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Seasonal co-movements in the Eurozone: Pitfalls and new results

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Abstract

Seasonality is an important feature which is observed in most economic time series. This article turns back to some common practice when dealing with that "undesirable" component in common feature analyses. To be clear from the outset, our understanding of co-movements in seasonal time series is twofold. We consider both the impact of seasonality on the detection of other forms of co-movements and the presence of seasonal co-movements per se. The structure of the paper is as follows. We first remind the consequences for short-run co-movements and consequently for business cycle analyses of using seasonally adjusted (SA) variables instead of raw data. Indeed, although Cubadda (1999) and Hecq (1998) have both theoretically and empirically explained the damages of such filtering procedures, most studies use seasonally adjusted data in common cycles analyses. Then we review some models which propose to detect the presence of cyclical co-movements in seasonal time series (Cubadda 1999) as well as those where the presence of deterministic seasonal co-movements are tested (Engle and Hylleberg, 1996). Finally we introduce the notion of super dominant property, that is to say a situation in which the same combination annihilates both the deterministic and the cyclical part.