

GUIDE FOR USING THE PROGRAMS

TRAMO AND SEATS

(Beta Version: June 1998)

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Abstract

The present document details, step by step, an efficient and simple way to construct the input file for the programs TRAMO ("**T**ime Series **R**egression with **AR**IMA Noise **M**issing Observations, and **O**utliers") and SEATS ("**S**ignal **E**xtraction in **AR**IMA **T**ime **S**eries") for all possible cases and applications. First, we describe a fully automatic procedure where all parameters are set by the program. Then, for a more general use, the case of joint or separate application of the programs is described, as well as the case of a simple series or a large number of them. Special attention is paid to the construction of regression variables. Finally, the appendix contains some recommendations for increasing robustness of the results when an automatic procedure is followed.

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The present document provides a guide for the setting of the input parameters for the programs TRAMO ("Time Series **R**egression with **A**RIMA Noise, **M**issing Observations, and **O**utliers") and SEATS ("**S**ignal **E**xtraction in **A**RIMA **T**ime **S**eries"). It complements the manual Instructions for the User, which contains a relatively complete description of the programs, of their characteristics and options, as well as several examples. In this document we only address the issue of the construction of the input file.

The complete INPUT FILE consists of three main parts.

The first part is the actual numerical values of the series to be treated. The second part contains the input parameters for the model and the type of application. We shall refer to this set of parameter values as the **INPUT namelist**. Since the program sets all parameters by default, the INPUT namelist only needs to contain the parameters set at non-default values.

When the INPUT namelist specifies IREG>0, regression variables have to be entered as well as their associated parameter values. We shall refer to the set of specified regression parameters as the **REG namelist**.

In this document we describe the construction of the INPUT namelist and of the (perhaps several) REG namelist. This construction reflects an efficient way to apply the programs in all their possible options. (It may also provide the basis for the development of a user-friendly interface.)

NAME: Name of the series (or id. #).
 NZ: Number of observations.
 NYEAR: Starting year.
 NPER: Starting period (in first year).

Let \boxed{k} denote the default value (k) of a parameter. When the default value is not changed there is no need to enter any value for the parameter.

An Example

To illustrate the general structure of the input file, an example of the file for MS-DOS is provided. The structure is the following:

NAME
 NZ NYEAR NPER

<p>Numerical values of the series</p> <p>(some observations are missing; they are identified by the number -99999.)</p>

INPUT namelist

The input namelist specifies that the procedure should be one of the fully automatic options (RSA=6; see Section 3).

Since IREG=4, a sequence of REG namelists follows, with the corresponding parameters and regression variables (see Section 9).

iplex

158 1983 2

	83.300	90.600	84.500	89.300	-99999.	82.800	49.900	87.800	86.800	88.900	86.600
86.500	87.200	89.900	81.600	89.800	85.600	85.800	53.300	85.400	91.600	90.200	82.600
88.600	84.600	89.200	84.800	90.600	83.800	89.500	52.400	88.300	99.000	92.900	86.200
88.400	88.000	87.500	94.600	91.200	92.500	93.700	50.400	92.100	100.300	94.900	88.100
87.600	91.900	-99999.	-99999.	96.300	97.300	102.900	53.100	98.400	102.000	101.100	92.100
90.200	96.500	103.400	95.000	101.200	100.300	99.600	56.400	100.800	100.900	105.800	94.500
100.700	98.700	103.400	102.100	104.800	107.700	104.600	60.000	105.000	107.300	108.800	92.700
105.000	98.900	108.400	96.000	107.100	107.100	104.400	59.800	102.400	105.700	109.200	92.400
103.700	99.000	96.800	102.200	-99999.	102.300	104.500	58.900	102.800	111.800	106.100	95.300
100.300	101.100	104.300	98.300	100.300	102.800	104.500	58.800	98.900	100.700	97.300	86.700
88.200	90.300	98.000	90.200	95.300	96.800	97.500	56.900	97.100	97.000	99.500	92.000
91.100	95.200	103.500	97.000	102.100	105.500	102.700	64.200	104.900	104.400	109.200	99.900
104.200	101.500	113.900	97.400	112.000	112.700	106.200	67.400	105.600	108.100	110.400	95.200
102.700	102.400	106.400									

\$INPUT Rsa=6 ireg=4 \$

\$REG iuser=1 ilong=182 regeff=5 \$

18.1000	17.3000	15.1000	13.9000	17.3000	19.3000	16.5000
16.5000	16.8000	15.9000	18.9000	21.6000	20.8000	22.5000
24.0000	22.1000	22.2000	20.3000	18.5000	17.3000	18.3000
16.4000	15.1000	14.7000	13.5000	12.9000	13.2000	12.9000
12.5000	12.9000	12.1000	12.3000	12.2000	12.1000	12.3000
12.5000	14.0000	13.8000	13.0000	11.1000	10.0000	10.3000
10.2000	10.2000	10.5000	11.4000	12.3000	11.8000	12.2000
12.5000	12.3000	11.6000	11.6000	11.6000	11.9000	12.4000
12.6000	14.7000	17.5000	20.7000	18.5000	18.1000	17.5000
17.4000	16.1000	14.6000	13.9000	13.1000	12.1000	11.3000
11.0000	11.0000	10.4000	10.7000	10.5000	10.9000	11.8000
11.9000	12.8000	13.2000	14.0000	14.5000	14.4000	14.4000
14.7000	15.5000	15.3000	15.1000	15.0000	15.3000	15.9000
15.5000	15.3000	15.1000	14.8000	14.9000	14.9000	14.8000
14.8000	14.9000	14.8000	14.8000	15.0000	14.9000	14.7000
14.0000	13.6000	13.1000	12.7000	12.8000	12.7000	12.6000
12.7000	12.7000	12.8000	12.8000	12.7000	12.5000	12.4000
12.5000	12.5000	12.8000	13.3000	14.1000	14.0000	14.3000
15.4000	14.6000	14.7000	15.7000	14.4000	13.7000	11.5000
12.0000	10.8000	10.2000	9.8000	9.5000	9.2000	9.1000
8.8000	8.2000	8.0000	7.7000	7.6000	7.6000	7.6000
7.5000	7.5000	7.5000	7.8000	8.4000	8.3000	9.2000
8.9000	9.0000	9.5000	9.5000	9.5500	9.5200	9.5700
9.6000	9.5600	9.5800	9.6100	9.5500	9.6500	9.6300
9.6100	9.6400	9.5900	9.6200	9.6600	9.6400	9.6800
9.6000	9.6700	9.6200	9.6600	9.7000	9.7200	9.6900

\$REG iuser=-1 nser=2 regeff=2 ilong=182 \$

holy

\$REG iseq=1 delta=.8 regeff=3 \$

142 1

The input parameters specify (as shall be seen later) that the full automatic model identification and outlier correction procedure are to be performed, as well as pretesting for trading day (with a 6 parameter specification) and easter effect. Missing observations will be interpolated and 24 forecasts computed. Further, TRAMO will produce a file ready for SEATS.

The model contains 4 regression variables. The first one has been entered in the file and its effect will be assigned in SEATS to the cyclical component; the next two ones are the columns of a (182×2) matrix in a separate file (called "holy") and will be assigned to the seasonal component; the last one is an intervention variable (a transitory change) that will be built by the program and assigned to the irregular component. Notice that the regression variables are extended to cover the forecasting period.

SEATS will decompose the series (and the model) into trend, seasonal, cyclical and irregular components, and will provide forecasts for these components, together with the associated standard errors.

In the DOS version of the programs, the name of the input file, both for TRAMO and for SEATS, should be serie. When used sequentially, only the input file for TRAMO is needed. Execution of TRAMO produces a file called seats.itr that becomes the input file for SEATS, once it has been moved to the SEATS directory and renamed serie. The program ts executes sequentially both programs, performing automatically the previous steps.

In the simplest, fully automatic, procedure we recommend, the only parameter that needs to be set is `RSA`, according to the following options.

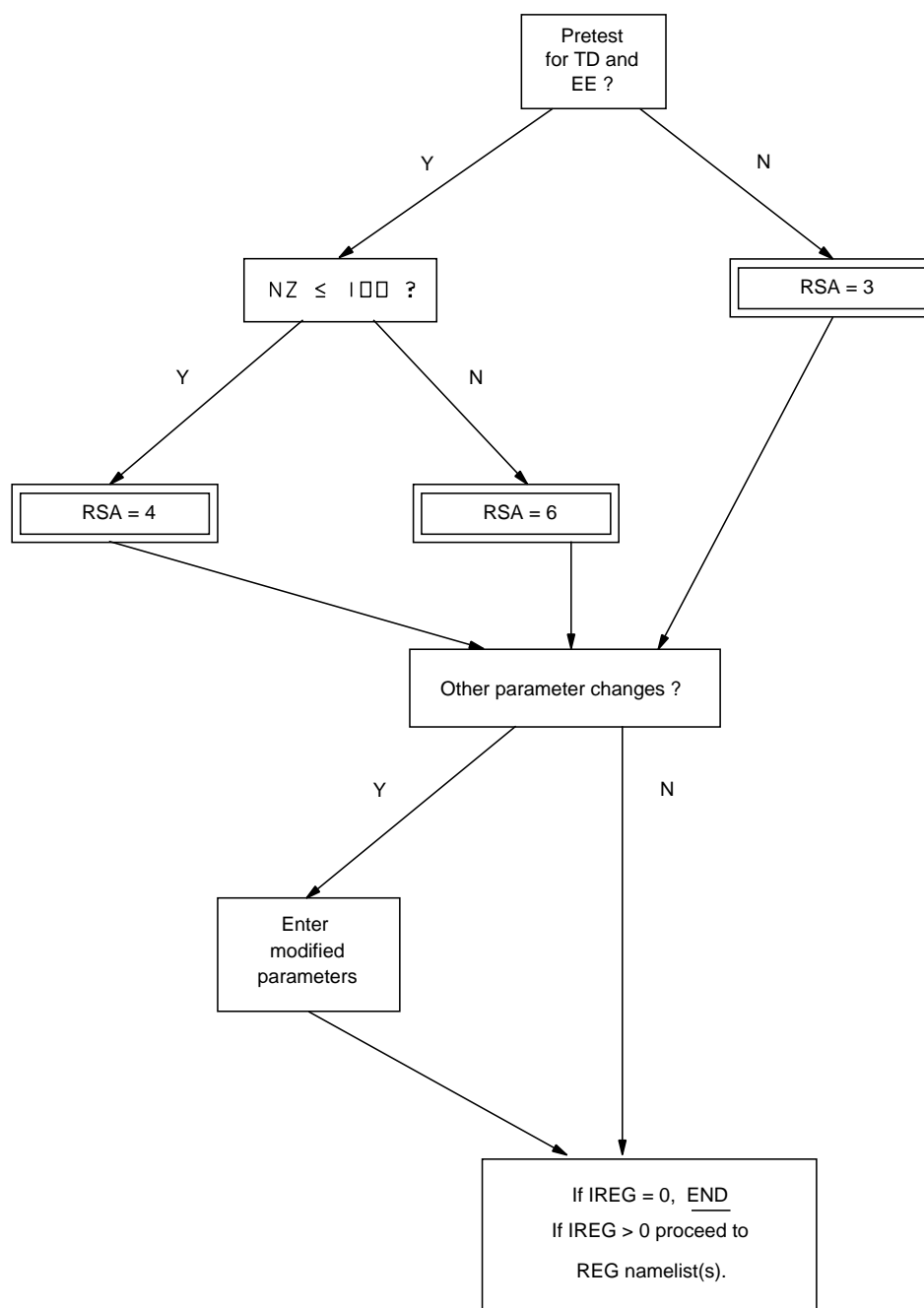
RSA = 6	As RSA=4, but the Trading Day specification uses 6 parameters (for working days, the day of week -Monday, ..., Friday- is specified).
---------	---

b) Otherwise: If $NZ \leq 100 \rightarrow$ set **RSA = 4**
If $NZ > 100 \rightarrow$ set **RSA = 6**

In diagram form, the procedure is the one described in Figure 1.

INPUT NAMELIST: Simplified Automatic Procedure

NZ: # of observations in series



1) STEP 1 Parameter **ITER**

ITER = 0 **filename** contains one series, one input namelist ⇒ Go to Step 2
 = 1 **Filename** contains one series to be treated with several input namelists ⇒ Go to Step 33
 = 2 **Filename** contains several series (at present, up to 4.000) all to be treated with the same input namelist ⇒ Go to Step 2
 = 3 **Filename** contains several series, each one to be treated with a different input namelist ⇒ Go to Step 34
 = End of input namelist ⇒ Go to Step 8.

Step 8 determines the regression (REG) namelists (if any) that should be added after the INPUT namelist. If the "End of input namelist" is chosen and no regression variable is to be added, the parameter in the present step and all remaining parameters are set to their default values. The input file is then ready and typing ts would execute both programs.

WE CONSIDER FIRST THE TWO CASES ITER = 0 and 2, that only require one input namelist

2) STEP 2 Parameter **MQ**

This parameter indicates the series periodicity

MQ = 12 monthly ⇒ Go to Step 3
 = Other acceptable values: 1,2,3,4,5,6 ⇒ Go to Step 3
 = End of input namelist ⇒ Go to Step 8.

3) STEP 3 Joint or Separate Use

Decide which program(s) are to be executed.

TRAMO and SEATS \Rightarrow Go to Step 4

TRAMO only \Rightarrow Go to Step 22

SEATS only \Rightarrow Go to Step 26

End of input namelist \Rightarrow Go to Step 8.

Example:

As an example, if

in Step 1: One accepts the default (ITER=0),

in Step 2: MQ = 4,

in Step 3: End of input namelist,

one would apply both programs to a single quarterly series. TRAMO would estimate the default ARIMA model and obtain forecasts of the series; SEATS would decompose the series and its forecasts into trend, seasonal, and irregular components. Both programs would provide full output files.

Note: When there are **missing values** in the series, no parameter needs to be entered for interpolation; it will be done automatically by TRAMO.

General Comment

Leaving for now the case in which there are regression variables, the user will have to take very few decisions. The basic one is:

AUTOMATIC or PERSONALIZED use.

a) If the **automatic option** is chosen one still has the option of pretesting or not for Trading Day and Easter effects.

b) If the **personalized option** is chosen, the basic decisions are:

- whether to pretest or not,
- whether to use the Automatic Model Identification (AMI) procedure or to enter a particular model,
- whether to perform or not Automatic Outlier Correction (AOC).

Of course, there may be a few additional parameters that the user may wish to change.

(Only when both programs are used)

4) STEP 4 Automatic or Personalized use

Automatic use of the programs ⇒ Go to Step 5

Pseudo-automatic use ⇒ Go to Step 10

Personalized use ⇒ Go to Step 11

End of input parameters ⇒ Go to Step 8.

5.1 TRAMO AND SEATS; AUTOMATIC USE

5) STEP 5 Automatic specification

PRETEST FOR TRADING DAY AND EASTER EFFECTS?

NO Pretesting \Rightarrow set RSA = 3 \Rightarrow Go to **Step 6**.

YES to Pretesting \Rightarrow

TRADING DAY SPECIFICATION

a) one parameter \Rightarrow Set RSA = 4

b) six parameters \Rightarrow Set RSA = 6

c) seven parameters \Rightarrow Set RSA = 8

\Rightarrow Go to **Step 6**.

6) STEP 6 Decision to modify or add some parameter

No modification of parameters \Rightarrow Go to **Step 8**.

Some parameter will be modified \Rightarrow Go to **Step 7**.

7) STEP 7 Modified or added parameters

Enter the parameters to be modified:

parameter = new value

Here we list the most important ones, the value they take under the RSA configuration (this value is surrounded by a square), and alternative possible values. If the parameter is not entered, it assumes the value inside the square.

OUT	= 0	Full output file.
	= 1	Reduced output file.
	= 2	Very brief summary.
	= 3	No output file.

LAM	= 1	No transformation of data.
	= 0	Take logs of data.
	= -1	The program tests for the log-level specification.
INCON	= 0	Exact maximum likelihood estimation.
	= 1	Unconditional least squares.
INIT	= 0	Starting values for parameters computed by the program.
	= 1	Starting values for parameter input.
	= 2	Values for parameter input and no parameter estimation is done.
VA	=	(real number > 2). Used to set the critical value for outlier detection. The default value depends on NZ. For $NZ \leq 50$, $VA=3$; for $50 < NZ \leq 250$, $VA=3.5$; for $250 < NZ \leq 500$, $VA=3.8$; for $NZ > 500$, $VA=4$.
AIO	= 1	All outliers are treated as additive outliers or transitory changes (in this way the level of the series is preserved).
	= 2	Additive Outliers, Transitory Changes and Level Shifts are considered.
	= 3	Only Level Shifts and Additive Outliers are considered.
INT2	= 0	Outliers detected and corrected for all periods.
	< 0	(negative integer). Detection but not correction for outliers in the last (-INT2) observations.
IMVX	= 0	The fast method of Hannan-Rissanen is used for parameter estimation in the automatic detection and correction of outliers.
	= 1	Maximum likelihood estimation is used for parameter estimation in the automatic detection and correction of outliers.
	= 2	First, unconditional least squares and then exact maximum likelihood is used in the estimation of the unit roots in the automatic model identification. Then estimation of outliers is made with the Hannan-Rissanen procedure.
	= 3	As $IMVX=2$, but outliers correction is made with the exact maximum likelihood procedure. This procedure, although relatively time consuming, may be of interest when the series contains many outliers.

IDUR	= 6	(positive integer < 15). Duration of easter affecting period (# of days).
SEATS	= 0	No input file for SEATS is created.
	= 2	Creates input file for SEATS. The name of this file will be SEATS.ITS .
XL	= .98	(real number .5<XL<1). In SEATS, when the modulus of an estimated root falls in the range (XL,1), it is set equal to 1 if root is in the AR polynomial. If root is in MA polynomial, it is set equal to XL.
EPSPHI	= 3	(0 ≤ real number ≤ 15). When $\Phi_p(B)$ contains a complex root, it is allocated to the seasonal if its frequency differs from one of the seasonal frequencies by less than EPSPHI (measured in degrees). Otherwise, it goes to the cycle.
MAXBIAS	= k	(A positive real number). When the average of the absolute value of the differences between the annual means of the (stochastic) series and the (stochastic) seasonally adjusted series, is larger than k, a correction is automatically made so that, for every year, the two means are identical. k is expressed in % of the level of the series. (ONLY WHEN LAM=0).
	= .5	
RMOD	= k	(0 ≤ real number ≤ 1) Cutting point for the modulus of an AR real root. If modulus <k it goes to cycle; if >k, to trend.
	= .5	

The "Automatic Option" is oriented towards using very few parameters. Thus with the RSA options very few parameters should be changed. Otherwise it is possibly preferable to use the "personalized" option.

⇒ Go to Step 8

8) STEP 8 Parameter IREG

IREG = No regression variable \Rightarrow Go to Step 9.

= k (a positive integer; for its value, see Note after step 1R in Section 9) \Rightarrow Go to Step 9.

9) STEP 9 End

END OF INPUT NAMELIST

5.2 TRAMO AND SEATS; PSEUDO AUTOMATIC USE

10) STEP 10

PRETEST FOR TRADING DAY AND EASTER EFFECT?

NO Pretest \Rightarrow set RSA = 1 \Rightarrow Go to Step 6.

YES to Pretesting \Rightarrow Next decision:

TRADING DAY SPECIFICATION

a) one parameter \Rightarrow Set RSA = 2

b) six parameters \Rightarrow Set RSA = 5

c) seven parameters \Rightarrow Set RSA = 7

\Rightarrow Go to Step 6.

The pseudo-automatic procedure consists of using always the default model for preadjustment in TRAMO and, if the residuals fail the Ljung-Box Q-test, SEATS tries a sequence of 4 models and chooses the one that provides the best fit.

The pseudo-automatic procedure is rough, reliable, and fast. As the full automatic procedure has become faster and more reliable, the usefulness of the pseudo-automatic one has become smaller and smaller. Its use is not recommended.

5.3 TRAMO AND SEATS; PERSONALIZED USE

11) STEP 11 (Parameter SEATS)

Set Parameter SEATS = 2 \Rightarrow Go to Step 12.

12) STEP 12 Pretest for log/level.

Set LAM = 0 \Rightarrow Go to Step 13
 = 1 \Rightarrow Go to Step 13
 = -1 \Rightarrow Go to Step 13
 = 9 End of input namelist \Rightarrow Go to Step 8.

13) STEP 13 Decision on Trading Day and Easter Effects

- If no TD, no EE \Rightarrow Go to Step 14

Otherwise, Set the following 3 parameters

IEAST = 0 No Easter effect.
 = 1 Easter effect adjustment.
 = -1 The program pretests for Easter effect.

IDU = 6 Duration of easter affecting period (# of days).
 = k k a positive integer.

ITRAD = 0 No Trading Day effect is estimated.
 = 1 # of (M, T, W, Th, F) - # (Sat, Sun) $\times \frac{5}{2}$.
 = 2 As the previous case, but with length-of-month correction.
 = 6 # M - # Sun, # T - # Sun, ..., # Sat - # Sun.
 = 7 As the previous case, but with leap-year correction.
 = -1 As ITRAD = 1, but a pretest is made.
 = -2 As ITRAD = 2, but a pretest is made.
 = -6 As ITRAD = 6, but a pretest is made.
 = -7 As ITRAD = 7, but a pretest is made.

\Rightarrow Go to Step 14

14) STEP 14 Model Identification

No automatic model identification \Rightarrow Go to Step 16

Automatic model identification \Rightarrow Go to Step 17

End of input file \Rightarrow Go to Step 8.

15) STEP 15 Automatic Model Identification

Set

INIC = 3

IDIF = 3

plus, if desired,

TSIG = minimum t for significant mean
= k k a real number $0 \leq k \leq 2$.

\Rightarrow Go to Step 17.

16) STEP 16 ARIMA model is entered by user.

IMEAN = 0 No mean correction
= Mean correction

D = # of non-seasonal differences
= 0, 2

P = # of non-seasonal autoregressive terms
= 1, 2, 3

BD = # of seasonal differences
= 0

BP = # of seasonal autoregressive terms
= 1

Q = # of non-seasonal moving average terms.
= 0, 2, 3

BQ = # of seasonal moving average terms.
= 0

The following parameters only have to be entered when some coefficients are fixed (see below) or initial estimates are provided (INIT=1). Default

TH = Q initial estimates of the regular moving average parameters (not input if INIT=0 and JQR(I)=0 for all I). All -.1

BTH = BQ initial estimates of the seasonal moving average parameters (not input if INIT=0 and JQS(I)=0 for all I). All -.1

PHI = P initial estimates of the regular autoregressive parameters (not input if INIT=0 and JPR(I)=0 for all I). All -.1

BPHI = BP initial estimates of the seasonal autoregressive parameters (not input if INIT=0 and JPS(I)=0 for all I). All -.1

JPR(I) = 1 Parameter number I in the regular autoregressive polynomial fixed to the value set in PHI(I) (it is not estimated).
= Parameter not fixed.

JPS(I) = 1 Parameter number I in the seasonal autoregressive polynomial fixed to the value set in PHI(I) (it is not estimated)
= Parameter not fixed.

JQR(I) = 1 Parameter number I in the regular moving average polynomial fixed to the value set in TH(I) (it is not estimated.)
= Parameter not fixed.

JQS(I) = 1 Parameter number I in the seasonal moving average polynomial fixed to the value set in BTH(I) (it is not estimated).
= Parameter not fixed.

⇒ Go to Step 17.

17) STEP 17 Correction for outliers. Parameter IATIP.

IATIP = No correction for outliers \Rightarrow Go to Step 19.
= 1 Automatic detection and correction for outliers \Rightarrow Go to Step 18.
End of input file \Rightarrow Go to Step 8.

18) STEP 18 Automatic Outlier Detection and Correction (for their meaning, see Step 7)

Set the following parameters:

VA =
= k a positive real number > 2 .

IMVX =
= 1, 2, 3

AIO = 1
=
= 3

Two integer parameters, INT1 and INT2, can be used to define the interval (INT1, INT2) over which outliers have to be searched. By default

INT1 = 1; INT2 = NZ.

When INT2 = -k < 0 , outliers are automatically detected and corrected in the interval (INT1, NZ-k). Then, the detection procedure is applied to the last k observations, and if some outlier is detected a warning is printed, but no correction is made.

\Rightarrow Go to Step 19.

19) STEP 19 Model Estimation. Parameter INCON.

INCON = Exact Maximum Likelihood \Rightarrow Go to Step 20
= 1 Least Squares (unconditional) \Rightarrow Go to Step 20
End of Input File \Rightarrow Go to Step 8.

20) STEP 20 Change of parameters in SEATS

No modification with respect to default values.

⇒ Go to Step 8.

Changes are desired in some of SEATS parameters.

⇒ Go to Step 21.

21) STEP 21 Parameters in SEATS (for their meaning, see Step 7).

The following parameters can be modified:

EPSPHI =
= k

MAXBIAS =
= k (% points; $k \geq 0$)

RMOD =
= k

⇒ Go to Step 8.

6 CASE WHEN ONLY TRAMO IS USED

22) STEP 22

Automatic use of TRAMO \Rightarrow Go to Step 23

Personalized use \Rightarrow Go to Step 24

End of input parameters \Rightarrow Go to Step 8.

23) STEP 23 Automatic use

It is exactly as before, that is:

Step 5, Step 6, Step 7, Step 8 and Step 9, with three modifications :

- a) In Step 7 the parameters that are specific of SEATS can be removed from the list of parameters that can be modified. These SEATS parameters are:
XL, EPSHI, MAXBIAS, RMOD.
 - b) In Step 7 an additional value for AIO is available, namely
AIO = 0 Four types of outliers are considered: additive outliers, transitory changes, level shifts, and innovational outliers.
 - c) In Step 5, when the RSA parameter is assigned one of the values (3, 4, 6, 8), the following should be added in all cases
SEATS = 0.
-

24) STEP 24 Personalized use

It is exactly as before, more precisely:

Step 12, Step 13, Step 14, Step 15, Step 16, Step 17, Step 18, and Step 19.

The only modification affects Step 19, where the messages

"Go to Step 20
Go to Step 20
Go to Step 8".

should be modified to:

"Go to Step 25
Go to Step 25
Go to Step 8".

Further, in order to obtain the k-period ahead forecast function, the parameter

$NPRED = k$, k a positive integer,

will have to be specified.

25) STEP 25 Out-of-sample forecast test
 Parameter NBACK

NBACK	= 0	No forecast test \Rightarrow Go to <u>Step 8</u> .
	= -k < 0	When $NBACK < 0 = -k$, then k observations are omitted from the end of the series. The model is estimated for the shorter series, one-period-ahead forecast errors are sequentially computed for the last k periods (without reestimation of the model), and an F-test is performed that compares the out-of-sample forecasts errors with the in-sample residuals. \Rightarrow Go to <u>Step 8</u> .

7 CASE WHEN ONLY SEATS IS USED

26) STEP 26

The default ARIMA model is entered \Rightarrow Go to Step 28

Some ARIMA model parameters need to be changed \Rightarrow Go to Step 27

End of input namelist \Rightarrow Go to Step 9.

27) STEP 27 ARIMA model parameters (for their meaning, see Step 16).

Set the parameters that need to be changed:

LAM = 0 , 1

IMEAN = 0, 1

D = 1 , 0, 2

P = 0 , 1, 2, 3

Q = 1 , 0, 2, 3

BD = 1 , 0

BP = 0 , 1

BQ = 1 , 0

\Rightarrow Go to Step 28.

28) STEP 28 Estimate or fix model coefficients

INIT = 0 \Rightarrow Go to Step 31

 = 2 \Rightarrow Go to Step 29

End of input namelist \Rightarrow Go to Step 9.

29) STEP 29 Fixed coefficients

Set

TH = Q values for the regular MA parameters.

BTH = BQ values for the seasonal MA parameters.

PHI = P values for the regular AR parameters.

BPHI = BP values for the seasonal AR parameters.

⇒ Go to Step 30

30) STEP 30 Allows to decompose a model; no series is entered

NOSERIE = Usual case; a series is entered ⇒ Go to Step 31.

= 1 No series is used. An ARIMA model is decomposed.
⇒ Go to Step 32.

(The only other parameters in SEATS that can be changed are EPSPHI and RMOD).

31) STEP 31 Type of estimation

TYPE = Maximum likelihood estimation ⇒ Go to Step 32

= 1 Constrained Least Squares ⇒ Go to Step 32

End of input namelist ⇒ Go to Step 9.

32) STEP 32 Change other parameters in SEATS?

No change of parameters ⇒ Go to Step 9

Change some parameters ⇒ Go to Step 33.

33) STEP 33 Parameters that can be changed (for meaning, see Step 7).

OUT = 0 , 1, 2, 3

XL = .98 When the modulus of an estimated root falls in the range (XL,1), it is set equal to 1 if root is in AR polynomial. If root is in MA polynomial, it is set equal to XL.
= k A real number, $.5 \leq k < 1$.

EPSPHI = 3, k

MAXBIAS = .5, k

RMOD = .5, k

IQM = 24 Number of autocorrelations used in computing Ljung-Box Q-statistics. The default value depends on MQ. For MQ = 12 it is equal to 24; for MQ = 2, 3, 4, 5, 6 it is equal to 4MQ; for MQ=1 it is equal to 8.
= k A positive number.

⇒ Go to Step 9.

THIS COMPLETES THE INPUT NAMELIST for the case when only SEATS is used.

Since, in this case, there are no regression variables, this is the complete input file.

8 CASE ITER \neq 0,2

33) CASE ITER = 1

In this case **filename** contains one series, and several INPUT namelists have to be added, some of which may contain REG namelists. The first one can be constructed as described before and, once reached the END of the first input namelist (and associated REG namelists, if any), simply proceed to the next one.

34) CASE ITER = 3

In this case **filename** contains several series, each one associated with a different INPUT namelist (perhaps with some REG namelists added). After reading each series, the appropriate namelists should be constructed as described before, after which the next series is read and the corresponding namelist, in turn, constructed.

CONSTRUCTION OF THE REG NAMELIST; ENTERING REGRESSION VARIABLES (Case IREG > 0)

After the INPUT NAMELIST, when IREG > 0 and regression variables have to be included, the series containing the regression variable and the appropriate input parameters for that variable have to be entered. This should be done as follows:

REGNAMELIST

1R) STEP 1R Type of Regression Variable. (Parameter IUSER)

Enter IUSER according to the following options available:

- | | | |
|-------|---|--|
| IUSER | = 1 | The user will enter a series for this regression variable ⇒ Go to <u>Step 6R</u> . |
| | = -1 | The program will read NSER series from the file whose name is written after the present namelist REG. There must be NSER columns of length ILONG in this file separated by blanks, containing the NSER series ⇒ Go to <u>Step 2R</u> . |
| | = 0 | The user does not provide any series ⇒ Go to <u>Step 3R</u> . |
| | = 2 | The user specifies the presence of some outliers ⇒ Go to <u>Step 4R</u> . |
| | = -2 | Holidays are incorporated in an external file ⇒ Go to <u>Step 5R</u> . |
-

Note on the Parameter IREG

When regression variables (and REG namelists) are to be added, the INPUT namelist should contain the parameter:

IREG = k (k a positive integer).

The value k is computed as follows:

k = # of regression variables entered by the user (REG namelists with IUSER = 1)

+ NSER for each set of (NSER) variables entered as a matrix (REG namelist with IUSER = -1)

+ # of "a priori" specified outliers (REG namelist with IUSER = 2)

+ 6 for the holiday variable when ITRAD = 6, 7, -6, -7; or + 1 for the holiday variable

when ITRAD = 1, 2, -1, -2 (REG namelist with IUSER=-2).

+ # intervention variables built by the program (REG namelist with IUSER=0, ISEQ>0).

2R) STEP 2R Variables are the columns of a matrix

NSER = k (k a positive integer) number of series entered by the user in an external file (if IUSER=-1).

⇒ Go to Step 6R.

3R) STEP 3R Intervention Variable generated by program

ISEQ = k (k a positive integer). The program will generate one intervention variable of length ILONG (see Step 6R) consisting of k sequences of ones separated by zeroes.

= The program will generate no regression variable.

DELTA = δ ($0 < \delta \leq 1$); the filter $1/(1 - \delta \mathbf{B})$ will be applied to the k-sequences of ones generated by the program. (Default value=0).

DELTAS = δ_s ($0 < \delta_s \leq 1$); the filter $1/(1 - \delta_s \mathbf{B}^s)$, $s = MQ$, will be applied to the k-sequences of ones generated by the program. (Default value=0).

ID1DS = 1 The program will apply the filter $1/(1 - \mathbf{B})(1 - \mathbf{B}^s)$, $s = MQ$, to the k-sequences of ones generated by the program (Default value=0).

⇒ Go to Step 7R.

4R) STEP 4R Pre-specified outliers.

NSER = k Number of outliers specified a priori.
⇒ Go to Step 8R.

5R) STEP 5R Holiday effect.

- When ITRAD = 6, 7, -6, -7.

Set

NSER = 6 ⇒ Go to Step 6R

- When ITRAD = 1, 2, -1, -2

Set

NSER = 1 ⇒ Go to Step 6R

6R) STEP 6R Length of regression variable

- If SEATS will be used after TRAMO

Set

ILONG = NZ + MAX(2MQ,8)

- If only TRAMO is used

Set

ILONG = NZ + NPRED

NPRED = k (integer ≥ 0). # of multistep forecasts to compute when only TRAMO is used; otherwise MAX(2MQ,8) forecasts are computed.

⇒ Go to Step 7R

7R) STEP 7R Allocation of regression effects to the components

If IUSER $\neq 2$ or $\neq -2$, ⇒ Go to Step 8R

Otherwise, set

REGEFF = 0 The regression effect is a separate additional component; it is not included in the seasonally adjusted series.

- = 1 Regression effect assigned to trend.
- = 2 Regression effect assigned to seasonal component.
- = 3 Regression effect assigned to irregular component.
- = 4 Regression effect is assigned to the seasonally adjusted series, but as an additional separate component.
- = 5 Regression effect is assigned to cycle.

⇒ Go to Step 8R.

8R) STEP 8R End of REG - Namelist

END OF INPUT PARAMETERS
FOR
REG - NAMELIST

⇒ Go to Step 9R

9R) STEP 9R Numerical values for the regression variables

- If IUSER = 1: After the present REG namelist, the user will write the series $X(l):l=1, I\text{LONG}$ (free format) ⇒ Go to Step 10R
- If IUSER = -1: After the present REG namelist, the name (and path) of a file should be written. This file contains an $(I\text{LONG} \times \text{NSER})$ matrix and its columns are the regression variables.
⇒ Go to Step 10R.
- If IUSER = 0: After the present REG namelist, a new line should be added containing k pairs of numbers (free format); the k -th pair indicates the time index where the k -th sequence of ones is to begin and its length, respectively
⇒ Go to Step 10R.
- If IUSER = 2: After the present REG namelist, a new line should be added containing a sequence of pairs of number-letters (free format): $t_1 j_1 t_2 j_2 \dots t_{\text{NSER}} j_{\text{NSER}}$, where $t_1 \dots t_{\text{NSER}}$ denote the position of the outlier ($t = 1, \dots, T$), and $j_1, \dots, j_{\text{NSER}}$ denote the type of outlier according to the following code:

$j_i = \text{IO}$ Innovation outlier

= AO Additive outlier
= LS Level shift
= TC Temporary change.

⇒ Go to Step 10R.

- If IUSER = -2: After the present REG namelist, the user will enter the series with the holidays, X(I): I=1, I LONG.
⇒ Go to Step 10R.

10R) STEP 10R End of REG namelists

Proceed to next REG namelist. If none, END

THIS COMPLETES THE ENTIRE INPUT PARAMETER NAMELIST

= INPUT namelist + (possibly) REG namelist(s)

Note:

When only TRAMO is used, the regression variables are entered in the same way, with one minor modification. The construction of the REG namelist is done following the steps:

Step 1R, Step 2R, Step 3R, Step 4R, Step 5R, Step 6R

The modification is that, in Step 6R, the sentence

"⇒ Go to Step 7R"

should be changed to

"⇒ Go to Step 8R".

Then, one continues

Step 8R, Step 9R, Step 10R.

In this way, the complete input file can be constructed. The following diagrams summarize the full procedure

Figure 2

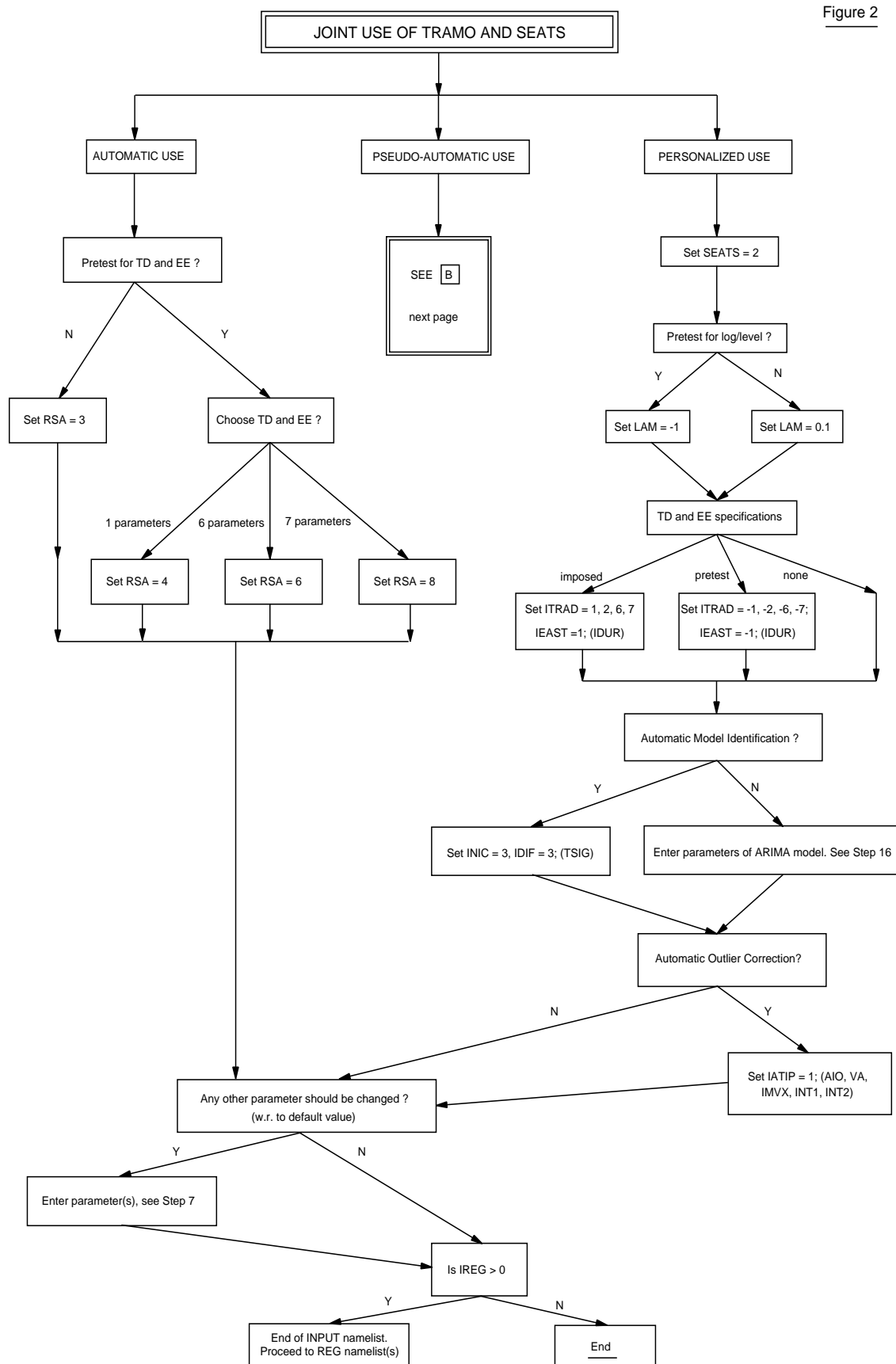
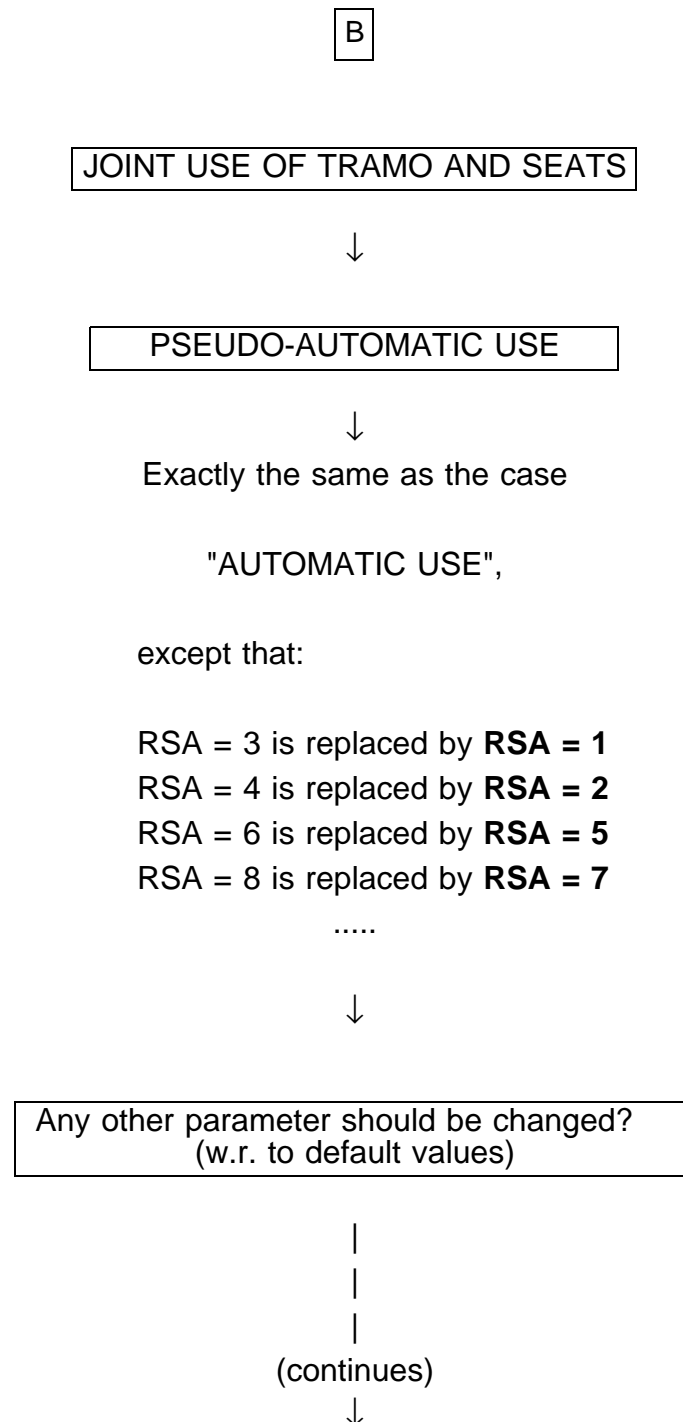


Figure 3



ONLY TRAMO IS USED

The diagram remains the same, except that in all cases the parameter SEATS should be 0, that innovational outliers can be included, that the parameter REGEFF disappears from the REG namelist, and that the parameters

NBACK (see Step 25)

NPRED (see Step 24)

should be considered. Further, the pseudo-automatic model-identification option is not available.

■ indicates the default value of a parameter

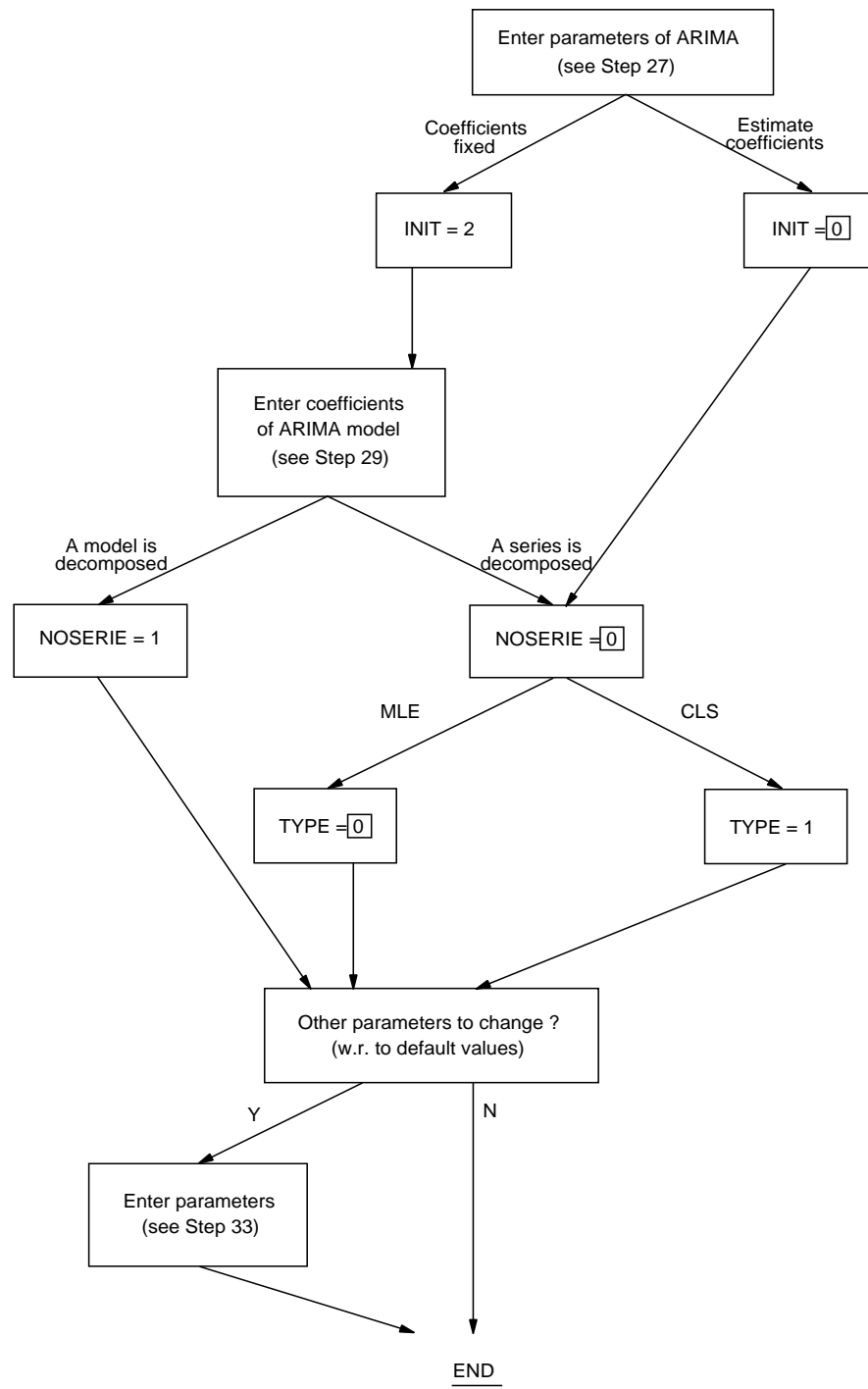


DIAGRAM FOR REG NAMELIST

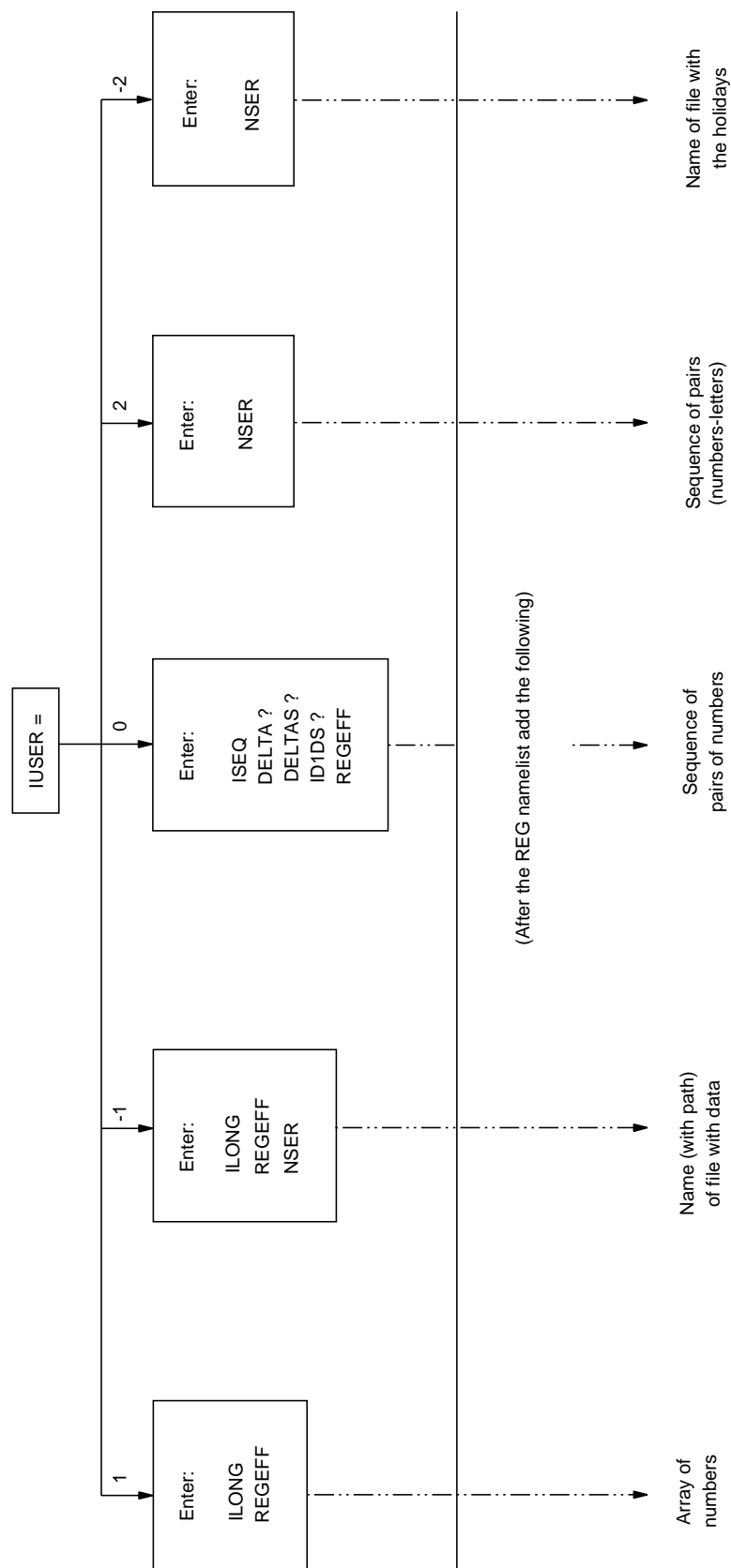


Figure 5

APPENDIX: ROUTINE AUTOMATIC USE OF TRAMO: HOW TO REDUCE INSTABILITY

The "automatic" use of TRAMO-SEATS month after month has, inevitably, three main sources of instability that are unpleasant.

- 1) The possibility that the model identified for the series changes.
- 2) The possibility that the outliers detected and corrected change. Also, correcting or not a possible outlier for the last observation can produce serious differences, with different implications for short term policy
- 3) The possibility that the pre-testing for Trading Day and Easter Effect changes from month to month.

In order to reduce possible instability, the following recommendations can be helpful.

At the beginning of the year, the model is identified with the automatic procedure, outliers are also detected and corrected automatically, and (if appropriate), the TD and EE pretests are done.

If the results are satisfactory, then for the next months one proceeds as follows:

- A) Fix the parameters: LAM, IMEAN, and the orders of the models (p, d,q) (bp, bd, bq).
- B) Fix the type and location of the outliers by using IUSER=2 or by transforming the outliers into regression variables (IUSER = 0, ISEQ = 1); see Section 1R and 9R.
- C) Fix the Trading Day and Easter effects (ITRAD = 1,2,6 or 7, and IEAST = 1).

Then, the next month this model is reestimated (without automatic model or outlier identification and without pretests). But the parameter coefficients are all reestimated. This reestimation is extremely fast, and changes in the coefficients typically introduce very little instability in the results of SEATS, while they allow the model to continue to provide good results in TRAMO. The instability associated with detection of an outlier for the last observation is sometimes an ugly problem, and it does not have a clear solution. The basic issue is that, when an outlier is detected for the last observation, at that time it is impossible for the program to know whether it is an additive outlier, a level shift, or a transitory change. Ultimately, the program can only treat the last

observation as an additive outlier. This roughly means that the observation will be ignored, and the trend and the forecast will remain at the previous level, so to speak. If one month latter the outlier is identified as a Level Shift, then the trend will move to the new level and so will the forecast.

Unless one has a-priori information to discriminate between a Level Shift and an Additive Outlier for the last observation, we have found out that it is better to use the parameter $INT2 = -1$, so that, for the last observation, the outlier may be detected but is **not** corrected. (One could also use $INT2 = -2$).

Finally, a nasty feature of the instabilities mentioned above is that they tend to induce large revisions in the data. Proceeding as we suggest reduces revisions considerably. Of course, reestimation of parameter coefficients (keeping the structure of the model fixed) will imply the persistence of some revision. But this "remaining noise" in the revision is usually small and the rule of fixing the factor after, say, 3 years, can still be applied with very little damage.

The number of months for which the model (orders, outliers, regression variables) is kept fixed and only coefficients are reestimated may vary with the application. We recommend, as a general rule, to redo the full identification once-a-year, or whenever there is clear evidence of misspecification.

In summary, one should store:

- * the parameters IMEAN, LAM, P, D, Q, BP, BD, BQ
- * the outliers as fixed outliers (IUSER=2) or as regression variables (IUSER = 0).
- * The output value of the parameters ITRAD and IEAST.