

**COURSE DATA****Data Subject**

<b>Code</b>	44947
<b>Name</b>	Macroeconometrics
<b>Cycle</b>	Master's degree
<b>ECTS Credits</b>	5.0
<b>Academic year</b>	2021 - 2022

**Study (s)**

<b>Degree</b>	<b>Center</b>	<b>Acad. year</b>	<b>Period</b>
2242 - M.D. in Economics	Faculty of Economics	1	First term

**Subject-matter**

<b>Degree</b>	<b>Subject-matter</b>	<b>Character</b>
2242 - M.D. in Economics	4 - Macroeconometrics	Optional

**Coordination**

<b>Name</b>	<b>Department</b>
BRETO MARTINEZ, CARLES	10 - Economic Analysis
ROCHINA BARRACHINA, MARIA ENGRACIA	132 - Economic Structure

**SUMMARY**

The purpose of this course is to introduce the students to the basics of contemporary time series analysis. The approach of the course is mostly applied, although the theoretical fundamentals will also be part of the teaching material and the classes. The students are expected to learn the main tools currently used by practitioners in Macroeconomics, as well as to interpret the results of research articles as they are published in scientific journals.

The program consists of five lessons that correspond to approximately 10 hours of theoretical and applied classes each. The course starts with a revision of the univariate analysis of stationary data, followed by the main concepts of nonstationary data and the most frequently applied tests for the determination of the order of integration of the variables. The third lesson will start with the definition of cointegration and single equation methods for testing and estimation, whereas the fourth topic will extend it to the multivariate context, in an introduction to the Johansen methodology. Finally, the last lesson will be devoted to other topics in time series analysis.



In the laboratory sessions the students will use econometrics software to apply to real data the concepts and methods already studied in class. We will choose mostly open-source software in our sessions, such as R and Gretl, although we cannot discard using other programs if they are more suitable for a particular topic or test.

## PREVIOUS KNOWLEDGE

### Relationship to other subjects of the same degree

There are no specified enrollment restrictions with other subjects of the curriculum.

### Other requirements

## OUTCOMES

### 2242 - M.D. in Economics

- Students should apply acquired knowledge to solve problems in unfamiliar contexts within their field of study, including multidisciplinary scenarios.
- Students should demonstrate self-directed learning skills for continued academic growth.
- Students should possess and understand foundational knowledge that enables original thinking and research in the field.
- Develop a critical capacity, show a research concern and interest in the field of economy, specialise in the use of bibliographical materials, in the use of economic databases and econometric, mathematical and statistical software. Also, learn to adequately disseminate research findings through scientific articles and presentations in congresses.
- Acquire linguistic and technological skills: ability to use English in the scientific field of economics and to use ICT in the field of economic study and research.
- Know how to properly use econometric techniques applied to the analysis of the functioning of the economy.
- Know the databases and bibliography necessary to carry out economic research work.
- Know how to manage and process databases using the most appropriate and current techniques and software packages.

## LEARNING OUTCOMES



The students are expected to learn how to use different programs or platforms of econometrics software, some of them, such as R, widely used both by public and private research institutions for big data and machine learning analyses.

The methods they will learn allow them to understand future developments in the area, providing the basis of time series analysis as well as the areas where further improvement may be soon attained. This subject is instrumental and constitutes an important tool for students planning to do their Master's dissertation on Macroeconomics or International Finance.

In addition to learning tests and techniques, the students are encouraged to read critically research papers and interpret the results according to the knowledge acquired in this subject. This makes them realize that time series econometrics evolves very rapidly and new tests and techniques may invalidate previous results that did not account for certain issues that can be solved using different alternatives.

## DESCRIPTION OF CONTENTS

### 1. Macroeconometrics

#### 1. UNIVARIATE ANALYSIS OF STATIONARY TIME SERIES (ARIMA).

##### a. Introduction:

- i. Time series: definitions
- ii. Estimated autocorrelation function

##### b. Models: AR, MA and ARMA

- i. Autoregressive AR(p) models
- ii. Moving average MA(q) models
- iii. ARMA(p,q) models.

##### c. Non-stationary processes: ARIMA(p,d,q)

##### d. Application of the methodology

#### 2. NON-STATIONARY TIME SERIES AND TESTING FOR THE ORDER OF INTEGRATION.

##### a. Concepts and definitions

##### b. Unit root tests

- i. Dickey-Fuller test
- ii. Phillips-Perron unit root tests
- iii. Elliot-Lothenberg-Stock Tests
- iv. Schmidt-Phillips Test

##### c. Stationarity KPSS test



- d. Unit root tests with structural breaks
  - i. Perrons exogenous break tests in trended variables
  - ii. Zivot and Andrews (1992) unit root test

### 3. LONG-RUN RELATIONSHIPS AND COINTEGRATION.

- a. Introduction: definition of cointegration
- b. Tests for no cointegration based on the residuals of the static regression
  - i. DW test applied to the cointegration residuals (CRDW)
  - ii. ADF test by Engle and Granger (CRADF)
  - iii. Phillips-Ouliaris (1990) tests
  - iv. Cointegration test by Shin (1994)
- c. Tests based on the Error Correction representation
- d. The LSE approach to dynamic modeling

### 4. JOHANSENS METHODOLOGY.

- a. Definitions, examples and representations.
- b. The  $I(1)$  model.
  - i. Definitions
  - ii. Estimation
  - iii. Tests for the cointegration rank
  - iv. The role of the deterministic components
  - v. Hypothesis testing about the long-run vectors.
  - vi. Testing for exogeneity

### 5. ADDITIONAL TOPICS ON TIME SERIES ANALYSIS.



## WORKLOAD

ACTIVITY	Hours	% To be attended
Theory classes	40,00	100
Classroom practices	10,00	100
Study and independent work	75,00	0
<b>TOTAL</b>	<b>125,00</b>	

## TEACHING METHODOLOGY

The classes will consist on the presentation of the theoretical aspects of the topic, with examples and simulations in R. Each topic has a set of exercises to be made in class, also including scripts written in R. Then, the students should do one complete exercise on the application of the methodology used. In this way, each of them will find the type of problems that researchers find when working with data.

## EVALUATION

First part of the individual assignment (univariate analysis): 20%

Second part of the individual assignment (multivariate analysis): 30%

Written Exam: 50%

## REFERENCES

### Basic

- B. Pfaff (2011): Analysis of Integrated and Cointegrated Time Series with R, second edition. Springer.
- Harris, R.I.D. (1995): Using Cointegration Analysis in Economic Modelling, Prentice Hall.
- Juselius, K. (2007). The cointegrated VAR model: methodology and applications, Advanced texts in econometrics. Oxford University Press
- Econometric software: RStudio (<http://www.rstudio.com>); Gretl (<http://www.LearnEconometrics.com/gretl.html>)

### Additional

- Dickey, D. A. and Fuller, W. A. [1979], Distributions of the estimators for autoregressive time series with a unit root, Journal of the American Statistical Association 74, 42743.
- Dickey, D. A. and Fuller, W. A. [1981], Likelihood ratio statistics for autoregressive time series with a unit root, Econometrica 49, 10571072.
- Engle, R. F. and Granger, C. W. J. [1987], Co-integration and error correction: Representation, estimation, and testing, Econometrica 55(2), 251276.
- Granger, C. W. J. [1981], Some properties of time series data and their use in econometric model





specification, *Journal of Econometrics* 16, 150161.

- Hamilton, J. D. [1994], *Time Series Analysis*, Princeton University Press, Princeton, NJ.
- Hendry, D. F. [1986], *Econometric modelling with cointegrated variables: An overview*, *Oxford Bulletin of Economics and Statistics* 48(3), 201212.
- Johansen, S. [1991], *Estimation and hypothesis testing of cointegration vectors in Gaussian vector autoregressive models*, *Econometrica* 59(6), 15511580.
- MacKinnon, J. [1991], *Critical values for cointegration tests*, in R. F. Engle and C. W. J. Granger, eds, *Long-Run Economic Relationships: Readings in Cointegration*, *Advanced Texts in Econometrics*, Oxford University Press, Oxford, UK, chapter 13.
- Perron, P. [1988], *Trends and random walks in macroeconomic time series*, *Journal of Economic Dynamics and Control* 12, 297332.

## **ADDENDUM COVID-19**

**This addendum will only be activated if the health situation requires so and with the prior agreement of the Governing Council**

The teaching of the 2020-2021 academic year to which this Teaching Guide refers is programmed in face-to-face mode.

If at any time, during the course, for justified and supervening causes it cannot be carried out as planned, the responsible teaching staff will communicate more specific and detailed information about the changes that should be made through the virtual classroom of the subject.