Autocorrelation

Autocorrelation is the correlation between a variable and that same variable at a different point in time (usually one period prior).

The assumption of no autocorrelation is very important in the statistical technique of regression analysis. When there is no autocorrelation, the error terms are independent of each other. When there is autocorrelation in the data, the standard errors of the regression coefficients are seriously underestimated.

The degree of autocorrelation can be detected with the Durbin-Watson statistic.