

Ch3. Time series decomposition

3.5 Methods used in official statistics

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Rob J Hyndman
George Athanasopoulos

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History of time series decomposition

- Classical method originated in 1920s.
- Census II method introduced in 1957. Basis for X-11 method and variants (including X-12-ARIMA, X-13-ARIMA)
- STL method introduced in 1983
- TRAMO/SEATS introduced in 1990s.

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National Statistics Offices

- ABS uses X-12-ARIMA
- US Census Bureau uses X-13ARIMA-SEATS
- Statistics Canada uses X-12-ARIMA
- ONS (UK) uses X-12-ARIMA
- EuroStat use X-13ARIMA-SEATS

X-11 decomposition

Advantages

- Relatively robust to outliers
- Completely automated choices for trend and seasonal changes
- Very widely tested on economic data over a long period of time.

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Disadvantages

- No prediction/confidence intervals
- Ad hoc method with no underlying model
- Only developed for quarterly and monthly data

Extensions: X-12-ARIMA and X-13-ARIMA

- The X-11, X-12-ARIMA and X-13-ARIMA methods are based on Census II decomposition.
- These allow adjustments for trading days and other explanatory variables.
- Known outliers can be omitted.
- Level shifts and ramp effects can be modelled.
- Missing values estimated and replaced.
- Holiday factors (e.g., Easter, Labour Day) can be estimated.

Advantages

- Model-based
- Smooth trend estimate
- Allows estimates at end points
- Allows changing seasonality
- Developed for economic data

X-13ARIMA-SEATS

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