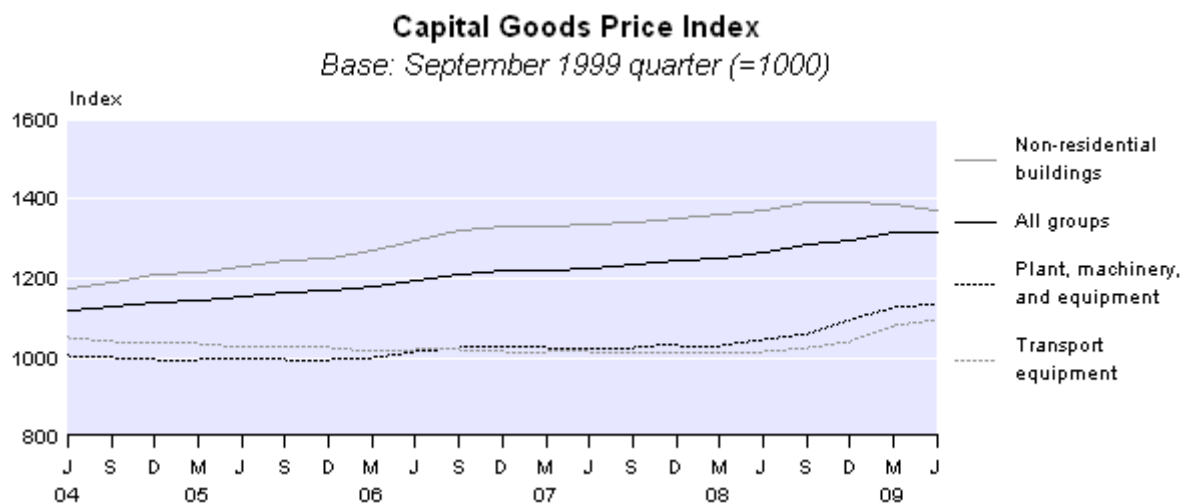


Embargoed until 10:45 am – 19 August 2009

Capital Goods Price Index: June 2009 quarter

Highlights

- The Capital Goods Price Index (CGPI) rose 0.3 percent.
- The plant, machinery and equipment index rose 0.9 percent.
- The non-residential buildings index fell 1.1 percent.
- The CGPI rose 4.1 percent in the year to the June 2009 quarter.



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Commentary

Capital goods price index

The Capital Goods Price Index (CGPI) rose 0.3 percent in the June 2009 quarter. The latest rise followed rises of 1.2 percent in the March 2009 quarter and 1.1 percent in the December 2008 quarter. It is also the smallest quarterly rise since a 0.3 percent rise in the March 2007 quarter.

Four out of six asset groups in the CGPI rose in the June 2009 quarter. The most significant upward contribution to the CGPI was the plant, machinery and equipment index (up 0.9 percent). Further upward contributions came from the transport equipment index (up 1.4 percent), other construction (up 1.0 percent), and land improvements (up 0.5 percent). Some offsetting impact came from falls in the non-residential buildings index (down 1.1 percent) and the residential buildings index (down 0.3 percent).

The following table shows the amount that each asset group contributed to the All Groups CGPI movement from the March 2009 quarter to the June 2009 quarter.

Capital Goods Price Index <i>Index points contribution</i>	
Asset group	March 2009 quarter to June 2009 quarter
Plant, machinery and equipment	3.39
Transport equipment	1.99
Other construction	1.22
Land improvements	0.11
Residential buildings	-1.05
Non-residential buildings	-2.37
All groups	3.27

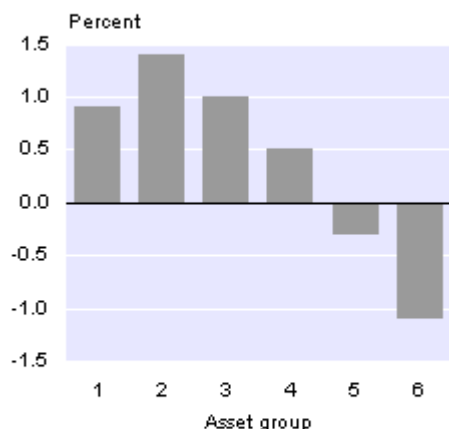
Note: Points contributions may not sum to total due to rounding.

The CGPI rose 4.1 percent from the June 2008 quarter to the June 2009 quarter. This compares with rises of 3.1 percent in the year to the June 2008 quarter and 2.8 percent in the year to the June 2007 quarter.

CGPI Asset Groups

Quarterly change

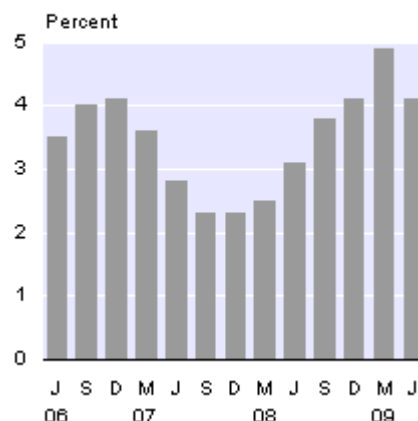
June 2009 quarter



- 1 Plant, machinery, and equipment
- 2 Transport equipment
- 3 Other construction
- 4 Land improvements
- 5 Residential buildings
- 6 Non-residential buildings

CGPI All Groups

Annual change



Plant, machinery and equipment

The plant, machinery and equipment index rose 0.9 percent in the June 2009 quarter. This was the most significant upward contribution to the CGPI and follows larger rises of 2.7 percent in the March 2009 quarter and 3.4 percent in the December 2008 quarter.

The 0.9 percent rise in the plant, machinery and equipment index follows four larger quarterly rises within the range of 1.1 to 3.4 percent. Some asset types rose in the June 2009 quarter, with respondents citing higher supplier prices as the main reason for price increases, while some asset types fell, partly due to the appreciation of the New Zealand dollar.

In the year to the June 2009 quarter, the plant, machinery and equipment index rose 8.4 percent. This compares with annual rises of 2.2 percent in the year to the June 2008 quarter, and 1.1 percent in the year to the June 2007 quarter.

Transport equipment

The transport equipment index (up 1.4 percent) made the second largest contribution to the latest quarterly rise in the CGPI. This follows the record 3.8 percent rise in the March 2009 quarter and a 1.5 percent rise in the December 2008 quarter. The largest contributor to the latest quarterly increase was the index for cars over 1600cc (up 1.3 percent). The next two largest contributions came from commercial vehicles 3500kg and under (up 2.3 percent), and cars 1600cc and under (up 2.4 percent). Respondents cited higher supplier prices as the reason for many of the increases.

In the year to the June 2009 quarter, the transport equipment index rose 7.6 percent. This annual rise is the largest since an identical rise in the year to the December 1992 quarter. The latest annual movement follows a 0.1 percent fall in the year to the June 2008 quarter and a 0.4 percent fall in the year to the June 2007 quarter.

Other construction

The other construction index rose 1.0 percent in the June 2009 quarter, following rises of 1.6 percent in the March 2008 quarter and 0.9 percent in the December 2008 quarter. In the latest quarter, this index was driven up by higher prices for the construction of roads, followed by higher prices in the construction of water supply systems.

In the year to the June 2009 quarter, the other construction index rose 5.8 percent. This follows increases of 4.9 percent in the year to the June 2008 quarter and 3.1 percent in the year to the June 2007 quarter.

Land improvements

The land improvements index rose 0.5 percent in the June 2009 quarter, after recording no change in the March 2009 quarter. The latest quarter's movement was driven up by higher costs for reclamation and river control (up 0.9 percent), and a 0.6 percent rise for land clearing and establishment, which was partly due to price rises for some fertilisers and seeds.

In the year to the June 2009 quarter, the land improvements index rose 6.4 percent. This follows annual rises of 10.9 percent in the year to the June 2008 quarter, and 4.8 percent in the year to the June 2007 quarter.

Residential buildings

The residential buildings index fell 0.3 percent in the June 2009 quarter, following falls of 0.1 percent in the March 2009 quarter and 0.3 percent in the December 2008 quarter. The latest fall was driven by lower labour rates and contractors' margins in the construction of apartment buildings.

In the year to the June 2009 quarter, the residential buildings index rose 0.8 percent. This is the smallest annual increase since a 0.2 percent rise in the year to the September 1999 quarter. In comparison with recent years, this index rose 4.4 percent in the year to the June 2008 quarter and 5.1 percent in the year to the June 2007 quarter.

Non-residential buildings

The non-residential buildings index fell 1.1 percent in the June 2009 quarter, the largest quarterly decrease since the series began in the December 1989 quarter. This follows falls of 0.4 percent in the March 2009 quarter and 0.2 percent in the December 2008 quarter. The largest contributions came from the sub-indexes for shops and offices (down 1.4 percent) and other non-residential buildings (down 0.9 percent). These falls were driven by lower labour rates and contractors' margins.

In the year to the June 2009 quarter, the non-residential buildings index fell by 0.1 percent. This was the first annual decrease in this index since a 0.5 percent fall in the year to the March 1999 quarter. The fall in the year to the June 2009 quarter follows a 2.8 percent rise in the year to the June 2008 quarter, and a 3.1 percent rise in the year to the June 2007 quarter.

Impact of exchange rates

When calculating the CGPI, prices collected on the fifteenth day of the middle month in the quarter are generally used to represent the entire quarter. Prices collected for imported goods are often denominated in foreign currencies. These prices are converted to New Zealand dollars using the exchange rates at the time of pricing.

The New Zealand dollar appreciated against four key currencies of the country's five major trading partners in the June 2009 quarter, falling only against the Australian dollar. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the March 2009 quarter to the June 2009 quarter.

Exchange Rates <i>(Published by Westpac Bank)</i> Bank selling rates for NZ\$1.00					
	USA (NZ\$:US\$)	UK (NZ\$:Pound)	Australia (NZ\$:AUS\$)	Japan (NZ\$:Yen)	Europe (NZ\$:Euro)
15 February 2009	0.5155	0.3607	0.7916	47.1833	0.4006
15 May 2009	0.5899	0.3879	0.7776	56.5095	0.4315
Percentage change	14.4	7.5	-1.8	19.8	7.7

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Next release ...

Capital Goods Price Index: September 2009 quarter will be released on 16 November 2009.

Technical notes

Index coverage

The Capital Goods Price Index (CGPI) provides a measure of the price level changes for physical capital assets purchased by producers of goods and services throughout the economy.

Exclusions from index

Large value items that are non-recurring and/or manufactured to customer specifications (such as aircraft and ships) have been excluded from the price survey. Second-hand equipment (such as cars) has also been excluded from the index.

Calculation

The CGPI is a Laspeyres base-weighted price index series. The weights of the commodities are determined by the relative importance within each of the asset type indexes. Weighting information has been derived from statistics on external trade, manufacturing and building, and vehicle registrations, as well as discussions with manufacturers, importers, wholesalers and retailers. Data for several years have been used, as expenditure on capital goods can be irregular. GST is excluded from prices used in this index because it is recoverable for GST-registered businesses.

Data quality

All care has been used in surveying, processing, analysing and extracting the data for the CGPI. However, all data are subject to possible statistical uncertainty. These variations may result, for example, from uncertainty introduced during non-response imputation, or from reporting difficulties for respondents, or errors made during processing survey results. Statistics New Zealand adopts procedures to detect and minimise avoidable variation and eliminate errors, but they may still occur and they are not quantifiable. At higher levels of aggregation, much of the individual variability often cancels out. The CGPI data has been checked at published and underlying level indexes to identify any remaining detectable errors and uncertainty, and these are corrected or re-estimated, where possible. Ongoing work to redevelop, reweight and enhance price indexes has the potential to change the underlying indexes. Accordingly, this data may be subject to revisions in the future.

Coverage

The index is calculated quarterly from price quotes collected by postal survey. Approximately 13,000 individual commodity items are surveyed from about 3,000 respondents to provide prices for use in the CGPI and other business price indexes. When calculating the CGPI, prices collected on the fifteenth day of the middle month of the quarter are generally used to represent the entire quarter. Prices collected for imported goods are often denominated in foreign currencies. These are converted to New Zealand dollars using the exchange rate at the time of pricing.

More information

For more information, follow the link from the Technical notes of this release on the Statistics New Zealand website.

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Timing

Timed statistical releases are delivered using postal and electronic services provided by third parties. Delivery of these releases may be delayed by circumstances outside the control of Statistics NZ. Statistics NZ accepts no responsibility for any such delays.

Tables

The following tables are printed with this Hot Off The Press and can also be downloaded from the Statistics New Zealand website in Excel format. If you do not have access to Excel, you may use the [Excel file viewer](#) to view, print and export the contents of the file

1. Capital Goods price index
2. Capital Goods price index, percentage change from previous quarter
3. Capital Goods price index, percentage change from same quarter of previous year