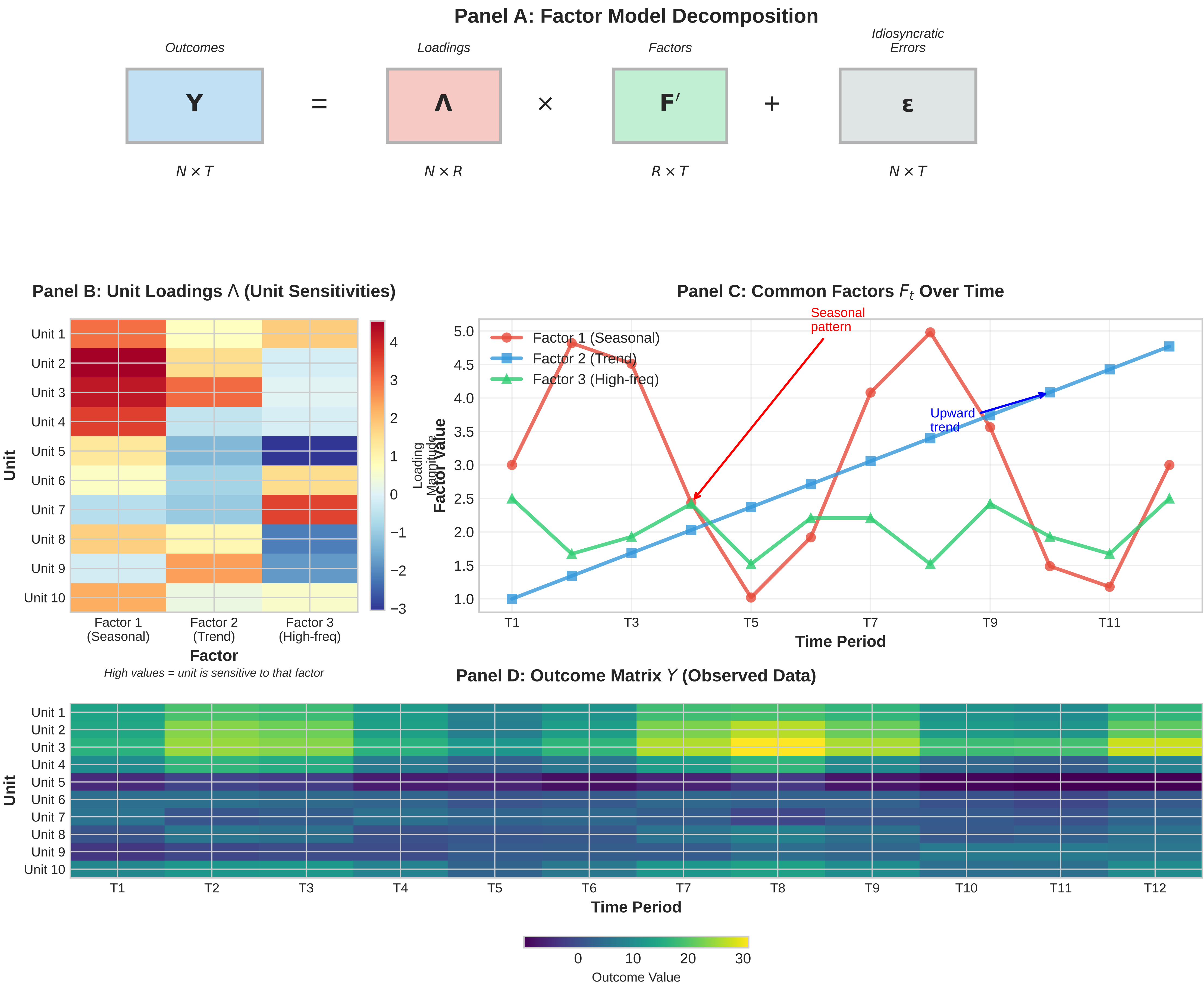

The outcome matrix Y is decomposed into unit-specific loadings Λ, common time-varying factors F, and idiosyncratic errors ε.
Each unit has different sensitivities (loadings) to the common factors. Factors capture shared patterns (seasonality, trends, shocks).