

December 9, 2015

Nowcast Inc.

Nikkei Inc.

Launch of New Subscription Service “Nikkei CPINow” and Release of New “CPINow” Price Indexes

Nowcast Inc. (Head office: Bunkyo Ward, Tokyo; CEO: Atsuo Akai; referred to as “Nowcast” below) and Nikkei Inc. (Head office: Chiyoda Ward, Tokyo; CEO: Naotoshi Okada; referred to as “Nikkei” below) are pleased to announce that they will jointly launch “Nikkei CPINow” on January 5, 2016, a service providing economic statistics for subscribers.

“Nikkei CPINow” is a new service providing economic statistics making it possible to nowcast economic developments. The service will start by disseminating a new price index, the “CPINow” (*1), which succeeds and improves on the Nikkei UTokyo Daily Price Index.

Nowcast and Nikkei are in the process of accepting applications for trial subscriptions to receive and experience “Nikkei CPINow” for free from January to March 2016.

◆ Those interested can apply for a trial subscription here:

<https://lp.nowcast.co.jp/register/en>

What is Nikkei CPINow?

Nikkei CPINow is a database service providing economic statistics making it possible to nowcast economic developments, that is, to gauge them almost in real time.

Economic statistics are widely used by policy makers and financial institutions as well as business corporations as a key input in making policy and investment decisions. However, in the case of many economic statistics, there is a considerable lag between the time that

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they are surveyed and the time they are released, making it extremely difficult not only to predict the future, but even to accurately gauge the current situation.

“Nikkei CPINow” is a statistical database that provides real-time economic statistics using so-called “big data” gathered on a real-time basis. To start with, when the service launches in January 2016, it will disseminate the new “CPINow” price index, which succeeds and improves upon the Nikkei UTokyo Daily Price Index.

In conjunction with the launch of the “CPINow,” updating of the Nikkei UTokyo Daily Price Index by the University of Tokyo research office of Professor Tsutomu Watanabe (Founder and Technical Advisor of Nowcast) will be discontinued at the end of 2015.

What is the CPINow?

The official consumer price index (CPI) for Japan showing developments in the economy is the CPI published by the Statistics Bureau, Ministry of Internal Affairs and Communications. This is the price index representing price developments in Japan as a whole, and the Bank of Japan uses the year-on-year rate of change in this index as its price stability target. However, because there is a time lag of about one and a half months between the day prices are surveyed and the day the index is released, the index makes it difficult to gauge price developments in a timely manner. In addition, because it is calculated as a fixed-weighted Laspeyres index, in which the weight attached to the price of individual items is fixed for five years, it is slow to reflect changes in consumers’ lifestyles.

It is against this background that the Nikkei UTokyo Daily Price Index was launched in May 2013. Using point of sale (POS) data measuring in real time the prices and quantities of items sold and thus providing a system whereby a price index for a particular day could be released two days later, and calculated as a Törnqvist index that reflects changes in consumption patterns, the Nikkei UTokyo Daily Price Index represented a great improvement on the official CPI in terms of timeliness and accuracy.

The CPINow, which succeeds the Nikkei UTokyo Daily Price Index, will build and expand on these strengths. In fact, for the CPINow, the number of retail stores from which prices are collected will be more than doubled from the 300 for the Nikkei UTokyo Daily Price Index to about 800, and a variety of different time series – in addition to general and

item-specific series – will be released.

Details of the CPINow time series to be released

The number and range of time series released as part of the CPINow will be greatly expanded from the Nikkei UTokyo Daily Price Index and will eventually reach more than 1,700 series. Specifically, apart from the “CPINow-T,” which is constructed in the same way as, and succeeds, the Nikkei UTokyo Daily Price Index, the “CPINow-S” will be released in response to demands for a real-time estimate of the official CPI. Moreover, various derivations of the CPINow-T will be released, such as series showing developments in regular prices – that is, excluding the effect of special sales – and series showing developments in sales turnover.

It is planned that the CPINow data will include past data covering the period before the start of the service in January 2016.

The CPINow-T

The CPINow-T is a Törnqvist index – a type of index that in index theory is considered to have a number of highly desirable properties – that seeks to provide a truer representation of developments in consumer prices. A key challenge frequently faced in constructing a Törnqvist price index is the need to collect data not only on the prices but also on the quantities of items sold, but this issue is resolved by the use of POS data. A further advantage of the CPINow-T is the promptness with which the index is available: as in the case of the Nikkei UTokyo Daily Price Index, the data are collected and the index is calculated and released two days after transactions took place. The survey for the CPINow-T will cover more than 800 retail stores (compared to 300 for the Nikkei UTokyo Daily Price Index) and more than 300,000 different products comprising daily necessities and food items. Further, it is planned to develop new data sources and increase the number of retail stores and number of products covered in the survey.

Plans also include the publication of various additional series, alongside the general index, that allow users to conduct more in-depth analyses. Examples of such series are a mode index, which captures underlying price trends excluding special sales, and a sales turnover index showing developments in sales turnover at supermarkets across Japan.

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The CPINow-S

The CPINow-S will be based on the same index formula (Laspeyres formula) and specification of representative items as the official CPI in order to provide a real-time estimate of the official CPI published by the Statistics Bureau. (*2) Whereas the official CPI for a particular month is published after one and a half months, the CPINow-S for a particular month will be released in the middle of that month. Because the index formula adopted is the Laspeyres formula, it is not necessary to gather data on the quantity sold at the time of each survey. Therefore, in addition to the same data sources as those used for the T index, it is possible to use data such as sales prices on the internet (through so-called “web scraping”), so that the scope of items covered is going to be wider than for the T index.

*1 Nowcast will release the new price index under the name “Nikkei CPINow.” For details, see the press release “Provision of New Price Indexes Under the Name ‘Nikkei CPINow.’”

*2 The calculation methodology was developed by Nowcast based on the paper “Replicating Japan’s CPI Using Scanner Data” presented by Tsutomu Watanabe (Founder and Technical Advisor of Nowcast) and Satoshi Imai (CTO and Chief Analyst of Nowcast) at the Ottawa Group Meeting 2015:
http://www.stat.go.jp/english/info/meetings/og2015/pdf/t1s3p9_pap.pdf

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