**Description**

`forecast identity` adds an identity to the forecast model currently in memory. You must first create a new model using `forecast create` before you can add an identity with `forecast identity`. An identity is a nonstochastic equation that expresses an endogenous variable in the model as a function of other variables in the model. Identities often describe the behavior of endogenous variables that are based on accounting identities or adding-up conditions.

**Quick start**

Add an identity to the forecast that states that \( y_3 \) is the sum of \( y_1 \) and \( y_2 \)

```
forecast identity y3=y1+y2
```

As above, and create new variable `newy` before adding it to the forecast

```
forecast identity newy=y1+y2, generate
```

**Syntax**

```
forecast identity varname = exp [, options]
```

<table>
<thead>
<tr>
<th>options</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><code>generate</code></td>
<td>create new variable <code>varname</code></td>
</tr>
<tr>
<td><code>double</code></td>
<td>store new variable as a double instead of as a float</td>
</tr>
</tbody>
</table>

`varname` is the name of an endogenous variable to be added to the forecast model.

* You can only specify `double` if you also specify `generate`.

**Options**

`generate` specifies that the new variable `varname` be created equal to `exp` for all observations in the current dataset.

double, for use in conjunction with the `generate` option, requests that the new variable be created as a double instead of as a float. See [D] Data types.

**Remarks and examples**

For an overview of the `forecast` commands, see [TS] forecast. This manual entry assumes you have already read that manual entry. `forecast identity` specifies a nonstochastic equation that determines the value of an endogenous variable in the model. When you type

```
.forecast identity varname = exp
```
forecast identity registers \textit{varname} as an endogenous variable in your forecast model that is equal to \textit{exp}, where \textit{exp} is a valid Stata expression that is typically a function of other endogenous variables and exogenous variables in your model and perhaps lagged values of \textit{varname} as well. forecast identity was used in all the examples in \cite{TS_forecast}.

\section*{Example 1: Variables with constant growth rates}

Some models contain variables that you are willing to assume will grow at a constant rate throughout the forecast horizon. For example, say we have a model using annual data and want to assume that our population variable \textit{pop} grows at 0.75\% per year. Then we can declare endogenous variable \textit{pop} by using \texttt{forecast identity}:

\begin{verbatim}
.forecast identity pop = 1.0075*L.pop
\end{verbatim}

Typically, you use \texttt{forecast identity} to define the relationship that determines an endogenous variable that is already in your dataset. For example, in example 1 of \cite{TS_forecast}, we used \texttt{forecast identity} to define total wages as the sum of government and private-sector wages, and the total wage variable already existed in our dataset.

The \texttt{generate} option of \texttt{forecast identity} is useful when you wish to use a transformation of one or more endogenous variables as a right-hand-side variable in a stochastic equation that describes another endogenous variable. For example, say you want to use \texttt{regress} to model variable \textit{y} as a function of the ratio of two endogenous variables, \textit{u} and \textit{w}, as well as other covariates. Without the \texttt{generate} option of \texttt{forecast identity}, you would have to define the variable \textit{y} = \textit{u}/\textit{w} twice: first, you would have to use the \texttt{generate} command to create the variable before fitting your regression model, and then you would have to use \texttt{forecast identity} to add an identity to your forecast model to define \textit{y} in terms of \textit{u} and \textit{w}. Assuming you have already created your forecast model, the \texttt{generate} option allows you to define the ratio variable just once, before you fit the regression equation. In this example, the ratio variable is easy enough to specify twice, but it is very easy to forget to include identities that define regressors used in estimation results while building large forecast models. In other cases, an endogenous variable may be a more complicated function of other endogenous variables, so having to specify the function only once reduces the chance for error.

\section*{Stored results}

\texttt{forecast identity} stores the following in \texttt{r()}:

\begin{verbatim}
Macros
  r(lhs)      left-hand-side (endogenous) variable
  r(rhs)      right-hand side of identity
  r(basenames) base names of variables found on right-hand side
  r(fullnames) full names of variables found on right-hand side
\end{verbatim}

\section*{Also see}

\cite{TS_forecast} — Econometric model forecasting