

20 September, 2000

Progress Report from Bank of Japan

We, the Bank of Japan compile three statistics for prices, namely, Wholesale Price Index (WPI), Corporate Service Price Index (CSPI), and Input-Output Price Index of Manufacturing Industry by Sector (IOPI). What we have done since the previous Voorburg meeting at Christchurch, NZ, October 1999, and our plans for the future are as follows:

I. Our activities in the past year

1. Revision of the CSPI from 1990 base to 1995 in December 1999

On the BOJ Web Site (<http://www.boj.or.jp/en/index.htm>) at the download corner of reports and research papers published in 1999, the explanation for this revision "Revision of the Corporate Service Price Index (CSPI) to 1995 base" is available. For detailed explanation of the CSPI, "Explanation of the 1995 Base Corporate Service Price Index" is available at the FAQ corner of our Web site mentioned above.

The main points of the revision are as follows:

(1) Increase in the number of items from 89 to 102 (+13 items)

Telecommunication services (Personal Handyphone System (PHS) services, Integrated Services Digital Network (ISDN), etc.) and specialist services (Certifies social insurance and labor specialist services, etc.) have been adopted as new items.

(2) Refinement of price data

Discounts are newly taken into the price survey of telecommunication services, such as Cellular phone services and Domestic fixed telephone services.

(3) Introduction of a new method in converting prices of "contract currency basis" to "yen basis"

When prices are contracted in foreign currencies, they are converted into yen basis by using the average of spot exchange rate during corresponding survey period, regardless of whether contracts for individual services were actually made during the period. Previously, the foreign exchange rate at the latest contract for individual services had been used for conversion.

2. Expansion of database in price indexes at the data download corner on the BOJ Web Site in December 1999

Almost all of the index series of the WPI, CSPI and IOPI became available on an electronic basis.

3. Introduction of a new method in converting prices of "contract currency basis" to "yen basis" in WPI and IOPI on February 2000

On our Web site at the reports and statistics corner, the announcement "Revision in the treatment of foreign exchange rate movement in compiling the WPI and the IOPI and in the publication form of Ten-day index of the WPI" is available.

As mentioned in column 1., the same new price conversion method has been adopted for the WPI and IOPI from the index of January 2000.

4. Revision of the IOPI from 1990 base to 1995 in July 2000

On our Web site at the download corner of reports and research papers published in 2000, the explanation for this

revision “Revision of the Input-Output Price Index of Manufacturing Industry by Sector (IOPI) to 1995 base” is available. For detailed explanation of the IOPI, “Explanation of the 1995 Base Input-Output Price Index of Manufacturing Industry by Sector” will soon be available at the FAQ corner of our Web site.

The main points of the revision are as follows:

(1) Change in the price collection method

The IOPI has been compiled by using mainly the commodity indexes in WPI. The additional collection of approximately 1,800 price data, which had been undertaken exclusively for the IOPI, was abolished.

(2) Simplification in the composition of indexes

Up to the 1990 base index, both the gross-weighted base index and the net-weighted base index had been compiled. However, the net-weighted base index has been abolished from the 1995 base. The index for sector in the gross-weighted base has also been abolished.

5. Publication of an explanation of surveyed prices for CSPI in July 2000 (available only in Japanese)

On our Web site at the reports and statistics corner, the explanation is available. (Currently only in Japanese. Please contact us for information)

The contents of surveyed price data are explained to enhance convenience and transparency of CSPI.

6. Publication of annual reports on replacements of surveyed price data for WPI and CSPI in July 2000 (available only in Japanese)

The annual reports are available at the same corner of our Web site as that in column 5. (Currently only in Japanese. Please contact us for information)

The annual reports show the number of replacements of surveyed price data during the latest calendar year by adopted quality adjustment method.

II. Future plans

1. Publication of the explanation of the 1995 base IOPI (English version)

“Explanation of the 1995 Base Input-Output Price Index of Manufacturing Industry by Sector” will soon be available at the FAQ corner of our Web site.

2. Introduction of annual retroactive index correction method for CSPI, WPI and IOPI

In order to reflect discounts, the data of which are collected under delay for various reasons, we are planning to correct indexes retroactively.

3. Revision of the WPI from 1995 base to 2000 by the end of 2002

(1) Comprehensive review of price data

All price data will be reviewed to check whether they reflect accurate price movements in view of the recent dramatic change in information technology, market structure, corporate behavior, etc.

(2) Change in the price collection method

When the prices of wholesalers and producers seem to equally reflect the supply and demand conditions of the item, the latter will be adopted as price data from the 2000 base index. Currently, the former is adopted.

(3) Change in the title of the index to “Corporate Goods Price Index (CGPI)”

To avoid user’s misunderstandings on the nature of the index, we will change the name from Wholesale Price Index (WPI) to Corporate Goods Price Index (CGPI).

As of 1998, about 70 percent of the prices surveyed were producer prices for WPI. The stage of prices surveyed has been shifting from the wholesale price level to the producer price level due to changes in market and distribution structure. Hence, the title “Wholesale Price Index” has become misleading. The term “Producers Price Index” is also inadequate because the price stage is not fixed to the producers, but is chosen under the condition that its price movements reflects the supply and demand condition of the item most sensitively.