CH-11 Simple Linear Regression and Correlation

- Empirical models
- Simple linear regression
- Properties of the least squares estimators
- Hypothesis tests in simple linear regression
- Confidence intervals
- Prediction of new observations
- Adequacy of the regression model

11-1 Empirical Models

- Many problems in engineering and science involve exploring the relationships between two or more variables.
- **Regression analysis** is a statistical technique that is very useful for these types of problems.
- For example, in a chemical process, suppose that the yield of the product is related to the process-operating temperature.
- Regression analysis can be used to build a model to predict yield at a given temperature level.

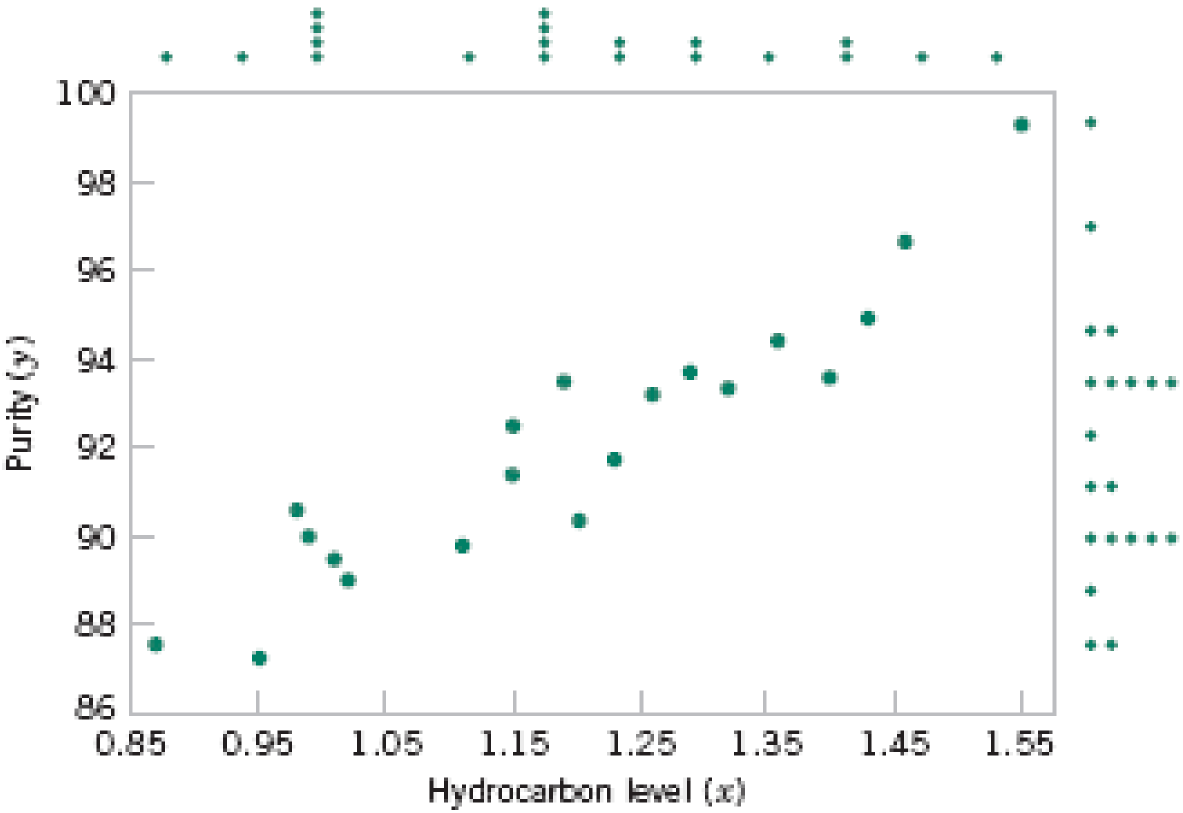
11-1 Empirical Models

Table 11-1 Oxygen and Hydrocarbon Levels

Observation Number	Hydrocarbon Level $x(\%)$	Purity $y(\%)$
1	0.99	90.01
2	1.02	89.05
3	1.15	91.43
4	1.29	93.74
5	1.46	96.73
6	1.36	94.45
7	0.87	87.59
8	1.23	91.77
9	1.55	99.42
10	1.40	93.65
11	1.19	93.54
12	1.15	92.52
13	0.98	90.56
14	1.01	89.54
15	1.11	89.85
16	1.20	90.39
17	1.26	93.25
18	1.32	93.41
19	1.43	94.98
20	0.95	87.33

11-1 Empirical Models

Scatter Diagram of oxygen purity versus hydrocarbon level.



Points lie scattered randomly around a straight line

11-1 Empirical Models

Based on the scatter diagram, it is probably reasonable to assume that the mean of the random variable Y is related to x by the following straight-line relationship:

$$E(Y|x) = \mu_{Y|x} = \beta_0 + \beta_1 x$$

where the slope and intercept of the line are called **regression coefficients.**

The **simple linear regression model** is given by

$$Y = \beta_0 + \beta_1 x + \epsilon$$

where ε is the random error term.

11-1 Empirical Models

We think of the regression model as an empirical model.

Suppose that the mean and variance of ε are 0 and σ^2, respectively, then

$$E(Y|x) = E(\beta_0 + \beta_1 x + \epsilon) = \beta_0 + \beta_1 x + E(\epsilon) = \beta_0 + \beta_1 x$$

The variance of *Y* given *x* is

$$V(Y|x) = V(\beta_0 + \beta_1 x + \epsilon) = V(\beta_0 + \beta_1 x) + V(\epsilon) = 0 + \sigma^2 = \sigma^2$$

If x is fixed, ε determines the properties of Y.

11-1 Empirical Models

- The true regression model is a line of mean values:

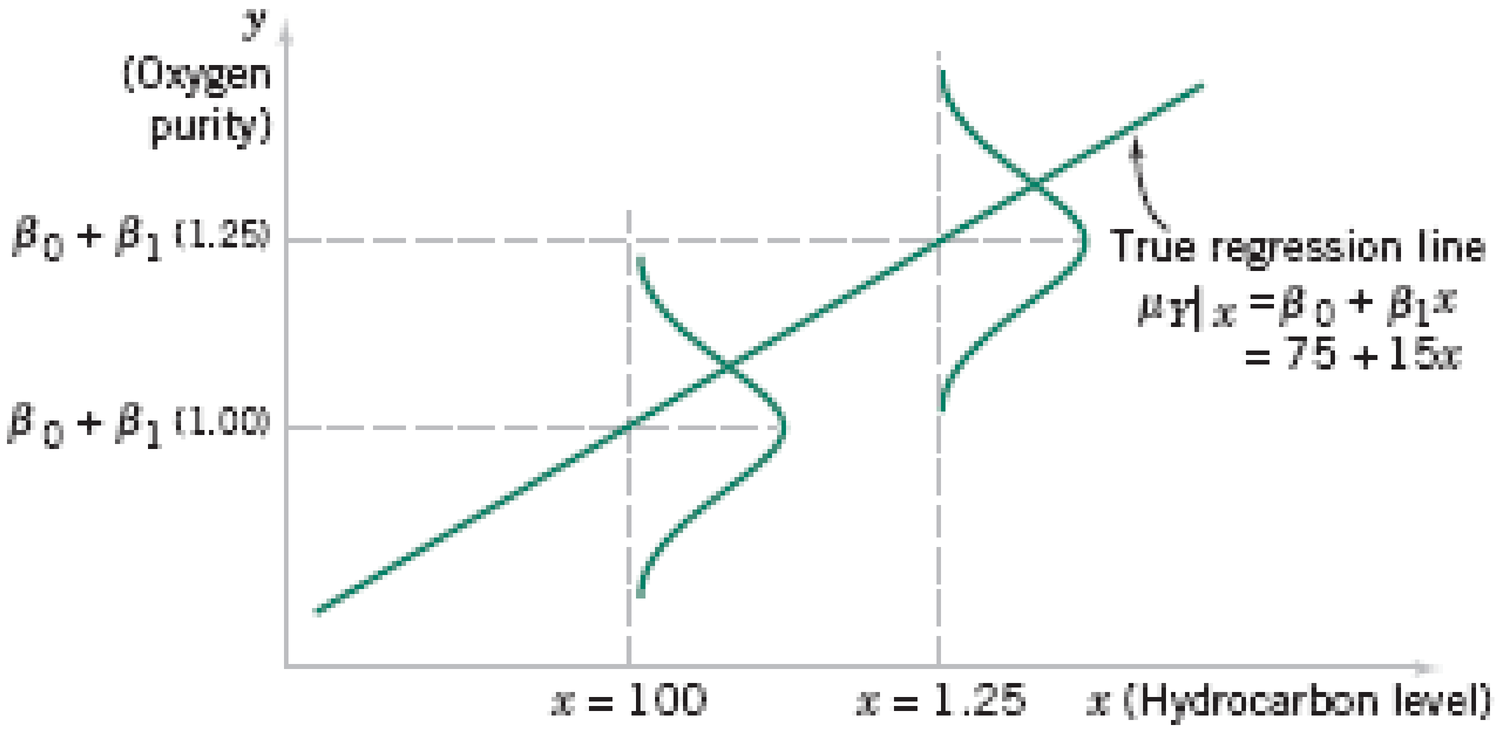
$$\mu_{Y|x} = \beta_0 + \beta_1 x$$

where β_1 can be interpreted as the change in the mean of Y for a unit change in x.

- Also, the variability of Y at a particular value of x is determined by the error variance, σ^2.

- This implies there is a distribution of Y-values at each x and that the variance of this distribution is the same at each x.

11-1 Empirical Models



The distribution of *Y* for a given value of *x* for the oxygen purity-hydrocarbon data.

11-2 Simple Linear Regression

- The case of **simple linear regression** considers a single **regressor** or **predictor** *x* and a **dependent** or **response variable** *Y*.

- The expected value of *Y* at each level of *x* is a random variable:

$$E(Y|x) = \beta_0 + \beta_1 x$$

- Assume each observation, *Y*, can be described by the model

$$Y = \beta_0 + \beta_1 x + \epsilon$$

11-2 Simple Linear Regression

- Suppose that we have *n* pairs of observations $(x_1, y_1), (x_2, y_2), \ldots, (x_n, y_n)$.

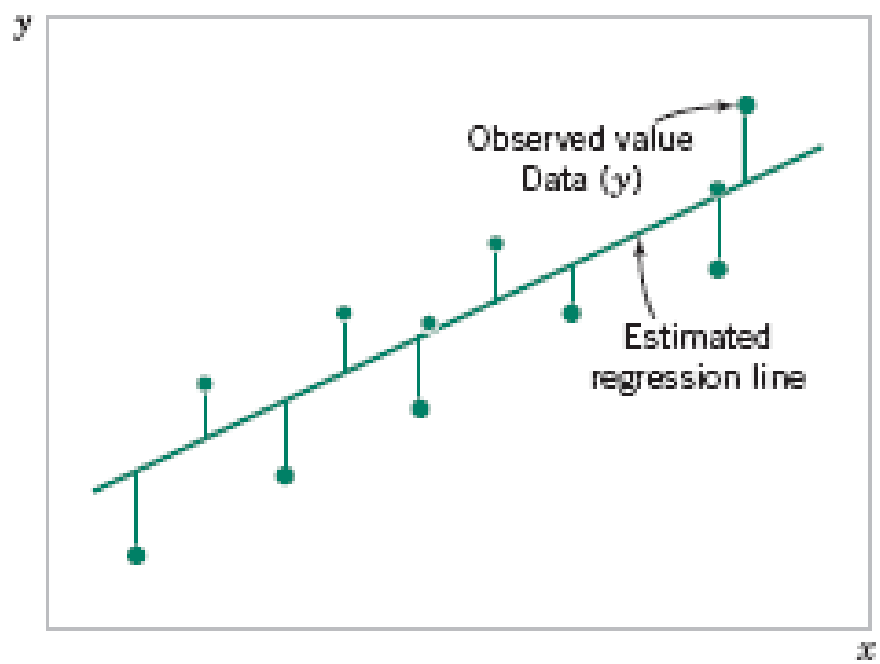


Figure 11-3 Deviations of the data from the estimated regression model.

11-2 Simple Linear Regression

• The **method of least squares** is used to estimate the parameters, β_0 and β_1 by minimizing the sum of the squares of the vertical deviations.

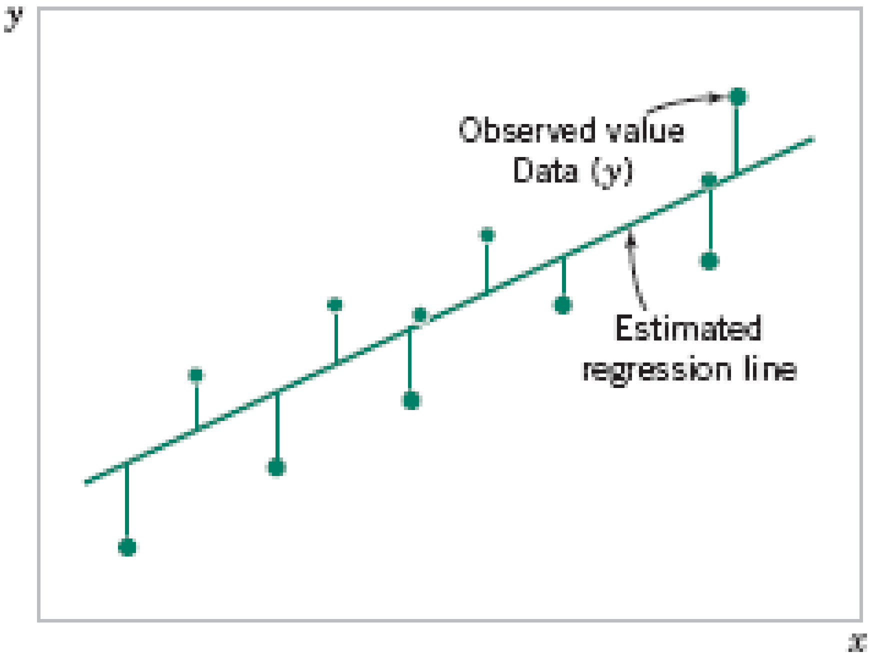


Figure 11-3 Deviations of the data from the estimated regression model.

11-2 Simple Linear Regression

- *n* observations in the sample can be expressed as

$$y_i = \beta_0 + \beta_1 x_i + \epsilon_i, \qquad i = 1, 2, \ldots, n$$

- The sum of the squares of the deviations of the observations from the true regression line is

$$L = \sum_{i=1}^{n} \epsilon_i^2 = \sum_{i=1}^{n} (y_i - \beta_0 - \beta_1 x_i)^2$$

11-2 Simple Linear Regression

$$L = \sum_{i=1}^{n} \epsilon_i^2 = \sum_{i=1}^{n} (y_i - \beta_0 - \beta_1 x_i)^2$$

The least squares estimators of β_0 and β_1, say, $\hat{\beta}_0$ and $\hat{\beta}_1$, must satisfy

$$\left.\frac{\partial L}{\partial \beta_0}\right|_{\hat{\beta}_0, \hat{\beta}_1} = -2 \sum_{i=1}^{n} (y_i - \hat{\beta}_0 - \hat{\beta}_1 x_i) = 0$$

$$\left.\frac{\partial L}{\partial \beta_1}\right|_{\hat{\beta}_0, \hat{\beta}_1} = -2 \sum_{i=1}^{n} (y_i - \hat{\beta}_0 - \hat{\beta}_1 x_i) x_i = 0$$

11-2 Simple Linear Regression

Simplifying these two equations yields

$$n\hat{\beta}_0 + \hat{\beta}_1 \sum_{i=1}^{n} x_i = \sum_{i=1}^{n} y_i$$

$$\hat{\beta}_0 \sum_{i=1}^{n} x_i + \hat{\beta}_1 \sum_{i=1}^{n} x_i^2 = \sum_{i=1}^{n} y_i x_i \qquad (11\text{-}6)$$

Equations 11-6 are called the **least squares normal equations.** The solution to the normal equations results in the least squares estimators $\hat{\beta}_0$ and $\hat{\beta}_1$.

11-2 Simple Linear Regression

Definition

The **least squares estimates** of the intercept and slope in the simple linear regression model are

$$\hat{\beta}_0 = \bar{y} - \hat{\beta}_1 \bar{x} \qquad (11\text{-}7)$$

$$\hat{\beta}_1 = \frac{\sum_{i=1}^{n} y_i x_i - \frac{\left(\sum_{i=1}^{n} y_i\right)\left(\sum_{i=1}^{n} x_i\right)}{n}}{\sum_{i=1}^{n} x_i^2 - \frac{\left(\sum_{i=1}^{n} x_i\right)^2}{n}} = \frac{S_{xy}}{S_{xx}} \qquad (11\text{-}8)$$

where $\bar{y} = (1/n)\sum_{i=1}^{n} y_i$ and $\bar{x} = (1/n)\sum_{i=1}^{n} x_i$.

11-2 Simple Linear Regression

Notation

$$S_{xx} = \sum_{i=1}^{n} (x_i - \bar{x})^2 = \sum_{i=1}^{n} x_i^2 - \frac{\left(\sum_{i=1}^{n} x_i\right)^2}{n}$$

$$S_{xy} = \sum_{i=1}^{n} (y_i - \bar{y})(x_i - \bar{x}) = \sum_{i=1}^{n} x_i y_i - \frac{\left(\sum_{i=1}^{n} x_i\right)\left(\sum_{i=1}^{n} y_i\right)}{n}$$

11-2 Simple Linear Regression

Example 11-1

We will fit a simple linear regression model to the oxygen purity data in Table 11-1. The following quantities may be computed:

$$n = 20 \quad \sum_{i=1}^{20} x_i = 23.92 \quad \sum_{i=1}^{20} y_i = 1{,}843.21 \quad \bar{x} = 1.1960 \quad \bar{y} = 92.1605$$

$$\sum_{i=1}^{20} y_i^2 = 170{,}044.5321 \quad \sum_{i=1}^{20} x_i^2 = 29.2892 \quad \sum_{i=1}^{20} x_i y_i = 2{,}214.6566$$

$$S_{xx} = \sum_{i=1}^{20} x_i^2 - \frac{\left(\sum_{i=1}^{20} x_i\right)^2}{20} = 29.2892 - \frac{(23.92)^2}{20} = 0.68088$$

and

$$S_{xy} = \sum_{i=1}^{20} x_i y_i - \frac{\left(\sum_{i=1}^{20} x_i\right)\left(\sum_{i=1}^{20} y_i\right)}{20} = 2{,}214.6566 - \frac{(23.92)(1{,}843.21)}{20} = 10.17744$$

11-2 Simple Linear Regression

Example 11-1

Therefore, the least squares estimates of the slope and intercept are

$$\hat{\beta}_1 = \frac{S_{xy}}{S_{xx}} = \frac{10.17744}{0.68088} = 14.94748$$

and

$$\hat{\beta}_0 = \bar{y} - \hat{\beta}_1 \bar{x} = 92.1605 - (14.94748)1.196 = 74.28331$$

The fitted simple linear regression model (with the coefficients reported to three decimal places) is

$$\hat{y} = 74.283 + 14.947x$$

This model is plotted in Fig. 11-4, along with the sample data.

11-2 Simple Linear Regression

Example 11-1

Figure 11-4 Scatter plot of oxygen purity y versus hydrocarbon level x and regression model

$\hat{y} = 74.20 + 14.97x$.

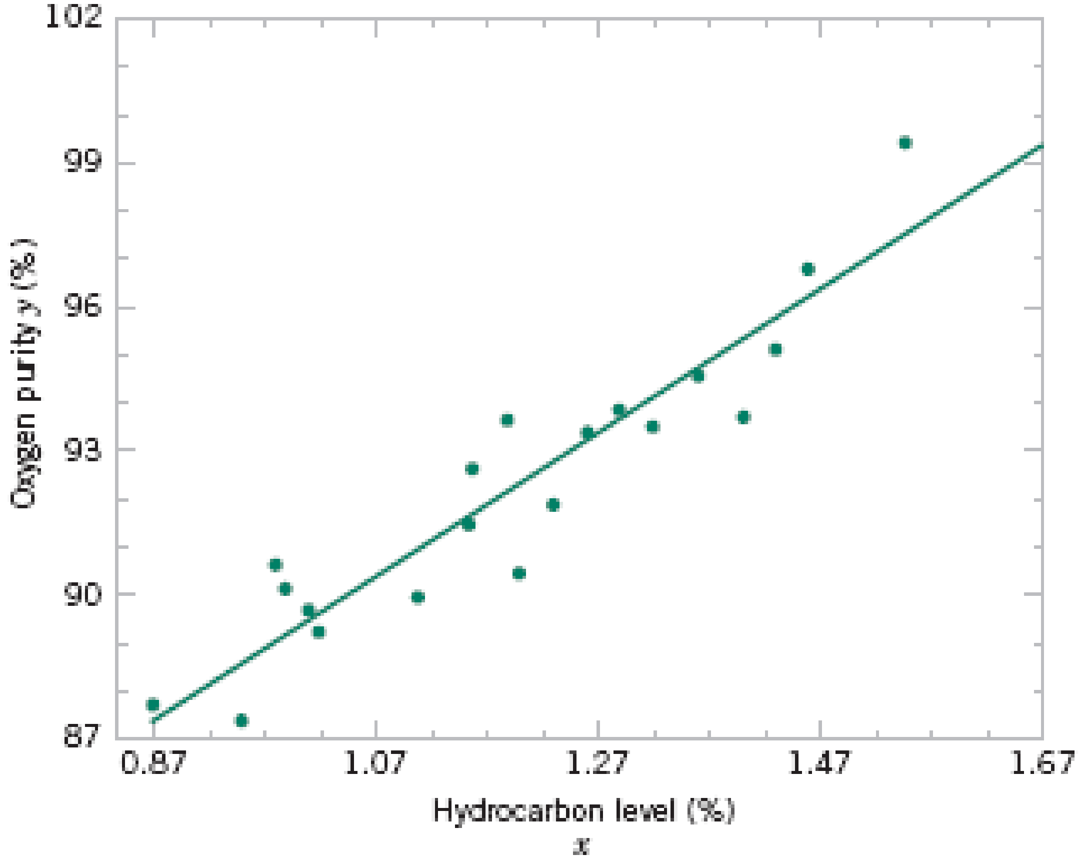


Table 11-2 Minitab Output for the Oxygen Purity Data in Example 11-1

Regression Analysis

The regression equation is

Purity = 74.3 + 14.9 HC Level

Predictor	Coef	SE Coef	T	P
Constant	74.283 ← $\hat{\beta}_0$	1.593	46.62	0.000
HC Level	14.947 ← $\hat{\beta}_1$	1.317	11.35	0.000

S = 1.087   R-Sq = 87.7%   R-Sq (adj) = 87.1%

Analysis of Variance

Source	DF	SS	MS	F	P
Regression	1	152.13	152.13	128.86	0.000
Residual Error	18	21.25 ← SS_E	1.18 ← $\hat{\sigma}^2$		
Total	19	173.38			

Predicted Values for New Observations

New Obs	Fit	SE Fit	95.0% CI	95.0% PI
1	89.231	0.354	(88.486, 89.975)	(86.830, 91.632)

Values of Predictors for New Observations

New Obs	HC Level
1	1.00

11-2 Simple Linear Regression

The **fitted** or **estimated regression line** is therefore

$$\hat{y} = \hat{\beta}_0 + \hat{\beta}_1 x \tag{11-9}$$

Note that each pair of observations satisfies the relationship

$$y_i = \hat{\beta}_0 + \hat{\beta}_1 x_i + e_i, \qquad i = 1, 2, \ldots, n$$

where $e_i = y_i - \hat{y}_i$ is called the **residual.** The residual describes the error in the fit of the model to the ith observation y_i. Later in this chapter we will use the residuals to provide information about the adequacy of the fitted model.

11-2 Simple Linear Regression

Estimating σ^2

The error sum of squares is

$$SS_E = \sum_{i=1}^{n} e_i^2 = \sum_{i=1}^{n} (y_i - \hat{y}_i)^2$$

The expected value of the error sum of squares is

$E(SS_E) = (n - 2)\sigma^2$.

11-2 Simple Linear Regression

Estimating σ^2

An **unbiased estimator** of σ^2 is

$$\hat{\sigma}^2 = \frac{SS_E}{n-2} \qquad (11\text{-}13)$$

where SS_E can be easily computed using

$$SS_E = SS_T - \hat{\beta}_1 S_{xy} \qquad (11\text{-}14)$$

where $SS_T = \sum_{i=1}^{n}(y_i - \overline{y})^2 = \sum_{i=1}^{n} y_i^2 - n\overline{y}^2$ is the total sum of squares of y.

11-2 Simple Linear Regression

Example

Consider the data in Example 11-1. Find $\hat{\sigma}^2$

$$n = 20 \quad \sum_{i=1}^{20} x_i = 23.92 \quad \sum_{i=1}^{20} y_i = 1{,}843.21 \quad \bar{x} = 1.1960 \quad \bar{y} = 92.1605$$

$$\sum_{i=1}^{20} y_i^2 = 170{,}044.5321 \quad \sum_{i=1}^{20} x_i^2 = 29.2892 \quad \sum_{i=1}^{20} x_i y_i = 2{,}214.6566$$

Given before

$$S_{xy} = 10.17744 \qquad \hat{\beta}_1 = 14.94748$$

$$S_{xx} = 0.68088$$

Calculated before

$$SS_T = \sum_{i=1}^{n}(y_i - \bar{y})^2 = \sum_{i=1}^{n} y_i^2 - n\bar{y}^2 = 170044.5321 - 20(92.1605)^2 = 173.376895$$

$$SS_E = SS_T - \hat{\beta}_1 S_{xy} = 173.376895 - 14.94748(10.17744) = 21.2498141488$$

$$\hat{\sigma}^2 = \frac{SS_E}{n-2} = \frac{21.2498141488}{18} = 1.18$$

11-3 Properties of the Least Squares Estimators

- Slope Properties

$$E(\hat{\beta}_1) = \beta_1 \qquad V(\hat{\beta}_1) = \frac{\sigma^2}{S_{xx}}$$

- Intercept Properties

$$E(\hat{\beta}_0) = \beta_0 \quad \text{and} \quad V(\hat{\beta}_0) = \sigma^2 \left[\frac{1}{n} + \frac{\bar{x}^2}{S_{xx}} \right]$$

11-3 Properties of the Least Squares Estimators

In simple linear regression the **estimated standard error** of the slope and the **estimated standard error of the intercept** are

$$se(\hat{\beta}_1) = \sqrt{\frac{\hat{\sigma}^2}{S_{xx}}} \quad \text{and} \quad se(\hat{\beta}_0) = \sqrt{\hat{\sigma}^2\left[\frac{1}{n} + \frac{\bar{x}^2}{S_{xx}}\right]}$$

where

$$\hat{\sigma}^2 = \frac{SS_E}{n-2}$$

11-4 Hypothesis Tests in Simple Linear Regression

11-4.1 Use of *t*-Tests

$$\varepsilon_i \text{ are NID}(0, \sigma^2)$$

$$Y_i \text{ are NID}(\beta_0 + \beta_1 x_i, \sigma^2)$$

$$\hat{\beta}_1 \text{ is NID}(\beta_1, \sigma^2 / S_{xx})$$

11-4 Hypothesis Tests in Simple Linear Regression

11-4.1 Use of *t*-Tests

Suppose we wish to test

$$H_0: \beta_1 = \beta_{1,0}$$
$$H_1: \beta_1 \neq \beta_{1,0}$$

An appropriate test statistic would be

$$T_0 = \frac{\hat{\beta}_1 - \beta_{1,0}}{\sqrt{\hat{\sigma}^2 / S_{xx}}}$$

with **n-2 degrees of freedom**

11-4 Hypothesis Tests in Simple Linear Regression

11-4.1 Use of *t*-Tests

The test statistic could also be written as:

$$T_0 = \frac{\hat{\beta}_1 - \beta_{1,0}}{se(\hat{\beta}_1)}$$

We would reject the null hypothesis if

$$|t_0| > t_{\alpha/2,n-2}$$

11-4 Hypothesis Tests in Simple Linear Regression

11-4.1 Use of *t*-Tests

Suppose we wish to test

$$H_0\colon \beta_0 = \beta_{0,0}$$

$$H_1\colon \beta_0 \neq \beta_{0,0}$$

An appropriate test statistic would be

$$T_0 = \frac{\hat{\beta}_0 - \beta_{0,0}}{\sqrt{\hat{\sigma}^2\left[\frac{1}{n} + \frac{\overline{x}^2}{S_{xx}}\right]}} = \frac{\hat{\beta}_0 - \beta_{0,0}}{se(\hat{\beta}_0)}$$

with **n-2 degrees of freedom**

11-4 Hypothesis Tests in Simple Linear Regression

11-4.1 Use of *t*-Tests

We would reject the null hypothesis if

$$|t_0| > t_{\alpha/2, n-2}$$

11-4 Hypothesis Tests in Simple Linear Regression

11-4.1 Use of *t*-Tests

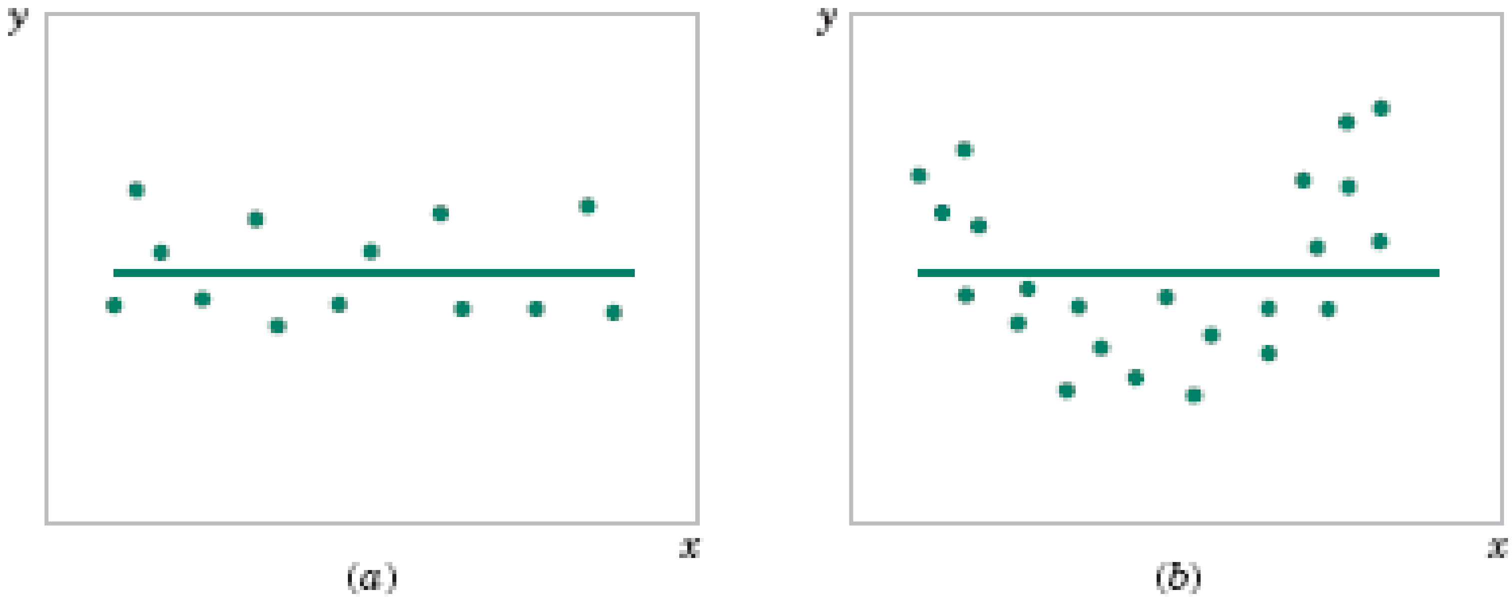
An important special case of the hypotheses of β_1 is

$$H_0\colon \beta_1 = 0$$
$$H_1\colon \beta_1 \neq 0$$

These hypotheses relate to the **significance of regression**.

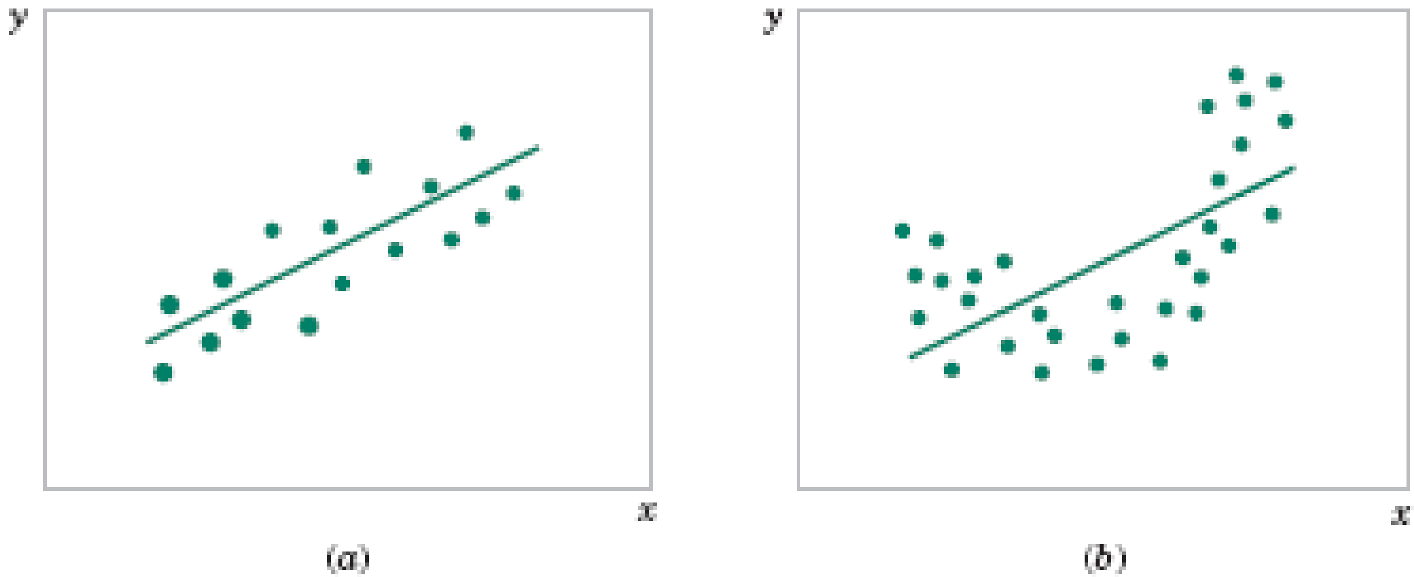
Failure to reject H_0 is equivalent to concluding that there is no linear relationship between x and Y.

11-4 Hypothesis Tests in Simple Linear Regression



The hypothesis H_0: $\beta_1 = 0$ is not rejected.

11-4 Hypothesis Tests in Simple Linear Regression



The hypothesis H_0: $\beta_1 = 0$ is rejected.

11-4 Hypothesis Tests in Simple Linear Regression

Example 11-2

We will test for significance of regression using the model for the oxygen purity data from Example 11-1. The hypotheses are

$$H_0: \beta_1 = 0$$
$$H_1: \beta_1 \neq 0$$

and we will use $\alpha = 0.01$. From Example 11-1 and Table 11-2 we have

$$\hat{\beta}_1 = 14.97 \quad n = 20, \quad S_{xx} = 0.68088, \quad \hat{\sigma}^2 = 1.18$$

so the t-statistic in Equation 10-20 becomes

$$t_0 = \frac{\hat{\beta}_1}{\sqrt{\hat{\sigma}^2/S_{xx}}} = \frac{\hat{\beta}_1}{se(\hat{\beta}_1)} = \frac{14.947}{\sqrt{1.18/0.68088}} = 11.35$$

Since the reference value of t is $t_{0.005,18} = 2.88$, the value of the test statistic is very far into the critical region, implying that $H_0: \beta_1 = 0$ should be rejected. The P-value for this test is $P \simeq 1.23 \times 10^{-9}$. This was obtained manually with a calculator.

Table 11-2 Minitab Output for the Oxygen Purity Data in Example 11-1

Regression Analysis

The regression equation is

Purity = 74.3 + 14.9 HC Level

Predictor	Coef	SE Coef	T	P
Constant	74.283 ← $\hat{\beta}_0$	1.593	46.62	0.000
HC Level	14.947 ← $\hat{\beta}_1$	1.317	11.35	0.000

S = 1.087   R-Sq = 87.7%   R-Sq (adj) = 87.1%

Analysis of Variance

Source	DF	SS	MS	F	P
Regression	1	152.13	152.13	128.86	0.000
Residual Error	18	21.25 ← SS_E	1.18 ← $\hat{\sigma}^2$		
Total	19	173.38			

Predicted Values for New Observations

New Obs	Fit	SE Fit	95.0% CI	95.0% PI
1	89.231	0.354	(88.486, 89.975)	(86.830, 91.632)

Values of Predictors for New Observations

New Obs	HC Level
1	1.00

11-4 Hypothesis Tests in Simple Linear Regression

11-4.2 Analysis of Variance Approach to Test Significance of Regression

The analysis of variance identity is

$$\sum_{i=1}^{n}(y_i - \bar{y})^2 = \sum_{i=1}^{n}(\hat{y}_i - \bar{y})^2 + \sum_{i=1}^{n}(y_i - \hat{y}_i)^2 \quad (11\text{-}24)$$

Total corrected sum of squares — **Regression sum of squares** — **Error sum of squares**

Symbolically,

$$SS_T = SS_R + SS_E \quad (11\text{-}25)$$

Degrees of freedom: **n-1** **1** **n-2**

11-4 Hypothesis Tests in Simple Linear Regression

11-4.2 Analysis of Variance Approach to Test Significance of Regression

If the null hypothesis, H_0: $\beta_1 = 0$ is true, the statistic

$$F_0 = \frac{SS_R/1}{SS_E/(n-2)} = \frac{MS_R}{MS_E} \qquad (11\text{-}26)$$

follows the $F_{1,n-2}$ distribution and we would reject if $f_0 > f_{\alpha,1,n-2}$.

11-4 Hypothesis Tests in Simple Linear Regression

11-4.2 Analysis of Variance Approach to Test Significance of Regression

The quantities, MS_R and MS_E are called **mean squares**.

Analysis of variance table:

Table 11-3 Analysis of Variance for Testing Significance of Regression

Source of Variation	Sum of Squares	Degrees of Freedom	Mean Square	F_0
Regression	$SS_R = \hat{\beta}_1 S_{xy}$	1	MS_R	MS_R/MS_E
Error	$SS_E = SS_T - \hat{\beta}_1 S_{xy}$	$n - 2$	MS_E	
Total	SS_T	$n - 1$		

Note that $MS_E = \hat{\sigma}^2$.

Table 11-2 Minitab Output for the Oxygen Purity Data in Example 11-1

Regression Analysis

The regression equation is

Purity = 74.3 + 14.9 HC Level

Predictor	Coef	SE Coef	T	P
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Analysis of Variance

Source	DF	SS		MS	F	P
Regression	1	152.13	SS_R	152.13	128.86	0.000
Residual Error	18	21.25	← SS_E	1.18 ← $\hat{\sigma}^2$		
Total	19	173.38	SS_T			

Predicted Values for New Observations

New Obs	Fit	SE Fit	95.0% CI	95.0% PI
1	89.231	0.354	(88.486, 89.975)	(86.830, 91.632)

Values of Predictors for New Observations

New Obs	HC Level
1	1.00

11-4 Hypothesis Tests in Simple Linear Regression

Example 11-3

We will use the analysis of variance approach to test for significance of regression using the oxygen purity data model from Example 11-1. Recall that $SS_T = 173.38$, $\hat{\beta}_1 = 14.947$, $S_{xy} = 10.17744$, and $n = 20$. The regression sum of squares is

$$SS_R = \hat{\beta}_1 S_{xy} = (14.947)10.17744 = 152.13$$

and the error sum of squares is

$$SS_E = SS_T - SS_R = 173.38 - 152.13 = 21.25$$

The analysis of variance for testing H_0: $\beta_1 = 0$ is summarized in the Minitab output in Table 11-2. The test statistic is $f_0 = MS_R/MS_E = 152.13/1.18 = 128.86$, for which we find that the P-value is $P \simeq 1.23 \times 10^{-9}$, so we conclude that β_1 is not zero.

There are frequently minor differences in terminology among computer packages. For example, sometimes the regression sum of squares is called the "model" sum of squares, and the error sum of squares is called the "residual" sum of squares.

11-4 Hypothesis Tests in Simple Linear Regression

Note that the analysis of variance procedure for testing for significance of regression is equivalent to the t-test in Section 11-5.1. That is, either procedure will lead to the same conclusions. This is easy to demonstrate by starting with the t-test statistic in Equation 11-19 with $\beta_{1,0} = 0$, say

$$T_0 = \frac{\hat{\beta}_1}{\sqrt{\hat{\sigma}^2/S_{xx}}} \tag{11-27}$$

Squaring both sides of Equation 11-27 and using the fact that $\hat{\sigma}^2 = MS_E$ results in

$$T_0^2 = \frac{\hat{\beta}_1^2 S_{xx}}{MS_E} = \frac{\hat{\beta}_1 S_{xY}}{MS_E} = \frac{MS_R}{MS_E} \tag{11-28}$$

Note that T_0^2 in Equation 11-28 is identical to F_0 in Equation 11-26 It is true, in general, that the square of a t random variable with v degrees of freedom is an F random variable, with one and v degrees of freedom in the numerator and denominator, respectively. Thus, the test using T_0 is equivalent to the test based on F_0. Note, however, that the t-test is somewhat more flexible in that it would allow testing against a one-sided alternative hypothesis, while the F-test is restricted to a two-sided alternative.

11-5 Confidence Intervals

11-5.1 Confidence Intervals on the Slope and Intercept

Definition

Under the assumption that the observations are normally and independently distributed, a $100(1-\alpha)\%$ **confidence interval on the slope** β_1 in simple linear regression is

$$\hat{\beta}_1 - t_{\alpha/2,n-2}\sqrt{\frac{\hat{\sigma}^2}{S_{xx}}} \le \beta_1 \le \hat{\beta}_1 + t_{\alpha/2,n-2}\sqrt{\frac{\hat{\sigma}^2}{S_{xx}}} \qquad (11\text{-}29)$$

Similarly, a $100(1-\alpha)\%$ **confidence interval on the intercept** β_0 is

$$\hat{\beta}_0 - t_{\alpha/2,n-2}\sqrt{\hat{\sigma}^2\left[\frac{1}{n}+\frac{\bar{x}^2}{S_{xx}}\right]} \le \beta_0 \le \hat{\beta}_0 + t_{\alpha/2,n-2}\sqrt{\hat{\sigma}^2\left[\frac{1}{n}+\frac{\bar{x}^2}{S_{xx}}\right]} \qquad (11\text{-}30)$$

11-6 Confidence Intervals

Example 11-4

We will find a 95% confidence interval on the slope of the regression line using the data in Example 11-1. Recall that $\hat{\beta}_1 = 14.947$, $S_{xx} = 0.68088$, and $\hat{\sigma}^2 = 1.18$ (see Table 11-2). Then, from Equation 10-31 we find

$$\hat{\beta}_1 - t_{0.025,18}\sqrt{\frac{\hat{\sigma}^2}{S_{xx}}} \leq \beta_1 \leq \hat{\beta}_1 + t_{0.025,18}\sqrt{\frac{\hat{\sigma}^2}{S_{xx}}}$$

or

$$14.947 - 2.101\sqrt{\frac{1.18}{0.68088}} \leq \beta_1 \leq 14.947 + 2.101\sqrt{\frac{1.18}{0.68088}}$$

This simplifies to

$$12.197 \leq \beta_1 \leq 17.697$$

11-5.2 Confidence Interval on the Mean Response

11-5 Confidence Intervals

$$\hat{\mu}_{Y|x_0} = \hat{\beta}_0 + \hat{\beta}_1 x_0$$

$$\hat{\mu}_{Y|x_0} = \bar{y} + \hat{\beta}_1 (x_0 - \bar{x}) \qquad \text{cov}(\bar{Y}, \hat{\beta}_1) = 0$$

$$V(\hat{\mu}_{Y|x_0}) = \sigma^2 \left[\frac{1}{n} + \frac{(x_0 - \bar{x})^2}{S_{xx}} \right]$$

A $100(1-\alpha)\%$ **confidence interval** **about the mean response** at the value of $x = x_0$, say $\mu_{Y|x_0}$, is given by

$$\hat{\mu}_{Y|x_0} - t_{\alpha/2,n-2}\sqrt{\hat{\sigma}^2\left[\frac{1}{n} + \frac{(x_0-\bar{x})^2}{S_{xx}}\right]}$$
$$\le \mu_{Y|x_0} \le \hat{\mu}_{Y|x_0} + t_{\alpha/2,n-2}\sqrt{\hat{\sigma}^2\left[\frac{1}{n} + \frac{(x_0-\bar{x})^2}{S_{xx}}\right]} \qquad (11\text{-}31)$$

where $\hat{\mu}_{Y|x_0} = \hat{\beta}_0 + \hat{\beta}_1 x_0$ is computed from the fitted regression model.

11-5 Confidence Intervals

Example 11-5

We will construct a 95% confidence interval about the mean response for the data in Example 11-1. The fitted model is $\hat{\mu}_{Y|x_0} = 74.283 + 14.947x_0$, and the 95% confidence interval on $\mu_{Y|x_0}$ is found from Equation 11-31 as

$t_{0.025,18}$

$$\hat{\mu}_{Y|x_0} \pm 2.101\sqrt{1.18\left[\frac{1}{20} + \frac{(x_0 - 1.1960)^2}{0.68088}\right]}$$

Suppose that we are interested in predicting mean oxygen purity when $x_0 = 1.00\%$. Then

$$\hat{\mu}_{Y|x_{1.00}} = 74.283 + 14.947(1.00) = 89.23$$

and the 95% confidence interval is

$$\left\{89.23 \pm 2.101\sqrt{1.18\left[\frac{1}{20} + \frac{(1.00 - 1.1960)^2}{0.68088}\right]}\right\}$$

11-5 Confidence Intervals

Example 11-5

or

$$89.23 \pm 0.75$$

Therefore, the 95% confidence interval on $\mu_{Y|1.00}$ is

$$88.48 \leq \mu_{Y|1.00} \leq 89.98$$

Minitab will also perform these calculations. Refer to Table 11-2. The predicted value of y at $x = 1.00$ is shown along with the 95% CI on the mean of y at this level of x.

11-5 Confidence Intervals

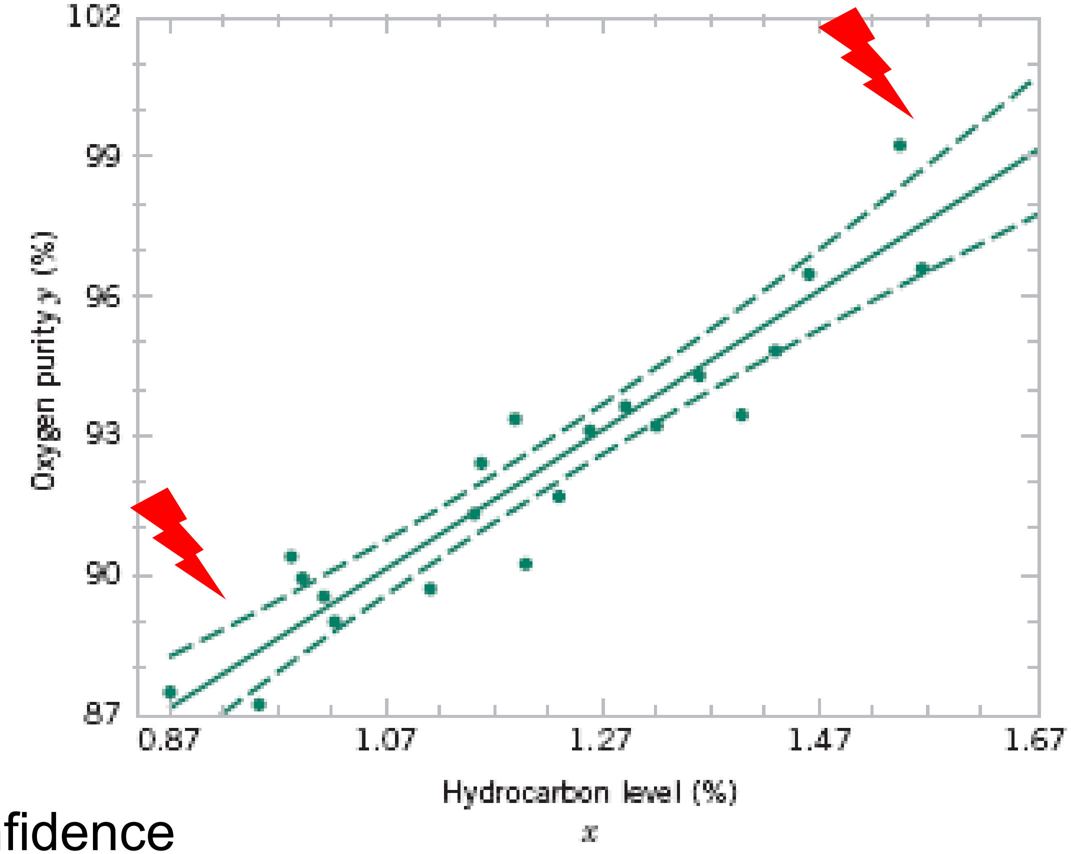
Example 11-5

By repeating these calculations for several different values for x_0 we can obtain confidence limits for each corresponding value of $\mu_{Y|x_0}$. Figure 11-7 displays the scatter diagram with the fitted model and the corresponding 95% confidence limits plotted as the upper and lower lines. The 95% confidence level applies only to the interval obtained at one value of x and not to the entire set of x-levels. Notice that the width of the confidence interval on $\mu_{Y|x_0}$ increases as $|x_0 - \bar{x}|$ increases.

11-5 Confidence Intervals

Example 11-5

Scatter diagram of oxygen purity data with fitted regression line and 95 percent confidence limits on $\mu_{Y|x0}$.



The width of the confidence interval on $\mu_{Y|x0}$ increases as $| x_0 - \bar{x} |$ increases

11-6 Prediction of New Observations

The point estimator of the new or future value of the response, Y_0 at x_0

$$\hat{Y}_0 = \hat{\beta}_0 + \hat{\beta}_1 x_0$$

$$e_{\hat{p}} = Y_0 - \hat{Y}_0$$

$$V(e_{\hat{p}}) = V(Y_0 - \hat{Y}_0) = \sigma^2 \left[1 + \frac{1}{n} + \frac{(x_0 - \bar{x})^2}{S_{xx}} \right]$$

$$E(e_{\hat{p}}) = 0$$

$e_{\hat{p}}$ is normally distributed with mean 0 and variance $V(e_{\hat{p}})$

11-6 Prediction of New Observations

Definition

A $100(1 - \alpha)\%$ **prediction interval on a future observation** Y_0 at the value x_0 is given by

$$\hat{y}_0 - t_{\alpha/2,n-2}\sqrt{\hat{\sigma}^2\left[1 + \frac{1}{n} + \frac{(x_0 - \bar{x})^2}{S_{xx}}\right]}$$

$$\leq Y_0 \leq \hat{y}_0 + t_{\alpha/2,n-2}\sqrt{\hat{\sigma}^2\left[1 + \frac{1}{n} + \frac{(x_0 - \bar{x})^2}{S_{xx}}\right]} \qquad (11\text{-}33)$$

The value $\hat{y}_0$ is computed from the regression model $\hat{y}_0 = \hat{\beta}_0 + \hat{\beta}_1 x_0$.

11-6 Prediction of New Observations

Example 11-6

To illustrate the construction of a prediction interval, suppose we use the data in Example 11-1 and find a 95% prediction interval on the next observation of oxygen purity at $x_0 = 1.00\%$. Using Equation 11-33 and recalling from Example 11-5 that $\hat{y}_0 = 89.23$, we find that the prediction interval is

$$89.23 - 2.101\sqrt{1.18\left[1 + \frac{1}{20} + \frac{(1.00 - 1.1960)^2}{0.68088}\right]}$$

$$\leq Y_0 \leq 89.23 + 2.101\sqrt{1.18\left[1 + \frac{1}{20} + \frac{(1.00 - 1.1960)^2}{0.68088}\right]}$$

11-6 Prediction of New Observations

Example 11-6

which simplifies to

$$86.83 \le y_0 \le 91.63$$

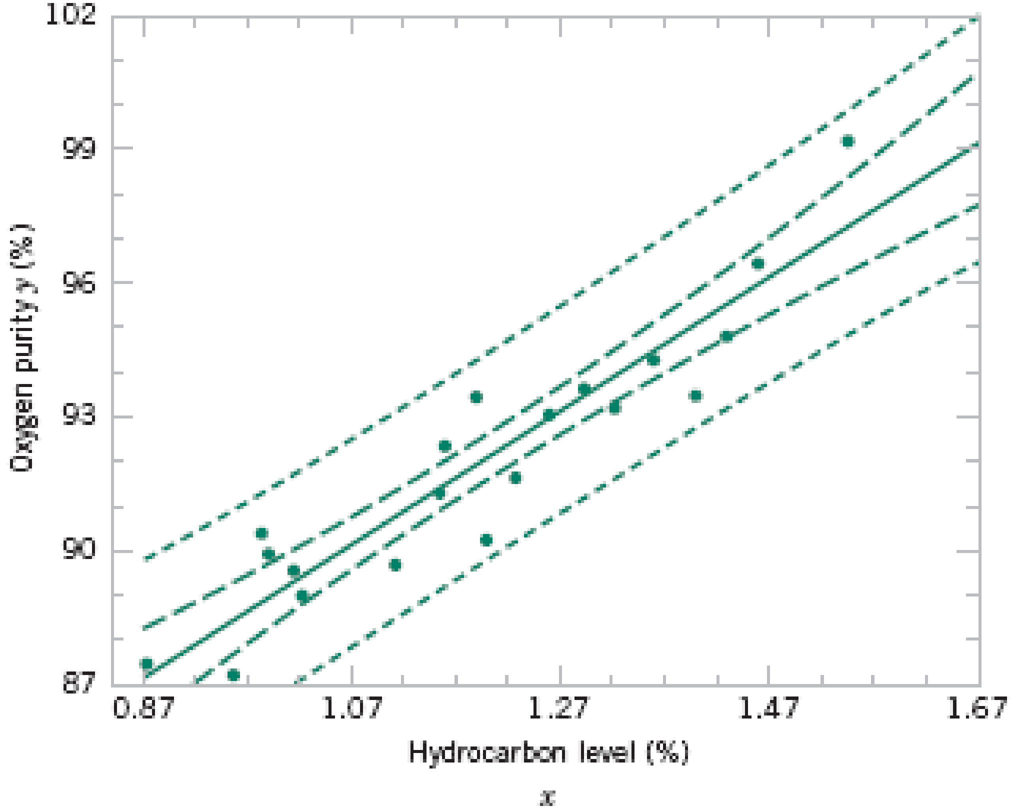
Minitab will also calculate prediction intervals. Refer to the output in Table 11-2. The 95% PI on the future observation at $x_0 = 1.00$ is shown in the display.

By repeating the foregoing calculations at different levels of x_0, we may obtain the 95% prediction intervals shown graphically as the lower and upper lines about the fitted regression model in Fig. 11-8. Notice that this graph also shows the 95% confidence limits on $\mu_{Y|x_0}$ calculated in Example 11-5. It illustrates that the prediction limits are always wider than the confidence limits.

11-6 Prediction of New Observations

Example 11-6

Scatter diagram of oxygen purity data with fitted regression line, 95% prediction limits (outer lines) , and 95% confidence limits on $\mu_{Y|x0}$.



11-7 Adequacy of the Regression Model

- Fitting a regression model requires several **assumptions.**

  1. Errors are uncorrelated random variables with mean zero;
  2. Errors have constant variance; and,
  3. Errors be normally distributed.

- The analyst should always consider the validity of these assumptions to be doubtful and conduct analyses to examine the adequacy of the model

11-7 Adequacy of the Regression Model

11-7.1 Residual Analysis

- The **residuals** from a regression model are $e_i = y_i - \hat{y}_i$, where y_i is an actual observation and $\hat{y}_i$ is the corresponding fitted value from the regression model.

- Analysis of the residuals is frequently helpful in checking the assumption that the errors are approximately normally distributed with constant variance, and in determining whether additional terms in the model would be useful.

- Plot the residuals
  - in time sequence,
  - against $\hat{y}_i$
  - against x_i

11-7 Adequacy of the Regression Model

11-7.1 Residual Analysis

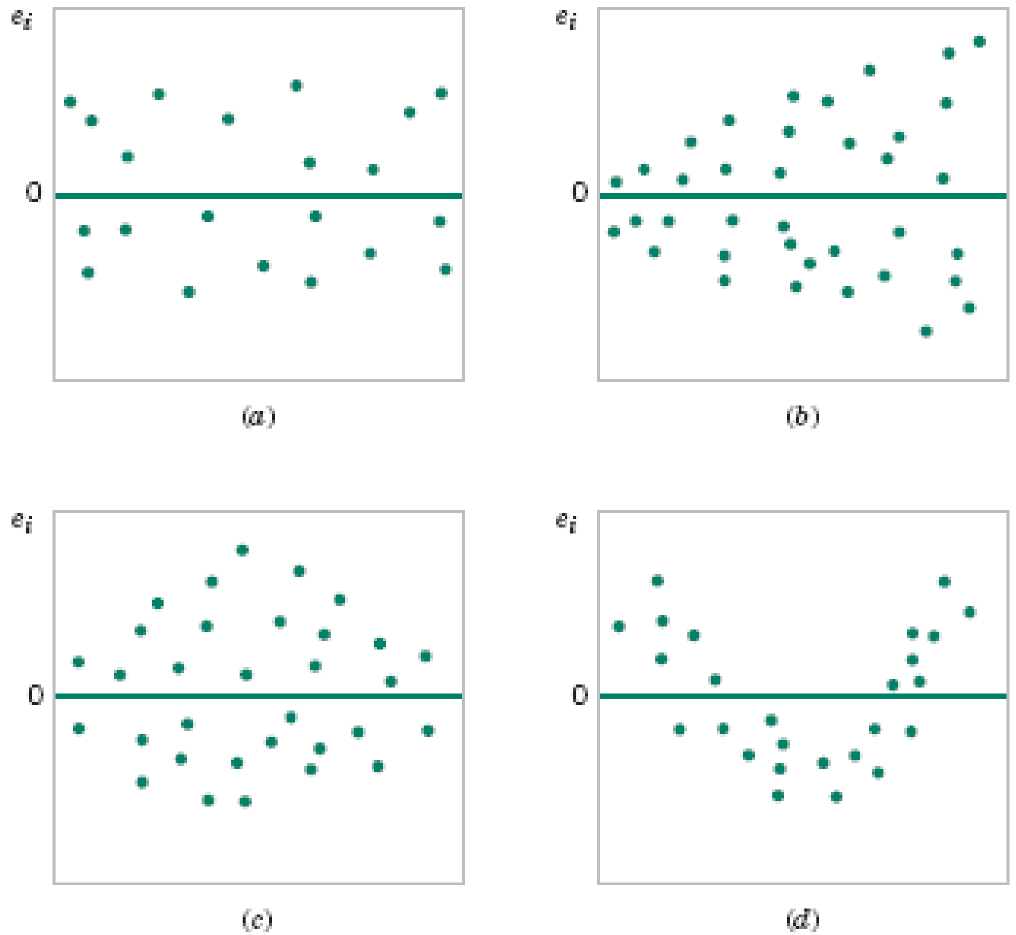
Figure 11-9 Patterns for residual plots.

(a) satisfactory,
(b) funnel,
(c) double bow,
(d) nonlinear.

(b) and (c) indicate inequality of variance

For (b), try transformations

$$\sqrt{y},\ \ln y,\ or\ 1/y$$



11-7 Adequacy of the Regression Model

Example 11-7

Table 11-4 Oxygen Purity Data from Example 11-1, Predicted Values, and Residuals

	Hydrocarbon Level, x	Oxygen Purity, y	Predicted Value, $\hat{y}$	Residual $e = y - \hat{y}$		Hydrocarbon Level, x	Oxygen Purity, y	Predicted Value, $\hat{y}$	Residual $e = y - \hat{y}$
1	0.99	90.01	89.069009	0.940991	11	1.19	93.54	92.063189	1.476811
2	1.02	89.05	89.518136	−0.468136	12	1.15	92.52	91.614062	0.905938
3	1.15	91.43	91.464353	−0.034353	13	0.98	90.56	88.919300	1.640700
4	1.29	93.74	93.560279	0.179721	14	1.01	89.54	89.368427	0.171573
5	1.46	96.73	96.105332	0.624668	15	1.11	89.85	90.865517	−1.015517
6	1.36	94.45	94.608242	−0.158242	16	1.20	90.39	92.212898	−1.822898
7	0.87	87.59	87.272501	0.317499	17	1.26	93.25	93.111152	0.138848
8	1.23	91.77	92.662025	−0.892025	18	1.32	93.41	94.009406	−0.599406
9	1.55	99.42	97.452713	1.967287	19	1.43	94.98	95.656205	−0.676205
10	1.40	93.65	95.207078	−1.557078	20	0.95	87.33	88.470173	−1.140173

11-7 Adequacy of the Regression Model

Example 11-7

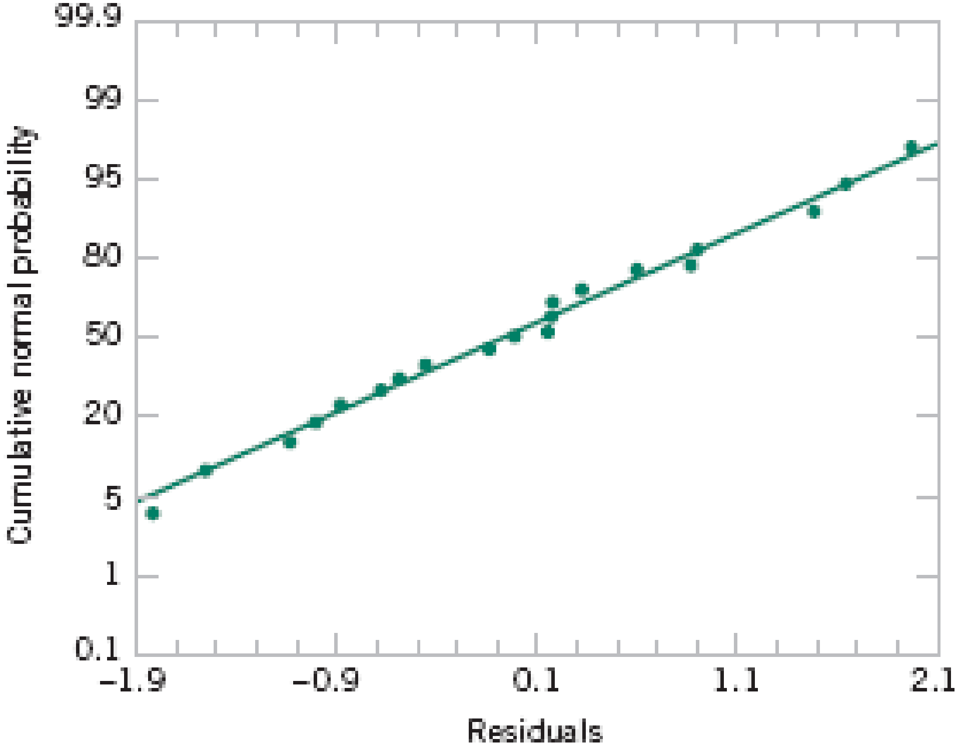


Figure 11-10 Normal probability plot of residuals, Example 11-7.

11-7 Adequacy of the Regression Model

Example 11-7

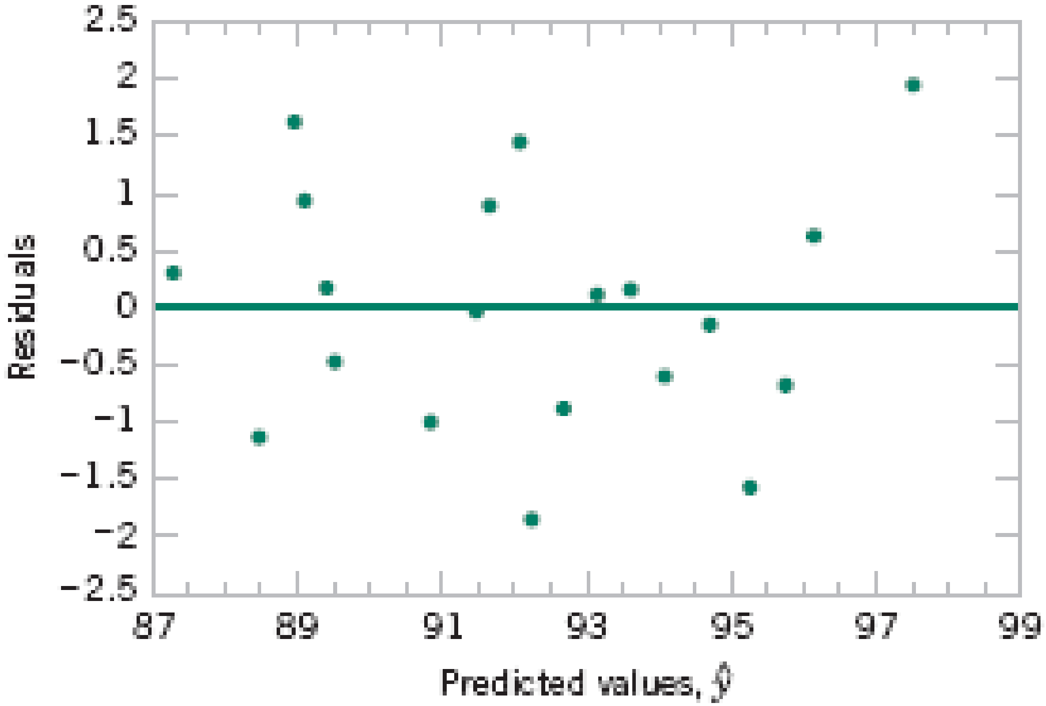


Figure 11-11 Plot of residuals versus predicted oxygen purity, $\hat{y}$, Example 11-7.

11-7 Adequacy of the Regression Model

11-7.2 Coefficient of Determination (R^2)

- The quantity

$$R^2 = \frac{SS_R}{SS_T} = 1 - \frac{SS_E}{SS_T}$$

is called the **coefficient of determination** and is often used to judge the adequacy of a regression model.

- $0 \le R^2 \le 1$;

- We often refer (loosely) to R^2 as the amount of variability in the data explained or accounted for by the regression model.

11-7 Adequacy of the Regression Model

11-7.2 Coefficient of Determination (R^2)

- For the oxygen purity regression model,

$$R^2 = SS_R/SS_T$$

$$= 152.13/173.38$$

$$= 0.877$$

- Thus, the model accounts for 87.7% of the variability in the data.