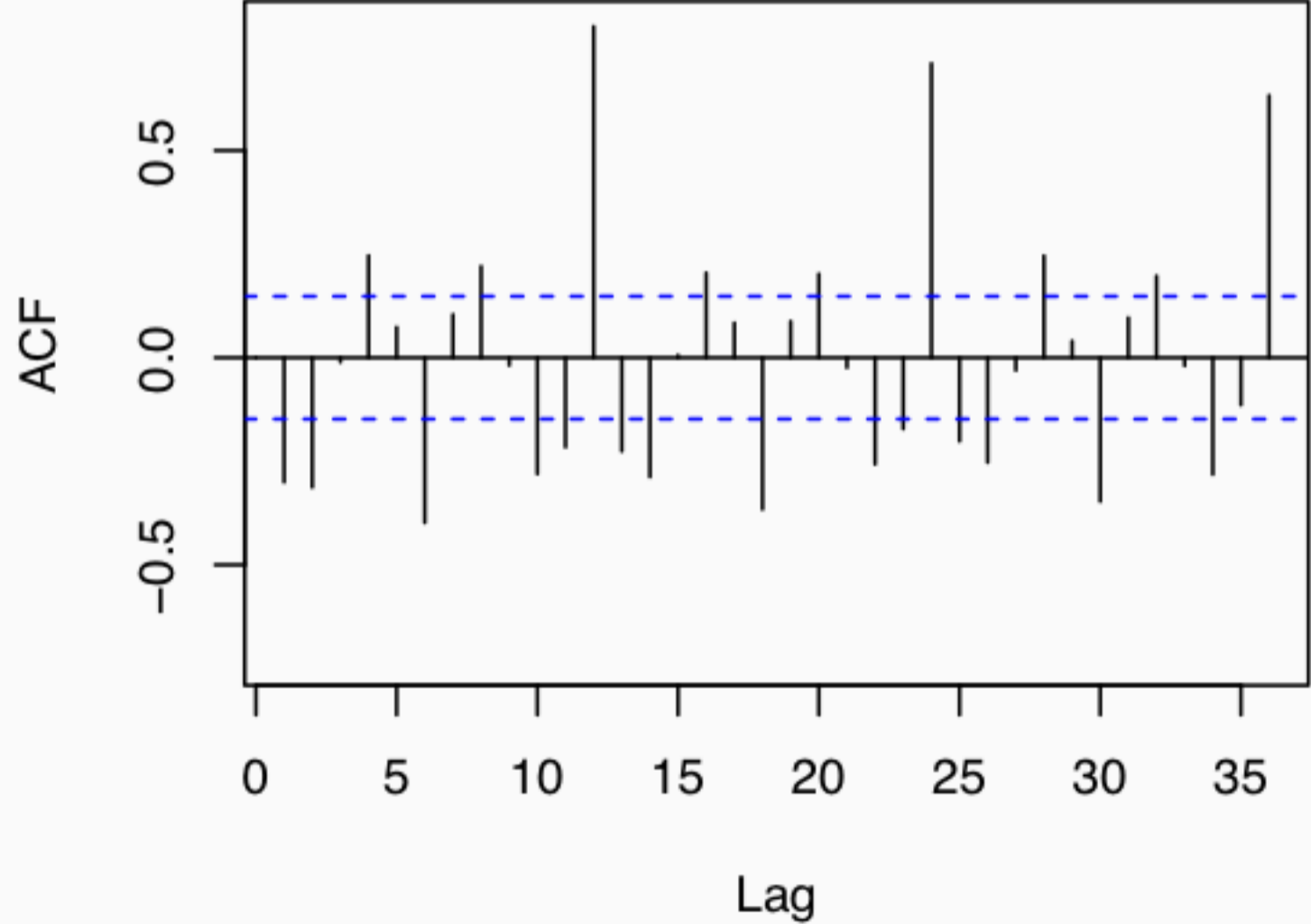
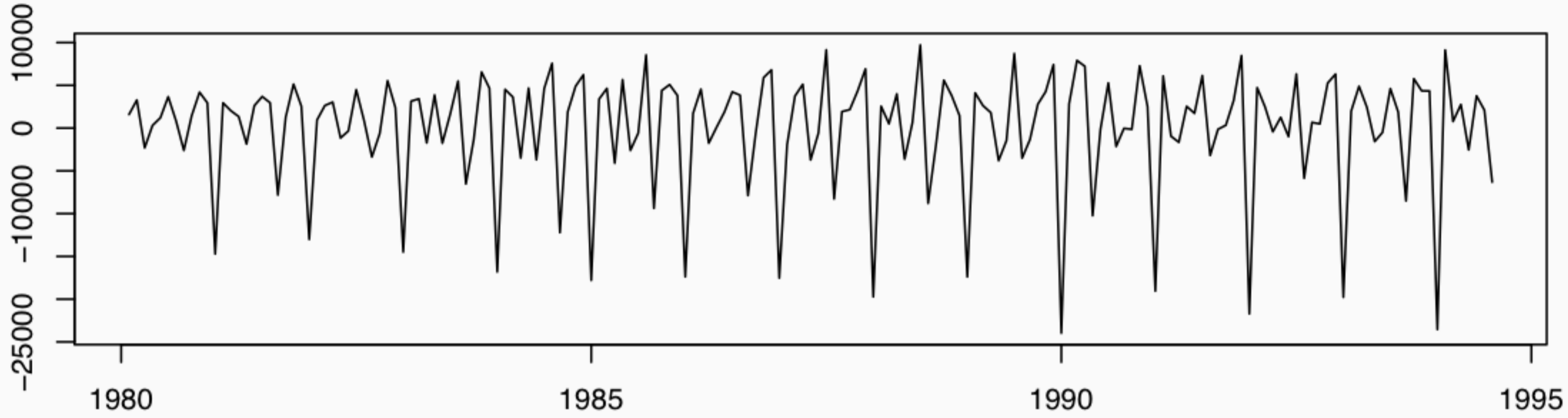
Australian Wine Sales Example (Lecture 6)

Australian total wine sales by wine makers in bottles ≤ 1 litre. Jan 1980 – Aug 1994.



Differencing

diff(wineind)



Seasonal ARIMA

We can extend the existing ARIMA model to handle these higher order lags (without having to include all of the intervening lags).

Seasonal ARIMA $(p, d, q) \times (P, D, Q)_s$:

$$\Phi_P(L^s) \phi_p(L) \Delta_s^D \Delta^d y_t = \delta + \Theta_Q(L^s) \theta_q(L) w_t$$

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$$\Phi_P(L^S) \phi_p(L) \Delta_S^D \Delta^d y_t = \delta + \Theta_Q(L^S) \theta_q(L) w_t$$

where

$$\phi_p(L) = 1 - \phi_1 L - \phi_2 L^2 - \dots - \phi_p L^p$$

$$\theta_q(L) = 1 + \theta_1 L + \theta_2 L^2 + \dots + \theta_q L^q$$

$$\Delta^d = (1 - L)^d$$

$$\Phi_P(L^S) = 1 - \Phi_1 L^S - \Phi_2 L^{2S} - \dots - \Phi_P L^{PS}$$

$$\Theta_Q(L^S) = 1 + \Theta_1 L^S + \Theta_2 L^{2S} + \dots + \Theta_Q L^{QS}$$

$$\Delta_S^D = (1 - L^S)^D$$

Seasonal ARIMA for wineind

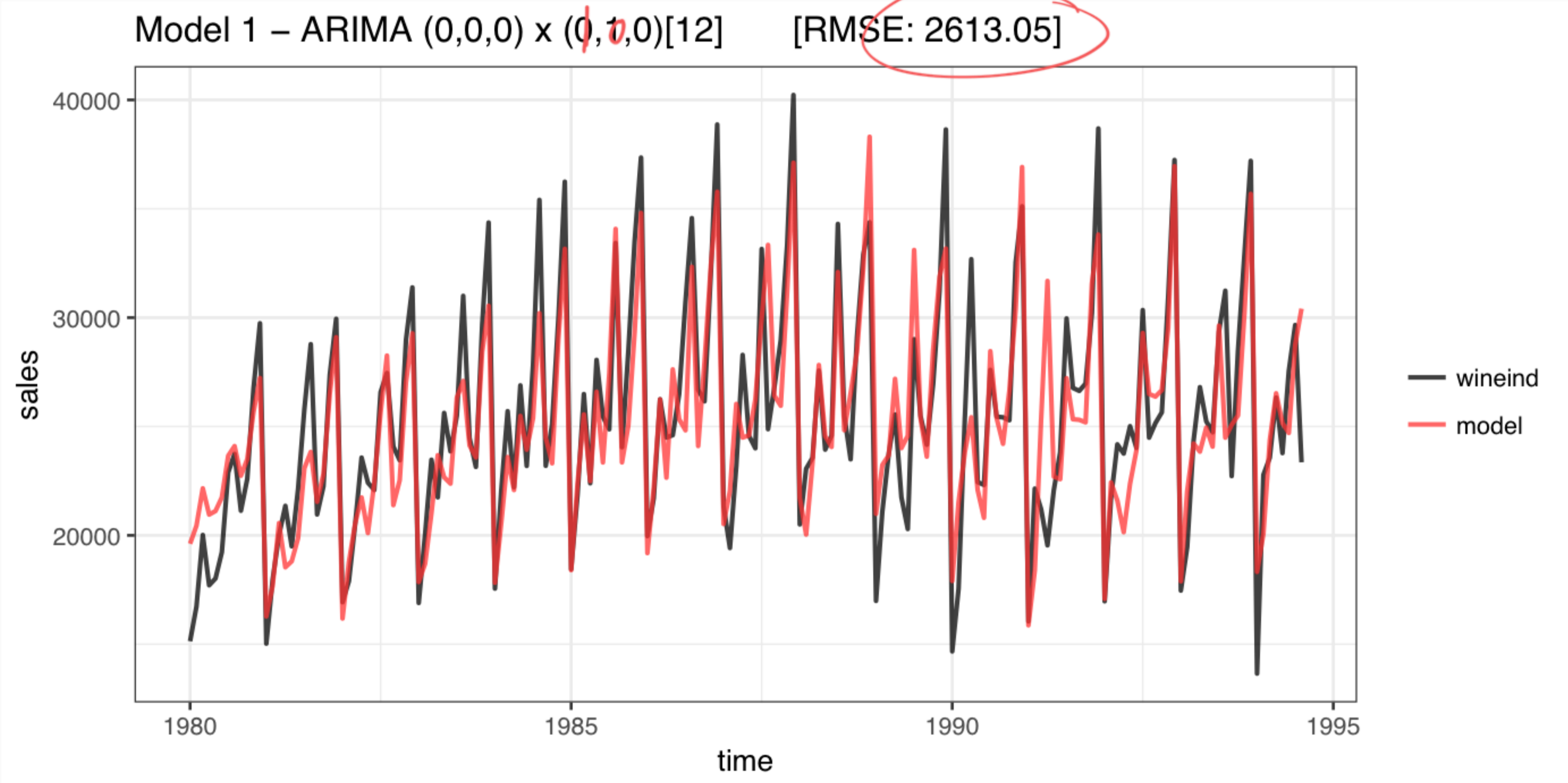
Lets consider an ARIMA(0, 0, 0) \times (1, 0, 0)₁₂:

$$(1 - \Phi_1 L^{12}) y_t = \delta + w_t$$

$$y_t = \Phi_1 y_{t-12} + \delta + w_t$$

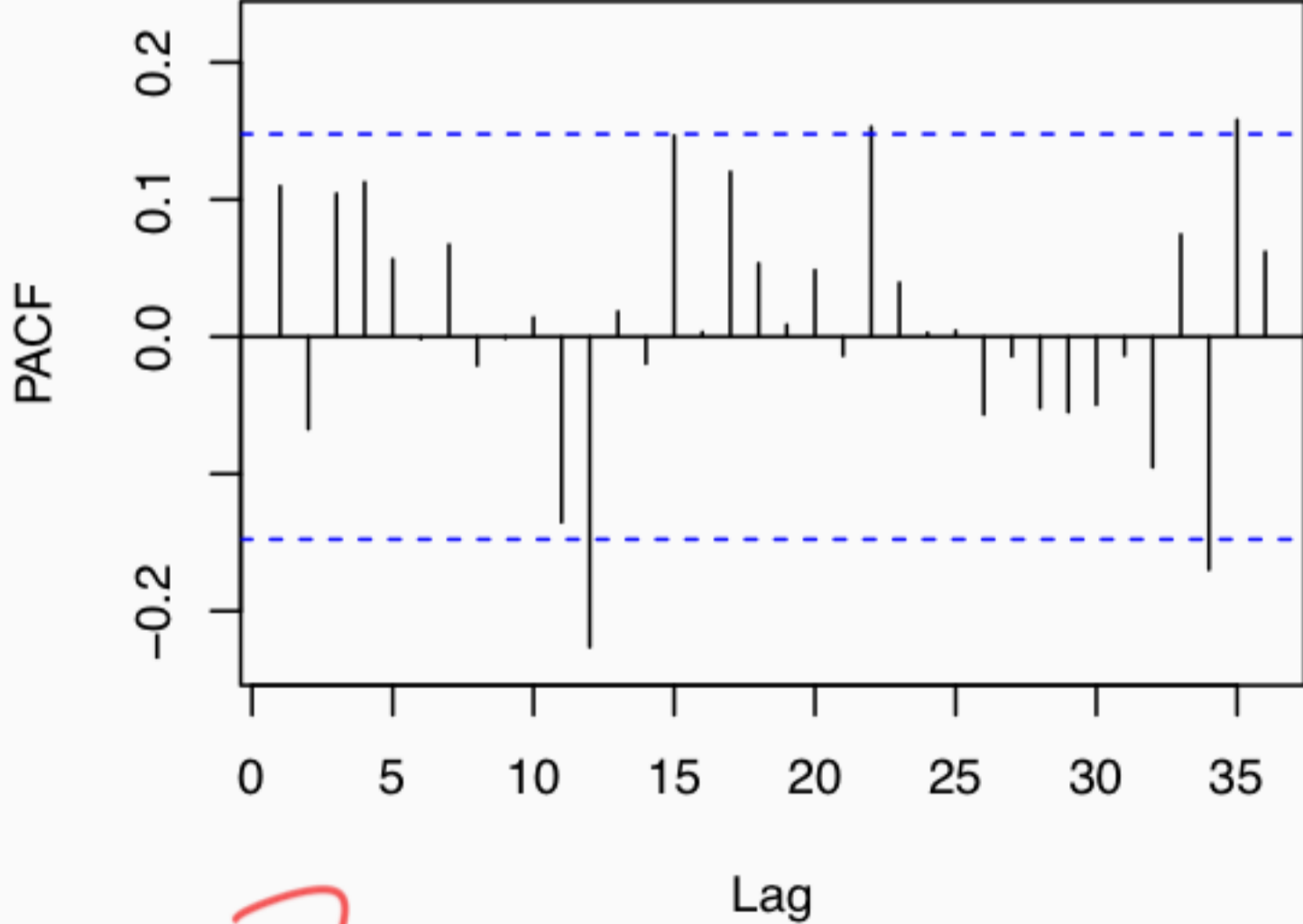
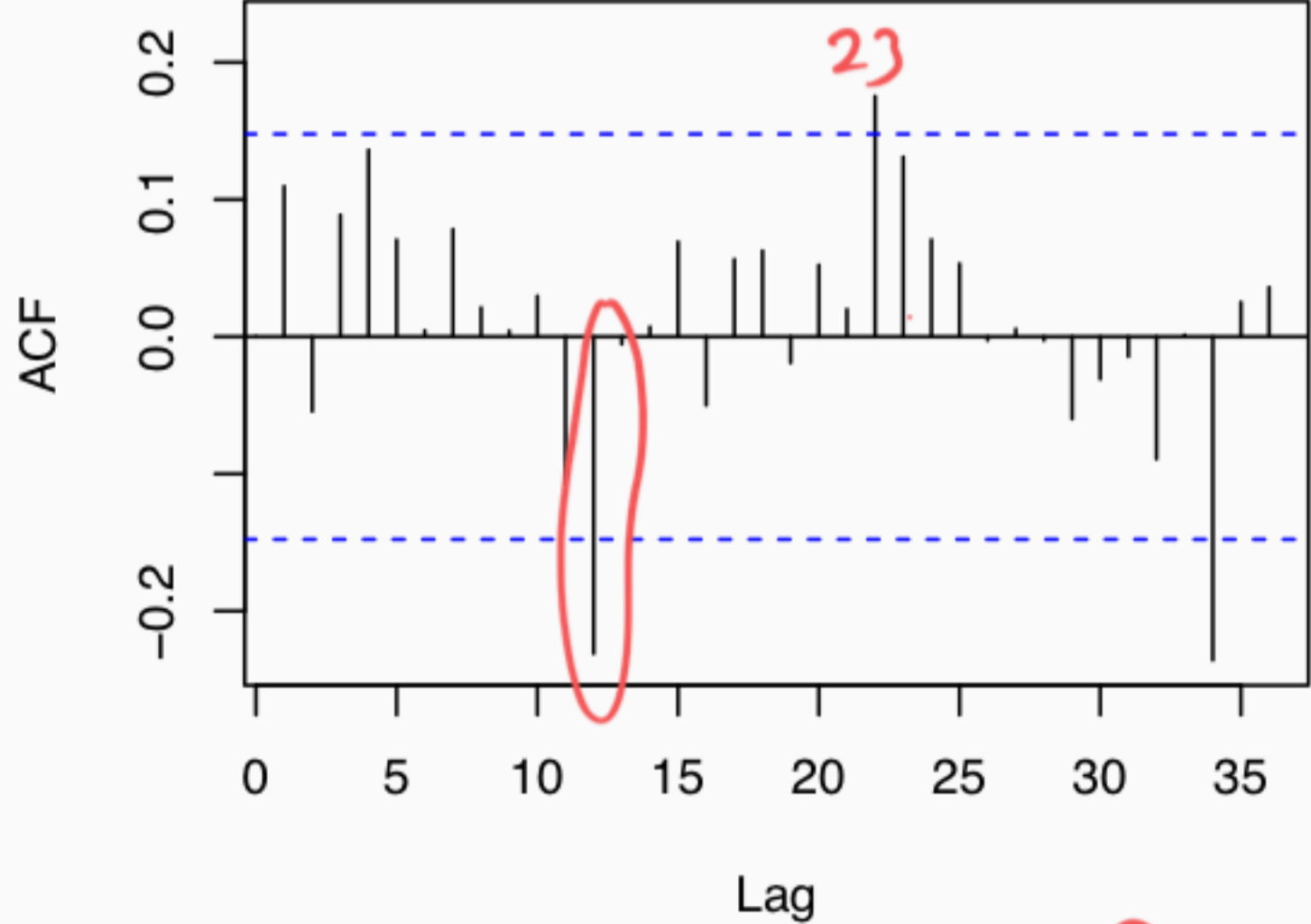
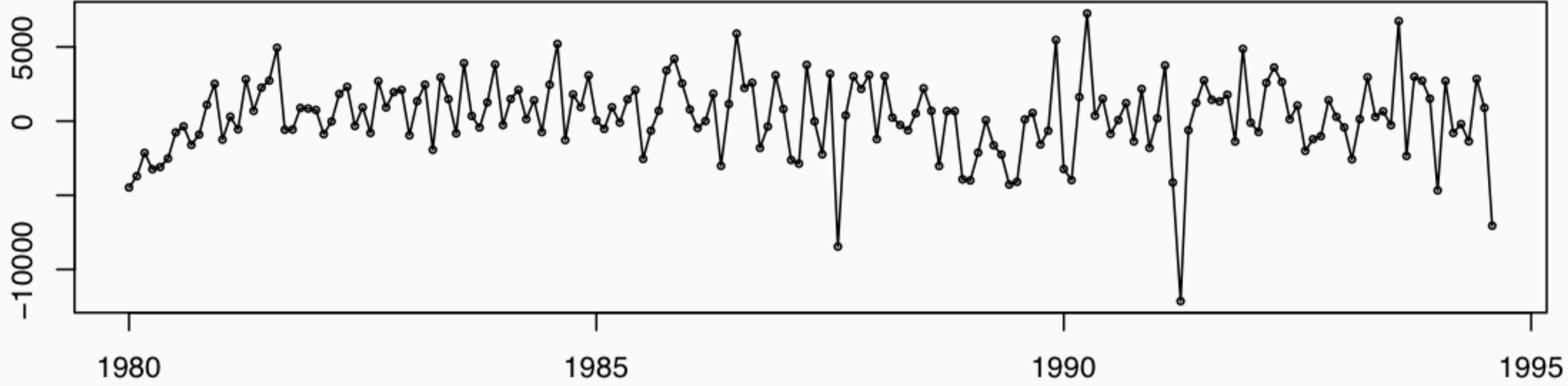
```
(m1 = Arima(wineind, seasonal=list(order=c(1,0,0), period=12)))  
## Series: wineind  
## ARIMA(0,0,0)(1,0,0)[12] with non-zero mean  
##  
## Coefficients:  
##          sar1          mean  
##    0.8780    24489.243  
## s.e. 0.0314    1154.487  
##  
## sigma^2 estimated as 6906536:  log likelihood=-1643.39  
## AIC=3292.78    AICc=3292.92    BIC=3302.29
```

Fitted model



Residuals

m1\$residuals



Model 2

ARIMA(0, 0, 0) \times (0, 1, 1)₁₂:

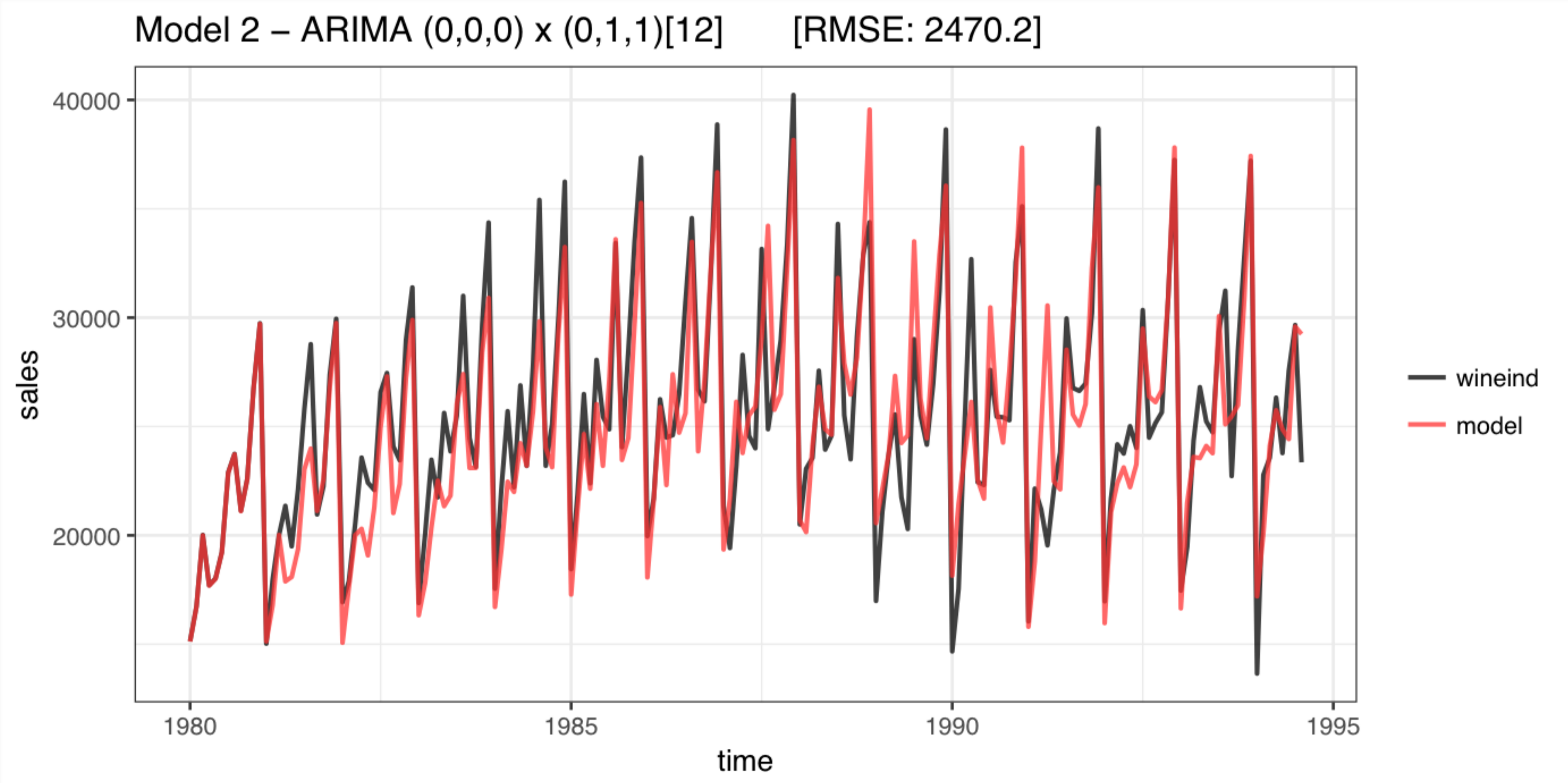
$$(1 - L^{12})y_t = \delta + (1 + \Theta_1 L^{12})w_t$$

$$y_t - y_{t-12} = \delta + w_t + \Theta_1 w_{t-12}$$

$$y_t = \delta + y_{t-12} + w_t + \Theta_1 w_{t-12}$$

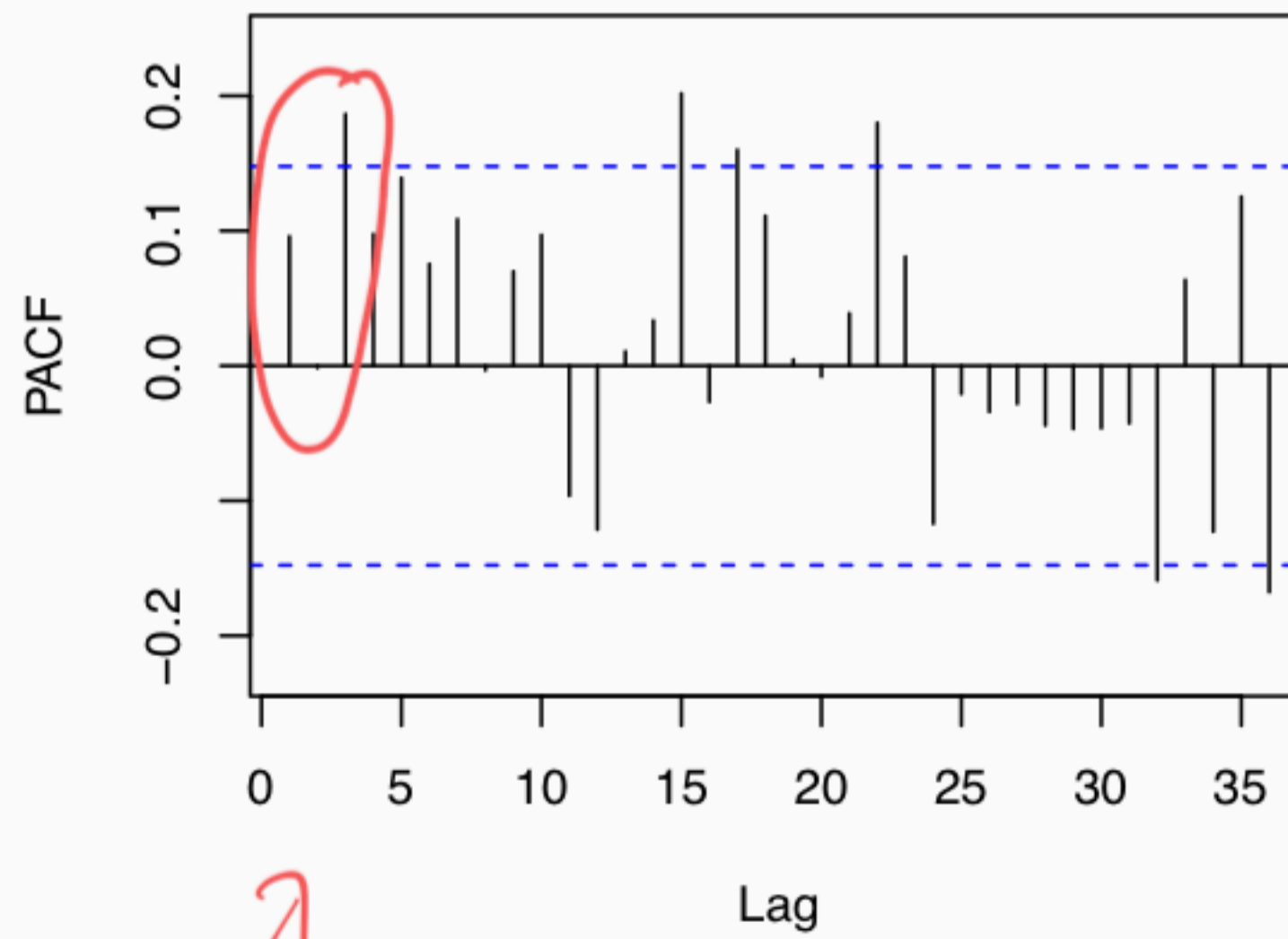
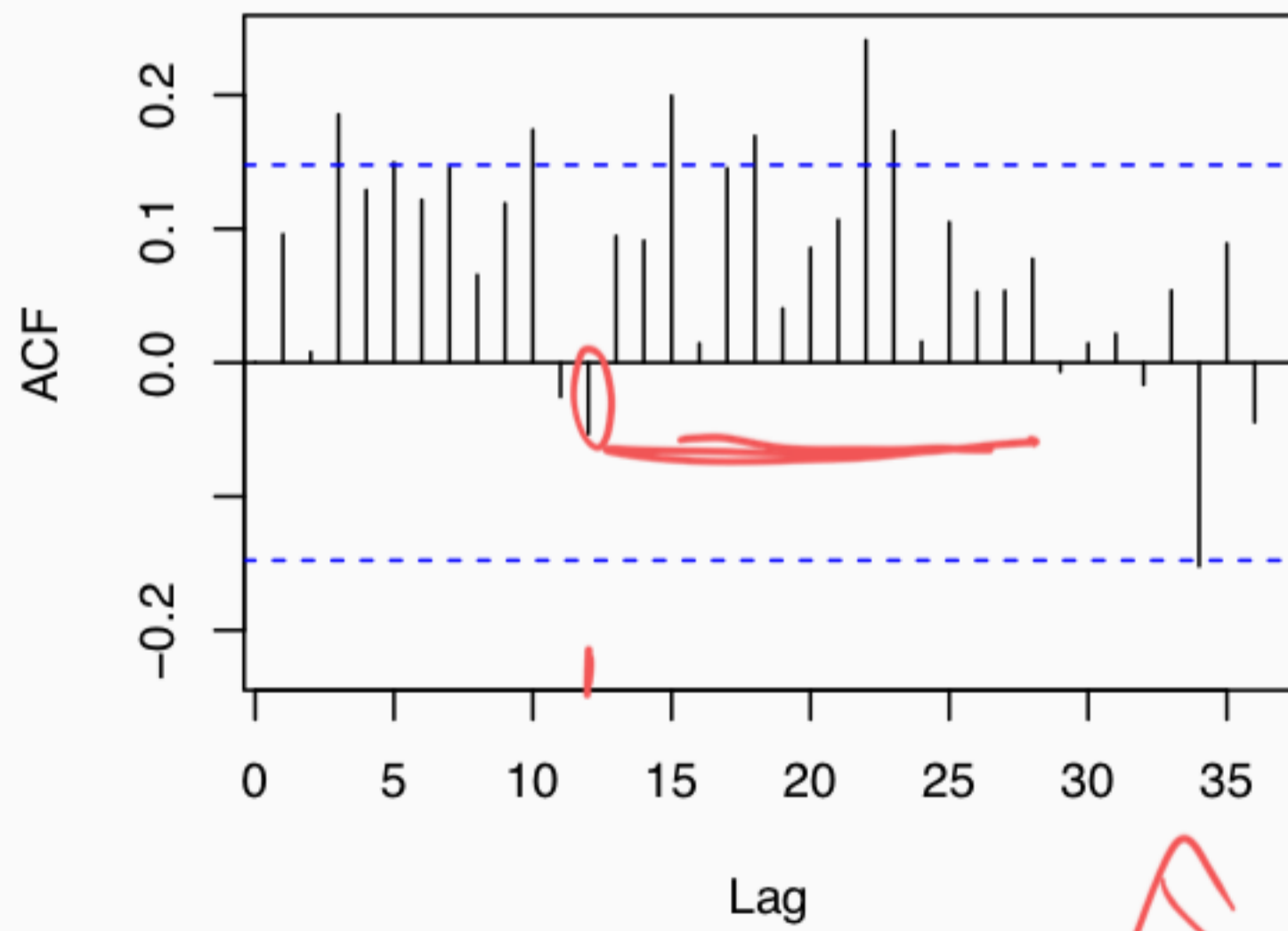
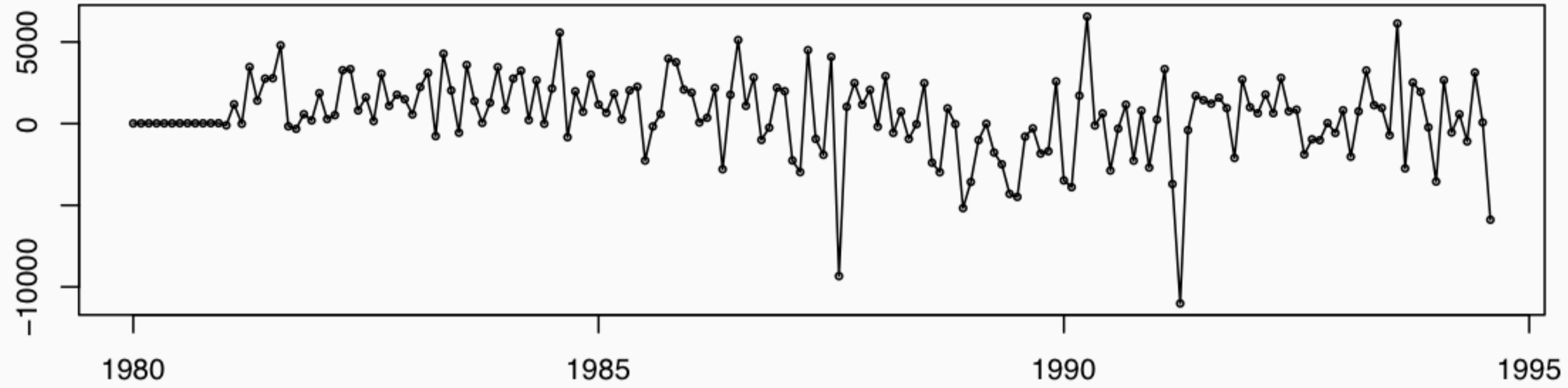
```
(m2 = Arima(wineind, order=c(0,0,0), seasonal=list(order=c(0,1,1), period=12)
## Series: wineind
## ARIMA(0,0,0)(0,1,1)[12]
##
## Coefficients:
##          sma1
##      -0.3246
## s.e.    0.0807
##
## sigma^2 estimated as 6588531:  log likelihood=-1520.34
## AIC=3044.68    AICc=3044.76    BIC=3050.88
```

Fitted model



Residuals

m2\$residuals



Model 3

ARIMA(3, 0, 0) \times (0, 1, 1)₁₂

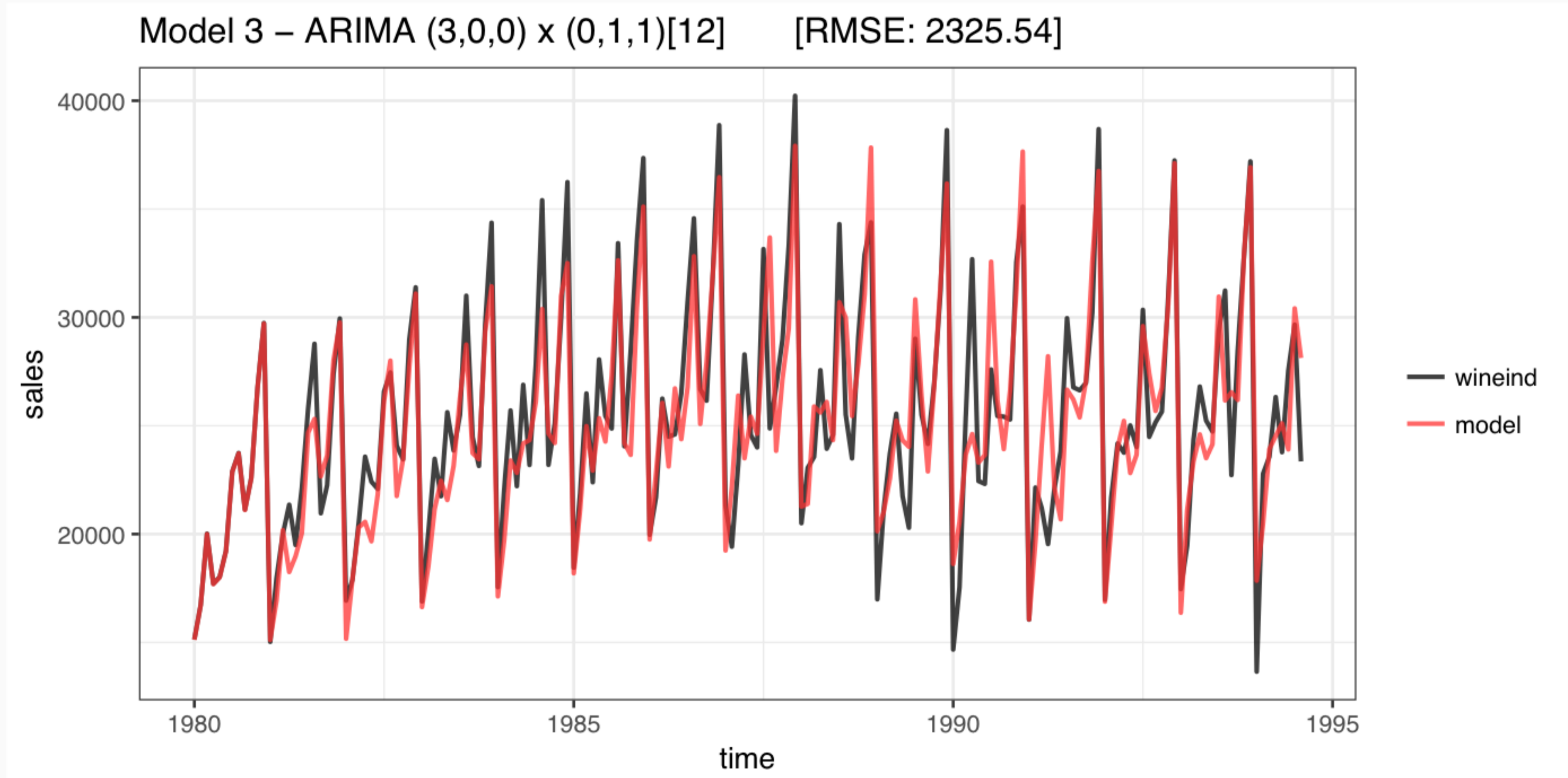
$$(1 - \phi_1 L - \phi_2 L^2 - \phi_3 L^3) (1 - L^{12}) y_t = \delta + (1 + \Theta_1 L) w_t$$

$$(1 - \phi_1 L - \phi_2 L^2 - \phi_3 L^3) (y_t - y_{t-12}) = \delta + w_t + w_{t-12}$$

$$y_t = \delta + \sum_{i=1}^3 \phi_i y_{t-1} + y_{t-12} - \sum_{i=1}^3 \phi_i y_{t-12-i} + w_t + w_{t-12}$$

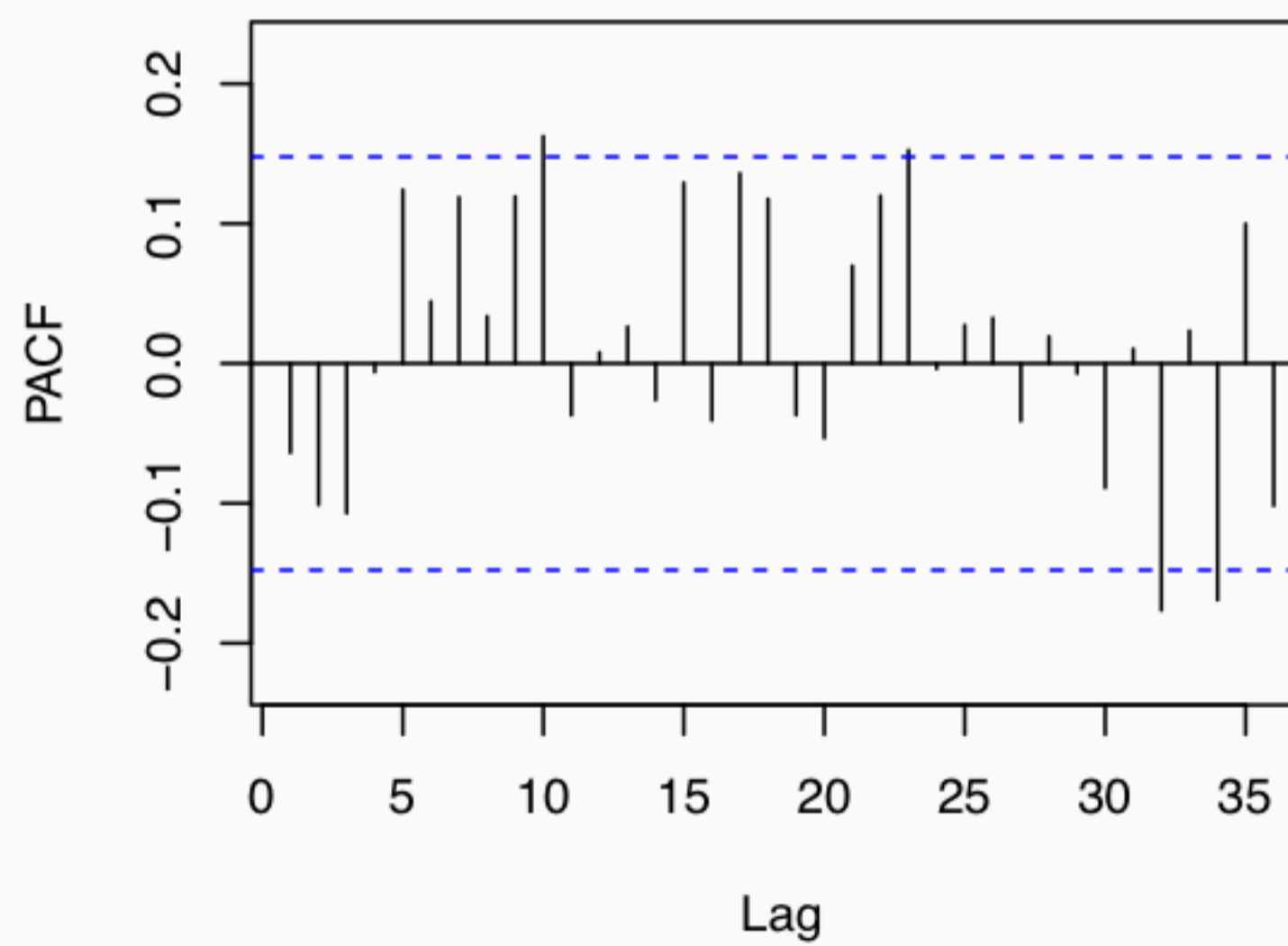
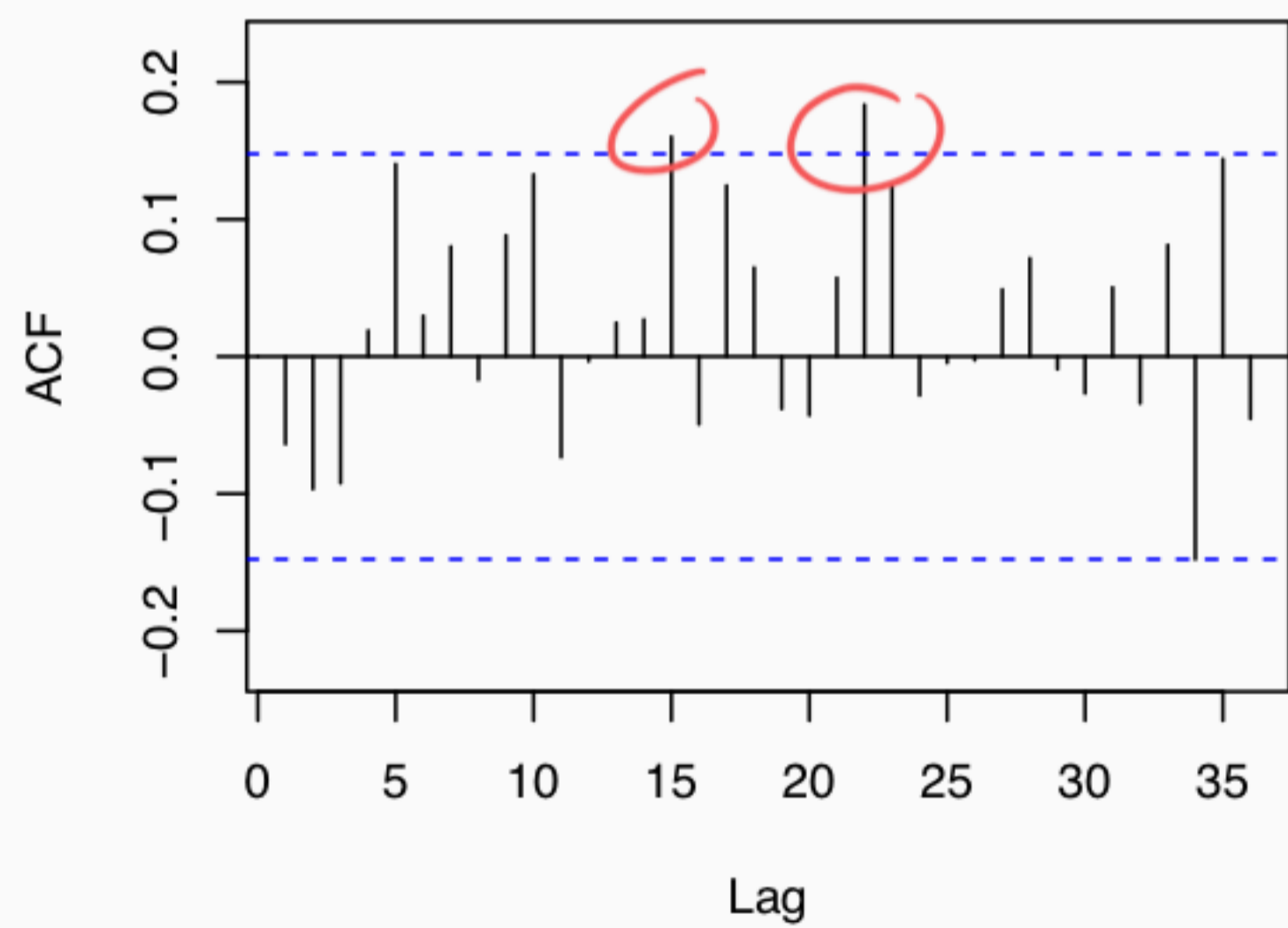
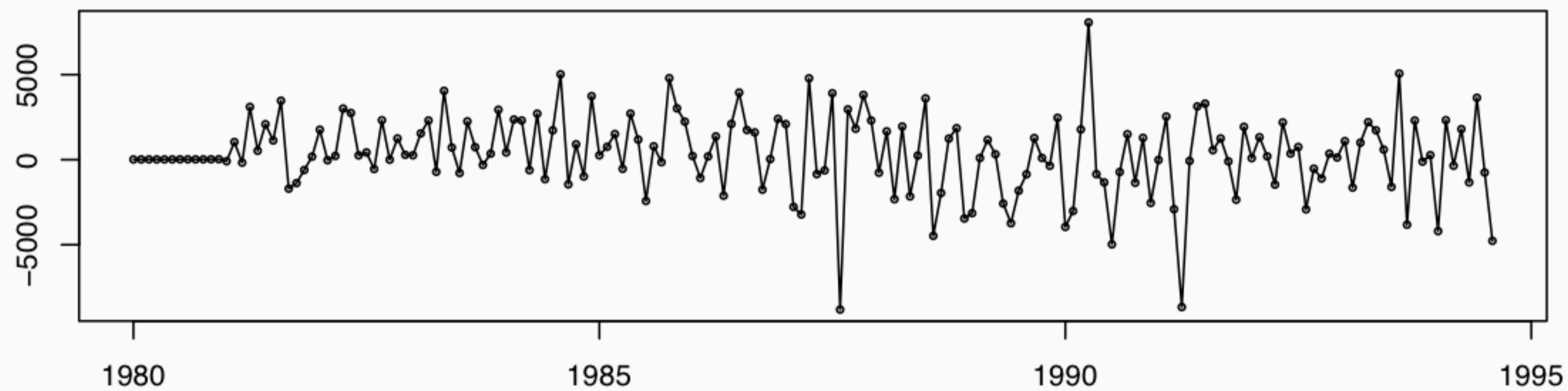
```
(m3 = Arima(wineind, order=c(3,0,0),
            seasonal=list(order=c(0,1,1), period=12)))
## Series: wineind
## ARIMA(3,0,0)(0,1,1)[12]
##
## Coefficients:
##      ar1      ar2      ar3      sma1
## 0.1402  0.0806  0.3040 -0.5790
## s.e.  0.0755  0.0813  0.0823  0.1023
##
## sigma^2 estimated as 5948935: log likelihood=-1512.38
## AIC=3034.77   AICc=3035.15   BIC=3050.27
```

Fitted model



Model - Residuals

m3\$residuals

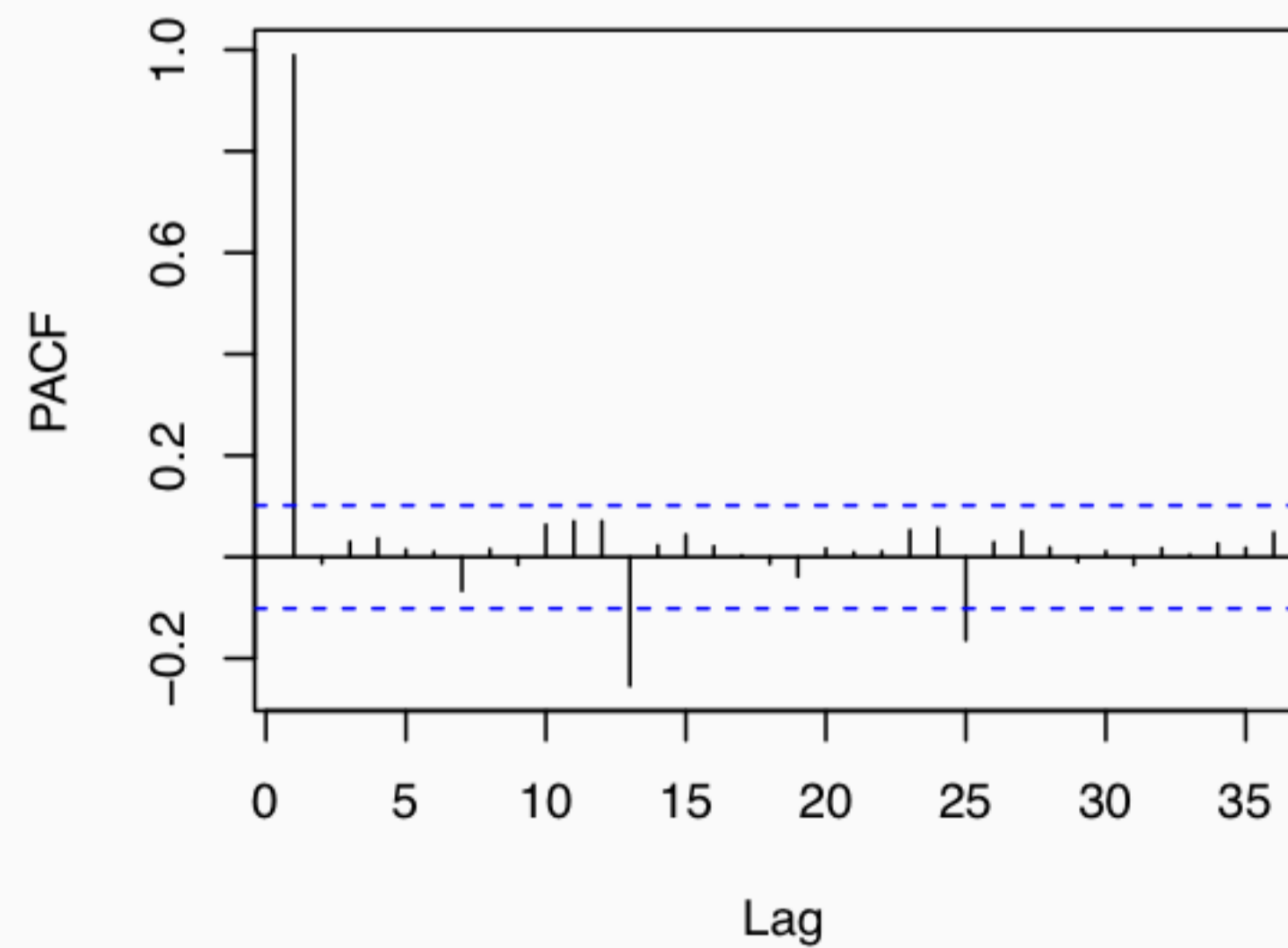
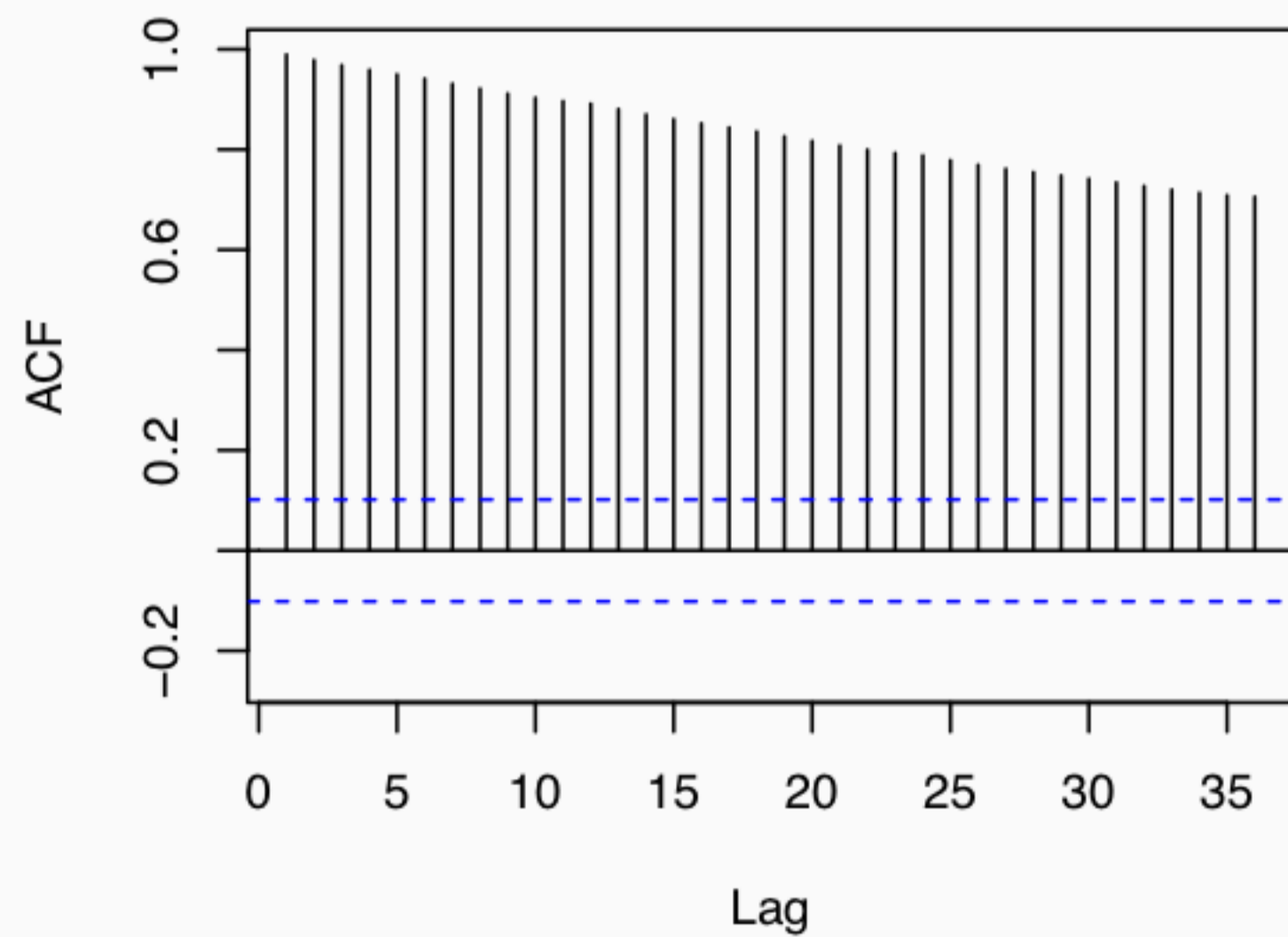
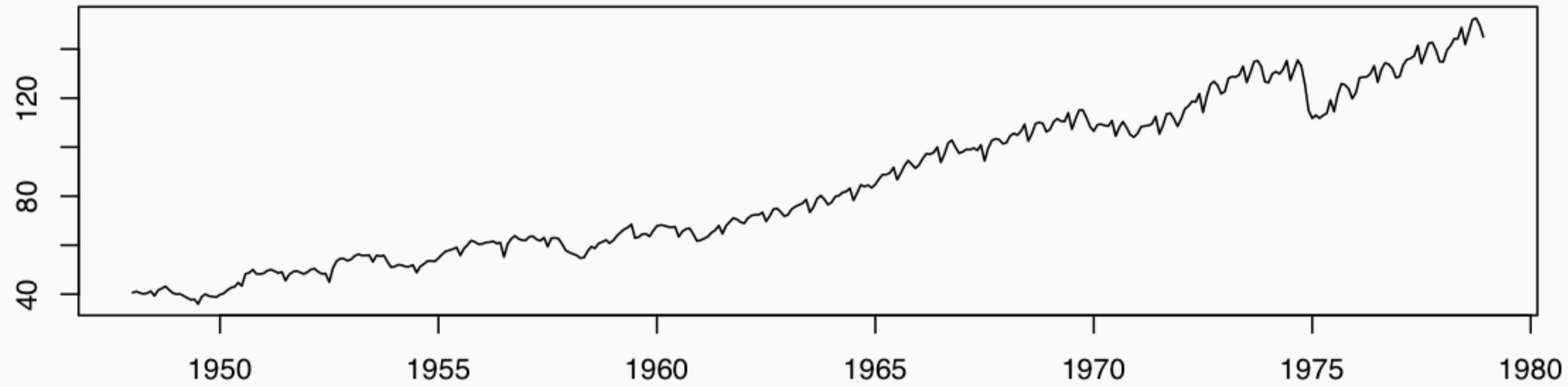


Federal Reserve Board Production Index

prodn from the astsa package

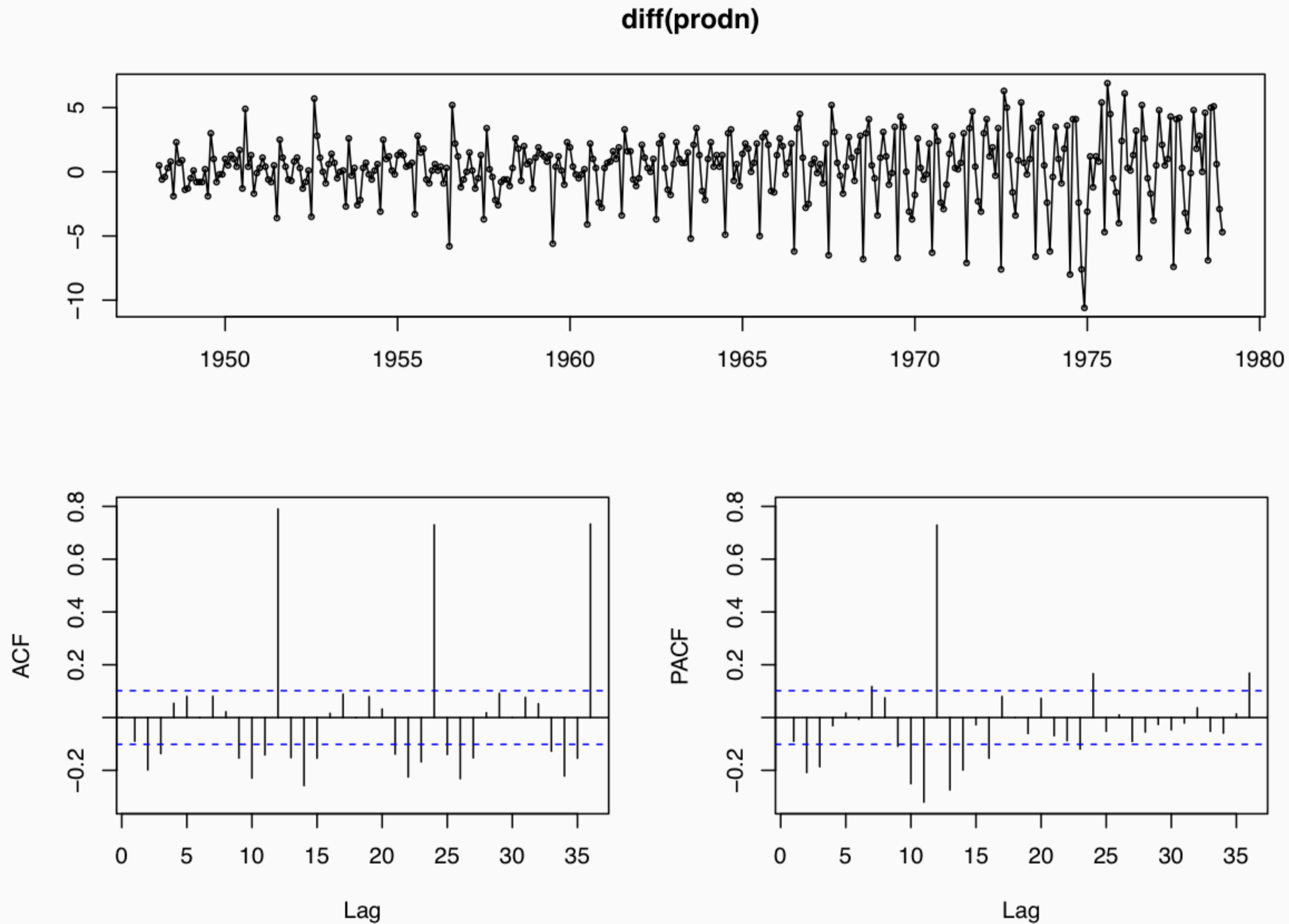
Monthly Federal Reserve Board Production Index (1948-1978)

prodn



Differencing

Based on the ACF it seems like standard differencing may be required



Differencing + Seasonal Differencing

Additional seasonal differencing also seems warranted

```
(fr_m1 = Arima(prodn, order = c(0,1,0),  
              seasonal = list(order=c(0,0,0), period=12)))
```

```
## Series: prodn
```

```
## ARIMA(0,1,0)
```

```
##
```

```
## sigma^2 estimated as 7.147: log likelihood=-891.26
```

```
## AIC=1784.51 AICc=1784.52 BIC=1788.43
```

```
(fr_m2 = Arima(prodn, order = c(0,1,0),  
              seasonal = list(order=c(0,1,0), period=12)))
```

```
## Series: prodn
```

```
## ARIMA(0,1,0)(0,1,0)[12]
```

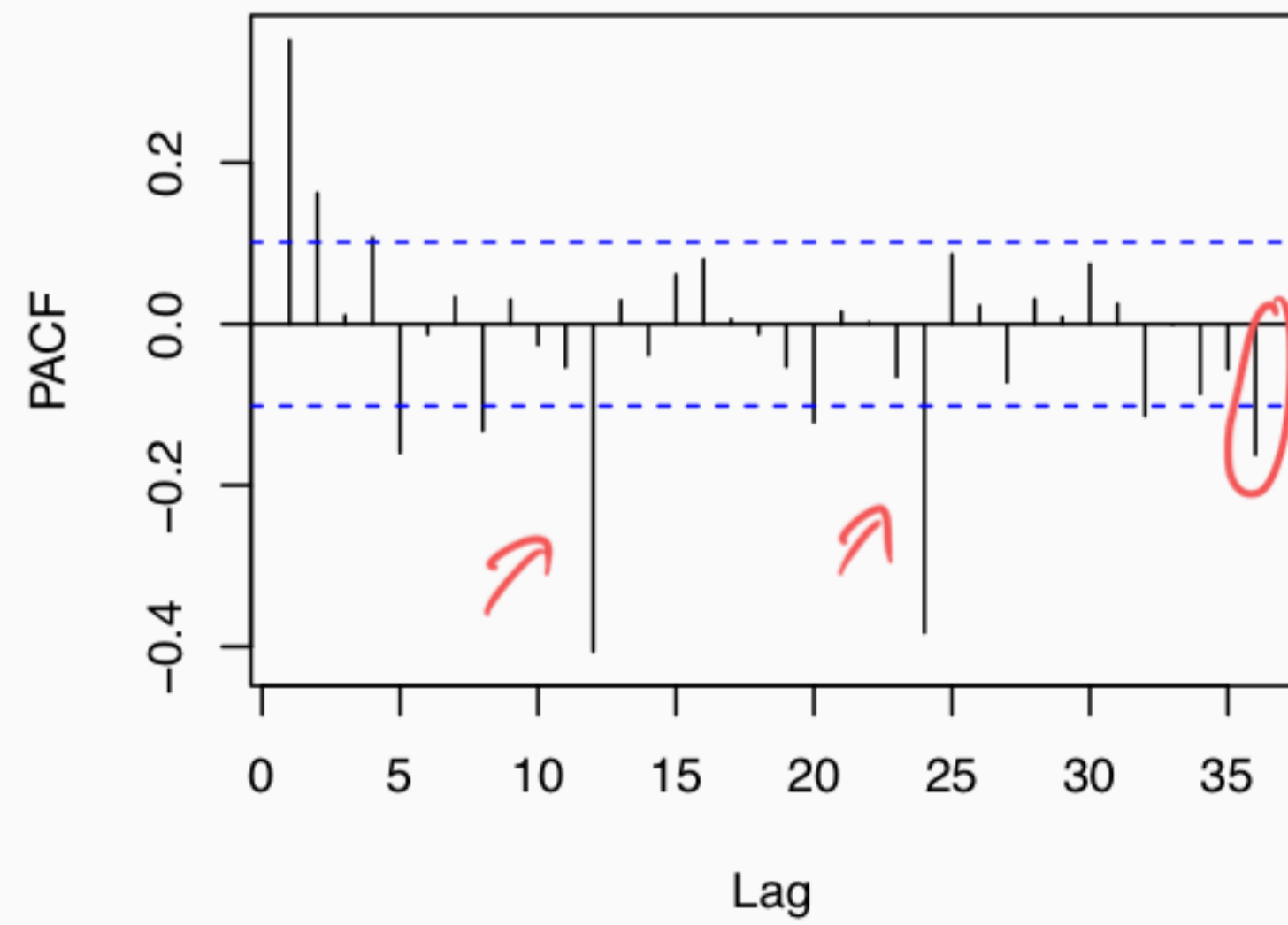
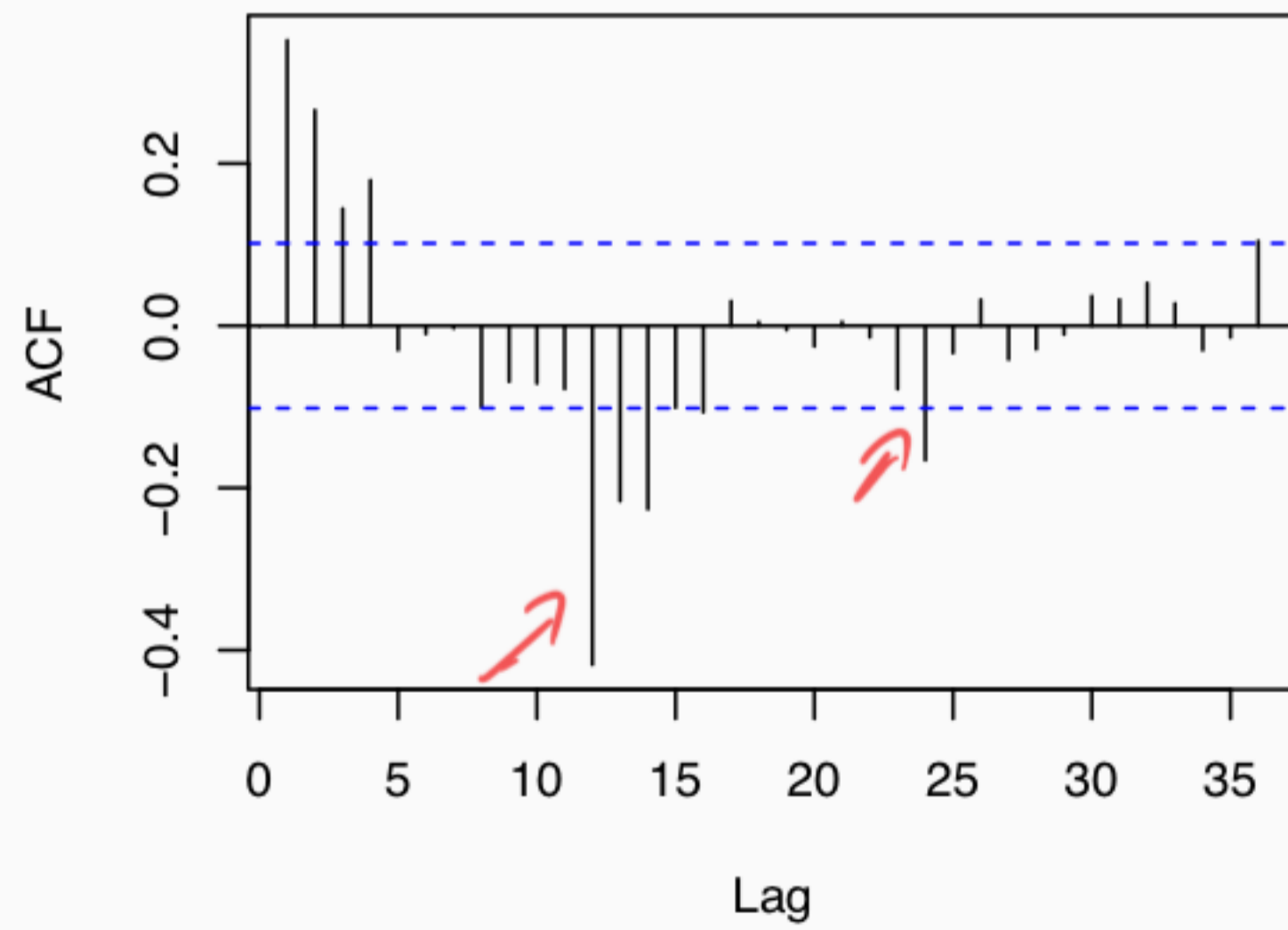
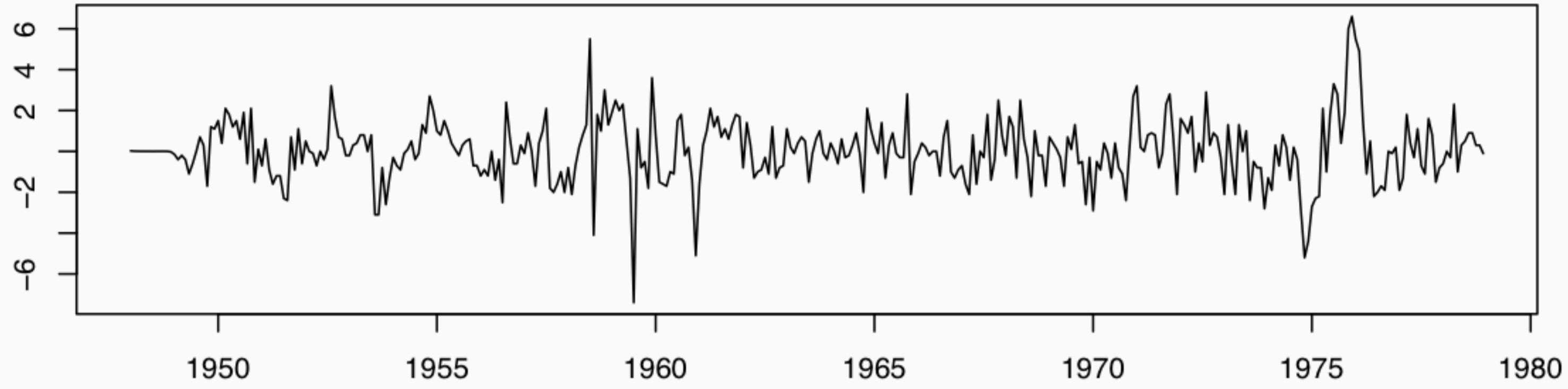
```
##
```

```
## sigma^2 estimated as 2.52: log likelihood=-675.29
```

```
## AIC=1352.58 AICc=1352.59 BIC=1356.46
```

Residuals

fr_m2\$residuals



Adding Seasonal MA

```
(fr_m3.1 = Arima(prodn, order = c(0,1,0),
                 seasonal = list(order=c(0,1,1), period=12)))
## Series: prodn
## ARIMA(0,1,0)(0,1,1)[12]
##
## Coefficients:
##          sma1
##        -0.7151
## s.e.    0.0317
##
## sigma^2 estimated as 1.616:  log likelihood=-599.29
## AIC=1202.57   AICc=1202.61   BIC=1210.34

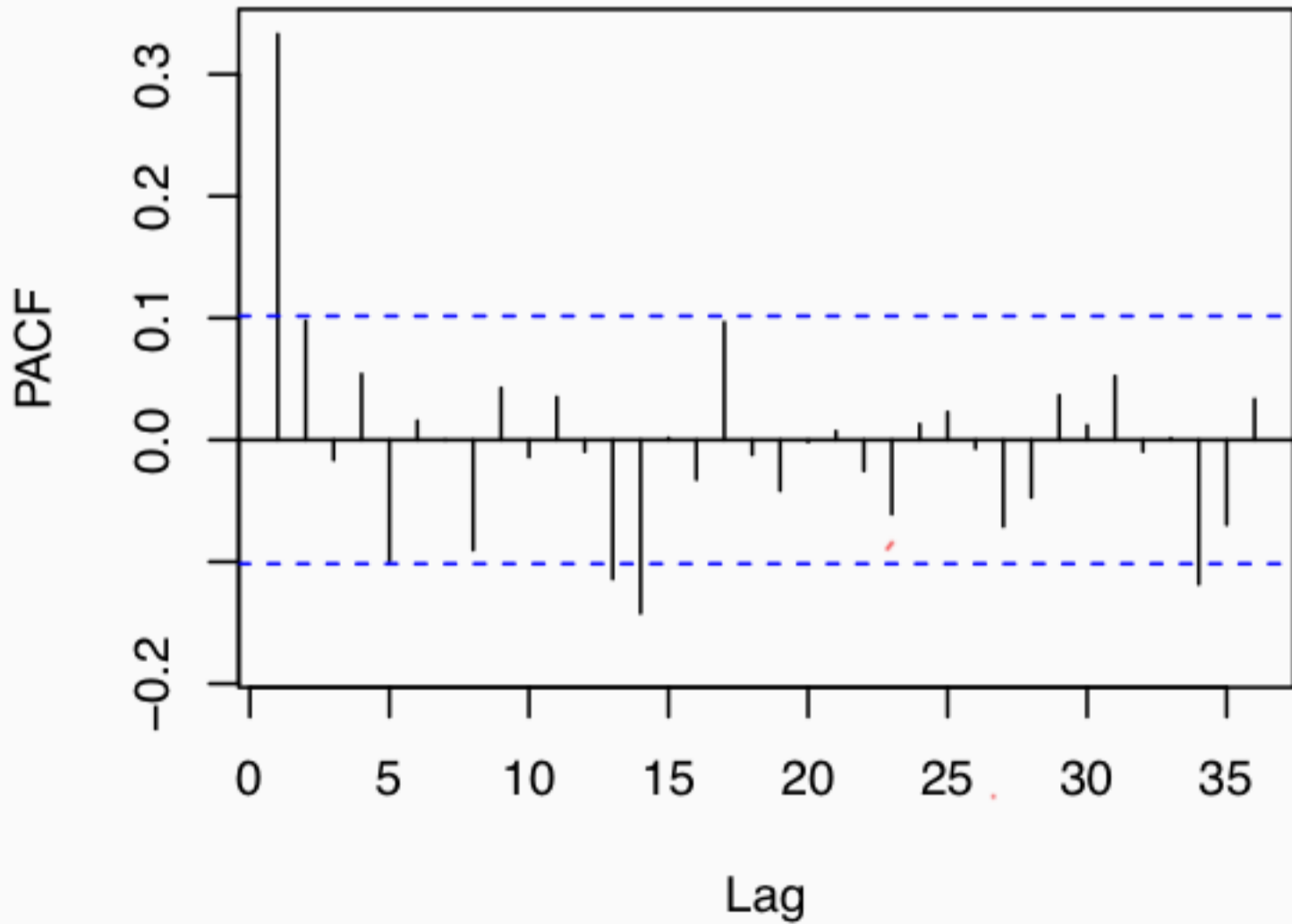
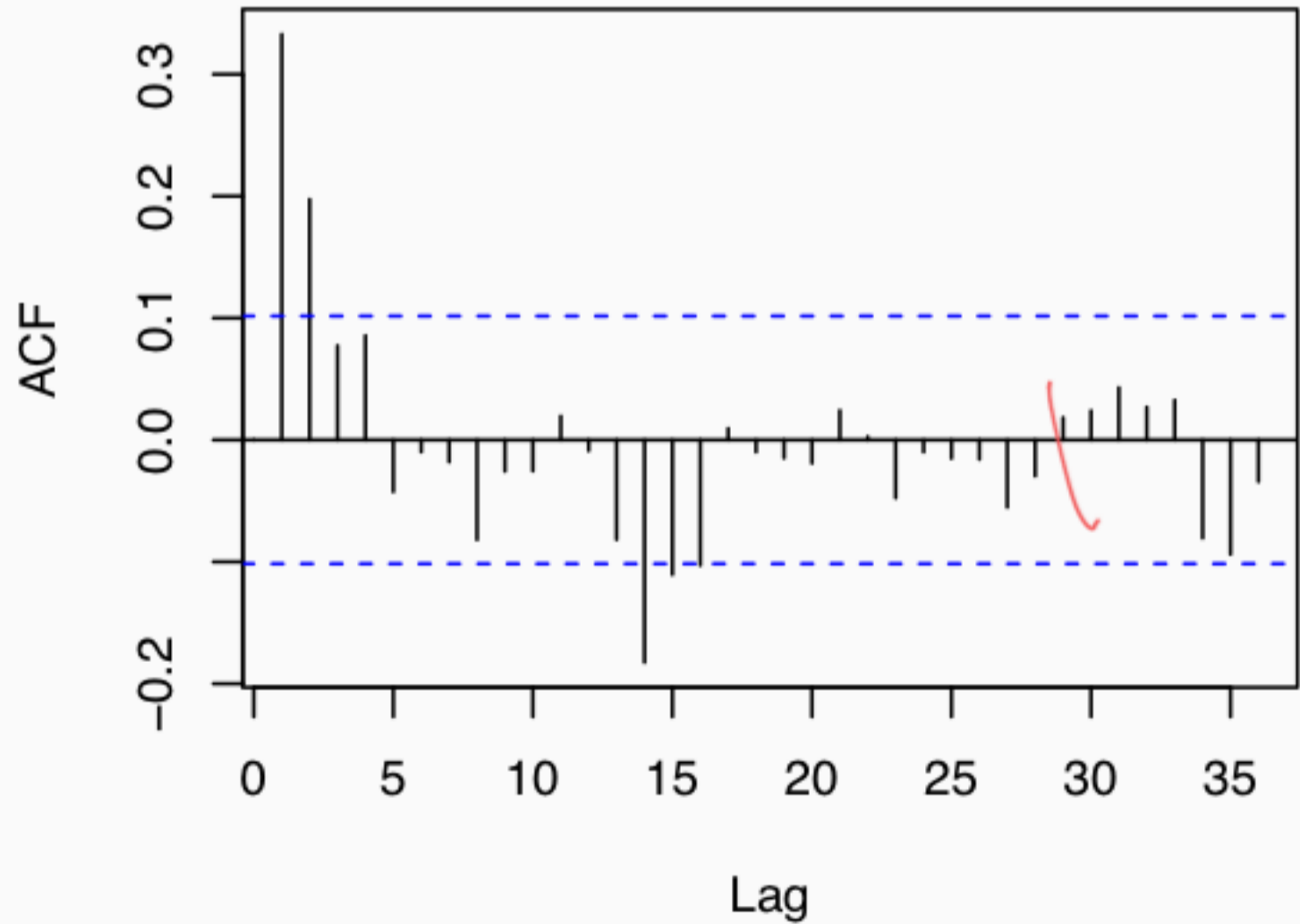
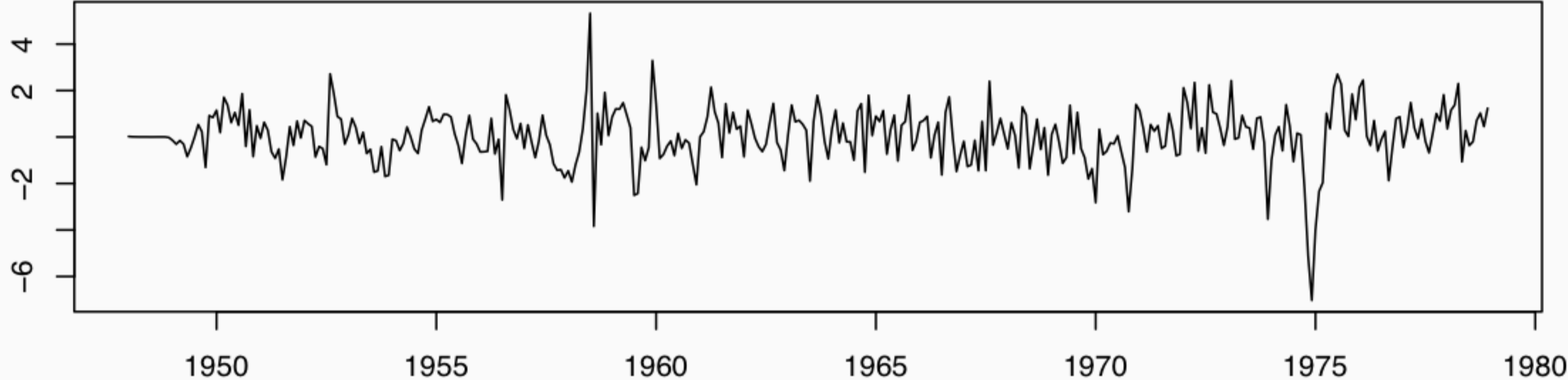
(fr_m3.2 = Arima(prodn, order = c(0,1,0),
                 seasonal = list(order=c(0,1,2), period=12)))
## Series: prodn
## ARIMA(0,1,0)(0,1,2)[12]
##
## Coefficients:
##          sma1    sma2
##        -0.7624    0.0520
## s.e.    0.0689    0.0666
##
## sigma^2 estimated as 1.615:  log likelihood=-598.98
## AIC=1203.96   AICc=1204.02   BIC=1215.61
```

Adding Seasonal MA (cont.)

```
(fr_m3.3 = Arima(prodn, order = c(0,1,0),  
                 seasonal = list(order=c(0,1,3), period=12)))  
## Series: prodn  
## ARIMA(0,1,0)(0,1,3)[12]  
##  
## Coefficients:  
##          sma1      sma2      sma3  
##      -0.7853  -0.1205   0.2624  
## s.e.   0.0529   0.0644   0.0529  
##  
## sigma^2 estimated as 1.506:  log likelihood=-587.58  
## AIC=1183.15  AICc=1183.27  BIC=1198.69
```

Residuals - Model 3.3

fr_m3.3\$residuals



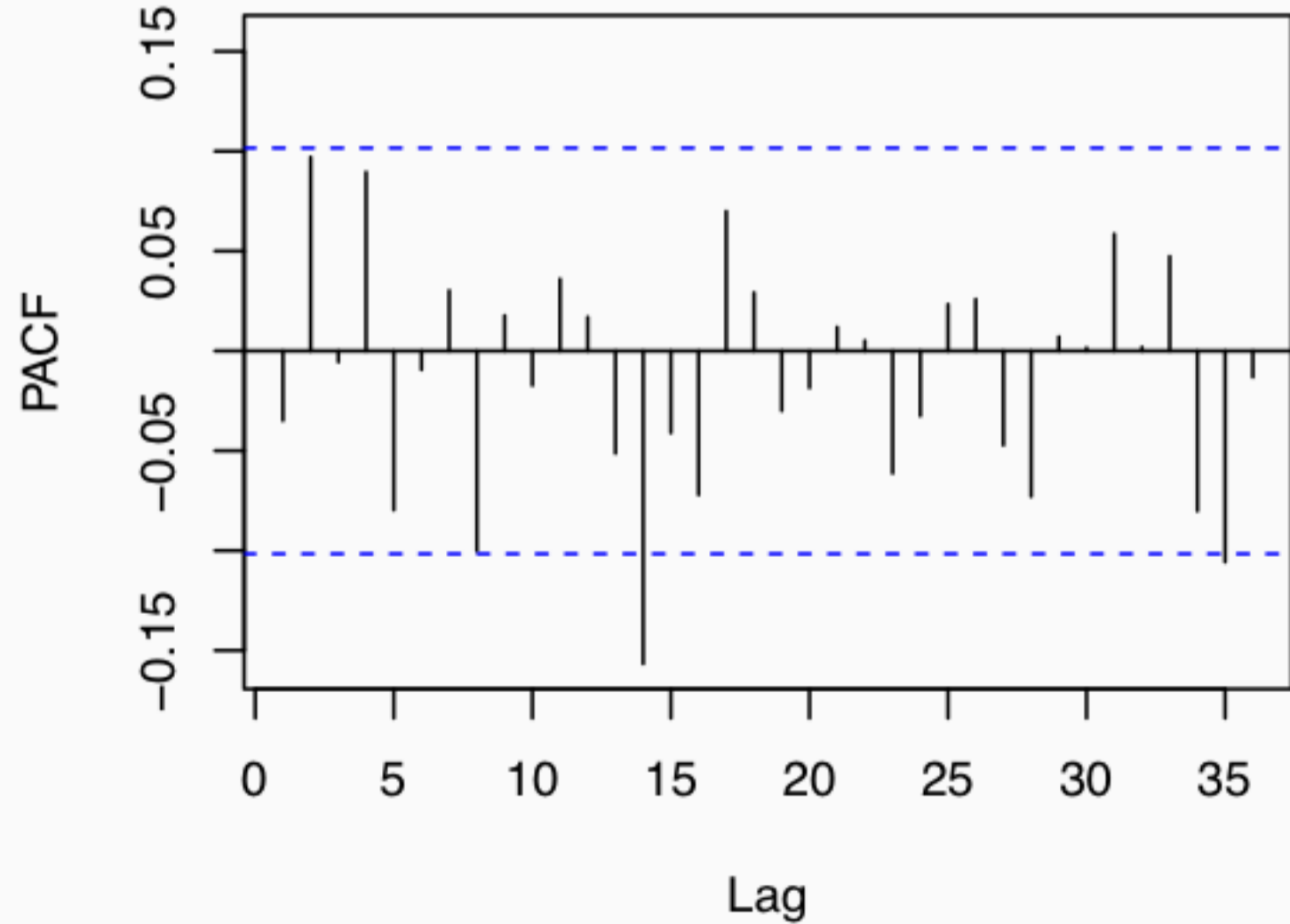
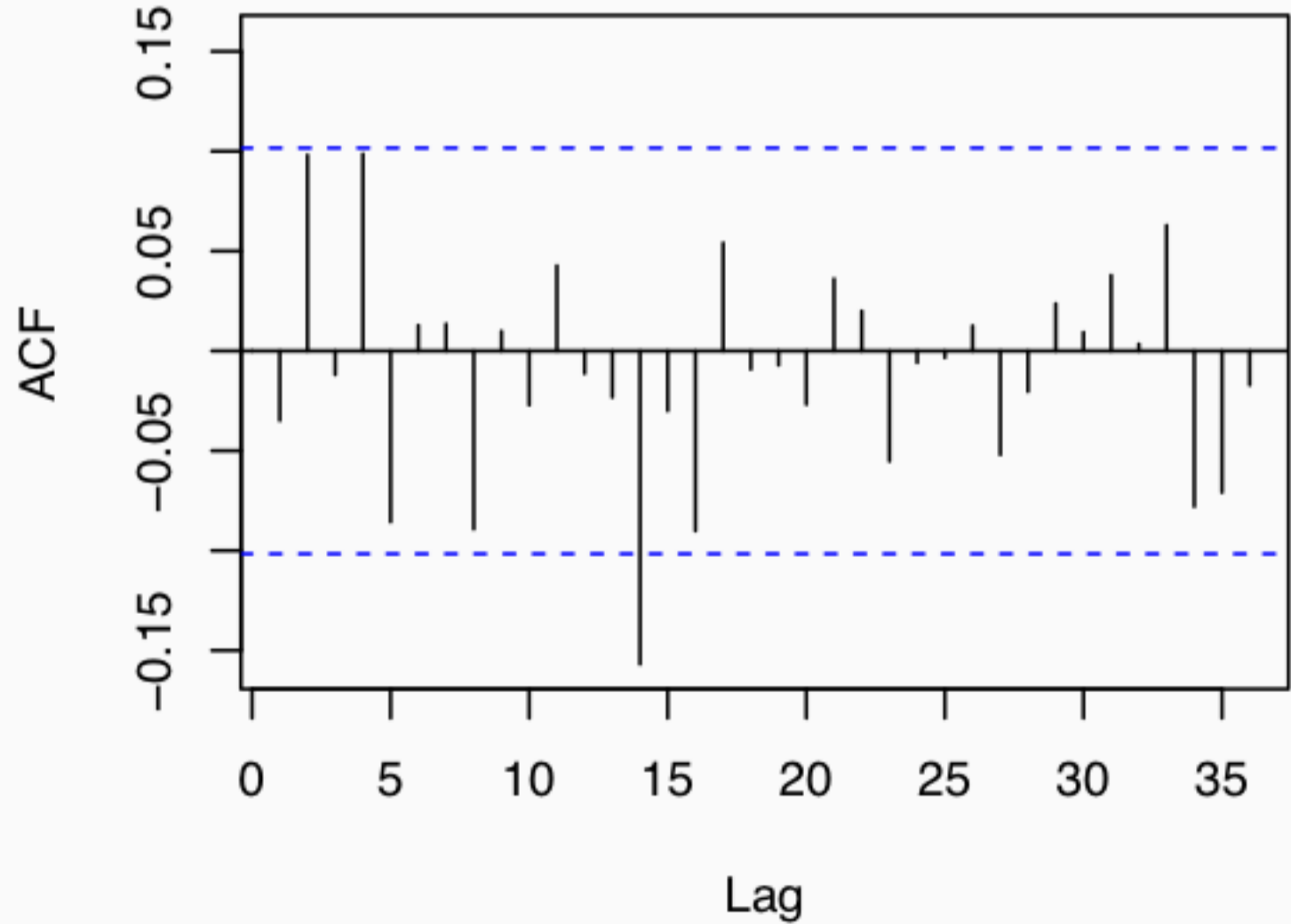
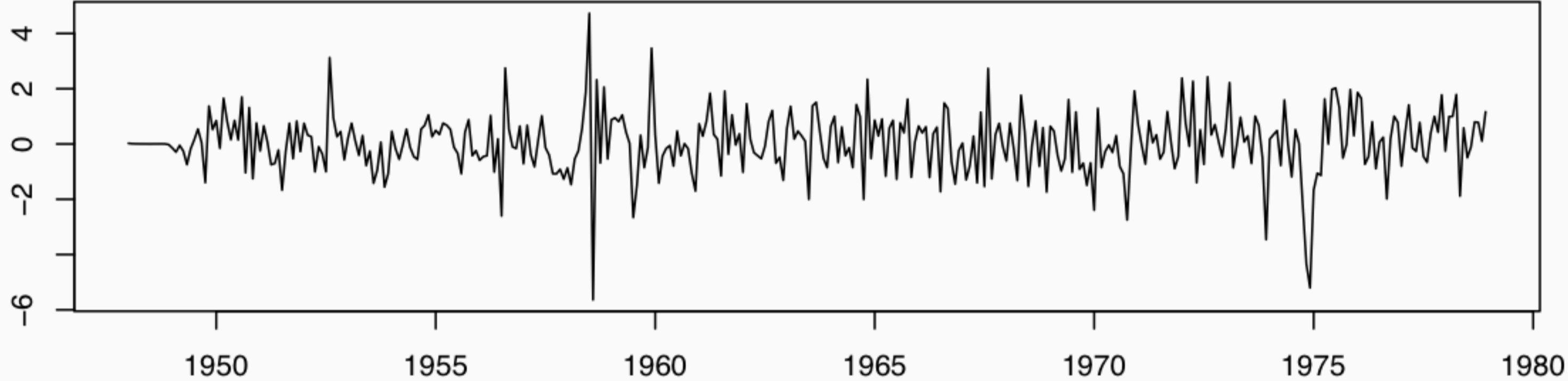
Adding AR

```
(fr_m4.1 = Arima(prodn, order = c(1,1,0),
                 seasonal = list(order=c(0,1,3), period=12)))
## Series: prodn
## ARIMA(1,1,0)(0,1,3)[12]
##
## Coefficients:
##          ar1      sma1      sma2      sma3
##      0.3393 -0.7619 -0.1222  0.2756
## s.e. 0.0500  0.0527  0.0646  0.0525
##
## sigma^2 estimated as 1.341:  log likelihood=-565.98
## AIC=1141.95  AICc=1142.12  BIC=1161.37

(fr_m4.2 = Arima(prodn, order = c(2,1,0),
                 seasonal = list(order=c(0,1,3), period=12)))
## Series: prodn
## ARIMA(2,1,0)(0,1,3)[12]
##
## Coefficients:
##          ar1      ar2      sma1      sma2      sma3
##      0.3038  0.1077 -0.7393 -0.1445  0.2815
## s.e. 0.0526  0.0538  0.0539  0.0653  0.0526
##
## sigma^2 estimated as 1.331:  log likelihood=-563.98
## AIC=1139.97  AICc=1140.2  BIC=1163.26
```

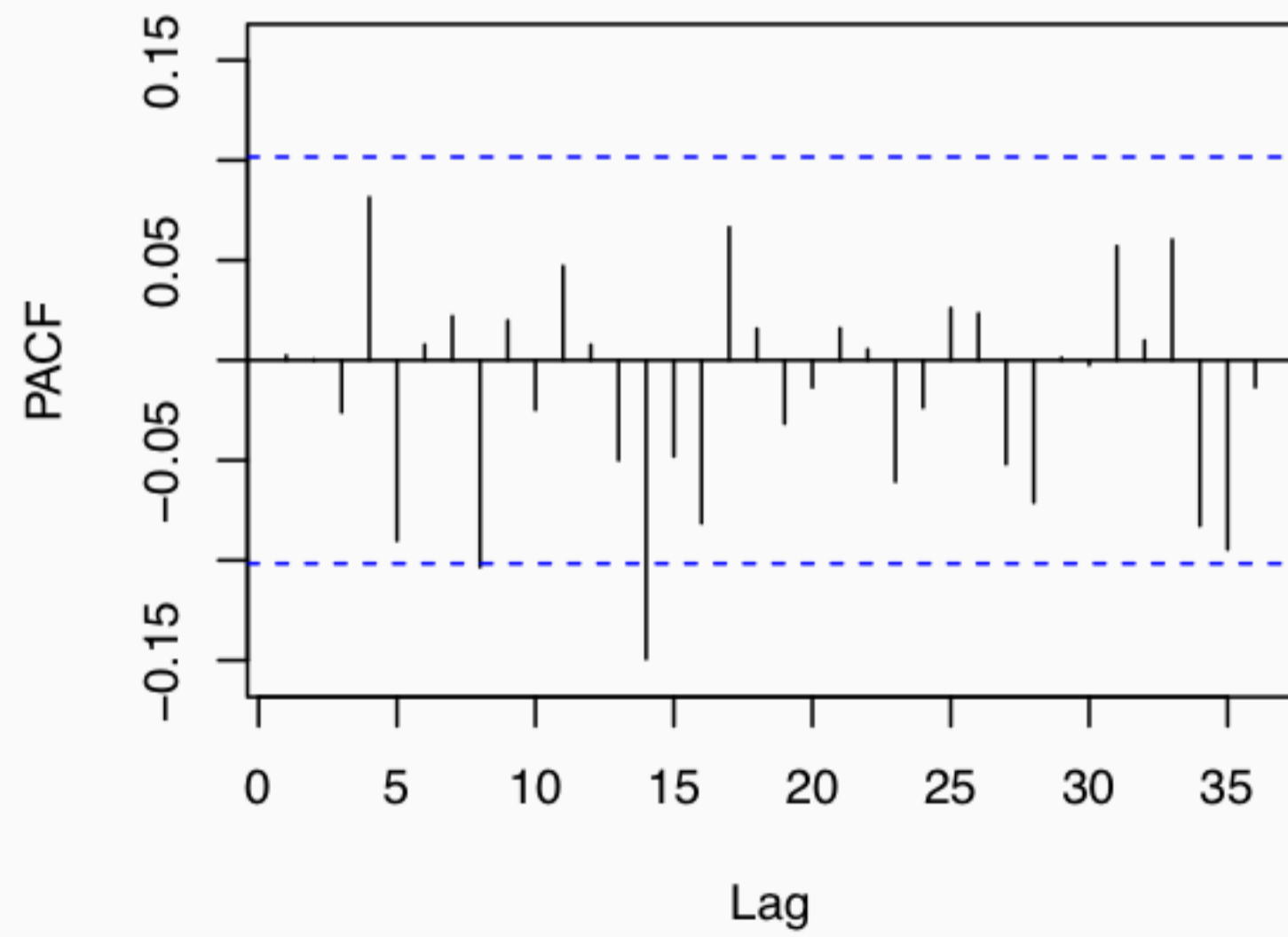
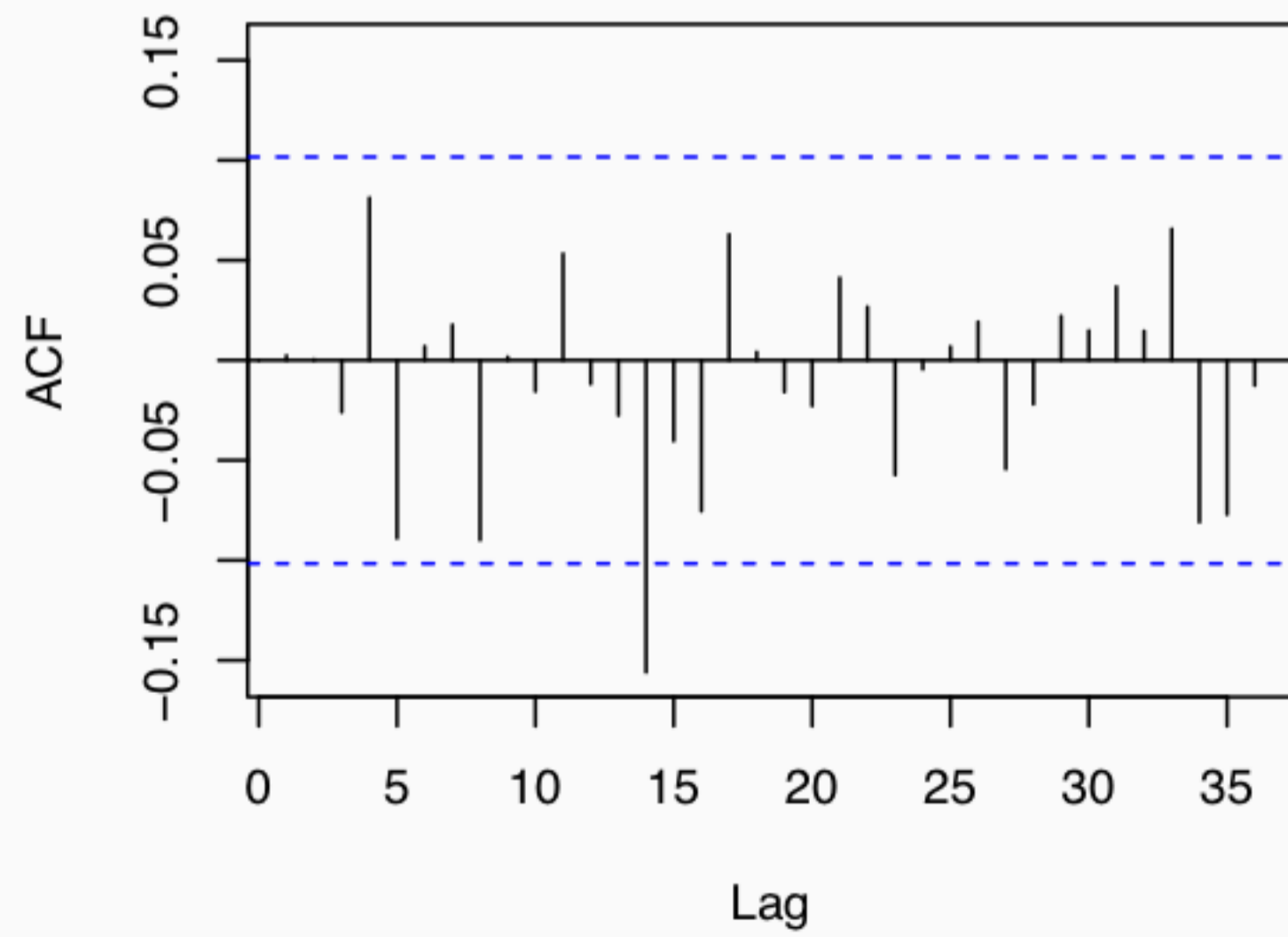
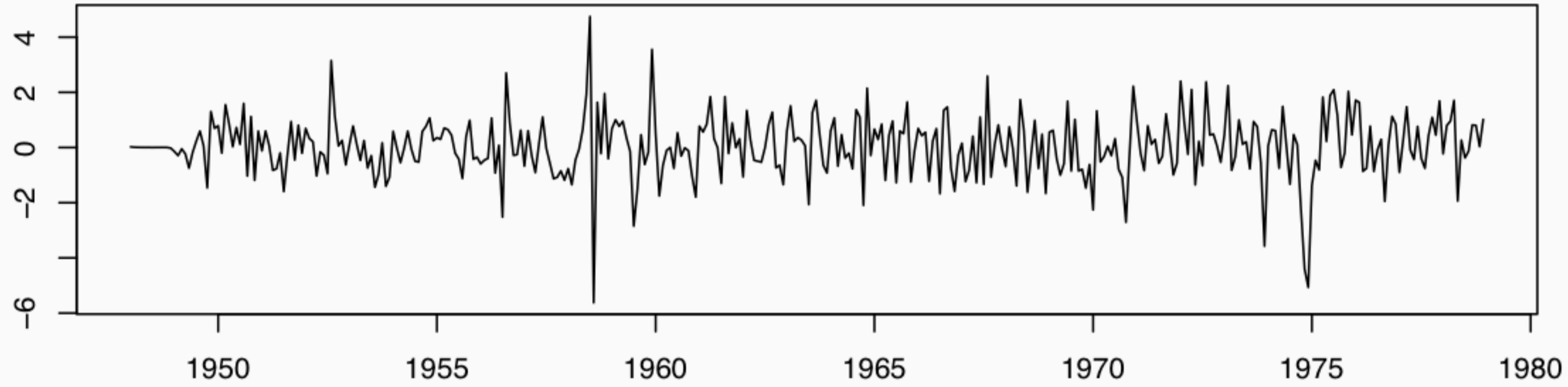

Residuals - Model 4.1

fr_m4.1\$residuals

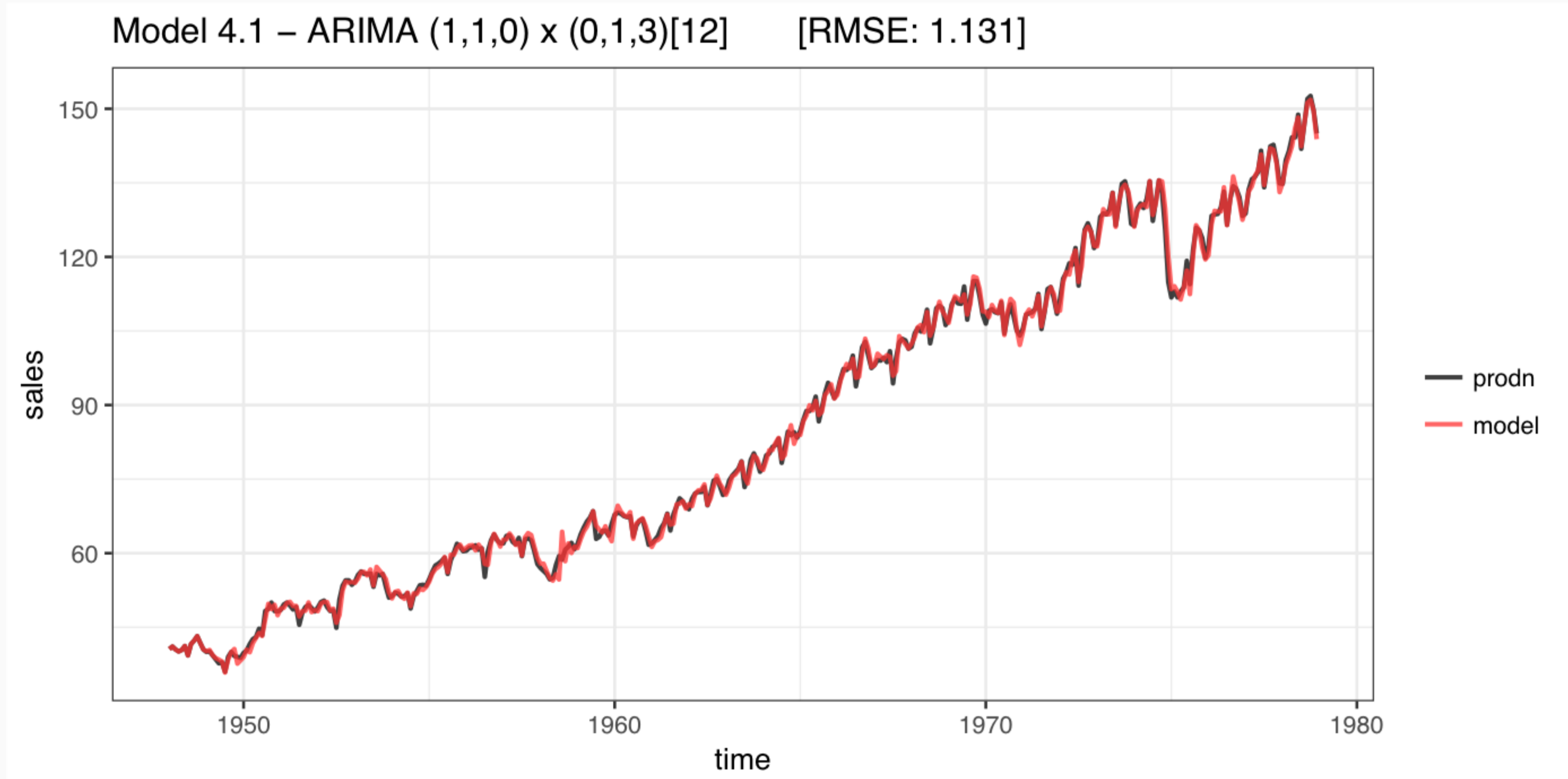


Residuals - Model 4.2

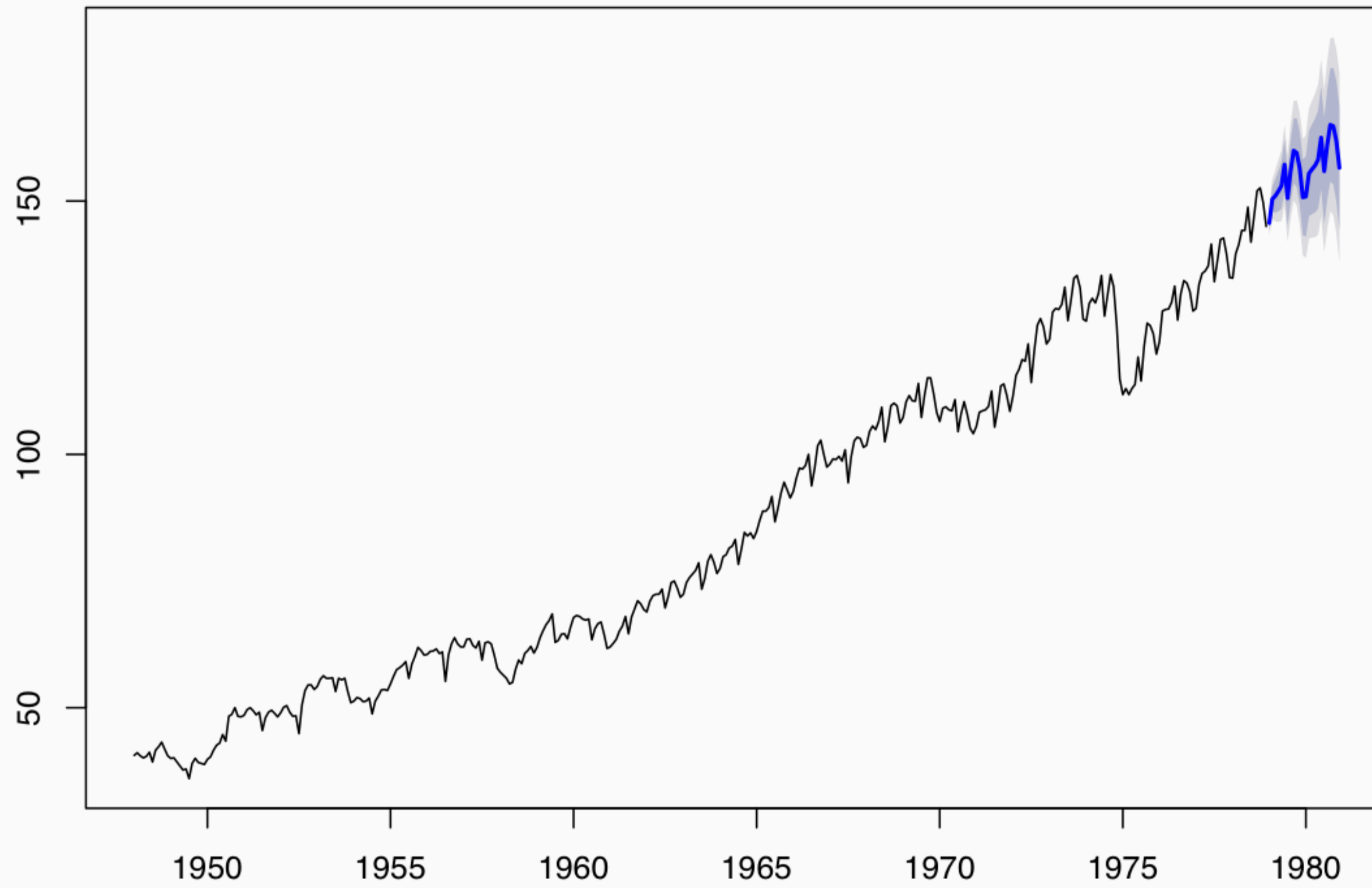
fr_m4.2\$residuals



Model Fit

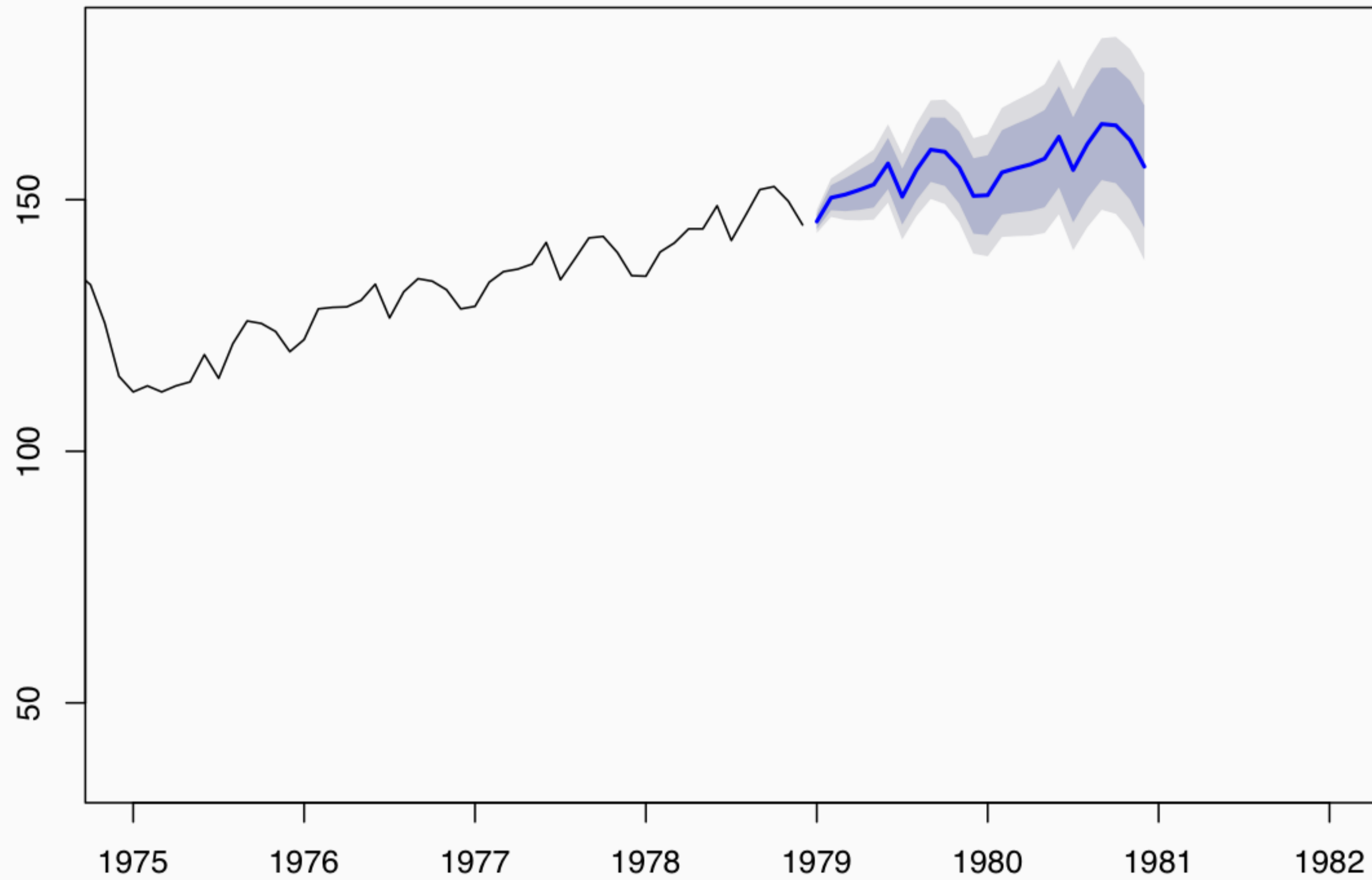


Forecasts from ARIMA(1,1,0)(0,1,3)[12]



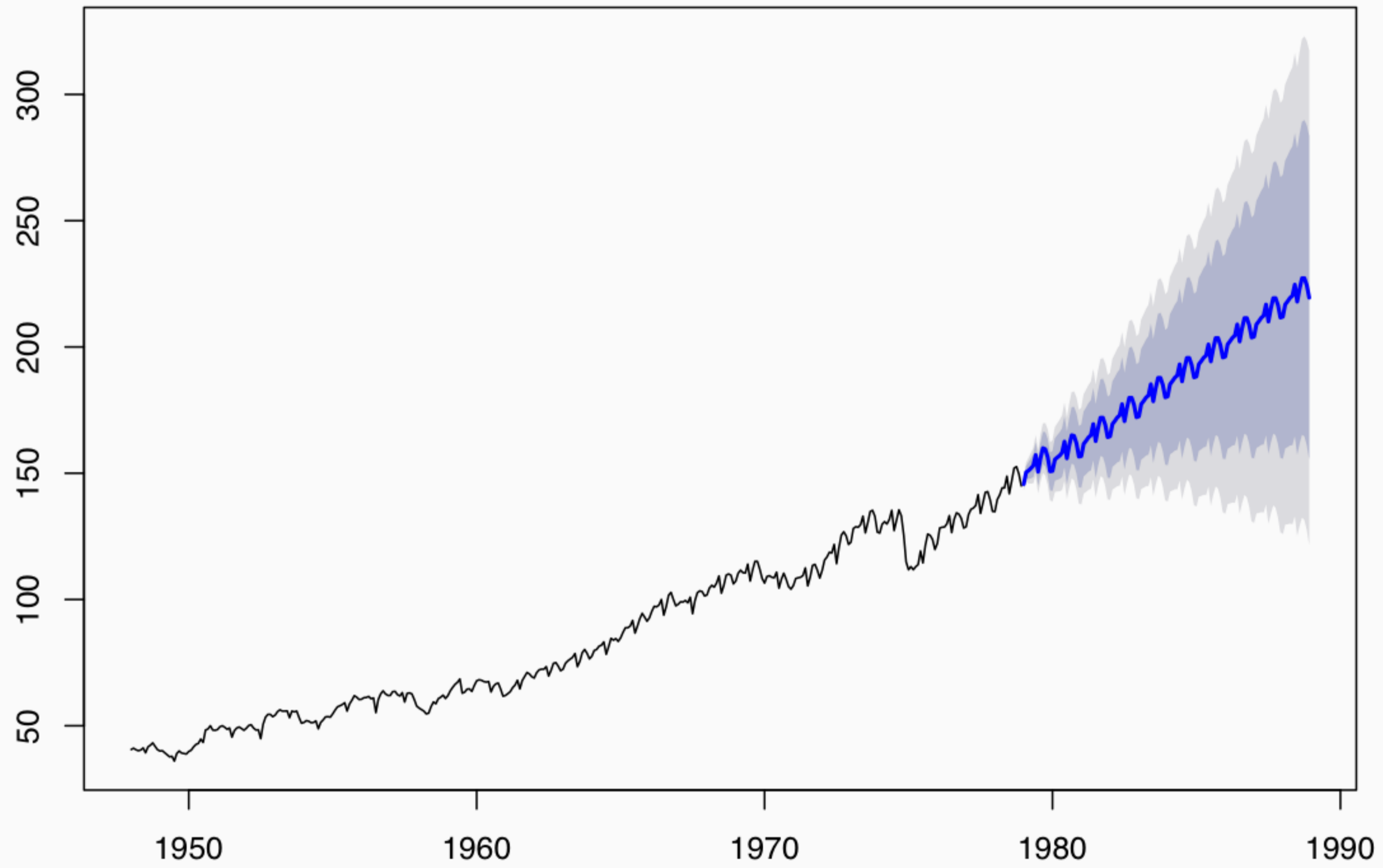
Model Forecast (cont.)

Forecasts from ARIMA(1,1,0)(0,1,3)[12]



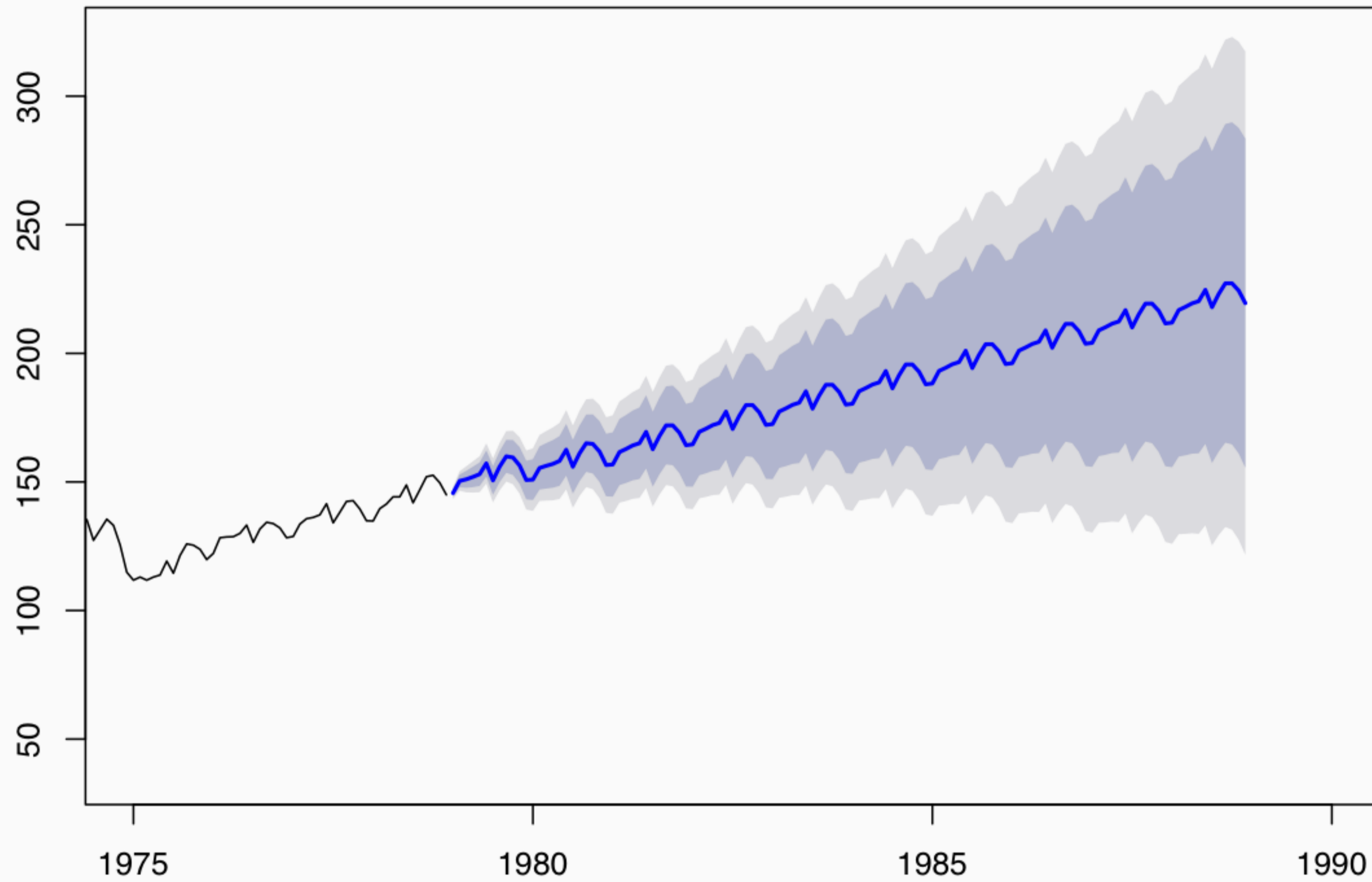
Model Forecast (cont.)

Forecasts from ARIMA(1,1,0)(0,1,3)[12]



Model Forecast (cont.)

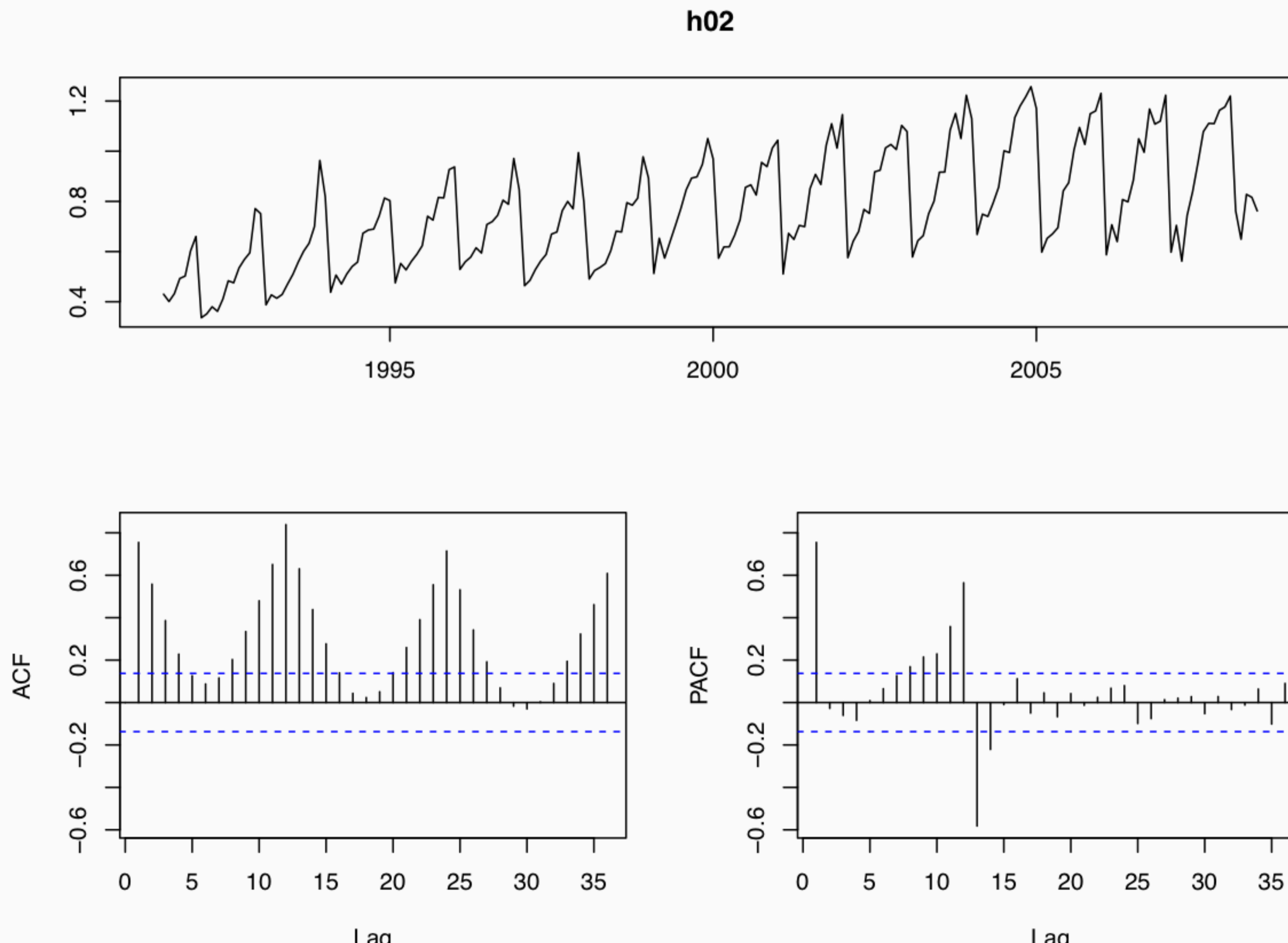
Forecasts from ARIMA(1,1,0)(0,1,3)[12]



Exercise - Cortecosteroid Drug Sales

Monthly cortecosteroid drug sales in Australia from 1992 to 2008.

```
library(fpp)
tsdisplay(h02, points=FALSE)
```



Hint

```
ts.intersect(h02, log(h02)) %>% plot()
```

