

Embargoed until 10:45am – 18 May 2010

Capital Goods Price Index: March 2010 quarter

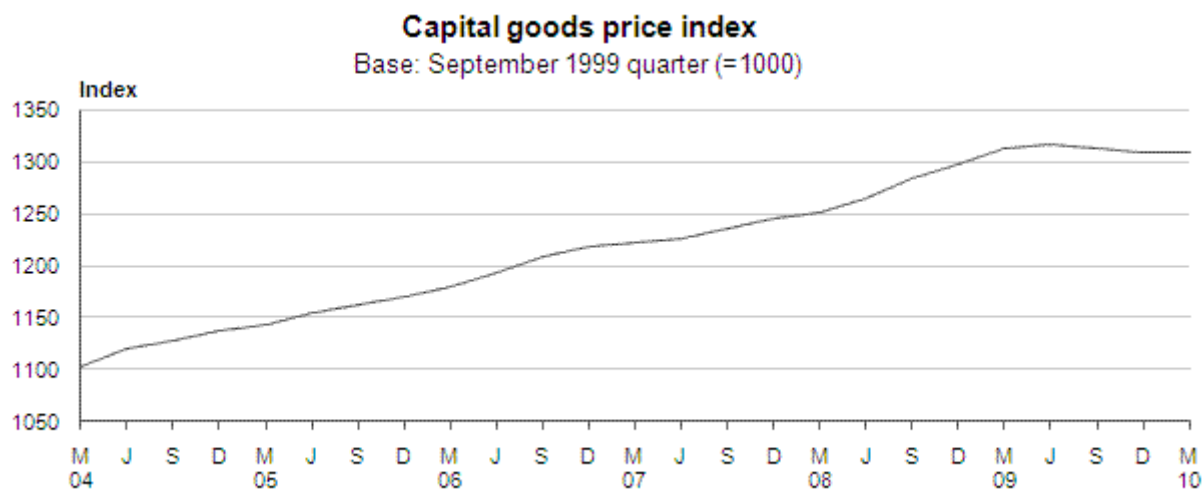
Highlights

In the March 2010 quarter compared with the December 2009 quarter:

- The capital goods price index (CGPI) fell 0.1 percent.
- The plant, machinery, and equipment index fell 0.6 percent.
- The transport equipment index rose 0.5 percent.

From the March 2009 quarter to the March 2010 quarter:

- The CGPI fell 0.4 percent. This is the first annual decrease since the December 1998 quarter.



Source: Statistics New Zealand

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Commentary

Capital goods price index

The capital goods price index (CGPI) fell 0.1 percent in the March 2010 quarter. The latest decrease compares with falls of 0.2 percent in the December 2009 quarter and 0.4 percent in the September 2009 quarter.

Two out of six asset groups in the CGPI fell in the March 2010 quarter. The plant, machinery, and equipment index fell 0.6 percent, making the most significant downward contribution to the CGPI, while the non-residential buildings index fell 0.1 percent. The transport equipment index rose 0.5 percent in the March 2010 quarter, making the most significant upward contribution to the CGPI, followed by the residential buildings index (up 0.1 percent).

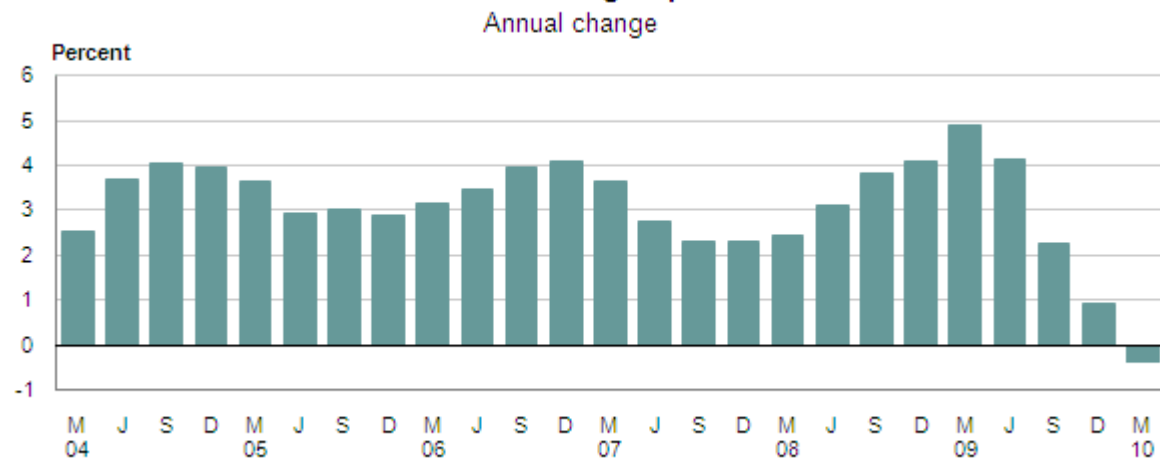
The following table shows the amount that each asset group contributed to the all groups CGPI movement from the December 2009 quarter to the March 2010 quarter.

Capital goods price index	
Index points contribution	
Asset group	December 2009 quarter to March 2010 quarter
Plant, machinery, and equipment	-2.36
Non-residential buildings	-0.30
Land improvements	0.06
Other construction	0.30
Residential buildings	0.46
Transport equipment	0.73
All groups	-1.10

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

The CGPI fell 0.4 percent in the year to the March 2010 quarter. The annual decrease follows rises of 4.9 percent in the year to the March 2009 quarter and 2.5 percent in the year to the March 2008 quarter. The latest annual fall is the first annual decrease since the December 1998 quarter.

CGPI asset groups



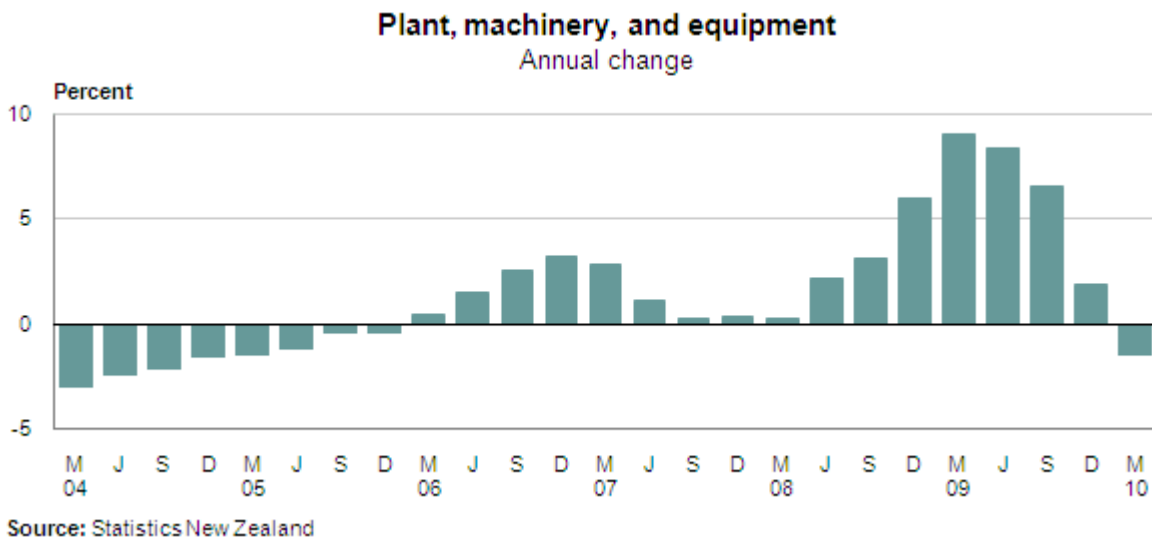
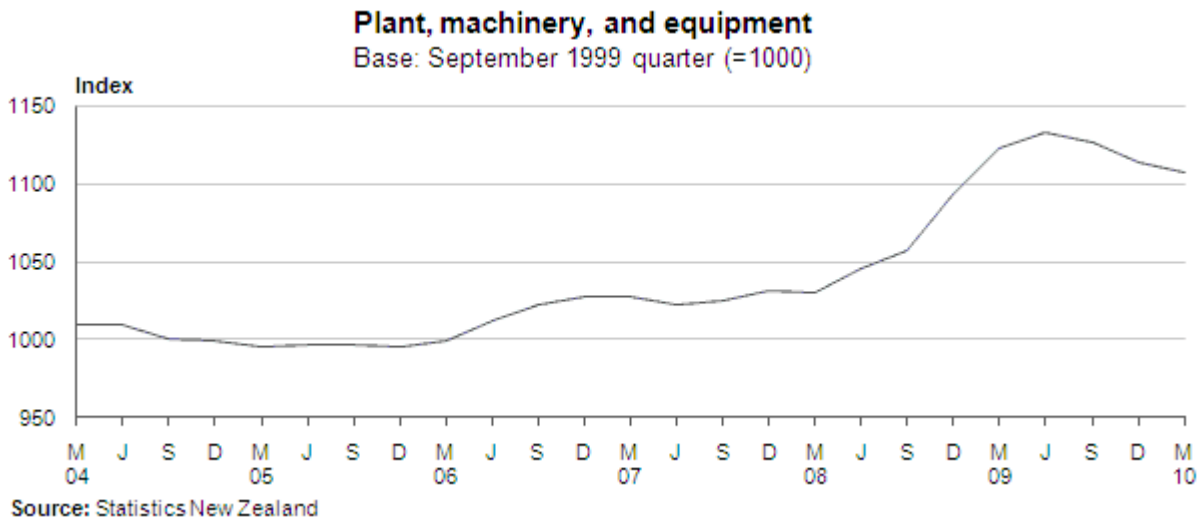
Source: Statistics New Zealand

Plant, machinery, and equipment

The most significant downward contribution to the CGPI came from the plant, machinery, and equipment index, which fell 0.6 percent in the March 2010 quarter.

The plant, machinery, and equipment index measures items such as computer machinery, furniture, and machinery for mining, quarrying, and construction. The major downward contributions came from the furniture sub-index (down 2.9 percent) and the television and radio transmitters and apparatus sub-index (down 3.2 percent), with lower prices resulting from discounting. The computer machinery sub-index (up 1.6 percent) made an upward contribution, with the rise being due to the depreciation of the New Zealand dollar against the United States dollar in this quarter.

On an annual basis, the plant, machinery, and equipment index fell 1.4 percent in the year to the March 2010 quarter. This is the first annual decrease in this series since the December 2005 quarter.

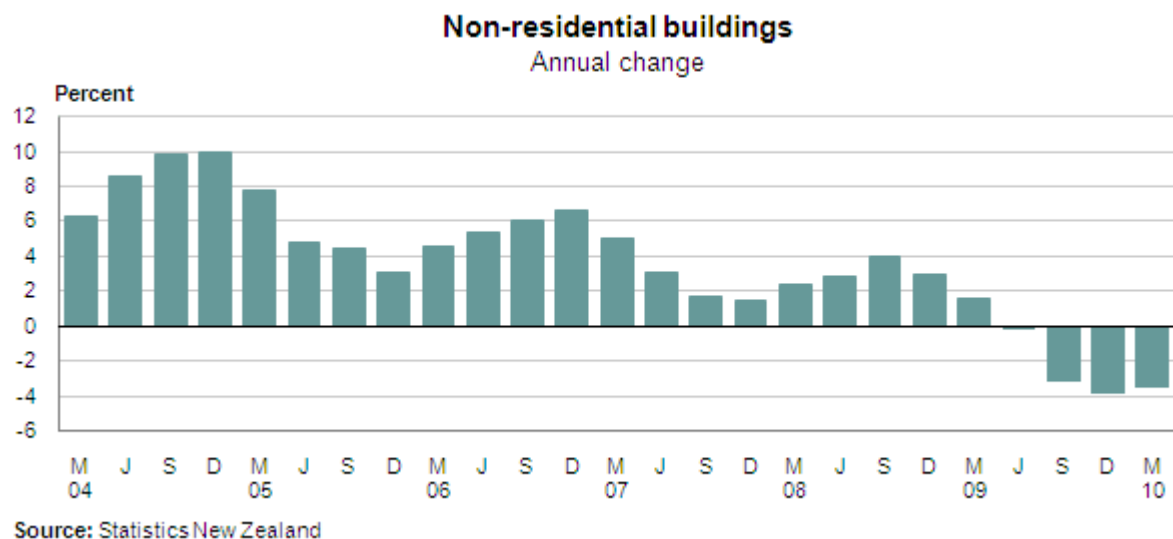
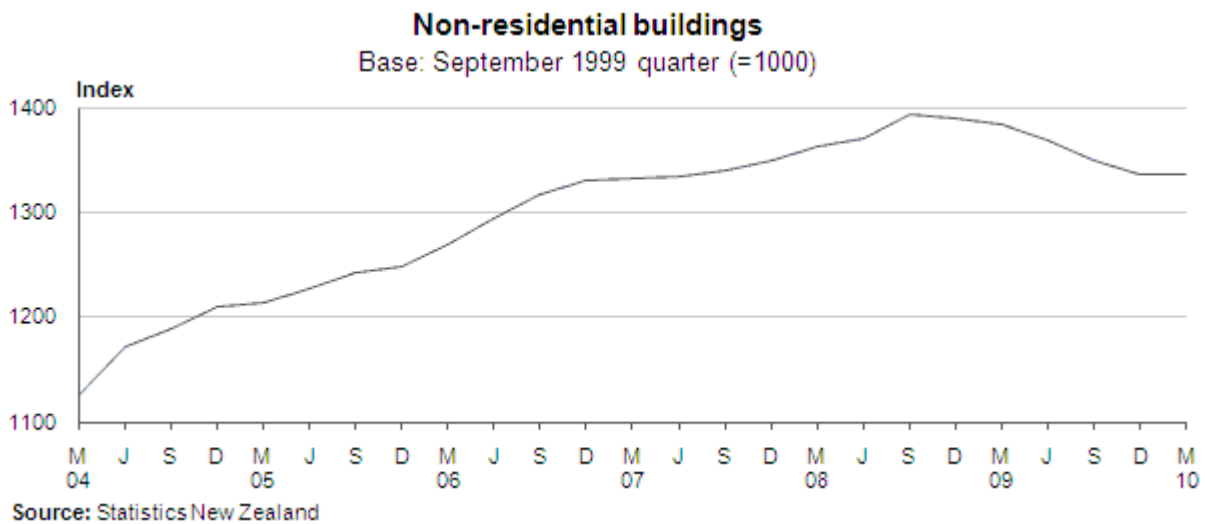


Non-residential buildings

The non-residential buildings index fell 0.1 percent in the March 2010 quarter, following falls of 1.0 percent and 1.4 percent in the December and September 2009 quarters, respectively. This index made the second largest downward contribution to the CGPI.

The main contributors were the sub-indexes for farm buildings (down 1.0 percent), warehouses and factories (down 0.1 percent), and shops and offices (down 0.1 percent). Falling material prices for items such as stainless steel, along with lower local demand were cited as the main reasons for the falls.

In the year to the March 2010 quarter, the non-residential buildings index fell 3.5 percent, following falls of 3.8 percent in the year to the December 2009 quarter and 3.1 percent in the year to the September 2009 quarter.

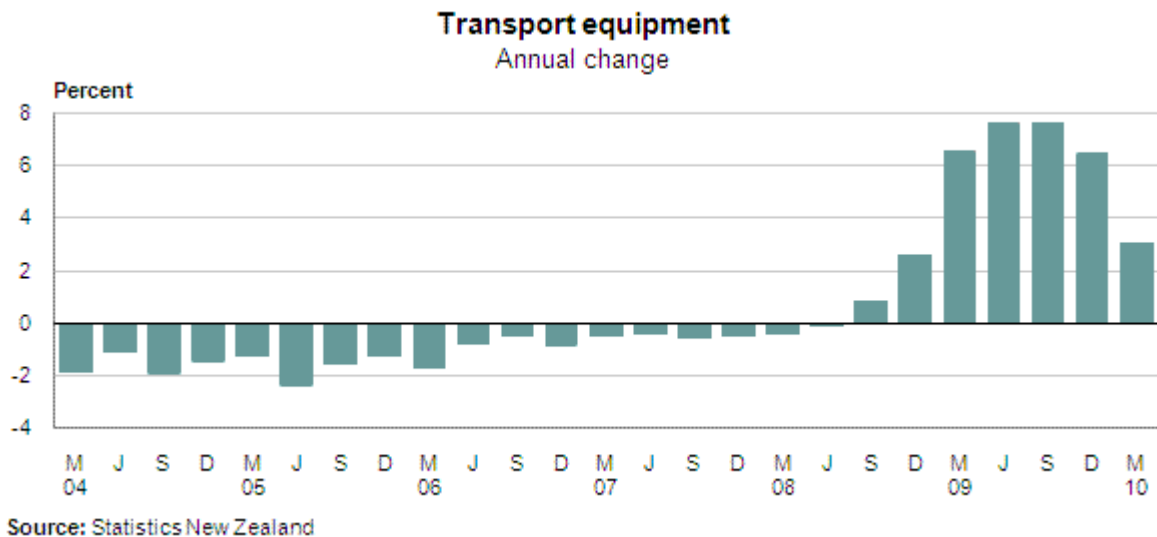
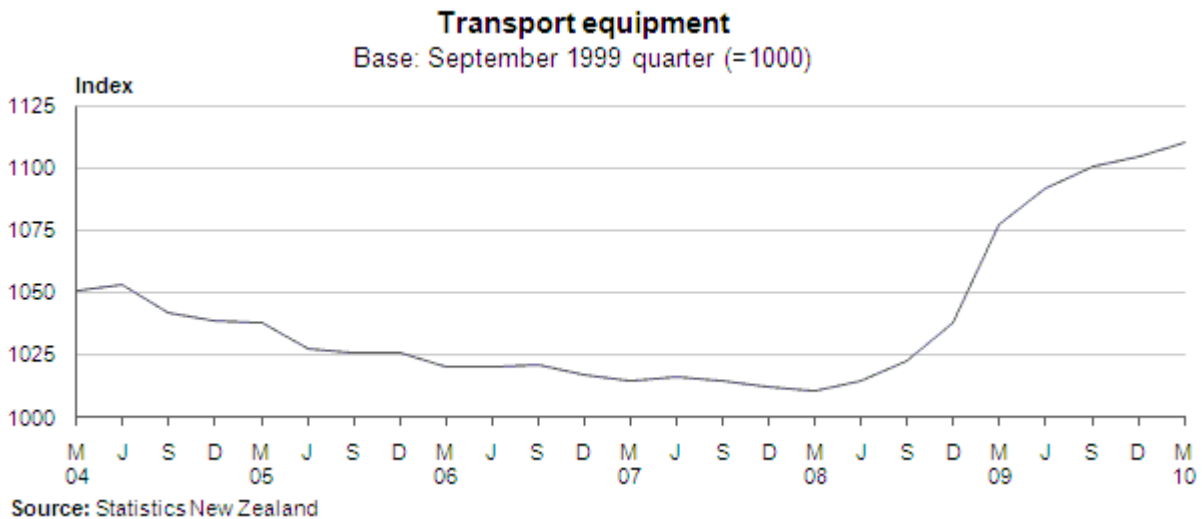


Transport equipment

The transport equipment index (up 0.5 percent) made the most significant upward contribution to the CGPI in the March 2010 quarter. This followed increases of 0.4 percent and 0.8 percent for the December and September 2009 quarters, respectively.

The major upward contributions came from the sub-indexes for commercial vehicles 3500kg and under (up 0.7 percent) and helicopters (up 7.2 percent, reflecting the depreciation of the New Zealand dollar).

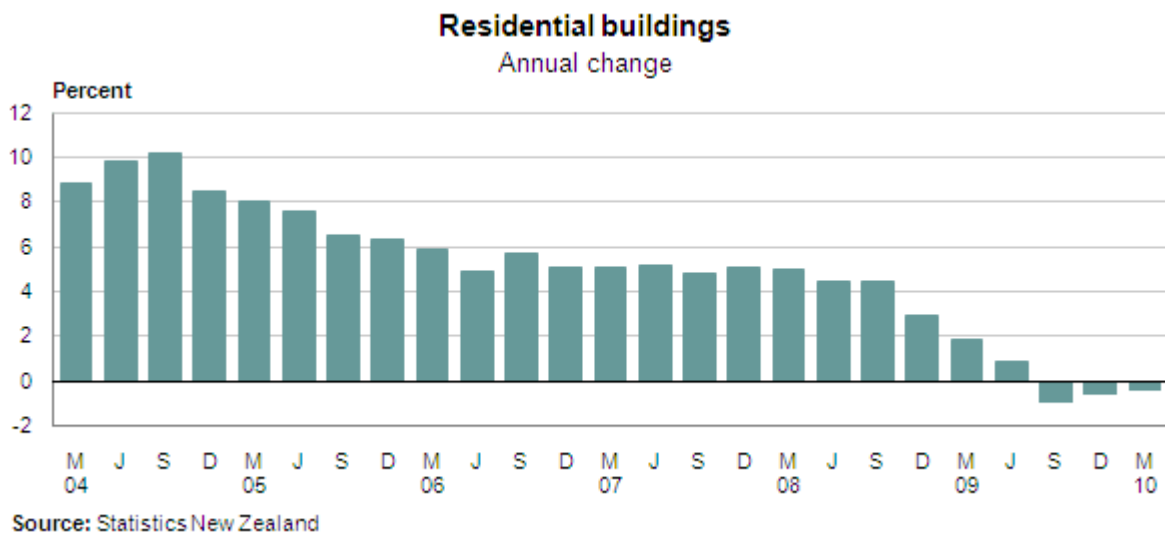
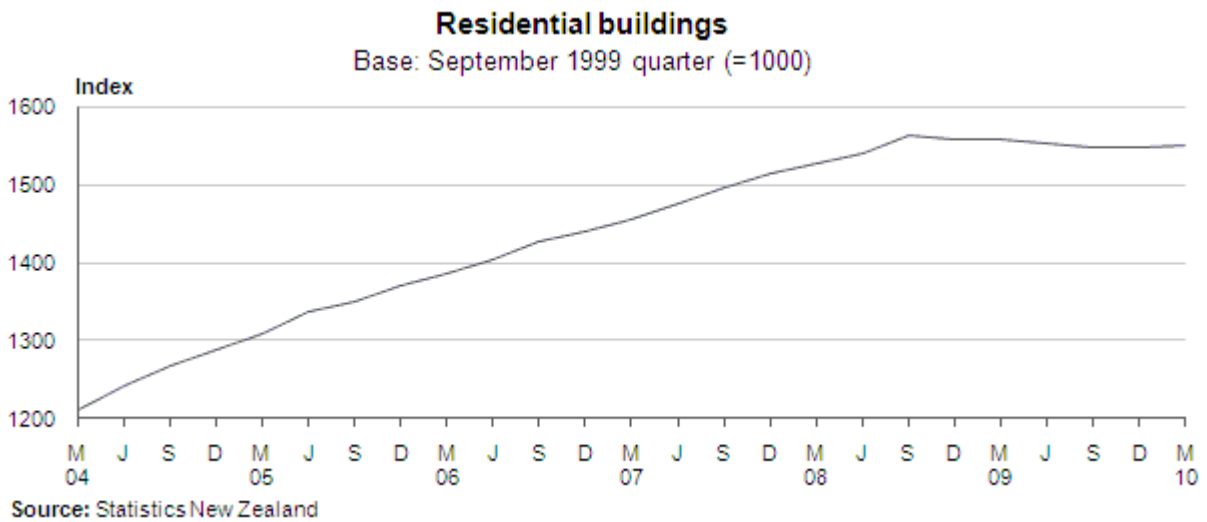
In the year to the March 2010 quarter, the transport equipment index rose 3.1 percent. This annual increase follows a rise of 6.5 percent in the year to the March 2009 quarter and a 0.4 percent fall in the year to the March 2008 quarter.



Residential buildings

The residential buildings index rose 0.1 percent in the March 2010 quarter. The latest rise follows a 0.1 percent rise in the December 2009 quarter and a 0.4 percent fall in the September 2009 quarter. Higher prices for dwellings and out-buildings (up 0.2 percent) were partly offset by the hostels and boarding houses sub-index (down 0.1 percent).

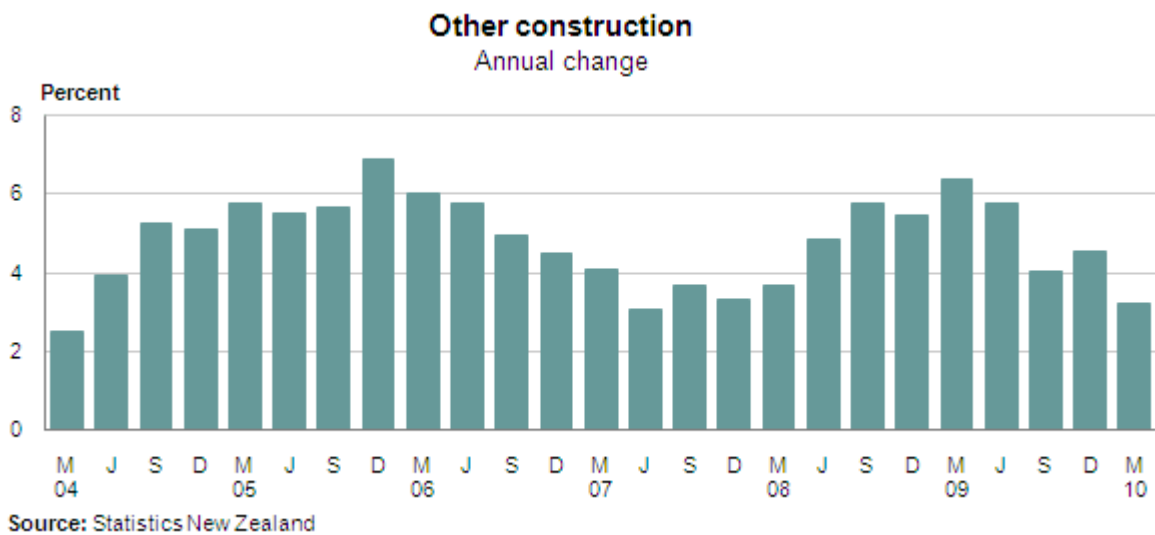
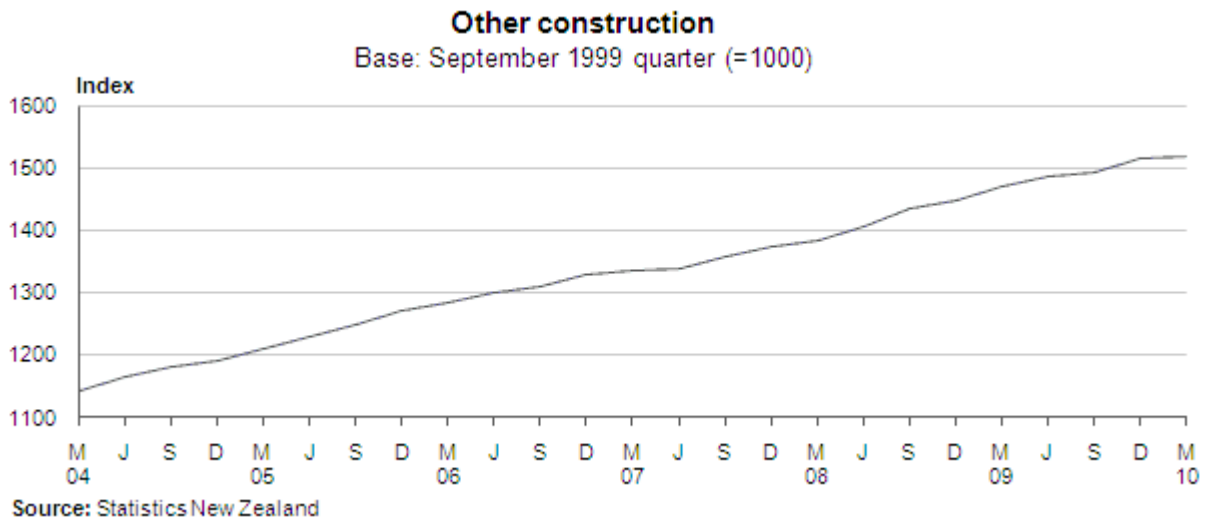
For the year to the March 2010 quarter the residential buildings index continued a downward trend, falling 0.4 percent, following a 1.9 percent rise in the year to the March 2009 quarter and a 5.0 percent rise in the year to the March 2008 quarter.



Other construction

The other construction index rose 0.3 percent in the March 2010 quarter, which is the smallest quarterly rise since the September 2003 quarter. The latest rise follows a 1.4 percent rise in the December 2009 quarter and a 0.5 percent rise in the September 2009 quarter. Higher prices for transport ways and pipelines contributed to the increase.

The other construction index rose 3.2 percent in the year to the March 2010 quarter, following rises of 6.4 percent and 3.7 percent in the years to the March 2009 and March 2008 quarters, respectively.



Impact of exchange rates

When calculating the CGPI, prices collected on the 15th 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.

In the March 2010 quarter, the New Zealand dollar depreciated against four key currencies of the country's five major trading partners, while appreciating against the euro. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the December 2009 quarter to the March 2010 quarter.

Exchange rates					
Bank selling rates for NZ\$1.00					
	USA (NZ\$:US\$)	UK (NZ\$:pound)	Australia (NZ\$:AUS\$)	Japan (NZ\$:yen)	Europe (NZ\$:euro)
15 November 2009	0.7337	0.4396	0.7873	65.4053	0.4895
15 February 2010	0.6884	0.4387	0.7764	61.6633	0.5031
Percentage change	-6.2	-0.2	-1.4	-5.7	2.8
Source: Westpac Banking Corporation					

Price index development

Reviews of the other construction, land improvements, and transport equipment indexes have been implemented this quarter. For more information, please see the 'Technical notes' section.

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Email: info@stats.govt.nz

Next release ...

Capital Goods Price Index: June 2010 quarter will be released on 19 August 2010.

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.

Price index development

Reviews of the other construction index, the land improvement index, and the transport equipment index were implemented in the March 2010 quarter. The reviews encompassed reselecting and reweighting the baskets of representative goods, to ensure these baskets continue to reflect changes in prices for each index.

The updated asset type weights are:

Asset weights for other construction December 2009 quarter	
Asset	Weight (%)
Transport ways	48.95
Pipelines	23.85
Earthmoving and site work	16.11
Electrical works	11.09
Note: The most significant change since the other construction industry was last redeveloped has been an increase in transport ways and a decrease in electrical works.	

Asset weights for land improvements December 2009 quarter	
Asset	Weight (%)
Land clearing and establishment	30.00
Fencing	28.67
Irrigation and land drainage	21.60
Reclamation and river control	19.73
Note: There were no major changes in the land improvements industry since the last redevelopment.	

Asset weights for transport equipment December 2009 quarter	
Asset	Weight (%)
Commercial vehicles 3500kg and under	38.89
Commercial vehicles over 3500kg	18.88
Cars over 1600cc	16.88
Trailers	14.32
Buses	5.22
Cars 1600cc and under	3.33
Helicopters	2.41
Motorcycles	0.07
Note: The most significant change since the transport equipment industry was last redeveloped has been an increase in trailers and all commercial vehicles and a decrease in all cars.	

For further information on the redevelopment, please contact Vanessa Turner at info@stats.govt.nz.

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 15th 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 currencies are converted to New Zealand dollars using the exchange rate at the time of pricing.

Contract indexation

Parties that engage in commercial contracts use a range of price indexes produced by Statistics NZ in their indexation clauses (also known as contract escalation clauses). An indexation clause provides both parties to a contract with an agreed procedure for adjusting an originally contracted price, to reflect changes in costs or prices during the life of the contract.

[Contract indexation: A Guide for Businesses](#) provides information on the price indexes Statistics NZ produces and issues relating to their use in indexation clauses. The guide also outlines some points to consider when preparing an indexation clause, and includes an example of the mechanics of a simple indexation formula.

Index series available online

To access more data from the CGPI series, go to [Infoshare](#) on the Statistics NZ website (www.stats.govt.nz) and choose:

Subject category: **Economic indicators**

Group: **Capital Goods Price Index.**

The time series can be downloaded in Excel or comma delimited format, where percentage movements can be calculated using the following formula: ((Index number for later period minus index number for earlier period) divided by index number for earlier period) multiplied by 100.

More information about [Infoshare](#) can be found on our website.

More information

For more information, follow the link from the 'Technical notes' section of this release on the Statistics NZ website.

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Timing

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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