

Method of Pricing and Quality Adjustment for the “Rental” and “Leasing” Categories of the CSPI

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Items of Rental and Leasing

Items	CPC ver.1.0	ISIC rev.3
Rental		
Rental of machinery for civil engineering and construction	73122	7122
Computer rental	73124	7123
Motor vehicle rental	73111, 73112	7111
Leasing		
Industrial machinery leasing	73129	7129
Leasing of machinery and equipment for metalworking	73129	7129
Medical equipment leasing	73129	7129
Leasing of machinery and equipment for commercial and other services	73129	7129
Communications equipment leasing	73125	7129
Leasing of machinery for civil engineering and construction	73122	7122
Leasing of computer and related equipment	73124	7123
Office equipment leasing	73123	7123
Transportation equipment leasing	73111, 73112	7111

Pricing Methodology

- Direct use of prices
 - Real transaction prices
- Percentage fees
 - Multiply “commission rates” by “appropriate price indexes of rented or leased goods” (we call those price indexes “inflators”)
- List prices
- Unit values

Quality Adjustment

- Hedonic regression model
 - For “computer rental”, when rental fee are directly collected as prices from responding companies.
 - Regression model used in the CGPI applied to the CSPI as substitute. Regarding the quality change in services of computer rental as equal to the quality change in computer products.

Quality Adjustment

- Quality Adjustment effect through “inflators”
--- When sample prices apply the percentage fees as pricing methodology, quality adjustment effect through “inflators” takes into account indirectly to the price movements, such as in “leasing of computer and related equipment”.

Quality Adjustment

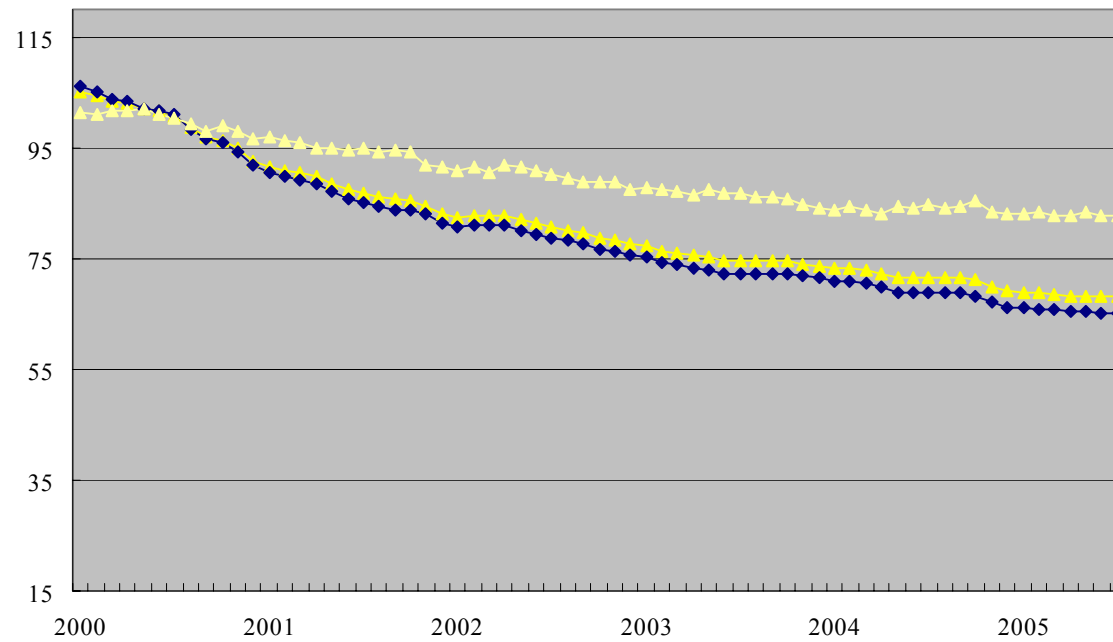
- Production cost method
 - When the equipment of rented or leased goods has been changed and the cost to be equipped is available, the production cost method is applied (e.g., newly equipped a car navigation system in “motor vehicle rental”).

Quality Adjustment

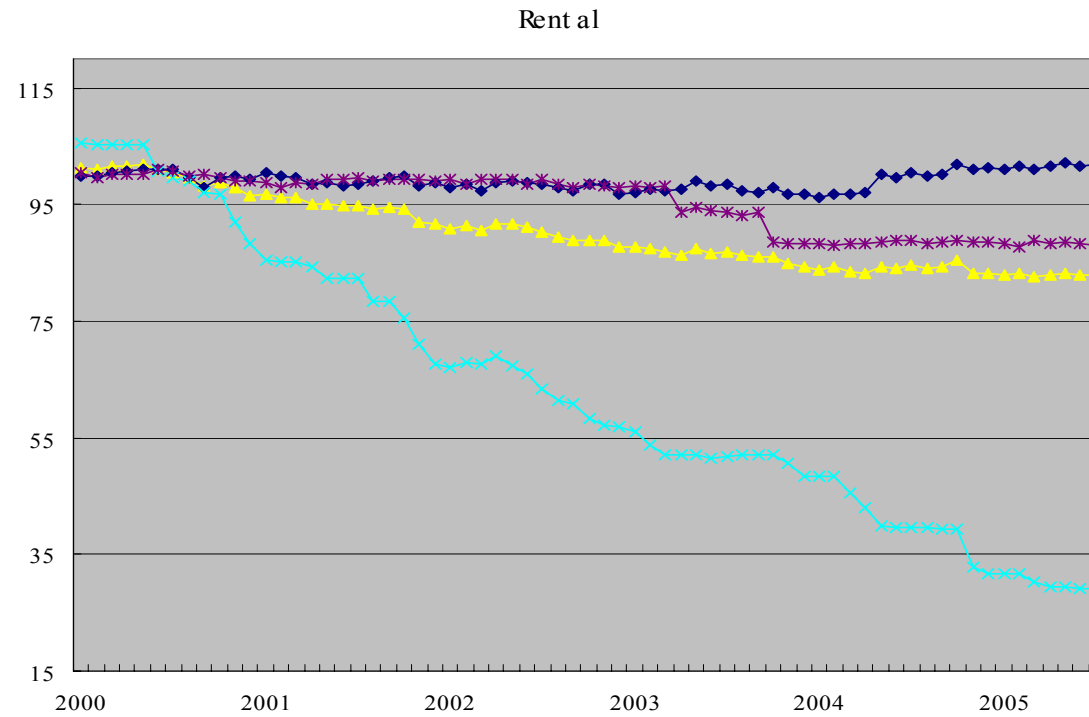
- A case where different treatment in quality adjustment between CSPI and CGPI
 - As the service of “motor vehicle rental” are classified by type of automobile (e.g., normal-size car, small size car, truck and van) and type of contract (e.g., new contract, continuing contract), a certain range of automobiles are bundled as a group and are treated as unchanged in quality, while the different automobiles in the CGPI are treated as different products and are tried to be quality adjusted.

Index Developments

Rental and Leasing

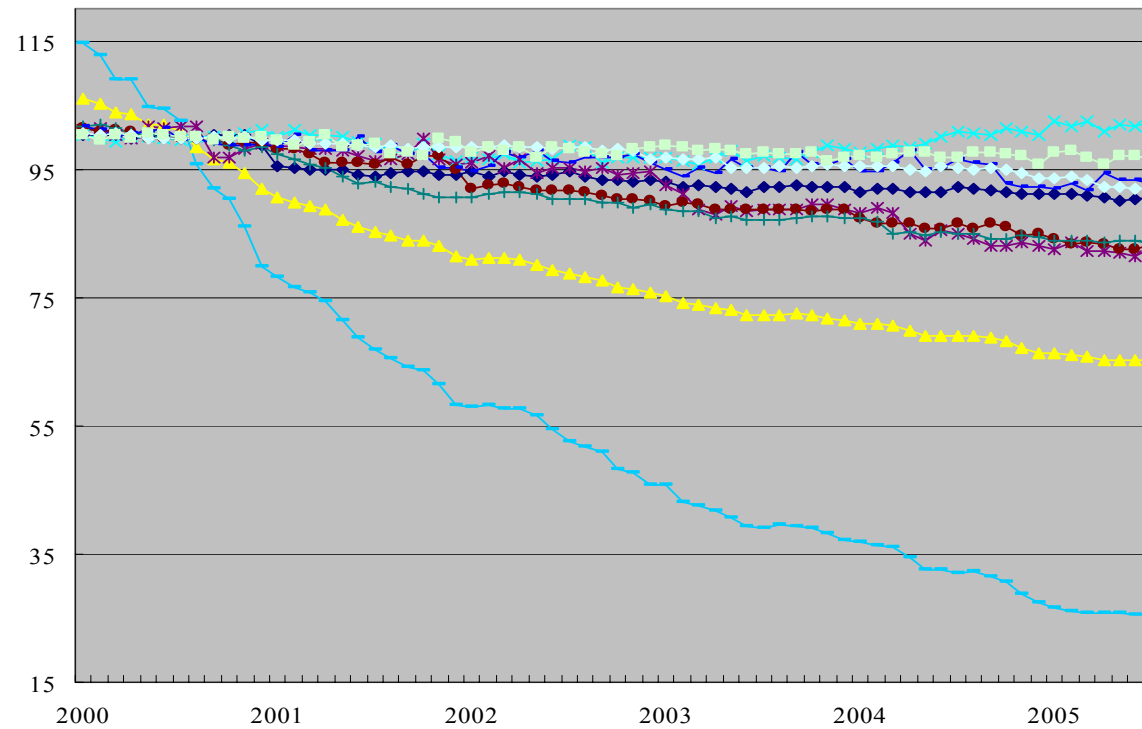


Index Developments



Index Developments

Leasing



Concluding Remarks

- “Rental” and “leasing” have had a significant downward influence on the CSPI.
 - Contributed toward a decrease in the total CSPI by around 0.5 ~ 1.0 percent.
 - The main reason of the price decrease is the decrease in inflators or rented goods due to quality improvement.