

Recalculation of Seasonal Adjustment Factors

Effective with this issue of *Producer Price Indexes*, seasonal adjustment factors have been recalculated to reflect 1989 price movement patterns for stage-of-processing (SOP) and commodity groupings. This routine annual recalculation may affect seasonally adjusted indexes and percent changes from January 1985 to the present. Revised seasonally adjusted data for this period, as well as seasonal factors to be used through December 1990, are available on request from BLS. Table C shows 1989 monthly seasonally adjusted percent changes for the three major SOP categories calculated

with the old seasonal factors, compared with the percent changes for recalculated indexes that incorporate the new seasonal factors.

In addition, changes in the manufacturers' pattern for introducing new motor vehicles and the use of aggressive inventory management techniques have led to a deterioration in the quality of the seasonal adjustment for these items using standard methods. Therefore, BLS has modified its seasonal adjustment procedure for these indexes in an effort to cope with this problem.

Table C. Over-the-month percent changes in major stage-of-processing indexes, seasonally adjusted, using former and recalculated seasonal factors for 1989

Month	Finished goods		Intermediate materials, supplies, and components		Crude materials for further processing	
	Former	Recalculated	Former	Recalculated	Former	Recalculated
January	1.1	1.1	1.2	1.1	4.1	4.1
February	.9	.6	.5	.4	-3	-.1
March	.4	.4	.5	.6	2.2	1.7
April	.4	.6	.5	.5	.8	1.0
May	.9	.7	.2	.1	4	0
June	.1	.1	-.3	-.3	-1.6	-1.1
July	-.5	-.4	-.2	-.2	.2	.2
August	-.4	-.3	-.4	-.3	-1.9	-2.3
September	.8	.7	.4	.4	.9	1.2
October	.4	.5	0	.2	0	0
November	-.1	.1	-.1	0	.4	.7
December	.7	.6	-.1	-.1	1.8	1.6

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for the three major SOP categories calculated with the old seasonal factors, compared with the percent changes for recalculated indexes that incorporate the new seasonal factors.

In addition, changes in the timing of price adjustments for cigarettes have led to a deterioration in the quality of the seasonal adjustment for this category using standard methods. Therefore, BLS has modified its seasonal adjustment procedure for this index in an effort to cope with this problem.

Table C. Over-the-month percent changes in major stage-of-processing indexes, seasonally adjusted, using former and recalculated seasonal factors for 1990

Month	Finished goods		Intermediate materials, supplies, and components		Crude materials for further processing	
	Former	Recalculated	Former	Recalculated	Former	Recalculated
January	1.9	1.7	1.2	1.1	2.2	2.1
February	0	-.1	-.8	-.7	.3	.3
March	-.2	-.1	.1	0	-1.3	-1.7
April	-.2	-.1	.1	.1	-2.6	-2.5
May .....	.1	.3	.1	.1	-.1	.3
June .....	.2	0	-.3	-.1	-2.6	-2.4
July .....	.1	.3	0	0	.6	.4
August	1.1	1.1	1.3	1.3	9.2	9.1
September	1.6	1.3	1.8	1.6	4.5	4.9
October	1.1	1.2	1.5	1.6	8.7	8.2
November5	.4	.1	.1	-6.2	-5.9
December	-.6	-.6	-.9	-.8	-5.4	-5.5

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dexes that incorporate the new seasonal factors.

The indexes for consumer durable goods, capital equipment for manufacturing industries, and capital equipment for nonmanufacturing industries are no longer calculated by the direct method of seasonal adjustment. As with the other components of the finished goods index, they are now calculated as the sum of their seasonally adjusted component series. This improvement in methodology will ensure that the seasonally adjusted movements of these indexes will be consistent with the seasonally adjusted movements of their component series.

Table C. Over-the-month percent changes in major stage-of-processing indexes, seasonally adjusted, using former and recalculated seasonal factors for 1991

Month	Finished goods		Intermediate materials, supplies and components		Crude materials for further processing	
	Former	Recalculated	Former	Recalculated	Former	Recalculated
January	0.1	0.2	-0.5	-0.3	1.8	1.8
February	-7	-7	-8	-5	-7.7	-7.8
March	-2	-3	-1.0	-1.1	-3.3	-3.5
April .....	.1	.2	-4	-3	-4	-3
May	5	.2	-1	-1	.1	.5
June	-4	-2	.1	.2	-1.5	-1.6
July	-2	-2	-4	-4	.1	0
August .....	.2	.2	.4	.3	.1	-.2
September1	.2	.2	.2	-.9	-.7
October7	.3	-1	-3	1.8	1.7
November2	0	.2	.1	.3	.3
December	-2	-1	-2	-2	-2.2	-2.1

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as well as seasonal factors to be used through December 1993, are available on request from BLS. Table C shows 1992 monthly, seasonally adjusted percent changes for the three major SOP categories calculated with the old seasonal factors, compared with the percent changes for recalculated indexes that incorporate the new seasonal factors.

Table C. Over-the-month percent changes in major stage-of-processing indexes, seasonally adjusted, using former and recalculated seasonal factors for 1992

Month	Finished goods		Intermediate goods		Crude goods	
	Former	Recalculated	Former	Recalculated	Former	Recalculated
January	-0.2	0	-0.6	-0.4	-1.0	-1.1
February .....	.2	.2	.4	.5	1.7	1.5
March .....	.2	.2	.1	.1	-1.7	-1.7
April .....	.3	.2	.2	.2	1.0	1.0
May .....	.2	.3	.4	.4	1.7	2.0
June .....	.2	.2	.7	.7	1.7	1.4
July	0	0	0	0	-2	-7
August .....	.1	.1	.1	0	-7	2.1
September3	.2	0	.2	1.8	2.1
October1	-.1	-.1	-.3	-.1	-.5
November	-.2	-.1	-.2	-.1	-.2	-.1
December2	.1	0	-.1	-1.2	-1.2

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factors to be used through December 1994, are available on request from BLS. Table C shows 1993 monthly seasonally adjusted percent changes for the three major SOP categories calculated with the old seasonal factors, compared with the percent changes for recalculated indexes that incorporate the new seasonal factors.

Table C. Over-the-month percent changes in major stage-of-processing indexes, seasonally adjusted, using former and recalculated seasonal factors for 1993

Month	Finished goods		Intermediate goods		Crude goods	
	Former	Recalculated	Former	Recalculated	Former	Recalculated
January	-0.3	0.3	0.3	0.3	0.3	0
February .....	.4	.4	.5	.4	-.2	-.1
March .....	.3	.2	.3	.3	.2	.2
April	-.6	.5	.3	-.3	1.5	1.2
May	0	0	-.3	-.3	2.0	2.1
June	-.6	-.5	.2	0	-1.1	-1.5
July	0	0	-.1	0	-2.2	-2.0
August	-.6	-.8	0	0	-.4	-.7
September .....	.2	.2	.1	0	.6	.7
October	-.2	-.1	-.1	.2	1.4	1.6
November	0	.1	-.2	-.1	.4	.6
December	-.1	-.1	-.2	-.2	-2.2	-2.4