

estat sbsingle — Test for a structural break with an unknown break date

Description	Quick start	Menu for estat	Syntax
Options	Remarks and examples	Stored results	Methods and formulas
References	Also see		

Description

`estat sbsingle` performs a test of whether the coefficients in a time-series regression vary over the periods defined by an unknown break date.

`estat sbsingle` requires that the current estimation results be from `regress` or `ivregress 2sls`.

Quick start

Supremum Wald test for a structural break at an unknown break date for current estimation results using default symmetric trimming of 15%

```
estat sbsingle
```

Same as above

```
estat sbsingle, swald
```

Same as above, but also report average Wald test

```
estat sbsingle, swald awald
```

Supremum Wald test with symmetric trimming of 20%

```
estat sbsingle, trim(20)
```

Same as above, but use asymmetric trimming with a left trim of 10% and a right trim of 20%

```
estat sbsingle, ltrim(10) rtrim(20)
```

Menu for estat

Statistics > Postestimation

Syntax

```
estat sbsingle [ , options ]
```

<i>options</i>	Description
<code>breakvars([<i>varlist</i>] [, <u>constant</u>])</code>	specify variables to be included in the test; by default, all coefficients are tested
<code>trim(#)</code>	specify a trimming percentage; default is <code>trim(15)</code>
<code>ltrim(#_l)</code>	specify a left trimming percentage
<code>rtrim(#_r)</code>	specify a right trimming percentage
<code>swald</code>	request a supremum Wald test; the default
<code>awald</code>	request an average Wald test
<code>ewald</code>	request an exponential Wald test
<code>all</code>	report all tests
<code>slr</code>	request a supremum likelihood-ratio (LR) test
<code>alr</code>	request an average LR test
<code>elr</code>	request an exponential LR test
<code>generate(<i>newvarlist</i>)</code>	create <i>newvarlist</i> containing Wald or LR test statistics
<code>nodots</code>	suppress iteration dots

You must `tsset` your data before using `estat sbsingle`; see [TS] [tsset](#).

`collect` is allowed; see [U] [11.1.10 Prefix commands](#).

Options

`breakvars([varlist] [, constant])` specifies variables to be included in the test. By default, all the coefficients are tested.

`constant` specifies that a constant be included in the list of variables to be tested. `constant` may be specified only if the original model was fit with a constant term.

`trim(#)` specifies an equal left and right trimming percentage as an integer. Specifying `trim(#)` causes the observation at the *#*th percentile to be treated as the first possible break date and the observation at the $(100 - \#)$ th percentile to be treated as the last possible break date. By default, the trimming percentage is set to 15 but may be set to any value between 1 and 49.

`ltrim(#l)` specifies a left trimming percentage as an integer. Specifying `ltrim(#l)` causes the observation at the *#_l*th percentile to be treated as the first possible break date. This option must be specified with `rtrim(#r)` and may not be combined with `trim(#)`. *#_l* must be between 1 and 99.

`rtrim(#r)` specifies a right trimming percentage as an integer. Specifying `rtrim(#r)` causes the observation at the $(100 - \#_r)$ th percentile to be treated as the last possible break date. This option must be specified with `ltrim(#l)` and may not be combined with `trim(#)`. *#_r* must be less than $(100 - \#_l)$. Specifying `#l = #r` is equivalent to specifying `trim(#)` with `# = #l = #r`.

`swald` requests that a supremum Wald test be performed. This is the default.

`awald` requests that an average Wald test be performed.

`ewald` requests that an exponential Wald test be performed.

`all` specifies that all tests be displayed in a table.

`slr` requests that a supremum LR test be performed.

`alr` requests that an average LR test be performed.

`elr` requests that an exponential LR test be performed.

`generate(newvarlist)` creates either one or two new variables containing the Wald statistics, LR statistics, or both that are transformed and used to calculate the requested Wald or LR tests. If you request only Wald-type tests (`swald`, `awald`, or `ewald`) or only LR-type tests (`slr`, `alr`, or `elr`), then you may specify only one *varname* in `generate()`. By default, *newvar* will contain Wald or LR statistics, depending on the type of test specified.

A variable containing Wald statistics and a variable containing LR statistics are created if you specify both Wald-type and LR-type tests and specify two *varnames* in `generate()`. If you only specify one *varname* in `generate()` with Wald-type and LR-type tests specified, then Wald statistics are returned.

If no test is specified and `generate()` is specified, Wald statistics are returned.

`nodots` suppresses display of the iteration dots. By default, one dot character is displayed for each iteration in the range of possible break dates.

Remarks and examples

[stata.com](http://www.stata.com)

`estat sbsingle` constructs a test statistic for a structural break without imposing a known break date by combining the test statistics computed for each possible break date in the sample. `estat sbsingle` uses the maximum, an average, or the exponential of the average of the tests computed at each possible break date. The test at each possible break date can be either a Wald or an LR test.

The limiting distribution of each of these test statistics is known but nonstandard. Each test statistic not only is a function of many sample statistics but also depends on the unknown break date, which is not identified under the null hypothesis; see [Davies \(1987\)](#) for a seminal treatment.

Tests that use the maximum of the sample tests are known as supremum tests. Specifically, the supremum Wald test uses the maximum of the sample Wald tests, and the supremum LR test uses the maximum of the sample LR tests. The intuition behind these tests is to compare the maximum sample test with what could be expected under the null hypothesis of no break ([Quandt \[1960\]](#), [Kim and Siegmund \[1989\]](#), and [Andrews \[1993\]](#)).

Supremum tests have much less power than average tests and exponential tests. Average tests use the average of the sample tests, and exponential tests use the natural log of the average of the exponential of the sample tests. An average test is optimal when the alternative hypothesis is a small change in parameter values at the structural break. An exponential test is optimal when the alternative hypothesis is a larger structural break. See [Andrews and Ploberger \(1994\)](#) for details about the properties of average and exponential tests.

All tests implemented in `estat sbsingle` are a function of the sample statistics computed over a range of possible break dates. However, not all sample observations can be tested as break dates because there are insufficient observations to estimate the parameters for dates too near the beginning or the end of the sample. This identification problem is solved by trimming, which excludes observations too near the beginning or the end of the sample from the set of possible break dates. [Andrews \(1993\)](#) recommends a symmetric trimming of 15% when the researcher has no other information on good trimming values.

Much research went into deriving the properties of the implemented tests, and we have cited only a few of the many papers on the subject. See [Perron \(2006\)](#) for an excellent survey.

▷ Example 1: Test for a structural break with unknown break date

In `usmacro.dta`, we have data for the `fedfunds` series from the third quarter of 1954 to the fourth quarter of 2010 from the Federal Reserve Economic Database (FRED) provided by the Federal Reserve Bank of Saint Louis.

Consider a model for the federal funds rate as a function of its first lag and the inflation rate (`inflation`). We want to test whether coefficients changed at an unknown break date. Below, we fit the model using `regress` and perform the test using `estat sbsingle`.

```
. use https://www.stata-press.com/data/r18/usmacro
(Federal Reserve Economic Data - St. Louis Fed)
. regress fedfunds L.fedfunds inflation
(output omitted)
. estat sbsingle
-----|----- 1 -----|----- 2 -----|----- 3 -----|----- 4 -----|----- 5
..... 50
..... 100
..... 150
.....
```

Test for a structural break: Unknown break date

Full sample: 1955q3 thru 2010q4

Trimmed sample: 1964q1 thru 2002q3

Estimated break date: 1980q4

H0: No structural break

Number of obs = 222

Test	Statistic	p-value
Supremum Wald	14.1966	0.0440

Exogenous variables: L.fedfunds inflation

Coefficients included in test: L.fedfunds inflation _cons

By default, a supremum Wald test is performed. The output indicates that we reject the null hypothesis of no structural break at the 5% level and that the estimated break date is 1980q4.

Some researchers perform more than one test. Below, we present results for the supremum Wald, average Wald, and average LR tests.

```
. estat sbsingle, swald awald alr
-----|----- 1 -----|----- 2 -----|----- 3 -----|----- 4 -----|----- 5
..... 50
..... 100
..... 150
.....
```

Test for a structural break: Unknown break date

Full sample: 1955q3 thru 2010q4

Trimmed sample: 1964q1 thru 2002q3

H0: No structural break

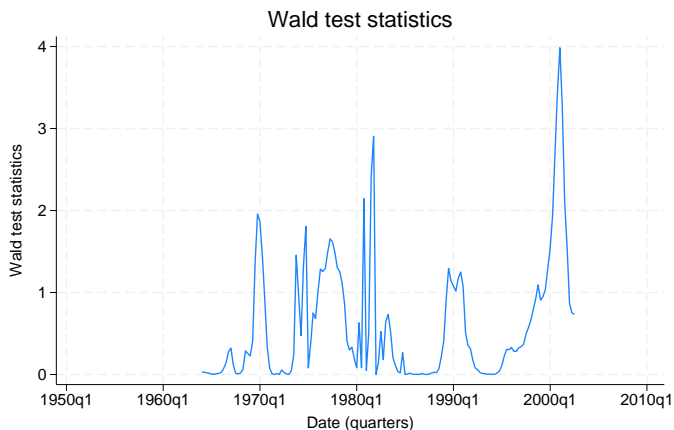
Number of obs = 222

Test	Statistic	p-value
Supremum Wald	14.1966	0.0440
Average Wald	4.5673	0.1474
Average LR	4.6319	0.1411

Exogenous variables: L.fedfunds inflation

Coefficients included in test: L.fedfunds inflation _cons


```
. estat sbsingle, breakvars(L.fedfunds) generate(wald)
  (output omitted)
. tsline wald, title("Wald test statistics")
```



We see a spike in the value of the test statistic at the estimated break date of 1980q4. The bump to left of the spike may indicate a second break.

► Example 4: Structural break test with an endogenous regressor

We can use `estat sbsingle` to test for a structural break in a regression with endogenous variables. Suppose we want to estimate the New Keynesian hybrid Phillips curve, which defines inflation as a function of the lagged value of inflation (`L.inflation`), the output gap (`ogap`), and the expected value of inflation in $t + 1$ $\{E_t(\text{F.inflation})\}$, conditional on information available at time t (Gali and Gertler 1999). See [U] 11.4.4 Time-series varlists.

Expected future inflation cannot be directly observed, so macroeconomists use instruments to predict the one-step-ahead inflation rate. This prediction is obtained by regressing the one-step ahead inflation rate on a set of instruments.

We can write this mathematically as

$$\text{inflation} = \alpha + \text{L.inflation} \beta + \text{ogap} \delta + E_t(\text{F.inflation}) \gamma + \epsilon_t$$

and

$$\text{F.inflation} = \mathbf{z}_t \boldsymbol{\theta} + \nu_{t+1}$$

where \mathbf{z}_t is a vector of instruments. The forecasted values given by $E_t(\text{F.inflation}|\mathbf{z}_t) = \mathbf{z}_t \hat{\boldsymbol{\theta}}$ are uncorrelated with ν_{t+1} by construction.

In this example, we fit the Phillips curve model for the period 1970q1 to 1997q4. We are interested in testing whether expectation of future inflation changed during this period. We instrument the future value of inflation with the first two lags of inflation, the federal funds rate, and the output gap. We use `ivregress 2sls` to fit the model.

where $S_T(b)$ is the Wald or LR test statistic evaluated at a potential break date b . The average and the exponential versions of the test statistic are

$$\begin{aligned} \text{average } S_T &= \frac{1}{b_2 - b_1 + 1} \sum_{b=b_1}^{b_2} S_T(b) \\ \text{exponential } S_T &= \ln \left[\frac{1}{b_2 - b_1 + 1} \sum_{b=b_1}^{b_2} \exp \left\{ \frac{1}{2} S_T(b) \right\} \right] \end{aligned}$$

respectively.

The limiting distributions of the test statistics are given by

$$\begin{aligned} \text{supremum } S_T &\rightarrow_d \sup_{\lambda \in [\varepsilon_1, \varepsilon_2]} S(\lambda) \\ \text{average } S_T &\rightarrow_d \frac{1}{\varepsilon_2 - \varepsilon_1} \int_{\varepsilon_1}^{\varepsilon_2} S(\lambda) d\lambda \\ \text{exponential } S_T &\rightarrow_d \ln \left[\frac{1}{\varepsilon_2 - \varepsilon_1} \int_{\varepsilon_1}^{\varepsilon_2} \exp \left\{ \frac{1}{2} S(\lambda) d\lambda \right\} \right] \end{aligned}$$

where

$$S(\lambda) = \frac{\{B_k(\lambda) - \lambda B_k(1)\}' \{B_k(\lambda) - \lambda B_k(1)\}}{\lambda(1 - \lambda)}$$

$B_k(\lambda)$ is a vector of k -dimensional independent Brownian motions, $\varepsilon_1 = b_1/T$, $\varepsilon_2 = b_2/T$, and $\lambda = \varepsilon_2(1 - \varepsilon_1)/\{\varepsilon_1(1 - \varepsilon_2)\}$.

Computing the p -values for the nonstandard limiting distributions is computationally complicated. For each test, the reported p -value is computed using the method in Hansen (1997).

References

- Andrews, D. W. K. 1993. Tests for parameter instability and structural change with unknown change point. *Econometrica* 61: 821–856. <https://doi.org/10.2307/2951764>.
- Andrews, D. W. K., and W. Ploberger. 1994. Optimal tests when a nuisance parameter is present only under the alternative. *Econometrica* 62: 1383–1414. <https://doi.org/10.2307/2951753>.
- Davies, R. B. 1987. Hypothesis testing when a nuisance parameter is present only under the alternative. *Biometrika* 74: 33–43. <https://doi.org/10.2307/2336019>.
- Gali, J., and M. Gertler. 1999. Inflation dynamics: A structural econometric analysis. *Journal of Monetary Economics* 44: 195–222. [https://doi.org/10.1016/S0304-3932\(99\)00023-9](https://doi.org/10.1016/S0304-3932(99)00023-9).
- Hansen, B. E. 1997. Approximate asymptotic p values for structural-change tests. *Journal of Business and Economic Statistics* 15: 60–67. <https://doi.org/10.2307/1392074>.
- Kim, H.-J., and D. Siegmund. 1989. The likelihood ratio test for a change-point in simple linear regression. *Biometrika* 76: 409–423. <https://doi.org/10.2307/2336108>.
- Perron, P. 2006. Dealing with structural breaks. In *Palgrave Handbook of Econometrics: Econometric Theory, Vol I*, ed. T. C. Mills and K. Patterson, 278–352. Basingstoke, UK: Palgrave.
- Quandt, R. E. 1960. Tests of the hypothesis that a linear regression system obeys two separate regimes. *Journal of the American Statistical Association* 55: 324–330. <https://doi.org/10.2307/2281745>.

Also see

[TS] **estat sbcsum** — Cumulative sum test for parameter stability

[TS] **estat sbknown** — Test for a structural break with a known break date

[TS] **tsset** — Declare data to be time-series data

[R] **ivregress** — Single-equation instrumental-variables regression

[R] **regress** — Linear regression

Stata, Stata Press, and Mata are registered trademarks of StataCorp LLC. Stata and Stata Press are registered trademarks with the World Intellectual Property Organization of the United Nations. StataNow and NetCourseNow are trademarks of StataCorp LLC. Other brand and product names are registered trademarks or trademarks of their respective companies. Copyright © 1985–2023 StataCorp LLC, College Station, TX, USA. All rights reserved.



For suggested citations, see the FAQ on [citing Stata documentation](#).