"Effects of removing the trend and the seasonal component on the forecasting performance of artificial neural network techniques"

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Abstract

This study aims to analyze the effects of data pre-processing on the performance of forecasting based on neural network models. We use three different Artificial Neural Networks techniques to forecast tourist demand: a multi-layer perceptron, a radial basis function and an Elman neural network. The structure of the networks is based on a multiple-input multiple-output setting (i.e. all countries are forecasted simultaneously). We use official statistical data of inbound international tourism demand to Catalonia (Spain) and compare the forecasting accuracy of four processing methods for the input vector of the networks: levels, growth rates, seasonally adjusted levels and seasonally adjusted growth rates. When comparing the forecasting accuracy of the different inputs for each visitor market and for different forecasting horizons, we obtain significantly better forecasts with levels than with growth rates. We also find that seasonally adjusted series significantly improve the forecasting performance of the networks, which hints at the significance of deseasonalizing the time series when using neural networks with forecasting purposes. These results reveal that, when using seasonal data, neural networks performance can be significantly improved by working directly with seasonally adjusted levels.

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1. Introduction

International tourism has become one of today's fastest growing industries. Tourism accounts for almost 10% of total international trade and plays a fundamental role in the long-run economic development of many regions (Akkemik 2012; Sigala, Chalkiti 2014). To achieve a sustainable tourism model, policy makers and professionals need more accurate predictions of the number of tourist arrivals at the destination level. Many authors have acknowledged the importance of applying new approaches to tourism demand forecasting in order to improve the accuracy of the methods of analysis (Song, Li 2008). The availability of more advanced forecasting techniques has led to a growing interest Artificial Intelligence (AI) models (Yu, Schwartz 2006; Goh et al. 2008; Lin et al. 2011; Chen 2011; Celotto et al. 2012; Wu et al. 2012; Cang, Yu 2014) to the detriment of time series models (Chu 2008, 2011; Assaf et al. 2011) and causal econometric models (Page et al. 2012). Some of the new AI based techniques are fuzzy time series models (Tsaur, Kuo 2011), genetic algorithms (Hadavandi et al. 2011), expert systems (Shahrabi et al. 2013; Pai et al. 2014) and Support Vector Machines (SVMs) (Chen, Wang 2007; Hong et al. 2011). Recent research has shown the suitability of Artificial Neural Networks (ANNs) for dealing with tourism demand forecasting (Teixeira, Fernandes 2012; Claveria et al. 2014, 2016).

In spite of the successful uses of ANNs for time series forecasting, very few studies compare the accuracy of different NN architectures for tourism demand forecasting at a regional level. The present study deals with tourist arrivals to Catalonia. Barcelona is the capital of Catalonia, and the most important destination in Spain. After France and the United States, Spain is the third most important destination of the world with 60 million tourist arrivals in 2013. Catalonia received more than 15 million tourists in 2013, an 8% raise over the previous year. Tourism is one of the fastest growing industries in Catalonia, accounting for 12% of GDP and providing employment for 15% of the working population. These figures show the importance of accurate forecasts of tourism volume at the destination level for tourism planning.

The fact that tourism data is characterised by strong seasonal patterns and volatility, make it a particularly interesting field in which to apply different types of ANN architectures. The raw time series of tourism data usually require significant pre-processing in order to be used with forecasting purposes. While the effects of data pre- processing on forecast accuracy have been widely studied in the context of time series analysis, there are very few studies for tourism demand with neural networks (Zhang, Qi 2005). Empirically, ANNs have shown to be suited to forecast nonlinear time series. Nevertheless, studies reach different conclusions on how to deal with seasonal time series (Hamzaçebi 2008). While Nelson et al. (1999) and Zhang and Kline (2007) concluded that in order to obtain a better ANN forecasting, the seasonal effect should be removed form the raw data, Franses and Draima (1997) and Alon et al. (2001) found that ANNs are capable of modelling the seasonal and trend effects in data structure without removing the seasonal effects.

The objective of this study is to investigate the effects of data pre-processing in the forecast performance of ANNs when using seasonal time series, extending to tourist demand forecasting the results of previous research on economics. Given that univariate specifications are limited and unable to capture dynamic interrelationships between variables, we analyze whether a multiple-input multiple-output (MIMO) setting provides useful for forecasting purposes. With this aim, we implement a multiple-output approach (i.e. each output corresponds to a given country) to predict international tourism demand to Catalonia (Spain). We compare the forecasting performance of three different ANN architectures: multi-layer perceptron (MLP), radial basis function (RBF) and Elman

networks. In a multivariate setting, information about tourist arrivals from all origin countries is simultaneously used. To analyze the effects of data pre-pre-processing on forecast accuracy for the different ANN architectures, we designed the experiment using alternative approaches for data pre- processing: levels, growth rates, seasonally adjusted levels and seasonally adjusted growth rates. To assess the value of the different models we compute the Diebold-Mariano test for significant differences between each two competing series. To our knowledge, this is the first study to analyze the forecasting performance of MIMO ANNs for tourism data.

The structure of the paper proceeds as follows. Section 2 briefly reviews the literature on tourism demand forecasting with ANNs. In section 3, the different NN architectures used in the analysis are presented. In the following section we explain how to design the experiment and implement the models. Data is presented in the fifth section, where the results of the out-of-sample forecasting competition are discussed. Finally, a summary and a discussion of the implications are given in Section 6.

2. Artificial Neural Networks in tourism demand forecasting

ANNs are models capable of identifying temporal patterns from historical data, capturing functional relationships among the data when the underlying process is unknown. The data generating process of tourist arrivals is too rich to be specified by a single linear algorithm, which might not be able to take into account saturation or exponential effects, interactions between different time series, etc. This explains the great interest that ANNs have aroused for tourism demand forecasting. Each type of network is suited to a combination of a learning paradigm, a learning rule and a learning algorithm (EM, back-propagation, etc.). The main learning paradigms are supervised learning and non-supervised learning. In supervised learning weights are adjusted to approximate the network output to a target value for each pattern of entry, while in non-supervised learning the subjacent structure of data patterns is explored so as to organize such patterns according to a distance criterion. MLP networks are supervised learning models, while RBF networks, combine both learning methods. The combination of both learning methods implies that part of the weights is determined by a supervised process while the rest are determined by non-supervised learning.

ANNs can also be classified into feed-forward and recurrent networks regarding the connecting patterns of the different layers. The most widely used feed-forward topology in tourism demand forecasting is the MLP network (Law 2000; Tsaur *et al.* 2002; Kon, Turner 2005; Palmer *et al.* 2006). RBF networks are a special class of multi-layer feed-forward architecture with two layers of processing. In contrast to MLP networks, RBF networks are based in local approximations of the functions by means of centroids. Unlike feed-forward networks, recurrent neural networks are models that allow for a feedback of the past states of the network. While a feed-forward network propagates data linearly from input to output, recurrent networks also propagate data from later processing stages to earlier stages. A special class of recurrent network is the Elman network. Whilst MLP neural networks are increasingly used with forecasting purposes, RBF and Elman neural networks have been scarcely used in tourism demand forecasting. Lin *et al.* (2011) have recently compared the forecast accuracy of RBF to that of MLP and SVM networks. Cho (2003) used the Elman architecture to predict the number of arrivals from different countries to Hong Kong.

In recent years several studies have been published on tourism in Spain at a regional level (Nawijn, Mitas 2012; Andrades-Caldito, *et al.* 2013), but very few concerning tourism demand forecasting. Palmer *et al.* (2006) designed a MLP neural network to forecast tourism expenditure in the Balearic Islands. Medeiros *et al.* (2008) developed a NN-

GARCH model to estimate demand for international tourism also in the Balearic Islands. Bermúdez *et al.* (2009) applied a multivariate exponential smoothing model and by means of a Bayesian approach calculate prediction intervals for hotel occupancy in three provinces in Spain. Claveria and Torra (2014) compared the forecasting accuracy of time series models to that of MLP networks in Catalonia. In this study we analyze the effects of data pre-processing on the forecasting accuracy of three alternative ANN architectures.

3. Artificial Neural Network models for the forecasting competition

We use three ANN models: MLP, RBF and Elman networks. Equations (1), (2) and (3) respectively describe the input/output relationship of the three architectures:

MLP

$$
y_t = \beta_0 + \sum_{j=1}^{q} \beta_j g\left(\sum_{i=1}^{p} \varphi_{ij} x_{t-i} + \varphi_{0j} \right)
$$

$$
\left\{ x_{t-i} = \left(1, x_{t-1}, x_{t-2}, \cdots, x_{t-p}\right)', i = 1, \ldots, p \right\}
$$

$$
\left\{ \varphi_{ij}, i = 1, \ldots, p, j = 1, \cdots, q \right\}
$$

$$
\left\{ \beta_j, j = 1, \ldots, q \right\}
$$

(1)

RBF

$$
y_t = \beta_0 + \sum_{j=1}^{q} \beta_j g_j \left(x_{t-i} \right)
$$

$$
g_j \left(x_{t-i} \right) = \exp\left(- \frac{\sum_{j=1}^{p} \left(x_{t-i} - \mu_j \right)^2}{2\sigma_j^2} \right)
$$

(2)

$$
\left\{ x_{t-i} = \left(1, x_{t-1}, x_{t-2}, \ldots, x_{t-p}\right)', i = 1, \ldots, p \right\}
$$

$$
\left\{ \beta_j, j = 1, \ldots, q \right\}
$$

Elman

$$y_t = \beta_0 + \sum_{j=1}^{q} \beta_j z_{j,t}$$

$$z_{j,t} = g\left(\sum_{i=1}^{p} \varphi_{ij} x_{t-i} + \varphi_{0j} + \delta_{ij} z_{j,t-1} \right)$$

$$\left\{ x_{t-i} = \left(1, x_{t-1}, x_{t-2}, \cdots, x_{t-p}\right)', i = 1, \ldots, p \right\}$$

$$\left\{ \varphi_{ij}, i = 1, \ldots, p, j = 1, \ldots, q \right\}$$ (3)

$$\left\{ \beta_j, j = 1, \ldots, q \right\}$$

$$\left\{ \delta_{ij}, i = 1, \ldots, p, j = 1, \ldots, q \right\}$$

Where y_t is the output vector of the MLP at time t; g is the nonlinear function of the neurons in the hidden layer; x_{t-i} is the input vector at time $t-i$, where i stands for the number of lags that are used to introduce the context of the actual observation (which is set to one in this study); q is the number of neurons in the hidden layer; φ_{ij} are the weights of neuron j connecting the input with the hidden layer; and β_j are the weights connecting the output of the neuron j at the hidden layer with the output neuron. In the RBF specification g_j is the activation function, which usually has a Gaussian shape; μ_j is the centroid vector for neuron j; and the spread σ_j is a scalar that measures the width over the input space of the Gaussian function and it can be defined as the area of influence of neuron j in the space of the inputs. In the Elman network, $z_{j,t}$ is the output of the hidden layer neuron j at the moment t and δ_{ij} are the weights that correspond to the output layer and connect the activation at moment t. Further information about these three ANN architectures can be found in Bishop (1995) and Haykin (1999).

The models have two different kinds of parameters: the weights and the hyperparameters related to each topology. In our case, the only hyperparameter is the spread of each radial basis. The spreads are determined by the performance of the networks on cross validation. The estimation of the parameters can be done by means of different algorithms, which are either based on gradient search, line search or quasi Newton search. In this paper we use a variant of the quasi Newton search called Levenberg-Marquardt.

In order to assure a correct performance of RBF networks, the number of centroids and the spread of each centroid have to be selected before the training phase. In this study the training is done by adding the centroids iteratively with the spread parameter fixed. Then a regularized linear regression is estimated to compute the connections between the hidden and the output layers. Finally, the performance of the network is assessed on the validation data set. This process is repeated until the performance on the validation database ceases to decrease. The hyperparameter sigma is selected before determining the topology of the network and is tuned outside the training phase. The optimal value depends on the Euclidean distance that is computed inside each neuron.

In the case of Elman networks, the training is done by back-propagation through time, which is a generalization of back-propagation for feed-forward networks. The parameters of the Elman neural network are estimated by minimizing an error cost function. In order to minimize total error, gradient descent is used to change each weight in proportion to its

derivative with respect to the error, provided the nonlinear activation functions are differentiable. A major problem with gradient descent for standard recurrent architectures is that error gradients vanish exponentially quickly with the size of the time lag.

4. Design of the experiment and implementation of the networks

We carry out an out-of-sample forecasting comparison of the performance between three different ANN architectures (MLP, RBF and Elman) using a multivariate (multiple-input/multiple-output) setting. While a single-output approach requires implementing the experiment for each visitor country, a multiple-output approach allows to simultaneously obtaining forecasts for each visitor market. A multivariate approach seems especially suited for this particular data set in which growth rates of tourist arrivals from all the different countries of origin share a common stochastic trend. Multivariate approaches to tourist demand forecasting are few and have yielded mixed results. Athanasopoulos and Silva (2012) compared the forecasting accuracy of exponential smoothing methods in a multivariate setting against univariate alternatives. They used international tourist arrivals to Australia and New Zealand and found that multivariate models improved on forecast accuracy over the univariate alternatives. Tsui *et al.* (2014) estimated multivariate ARIMA models (ARIMAX) with explanatory variables to forecast airport passenger traffic for Hong Kong and found similar forecasting results to SARIMA models. Contrary to what could be expected, du Preez and Witt (2003) found that multivariate time series models did not generate more accurate forecasts than univariate time series models.

Following Bishop (1995) and Ripley (1996), we divided the collected data into three sets: training, validation and test sets. This division is done in order to asses the performance of the network on unseen data. Based on these considerations, the first sixty monthly observations (from January 2001 to January 2006) are selected as the initial training set, the next thirty-six (from January 2007 to January 2009) as the validation set and the last 20% as the test set. Due to the large number of possible networks' configurations, the validation set is used for determining the following aspects of the neural networks:

a. The topology of the networks.

b. The number of epocs for the training of the MLP/Elman neural networks. The iterations in the gradient search are stopped when the error on the validation set increases.

c. The number of neurons in the hidden layer for the RBF. The sequential increase in the number of neurons at the hidden layer is stopped when the error on the validation increases.

d- The value of the spread σ_j in the RBF NN.

To make the system robust to local minima, we apply the multistartings technique, which consists on repeating each training phase several times. In our case, we repeated the training three times so as to obtain a low value of the performance error. The selection criterion for the topology and the parameters is the performance also on the validation set. The results that are presented correspond to the selection of the best topology, the best spread in the case of the RBF neural networks, and the best training strategy in the case of the Elman neural networks. Forecasts for 1, 3 and 6 months ahead are computed in a recursive way. All neural networks are implemented using Matlab™ and its Neural Networks toolbox.

4. Results of the out-of-sample forecasting competition

In this section we implement a multiple-output approach to predict arrivals to Catalonia

from the different visitor countries. We use the number of tourists (first destinations) provided by the Statistical Institute of Catalonia (IDESCAT). Data includes the monthly number of tourists arriving from each visitor market over the time period 2001:01 to 2012:07. Tabulation of the data is presented in Table 1. It can be seen that the first four visitor markets (France, Belgium and the Netherlands, the United Kingdom and Germany) account for more than half of the total number of tourist arrivals to Catalonia.

Table 1. Distribution of the frequency of tourist arrivals

Year 2011	Tourist arrivals	%	% cumulated
France	3,614	24.1%	24.1%
Belgium and the Netherlands	1,382	9.2%	33.4%
United Kingdom	1,343	9.0%	42.4%
Germany	1,257	8.4%	50.7%
Italy	1,050	7.0%	57.8%
US and Japan	988	6.6%	64.4%
Russia	602	4.0%	68.4%
Northern countries	576	3.9%	72.2%
Switzerland	350	2.3%	74.6%
Other countries	3,806	25.4%	100%

Source: Compiled by the author, using data from the Statistical Institute of Catalonia (IDESCAT).
Tourist arrivals expressed in thousands. * Calculated from 2001:01 to 2012:07.

We have compared the forecasting performance of three different MIMO ANN architectures: MLP, RBF and Elman recursive neural networks. We have repeated the experiment using alternative approaches for data pre- processing: levels, growth rates, seasonally adjusted levels and seasonally adjusted growth rates. Forecasts for 1, 3 and 6 months ahead are computed in a recursive way. To summarize this information we have computed the Mean Absolute Percentage Error (MAPE) statistic for forecast accuracy. The results of our forecasting out-of-sample comparison are shown in Tables2, 3 and 4. We have also used the DM test (Table 5) to obtain significant differences between each two competing series: levels vs. seasonally adjusted levels, rates vs. seasonally adjusted rates and seasonally adjusted levels vs. seasonally adjusted rates.

When analysing the forecast accuracy of the different ANN models, MLP and RBF networks show lower MAPE values than Elman networks. MLP and RBF networks outperform Elman networks in most countries and forecasting horizons. A possible explanation for this result is the length of the time series used in the analysis. The fact that the number of training epocs had to be low in order to maintain the stability of the network suggests that this architecture requires longer time series. For long training phases, the gradient sometimes diverged. The worse forecasting performance of the Elman neural networks compared to that of MLP and RBF architectures indicates that the feedback topology of the Elman network could not capture the specificities of the time series. Conversely, RBF networks display the lowest MAPE values in most countries, especially for growth rates.

When comparing the different pre-processing options, we obtain the best forecasting performance with raw data, especially for seasonally adjusted levels. In this context all three architectures show low MAPE values. The relative performance of MLP and Elman networks compared to RBF worsens when using growth rates, although the lowest MAPE is obtained with RBF networks in most cases. When using levels we also observe that the forecasting accuracy for longer time horizons improves in some countries, showing that working with levels is more indicated for longer term predictions.

Table 2. MAPE (2010:04-2012:02) Levels vs. SA Levels

	Levels (original series)			Levels (seasonally adjusted)		
	MLP	RBF	Elman	MLP	RBF	MLP
France						
1 month	0.69	0.36	1.03	0.10	*0.04*	0.12
3 months	0.87	0.36	0.91	0.09	0.05	0.12
6 months	0.91	0.24	1.08	0.15	0.05	0.10
United Kingdom						
1 month	0.70	0.79	1.06	0.36	0.36	0.44
3 months	1.10	0.91	1.37	0.43	0.51	*0.33*
6 months	0.73	0.42	1.00	0.47	0.48	0.41
Belgium and the NL						
1 month	1.44	0.68	2.22	0.12	*0.05*	0.11
3 months	1.68	0.74	2.29	0.11	0.06	0.12
6 months	1.44	0.35	2.49	0.18	0.07	0.12
Germany						
1 month	0.72	0.55	0.83	0.08	0.12	*0.10*
3 months	0.84	0.63	0.98	0.12	0.15	0.16
6 months	0.71	0.20	1.02	0.17	0.15	0.13
Italy						
1 month	0.45	0.17	0.91	0.32	0.07	0.21
3 months	0.68	0.16	0.97	0.33	0.06	0.18
6 months	0.94	0.19	0.74	0.41	*0.05*	0.26
US and Japan						
1 month	0.43	0.30	0.30	*0.15*	0.25	0.22
3 months	0.52	0.35	0.72	0.25	0.30	0.16
6 months	0.40	0.31	0.53	0.27	0.30	0.17
Northern countries						
1 month	0.67	0.34	0.62	0.43	*0.16*	0.30
3 months	0.56	0.44	0.83	0.27	0.20	0.30
6 months	0.65	0.31	0.46	0.31	0.23	0.24
Switzerland						
1 month	0.54	0.35	0.67	0.11	*0.05*	0.13
3 months	0.87	0.45	0.86	0.14	0.07	0.09
6 months	0.81	0.25	0.80	0.17	0.07	0.08
Russia						
1 month	0.66	0.60	0.93	*0.22*	0.46	0.27
3 months	1.02	0.60	1.35	0.37	0.55	0.38
6 months	1.16	0.51	0.99	0.52	0.57	0.38
Other countries						
1 month	0.32	0.23	0.27	0.24	*0.16*	0.24
3 months	0.39	0.26	0.38	0.25	0.18	0.24
6 months	0.32	0.18	0.37	0.26	0.21	0.18
Total						
1 month	0.45	0.31	0.67	0.11	0.04	0.15
3 months	0.53	0.38	0.60	0.13	0.04	0.13
6 months	0.46	0.14	0.56	0.16	*0.03**	0.11

Italics: best model for each country. * Best model

Table 3. MAPE (2010:04-2012:02) Rates vs. SA Rates

	Raw Rates			SA Rates		
	MLP	RBF	Elman	MLP	RBF	MLP
France						
1 month	9.52	2.79	28.58	2.13	2.86	12.70
3 months	10.00	2.53	16.39	4.83	1.64	15.86
6 months	20.94	2.67	37.07	3.91	*1.33*	16.81
United Kingdom						
1 month	1.78	1.18	4.42	1.50	*0.77*	4.80
3 months	2.68	1.17	2.96	6.19	1.36	6.10
6 months	3.22	1.11	3.25	6.73	1.91	10.94
Belgium and the NL						
1 month	9.44	1.03	5.87	0.76	*0.65*	2.52
3 months	3.20	1.06	5.18	1.86	0.96	3.06
6 months	5.65	1.06	7.68	2.19	1.15	2.88
Germany						
1 month	4.32	1.11	5.09	3.20	2.10	8.56
3 months	3.42	*1.03*	6.13	4.24	1.66	13.53
6 months	4.54	1.17	3.61	2.91	2.30	14.87
Italy						
1 month	11.65	10.01	38.88	29.84	8.97	48.33
3 months	28.29	9.27	18.31	23.98	11.66	51.24
6 months	33.59	*5.19*	88.64	41.43	11.29	45.96
US and Japan						
1 month	1.82	1.07	2.96	1.46	*0.69*	2.13
3 months	3.00	1.00	3.16	1.37	1.14	3.46
6 months	2.30	1.15	4.47	2.40	1.08	4.15
Northern countries						
1 month	3.06	1.88	3.33	2.52	*1.49*	4.32
3 months	2.47	2.03	4.42	2.87	2.09	4.47
6 months	4.38	1.88	5.05	3.72	2.55	5.23
Switzerland						
1 month	2.37	1.13	5.39	*0.59*	0.63	2.18
3 months	3.49	0.96	4.10	1.04	1.06	1.36
6 months	4.04	1.04	4.25	1.38	1.06	1.96
Russia						
1 month	0.86	0.79	1.67	0.53	*0.31**	0.95
3 months	0.94	0.80	1.47	1.01	0.62	1.13
6 months	1.25	0.75	1.75	1.44	0.74	1.34
Other countries						
1 month	3.39	0.90	5.96	1.13	0.77	2.30
3 months	1.53	0.95	3.06	3.05	0.96	2.79
6 months	5.68	1.06	2.88	2.72	*0.73*	2.27
Total						
1 month	5.15	3.22	37.67	1.22	0.50	1.74
3 months	7.17	3.78	12.32	2.40	0.49	2.88
6 months	11.63	3.72	38.35	1.69	*0.47*	2.55

Italics: best model for each country. * Best model

Table 4. MAPE (2010:04-2012:02) SA Levels vs. SA Rates

	Levels (seasonally adjusted)			Rates (seasonally adjusted)		
	MLP	RBF	Elman	MLP	RBF	MLP
France						
1 month	0.10	*0.04*	0.12	2.13	2.86	12.70
3 months	0.09	0.05	0.12	4.83	1.64	15.86
6 months	0.15	0.05	0.10	3.91	1.33	16.81
United Kingdom						
1 month	0.36	0.36	0.44	1.50	0.77	4.80
3 months	0.43	0.51	*0.33*	6.19	1.36	6.10
6 months	0.47	0.48	0.41	6.73	1.91	10.94
Belgium and the NL						
1 month	0.12	*0.05*	0.11	0.76	0.65	2.52
3 months	0.11	0.06	0.12	1.86	0.96	3.06
6 months	0.18	0.07	0.12	2.19	1.15	2.88
Germany						
1 month	*0.08*	0.12	0.10	3.20	2.10	8.56
3 months	0.12	0.15	0.16	4.24	1.66	13.53
6 months	0.17	0.15	0.13	2.91	2.30	14.87
Italy						
1 month	0.32	0.07	0.21	29.84	8.97	48.33
3 months	0.33	0.06	0.18	23.98	11.66	51.24
6 months	0.41	*0.05*	0.26	41.43	11.29	45.96
US and Japan						
1 month	*0.15*	0.25	0.22	1.46	0.69	2.13
3 months	0.25	0.30	0.16	1.37	1.14	3.46
6 months	0.27	0.30	0.17	2.40	1.08	4.15
Northern countries						
1 month	0.43	*0.16*	0.30	2.52	1.49	4.32
3 months	0.27	0.20	0.30	2.87	2.09	4.47
6 months	0.31	0.23	0.24	3.72	2.55	5.23
Switzerland						
1 month	0.11	*0.05*	0.13	0.59	0.63	2.18
3 months	0.14	0.07	0.09	1.04	1.06	1.36
6 months	0.17	0.07	0.08	1.38	1.06	1.96
Russia						
1 month	*0.22*	0.46	0.27	0.53	0.31	0.95
3 months	0.37	0.55	0.38	1.01	0.62	1.13
6 months	0.52	0.57	0.38	1.44	0.74	1.34
Other countries						
1 month	0.24	*0.16*	0.24	1.13	0.77	2.30
3 months	0.25	0.18	0.24	3.05	0.96	2.79
6 months	0.26	0.21	0.18	2.72	0.73	2.27
Total						
1 month	0.11	0.04	0.15	1.22	0.50	1.74
3 months	0.13	0.04	0.13	2.40	0.49	2.88
6 months	0.16	*0.03* *	0.11	1.69	0.47	2.55

Italics: best model for each country. * Best model

Table 5. Diebold-Mariano loss-differential test statistic for predictive accuracy

	Levels vs. Seasonally adjusted levels			Growth rates vs. Seasonally adjusted rates			Seasonally adjusted levels vs. SA growth rates		
	MLP	RBF	Elman	MLP	RBF	Elman	MLP	RBF	Elman
France									
1 month	3.69	4.57	5.30	6.26	2.75	5.35	-4.37	-2.97	-2.70
3 months	4.80	4.48	3.98	5.34	6.98	-0.47	-2.73	-1.92	-3.94
6 months	2.84	5.14	3.73	4.70	6.54	2.61	-2.73	-1.74	-2.13
UK									
1 month	1.65	1.49	2.46	2.45	4.58	2.41	-2.28	-1.21	-2.28
3 months	1.99	1.28	2.24	0.63	2.20	-1.22	-1.74	-3.43	-2.71
6 months	1.19	-0.51	1.98	1.82	0.21	1.06	-1.41	-2.57	-1.35
Belgium and the NL									
1 month	4.23	3.91	6.58	3.12	5.45	2.34	-3.31	-4.16	-4.79
3 months	3.90	4.34	3.44	2.56	2.33	3.59	-1.93	-18.65	-3.08
6 months	2.08	3.14	4.15	5.50	1.63	2.22	-2.69	-25.33	-2.38
Germany									
1 month	3.39	2.59	9.19	3.39	3.46	4.92	-1.27	-1.93	-1.59
3 months	4.11	2.76	3.35	4.11	3.38	3.18	-1.50	-2.57	-1.48
6 months	2.46	0.84	3.14	5.15	3.24	5.24	-2.41	-1.99	-1.33
Italy									
1 month	1.25	3.14	5.59	1.56	3.32	2.84	-2.18	-1.82	-1.68
3 months	2.74	3.61	3.51	0.81	1.84	2.35	-2.41	-2.01	-1.76
6 months	1.94	5.25	2.86	1.25	2.11	0.49	-2.58	-2.14	-1.48
US and Japan									
1 month	4.25	1.19	1.25	2.62	2.44	1.76	-2.24	-3.17	-4.55
3 months	3.21	1.25	7.18	1.06	1.52	1.27	-4.46	-2.75	-2.60
6 months	2.18	0.26	3.97	2.41	1.85	1.40	-2.46	-4.61	-2.01
Northern countries									
1 month	1.12	5.20	3.98	2.23	3.79	1.06	-2.87	-2.11	-2.85
3 months	2.37	3.38	3.79	-0.46	1.95	0.61	-3.36	-3.09	-2.91
6 months	1.54	1.55	2.36	-0.70	1.25	0.25	-3.52	-2.77	-3.12
Switzerland									
1 month	3.21	3.09	5.22	5.73	6.06	2.37	-5.20	-5.94	-3.21
3 months	4.97	3.66	7.54	3.25	3.47	2.94	-4.55	-15.64	-5.62
6 months	2.57	2.94	4.96	3.00	3.06	3.65	-5.96	-12.33	-5.82
Russia									
1 month	2.60	2.35	5.64	2.20	4.91	3.07	-2.63	1.47	-2.83
3 months	2.96	0.62	2.75	0.11	4.17	0.88	-2.31	-0.81	-3.27
6 months	2.31	-1.35	3.92	0.58	-0.90	1.13	-2.04	-1.62	-3.80
Other countries									
1 month	1.39	2.70	0.67	3.76	3.01	3.89	-3.61	-1.61	-2.23
3 months	1.80	2.62	2.15	0.25	1.89	0.86	-1.82	-1.36	-2.46
6 months	0.89	-1.26	2.01	2.29	1.14	-0.51	-2.09	-1.92	-3.96
Total									
1 month	3.35	5.33	4.78	2.10	1.58	3.49	-7.92	-4.70	-5.43
3 months	4.25	6.30	3.42	0.36	1.92	1.82	-4.73	-6.82	-3.49
6 months	2.31	4.34	3.41	3.53	1.80	2.10	-5.92	-6.09	-3.04

Notes: Diebold-Mariano test statistic with NW estimator. Null hypothesis: the difference between the two competing series is non-significant. A negative sign of the statistic implies that the second model has bigger forecasting errors. * Significant at the 5% level.

When testing for significant differences between each two competing series (Table 5), we obtain better forecasts for SA levels than for levels, although not always significant. The only exception is Russia, the UK and Other countries for 6 months ahead forecasts. We also obtain significantly better forecasts for SA rates than for growth rates. The only exception being the predictions for longer forecast horizons in Russia and Other countries. Finally, when comparing seasonally adjusted levels and seasonally adjusted growth rates, with the exception of Russia, we always obtain significantly better forecasts for seasonally adjusted levels. This result further evidences the need for deseasonalizing, but not for detrending, especially for longer forecasting horizons.

Conclusions

Tourism demand forecasting has become essential in one of today's fastest growing industries. Accurate forecasts of tourist arrivals are crucial to develop a sustainable tourist model at the destination level. In this context, Artificial Neural Networks have become a very useful technique for forecasting purposes. This study analyzes the effects of data pre-processing in the forecast performance of ANNs when using seasonal time series. This is an important issue in order to improve the accuracy in neural network based time series forecasting. We implement a multiple-output approach to predict international tourism demand in order to compare the forecasting performance of three different neural networks architectures (multi-layer perceptron, a radial basis function and an Elman neural network). We repeated the experiment using alternative approaches for data pre- processing (levels, growth rates, seasonally adjusted levels and seasonally adjusted growth rates) to analyze the effects of data pre-processing on the forecast accuracy of the different ANN architectures. To assess the differences between each two competing series we compute the Diebold-Mariano loss-differential test statistic for predictive accuracy.

When comparing the forecasting accuracy of the different input pre-processing techniques for each visitor market and for different forecasting horizons, we obtain significantly better forecasts with levels than with growth rates. We also find that seasonally adjusted series significantly improve the forecasting performance of the networks, indicating the importance of deseasonalizing when using neural networks with forecasting purposes. These results reveal that, when using seasonal data, neural networks performance can be significantly improved by working directly with seasonally adjusted levels. When comparing the forecasting accuracy of the different techniques, we find that multi-layer perceptron and radial basis function neural networks outperform Elman neural networks. These results suggest that issues related with the divergence of the Elman neural network may arise when using dynamic networks with forecasting purposes.

The forecasting out-of-sample comparison revealed the suitability of applying multi-layer perceptron and radial basis function neural networks models to tourism demand forecasting. A question to be considered in further research is whether the implementation of supervised learning models such as support vector regressions, or the combination of the forecasts of different topologies, may improve the forecasting performance of practical neural network-based tourism demand forecasting.

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