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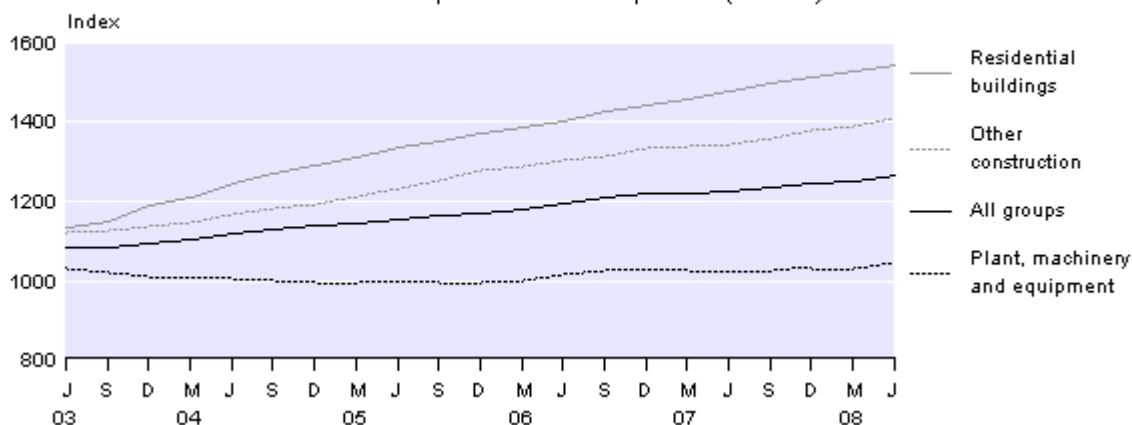
## Capital Goods Price Index: June 2008 quarter

### Highlights

- The Capital Goods Price Index (CGPI) rose 1.0 percent.
- The residential buildings index rose 0.8 percent.
- The plant, machinery and equipment index rose 1.5 percent.
- The CGPI rose 3.1 percent in the year to the June 2008 quarter.

### Capital Goods Price Index

Base: September 1999 quarter (=1000)



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See also [Capital Goods Price Index: June 2008 quarter – Media Release](#).

# Commentary

## Capital Goods Price Index

**Note:** Revisions have been made to some historical Capital Goods Price Index (CGPI) data. For more information please refer to Revisions at the end of this commentary.

The Capital Goods Price Index (CGPI) rose 1.0 percent in the June 2008 quarter, the largest increase since a rise of 1.2 percent in the September 2006 quarter. The latest rise follows increases of 0.5 percent in the March 2008 quarter, and 0.8 percent in the December 2007 quarter.

All six asset groups in the CGPI increased in the June 2008 quarter. The most significant upward contribution to the CGPI was from the plant, machinery and equipment index, which rose 1.5 percent. Further positive contributions came from the residential buildings index (up 0.8 percent), the other construction index (up 1.5 percent), the non-residential buildings index (up 0.6 percent), the land improvement index (up 3.8 percent), and the transport equipment index (up 0.4 percent).

The following table shows the amount that each asset group contributed to the All Group CGPI movement from the March 2008 quarter to the June 2008 quarter.

<b>Capital Goods Price Index</b> <i>Index points contribution</i>	
<b>Asset group</b>	<b>June 2008 quarter</b>
Plant, machinery and equipment	4.68
Residential buildings	3.46
Other construction	1.90
Non-residential buildings	1.32
Land improvement	0.84
Transport equipment	0.54
All groups	12.74

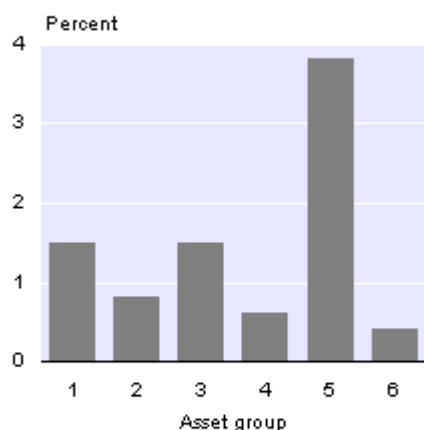
**Note:** Points contributions may not sum to total due to rounding.

On an annual basis, the CGPI rose 3.1 percent from the June 2007 quarter to the June 2008 quarter. This follows increases of 2.8 percent in the year to the June 2007 quarter, and 3.5 percent in the year to the June 2006 quarter.

## CGPI Asset Groups

Quarterly change

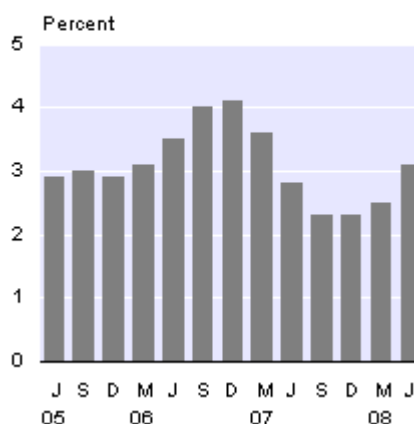
June 2008 quarter



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

## CGPI All Groups

Annual change



## Plant, machinery and equipment

The plant, machinery and equipment index rose 1.5 percent in the June 2008 quarter. This was the most significant upward contribution to the CGPI, and the largest increase since the December 2000 quarter. The latest rise compares with a 0.1 percent fall in the March 2008 quarter, and a 0.6 percent rise in the December 2007 quarter. The rise in the plant, machinery and equipment index in the June 2008 quarter was mainly driven by higher prices for printing machinery and parts (due to higher suppliers' prices and depreciation of the New Zealand dollar, as cited by respondents), and higher suppliers' prices in components for agricultural and forestry equipment.

In the year to the June 2008 quarter, the plant, machinery and equipment index rose 2.2 percent, following annual rises of 1.1 percent in the year to the June 2007 quarter, and 1.5 percent in the year to the June 2006 quarter.

## Residential buildings

In the June 2008 quarter, the residential buildings index increased 0.8 percent and was the second most significant positive contributor to the CGPI. This was the smallest increase since a 0.7 percent rise in the September 2002 quarter. The main driver for the latest increase was the construction of new houses.

The same survey data used to measure the purchase and construction of new dwellings in the Consumers Price Index is used in the residential buildings index in the CGPI. This information is supplemented with additional data from the Producers Price Index, collected through the Commodity Price Survey. The most common reason cited by respondents for the increase in the June 2008 quarter was higher prices for construction components.

In the year to the June 2008 quarter, the residential building index rose 4.4 percent, which was the smallest annual increase since the year to the September 2003 quarter. The latest annual rise compares with annual increases of 5.1 percent to the June 2007 quarter, and 4.9 percent to the June 2006 quarter.

## **Other construction**

The other (non-building) construction index rose 1.5 percent in the June 2008 quarter, following rises of 0.7 percent and 1.2 percent in the March 2008 and the December 2007 quarters, respectively. The major contributors to the latest rise in the index were higher raw material costs for pipes in construction of urban drainage and sewerage systems, and increases in suppliers' prices in components for telecommunication works.

In the year to the June 2008 quarter, the other construction index rose 4.9 percent. This follows increases of 3.1 percent and 5.8 percent in the years to the June 2007 and 2006 quarters, respectively.

## **Non-residential buildings**

The non-residential buildings index rose 0.6 percent in the June 2008 quarter, which follows rises of 1.0 percent in the March 2008 quarter, and 0.7 percent in the December 2007 quarter. The latest rise was influenced by higher prices for reinforcing steel products, and increased costs for structural steelwork in the construction of shops and offices, and of warehouses and factories.

Annually, the non-residential buildings index rose 2.8 percent for the year to the June 2008 quarter. This compares with rises of 3.1 percent in the year to the June 2007 quarter, and 5.4 percent in the year to the June 2006 quarter.

## **Land improvement**

In the June 2008 quarter, the land improvement index rose 3.8 percent, the largest increase since the series began in the December 1989 quarter. Increased supplier's prices in chemicals for land clearing, and in wire for fencing, were the main drivers for the latest increase.

In the year to the June 2008 quarter, the land improvement index rose 10.9 percent, which was the largest annual increase since the series began. The latest annual rise compares with increases of 4.8 percent and 3.9 percent in the years to the June 2007 and June 2006 quarters, respectively.

## **Transport equipment**

The transport equipment index rose 0.4 percent in the June 2008 quarter, mainly driven by higher prices for commercial vehicles greater than 3500kg and imported buses. The June 2008 quarter's increase was the first since the September 2006 quarter.

In the year to the June 2008 quarter, the transport equipment index fell 0.1 percent. This follows falls of 0.4 percent and 0.8 percent in the years to the June 2007 and 2006 quarters, respectively.

## 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 are converted to New Zealand dollars using the exchange rates at the time of pricing.

The New Zealand dollar depreciated against the currencies of the country's five major trading partners in the June 2008 quarter. The table below shows changes in the value of the New Zealand dollar, in foreign currency denominations, from the March 2008 quarter to the June 2008 quarter.

<b>Exchange Rates</b> <i>(Published by Westpac Bank)</i> Bank selling rates for NZ\$1.00					
	<b>USA</b> <b>(NZ\$:US\$)</b>	<b>UK</b> <b>(NZ\$:Pound)</b>	<b>Australia</b> <b>(NZ\$:AUS\$)</b>	<b>Japan</b> <b>(NZ\$:Yen)</b>	<b>Europe</b> <b>(NZ\$:Euro)</b>
15 February 2008	0.7844	0.3982	0.8690	84.2953	0.5341
15 May 2008	0.7572	0.3886	0.8052	79.0570	0.4878
Percentage change	-3.5	-2.4	-7.3	-6.2	-8.7

## Revisions

During the processing of the CGPI for the June 2008 quarter errors were identified, which have led to the revision of two published series. These errors occurred in the treatment of a few prices that are denominated in foreign currencies. As a result, the following two series were revised. The first series has been revised from the December 1999 quarter onwards, and the second has been revised in the March 2008 quarter only. At higher levels of aggregation, there was no impact.

- Machinery for textile, apparel and leather production (CEPQ.S2446)
- Optical instruments and photographic equipment (CEPQ.S2483)

Please note that the tables included in this release only show data from the last two years. If you require data relating to earlier periods, please email [info@stats.govt.nz](mailto:info@stats.govt.nz)

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### Next release ...

*Capital Goods Price Index: September 2008 quarter will be released on 19 November 2008.*

## **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