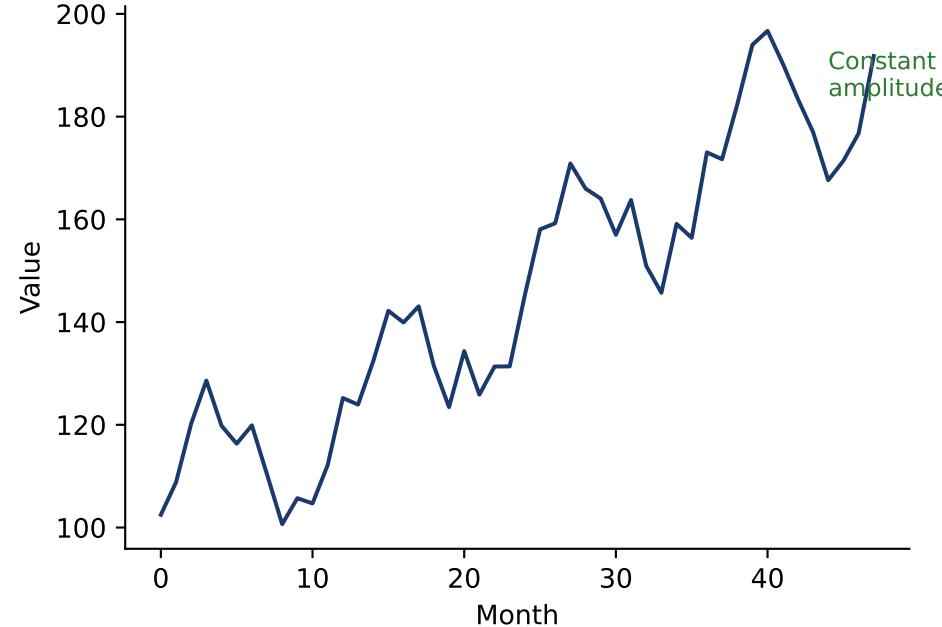
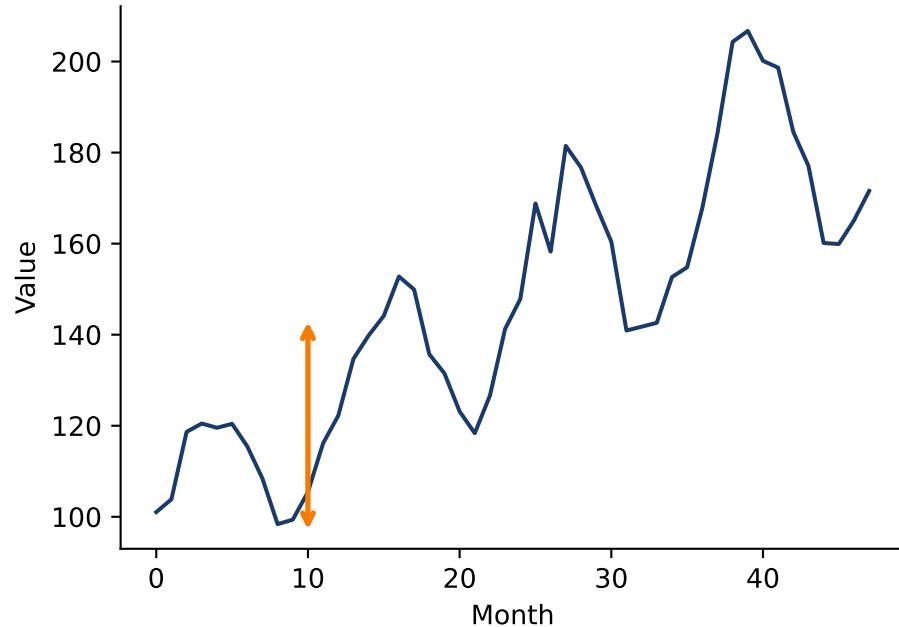


$$\text{Additive: } Y_t = T_t + S_t + \varepsilon_t$$



$$\text{Multiplicative: } Y_t = T_t \times S_t \times \varepsilon_t$$



When to use which?

ADDITIVE
Seasonal amplitude is **CONSTANT**
Variance stable

MULTIPLICATIVE
Seasonal amplitude **GROWS** with level
Use log transform!

Visual Diagnostic

