**Description**

`varnorm` computes and reports a series of statistics against the null hypothesis that the disturbances in a VAR are normally distributed. For each equation, and for all equations jointly, up to three statistics may be computed: a skewness statistic, a kurtosis statistic, and the Jarque–Bera statistic. By default, all three statistics are reported.

**Quick start**

Compute Jarque–Bera, skewness, and kurtosis statistics after `var` or `svar` to test the null hypothesis that the residuals are normally distributed

```
varnorm
```

As above, but only report the Jarque–Bera statistic

```
varnorm, jbera
```

After `svar`, use the Cholesky decomposition of the estimated variance–covariance matrix to compute the tests

```
varnorm, cholesky
```

**Menu**

Statistics > Multivariate time series > VAR diagnostics and tests > Test for normally distributed disturbances
Syntax

```
varnorm [ , options ]
```

<table>
<thead>
<tr>
<th>options</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><code>jbera</code></td>
<td>report Jarque–Bera statistic; default is to report all three statistics</td>
</tr>
<tr>
<td><code>skewness</code></td>
<td>report skewness statistic; default is to report all three statistics</td>
</tr>
<tr>
<td><code>kurtosis</code></td>
<td>report kurtosis statistic; default is to report all three statistics</td>
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<tr>
<td><code>estimates(estname)</code></td>
<td>use previously stored results <code>estname</code>; default is to use active results</td>
</tr>
<tr>
<td><code>cholesky</code></td>
<td>use Cholesky decomposition</td>
</tr>
<tr>
<td><code>separator(#)</code></td>
<td>draw separator line after every # rows</td>
</tr>
</tbody>
</table>

`varnorm` can be used only after `var` or `svar`; see [TS] var and [TS] var svar.

You must `tsset` your data before using `varnorm`; see [TS] tsset.

Options

- `jbera` requests that the Jarque–Bera statistic and any other explicitly requested statistic be reported.
  By default, the Jarque–Bera, skewness, and kurtosis statistics are reported.

- `skewness` requests that the skewness statistic and any other explicitly requested statistic be reported.
  By default, the Jarque–Bera, skewness, and kurtosis statistics are reported.

- `kurtosis` requests that the kurtosis statistic and any other explicitly requested statistic be reported.
  By default, the Jarque–Bera, skewness, and kurtosis statistics are reported.

- `estimates(estname)` specifies that `varnorm` use the previously obtained set of `var` or `svar` estimates stored as `estname`. By default, `varnorm` uses the active results. See [R] estimates for information on manipulating estimation results.

- `cholesky` specifies that `varnorm` use the Cholesky decomposition of the estimated variance–covariance matrix of the disturbances, $\hat{\Sigma}$, to orthogonalize the residuals when `varnorm` is applied to `svar` results. By default, when `varnorm` is applied to `svar` results, it uses the estimated structural decomposition $\hat{A}^{-1}\hat{B}$ on $\hat{C}$ to orthogonalize the residuals. When applied to `var e()` results, `varnorm` always uses the Cholesky decomposition of $\hat{\Sigma}$. For this reason, the `cholesky` option may not be specified when using `var` results.

- `separator(#)` specifies how often separator lines should be drawn between rows. By default, separator lines do not appear. For example, `separator(1)` would draw a line between each row, `separator(2)` between every other row, and so on.

Remarks and examples

Some of the postestimation statistics for VAR and SVAR assume that the $K$ disturbances have a $K$-dimensional multivariate normal distribution. `varnorm` uses the estimation results produced by `var` or `svar` to produce a series of statistics against the null hypothesis that the $K$ disturbances in the VAR are normally distributed.

Per the notation in Lütkepohl (2005), call the skewness statistic $\hat{\lambda}_1$, the kurtosis statistic $\hat{\lambda}_2$, and the Jarque–Bera statistic $\hat{\lambda}_3$. The Jarque–Bera statistic is a combination of the other two statistics. The single-equation results are from tests against the null hypothesis that the disturbance for that
particular equation is normally distributed. The results for all the equations are from tests against
the null hypothesis that the \( K \) disturbances follow a \( K \)-dimensional multivariate normal distribution. Failure to reject the null hypothesis indicates a lack of model misspecification.

Example 1: After var

We refit the model with German data described in [TS] var and then call varnorm.

```
   . use http://www.stata-press.com/data/r14/lutkepohl2
   (Quarterly SA West German macro data, Bil DM, from Lutkepohl 1993 Table E.1)
   . var dln_inv dln_inc dln_consump if qtr<=tq(1978q4), dfk
      (output omitted)
   . varnorm

    Jarque-Bera test
                  Equation |     chi2  df  Prob > chi2
    -------------|----------|----------|----------------
       dln_inv   |   2.821  2  0.24397
       dln_inc   |   3.450  2  0.17817
      dln_consump|   1.566  2  0.45702
            ALL  |   7.838  6  0.25025

    Skewness test
                  Equation |     Skewness |     chi2  df  Prob > chi2
    -------------|--------------|----------|----------|----------------
       dln_inv   |     .11935   |   0.173  1  0.67718
       dln_inc   |    -0.38316  |   1.786  1  0.18139
      dln_consump|    -0.31275  |   1.190  1  0.27532
            ALL  |     3.150  3  0.36913

    Kurtosis test
                  Equation |      Kurtosis |     chi2  df  Prob > chi2
    -------------|--------------|----------|----------|----------------
       dln_inv   |     3.9331   |   2.648  1  0.10367
       dln_inc   |     3.7396   |   1.664  1  0.19710
      dln_consump|     2.6484   |   0.376  1  0.53973
            ALL  |      4.680   |   4.688  3  0.19613
```

dfk estimator used in computations

In this example, neither the single-equation Jarque–Bera statistics nor the joint Jarque–Bera statistic come close to rejecting the null hypothesis.

The skewness and kurtosis results have similar structures.

The Jarque–Bera results use the sum of the skewness and kurtosis statistics. The skewness and kurtosis results are based on the skewness and kurtosis coefficients, respectively. See Methods and formulas.

Example 2: After svar

The test statistics are computed on the orthogonalized VAR residuals; see Methods and formulas. When varnorm is applied to var results, varnorm uses a Cholesky decomposition of the estimated variance–covariance matrix of the disturbances, \( \Sigma \), to orthogonalize the residuals.
By default, when \texttt{varnorm} is applied to \texttt{svar} estimation results, it uses the estimated structural decomposition $\hat{A}^{-1}\hat{B}$ on $\hat{C}$ to orthogonalize the residuals of the underlying \texttt{VAR}. Alternatively, when \texttt{varnorm} is applied to \texttt{svar} results and the \texttt{cholesky} option is specified, \texttt{varnorm} uses the Cholesky decomposition of $\hat{\Sigma}$ to orthogonalize the residuals of the underlying \texttt{VAR}.

We fit an \texttt{SVAR} that is based on an underlying \texttt{VAR} with two lags that is the same as the one fit in the previous example. We impose a structural decomposition that is the same as the Cholesky decomposition, as illustrated in [TS] \texttt{var svar}.

\begin{verbatim}
. matrix a = (. , 0 , 0 , ..., 0 , ..., )
. matrix b = I(3)
. svar dln_inv dln_inc dln_consump if qtr<=tq(1978q4), dfk aeq(a) beq(b)
(output omitted)
. varnorm

Jarque-Bera test
\end{verbatim}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
Equation & chi2 & df & Prob > chi2 \\
\hline
dln_inv & 2.821 & 2 & 0.24397 \\
dln_inc & 3.450 & 2 & 0.17817 \\
dln_consump & 1.566 & 2 & 0.46702 \\
ALL & 7.838 & 6 & 0.25025 \\
\hline
\end{tabular}
\end{table}

\begin{verbatim}
Skewness test
\end{verbatim}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
Equation & Skewness & chi2 & df & Prob > chi2 \\
\hline
dln_inv & .11935 & 0.173 & 1 & 0.67718 \\
dln_inc & -.38316 & 1.786 & 1 & 0.18139 \\
dln_consump & -.31275 & 1.190 & 1 & 0.27532 \\
ALL & 3.150 & 3 & 0.36913 \\
\hline
\end{tabular}
\end{table}

\begin{verbatim}
Kurtosis test
\end{verbatim}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|}
\hline
Equation & Kurtosis & chi2 & df & Prob > chi2 \\
\hline
dln_inv & 3.9331 & 2.648 & 1 & 0.10367 \\
dln_inc & 3.7396 & 1.664 & 1 & 0.19710 \\
dln_consump & 2.6484 & 0.376 & 1 & 0.53973 \\
ALL & 4.688 & 3 & 0.19613 \\
\hline
\end{tabular}
\end{table}

\texttt{dfk estimator used in computations}

Because the estimated structural decomposition is the same as the Cholesky decomposition, the \texttt{varnorm} results are the same as those from the previous example.

\section*{Technical note}

The statistics computed by \texttt{varnorm} depend on $\hat{\Sigma}$, the estimated variance–covariance matrix of the disturbances. \texttt{var} uses the maximum likelihood estimator of this matrix by default, but the \texttt{dfk} option produces an estimator that uses a small-sample correction. Thus specifying \texttt{dfk} in the call to \texttt{var} or \texttt{svar} will affect the test results produced by \texttt{varnorm}.
Stored results

`varnorm` stores the following in `r()`:

- **Macros**
  - `r(dfk)` dfk, if specified

- **Matrices**
  - `r(kurtosis)` kurtosis test, df, and p-values
  - `r(skewness)` skewness test, df, and p-values
  - `r(jb)` Jarque–Bera test, df, and p-values

Methods and formulas

`varnorm` is based on the derivations found in Lütkepohl (2005, 174–181). Let $\hat{u}_t$ be the $K \times 1$ vector of residuals from the $K$ equations in a previously fitted VAR or the residuals from the $K$ equations of the VAR underlying a previously fitted SVAR. Similarly, let $\hat{\Sigma}$ be the estimated covariance matrix of the disturbances. (Note that $\hat{\Sigma}$ depends on whether the `dfk` option was specified.) The skewness, kurtosis, and Jarque–Bera statistics must be computed using the orthogonalized residuals.

Because

$$\hat{\Sigma} = \hat{P}\hat{P}'$$

implies that

$$\hat{P}^{-1}\hat{\Sigma}\hat{P}^{-1}' = I_K$$

premultiplying $\hat{u}_t$ by $\hat{P}$ is one way of performing the orthogonalization. When `varnorm` is applied to `var` results, $\hat{P}$ is defined to be the Cholesky decomposition of $\hat{\Sigma}$. When `varnorm` is applied to `svar` results, $\hat{P}$ is set, by default, to the estimated structural decomposition; that is, $\hat{P} = \hat{A}^{-1}\hat{B}$, where $\hat{A}$ and $\hat{B}$ are the `svar` estimates of the $A$ and $B$ matrices, or $\hat{C}$, where $\hat{C}$ is the long-run SVAR estimation of $C$. (See [TS] var svar for more on the origin and estimation of the $A$ and $B$ matrices.) When `varnorm` is applied to `svar` results and the `cholesky` option is specified, $\hat{P}$ is set to the Cholesky decomposition of $\hat{\Sigma}$.

Define $\hat{w}_t$ to be the orthogonalized VAR residuals given by

$$\hat{w}_t = (\hat{w}_{1t}, \ldots, \hat{w}_{Kt})' = \hat{P}^{-1}\hat{u}_t$$

The $K \times 1$ vectors of skewness and kurtosis coefficients are then computed using the orthogonalized residuals by

$$\hat{b}_1 = (\hat{b}_{11}, \ldots, \hat{b}_{K1})'; \quad \hat{b}_1 = \frac{1}{T} \sum_{i=1}^{T} \hat{\hat{w}}_{3kt}$$

$$\hat{b}_2 = (\hat{b}_{12}, \ldots, \hat{b}_{K2})'; \quad \hat{b}_2 = \frac{1}{T} \sum_{i=1}^{T} \hat{\hat{w}}_{4kt}$$

Under the null hypothesis of multivariate Gaussian disturbances,

$$\hat{\lambda}_1 = \frac{T\hat{b}_1^{'1}\hat{b}_1}{6} \xrightarrow{d} \chi^2(K)$$
\[ \hat{\lambda}_2 = \frac{T(\hat{b}_2 - 3)'(\hat{b}_2 - 3)}{24} \xrightarrow{d} \chi^2(K) \]

and

\[ \hat{\lambda}_3 = \hat{\lambda}_1 + \hat{\lambda}_2 \xrightarrow{d} \chi^2(2K) \]

\( \hat{\lambda}_1 \) is the skewness statistic, \( \hat{\lambda}_2 \) is the kurtosis statistic, and \( \hat{\lambda}_3 \) is the Jarque–Bera statistic.

\( \hat{\lambda}_1, \hat{\lambda}_2, \) and \( \hat{\lambda}_3 \) are for tests of the null hypothesis that the \( K \times 1 \) vector of disturbances follows a multivariate normal distribution. The corresponding statistics against the null hypothesis that the disturbances from the \( k \)th equation come from a univariate normal distribution are

\[ \hat{\lambda}_{1k} = \frac{T\hat{b}_{k1}^2}{6} \xrightarrow{d} \chi^2(1) \]

\[ \hat{\lambda}_{2k} = \frac{T(\hat{b}_{k2}^2 - 3)^2}{24} \xrightarrow{d} \chi^2(1) \]

and

\[ \hat{\lambda}_{3k} = \hat{\lambda}_1 + \hat{\lambda}_2 \xrightarrow{d} \chi^2(2) \]

References


Also see

[TS] var — Vector autoregressive models

[TS] var svar — Structural vector autoregressive models

[TS] varbasic — Fit a simple VAR and graph IRFs or FEVDs

[TS] var intro — Introduction to vector autoregressive models