

Embargoed until 10:45am – 16 February 2009

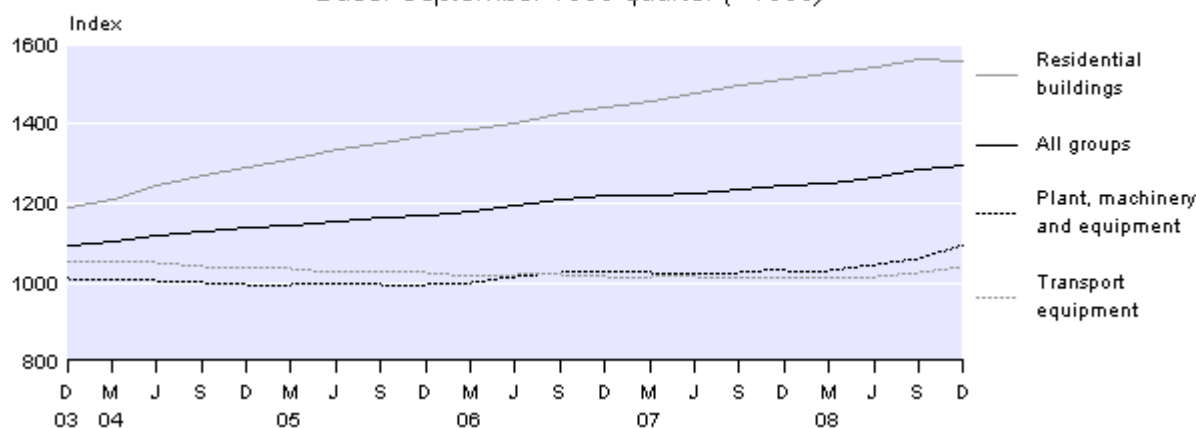
Capital Goods Price Index: December 2008 quarter

Highlights

- The Capital Goods Price Index (CGPI) rose 1.1 percent.
- The residential buildings index fell 0.3 percent.
- The plant, machinery and equipment index rose 3.4 percent.
- The CGPI rose 4.1 percent in the year to the December 2008 quarter.

Capital Goods Price Index

Base: September 1999 quarter (=1000)



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

Commentary

Capital Goods Price Index

The Capital Goods Price Index (CGPI) rose 1.1 percent in the December 2008 quarter. The latest rise followed rises of 1.4 percent in the September 2008 quarter, and 1.0 percent in the June 2008 quarter.

Four out of six asset groups in the CGPI rose in the December 2008 quarter. The most significant upward contribution to the CGPI was the plant, machinery and equipment index which rose 3.4 percent. Further positive contributions came from the transport equipment index (up 1.5 percent), the other construction index (up 0.9 percent), and the land improvements index (up 2.0 percent). Some offsetting impact came from both the residential buildings index (down 0.3 percent) and the non-residential buildings index (down 0.2 percent).

The following table shows the amount that each asset group contributed to the All Groups CGPI movement from the September 2008 quarter to the December 2008 quarter.

Capital Goods Price Index <i>Index points contribution</i>	
Asset group	December 2008 quarter
Plant, machinery and equipment	11.71
Transport equipment	2.03
Other construction	1.17
Land improvements	0.46
Non-residential buildings	-0.37
Residential buildings	-0.95
All groups	14.05

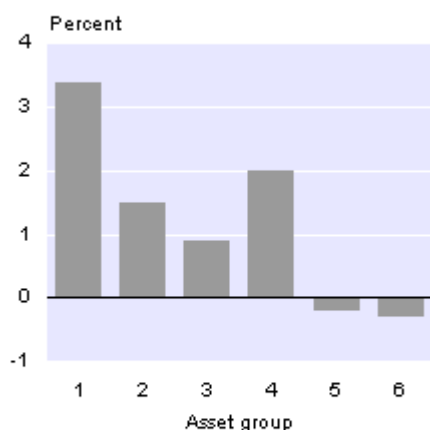
Note: Points contributions may not sum to total due to rounding.

On an annual basis, the CGPI rose 4.1 percent from the December 2007 quarter to the December 2008 quarter. This follows rises of 2.3 percent in the year to the December 2007 quarter, and 4.1 percent in the year to the December 2006 quarter.

CGPI Asset Groups

Quarterly change

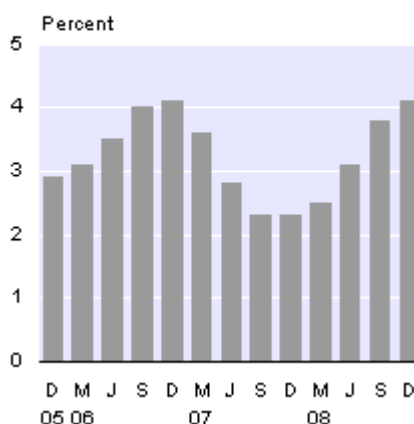
December 2008 quarter



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

CGPI All Groups

Annual change



Plant, machinery and equipment

The plant, machinery and equipment index rose 3.4 percent in the December 2008 quarter. This was the most significant upward contribution to the CGPI and the largest upward movement since a 4.1 percent rise in the December 2000 quarter. The latest rise follows rises of 1.1 percent in the September 2008 quarter and 1.5 percent in the June 2008 quarter.

The latest rise in the plant, machinery and equipment index was driven by higher prices for other special purpose machinery, mainly book binding and printing machinery (due to higher suppliers' prices and the depreciation of the New Zealand dollar); and higher prices for lifting and handling equipment, and machinery for mining, quarrying and construction (mainly due to the depreciation of the New Zealand dollar).

In the year to the December 2008 quarter, the plant, machinery and equipment index rose 6.0 percent. This follows annual rises of 0.4 percent in the year to the December 2007 quarter and 3.2 percent in the year to the December 2006 quarter. The latest annual rise is the largest since a 7.8 percent rise in the year to the December 2000 quarter.

Transport equipment

The second largest contribution to the CGPI was from the transport equipment index which rose 1.5 percent in the December 2008 quarter. The latest quarterly rise was the largest since a 1.9 percent rise in the December 2000 quarter. The latest quarter's upward movement was driven by the depreciation of the New Zealand dollar, which led to higher prices for cars over 1600cc, commercial vehicles over 3500kg, and imported buses.

In the year to the December 2008 quarter, the transport equipment index rose by 2.6 percent. This was the largest annual rise since a 3.5 percent rise in the year to the September 2001 quarter. This latest annual movement follows falls of 0.5 percent and 0.9 percent in the years to the December 2007 and the December 2006 quarters, respectively.

Other construction

The other (non-building) construction index rose 0.9 percent in the December 2008 quarter. This latest rise follows rises of 2.2 percent in the September 2008 quarter and 1.5 percent in the June 2008 quarter. The rise in the latest quarter resulted from higher prices for aluminium pipes and polyethylene tubes for the construction of water supply systems (due to higher suppliers' prices for raw materials and the depreciation of the New Zealand dollar); increased leasing and rental costs of machinery and equipment for the construction for urban drainage and sewerage systems; and higher plumbing installation costs for the construction of swimming pools.

In the year to the December 2008 quarter, the other construction index rose 5.5 percent. This follows rises of 3.3 percent and 4.5 percent in the years to the December 2007 and the December 2006 quarters, respectively.

Residential buildings

The residential buildings index fell 0.3 percent in the December 2008 quarter, the first quarterly fall since a 0.1 percent fall in the December 1998 quarter. The latest quarterly downward movement was driven by lower prices for reinforcements and structural steel works, reduced contractors' margins for the construction of apartment buildings, and lower prices for the construction of new houses.

In the year to the December 2008 quarter, the residential buildings index rose 2.9 percent, following much higher annual rises of 5.1 percent each in the years to the December 2007 and the December 2006 quarters.

Non-residential buildings

The non-residential buildings index fell 0.2 percent in the December 2008 quarter, the first fall since a 0.1 percent fall in the June 2000 quarter. This latest movement follows rises of 1.6 percent in the September 2008 quarter, and 0.6 percent in the June 2008 quarter. The latest fall was mainly driven by decreases in the costs of structural steel work, and reduced contractors' margins for the construction of warehouses and factories, shops and offices, and hotels.

In the year to the December 2008 quarter, the non-residential buildings index rose 3.0 percent. This compares with rises of 1.4 percent in the year to the December 2007 quarter, and 6.7 percent in the year to the December 2006 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 are converted to New Zealand dollars using the exchange rates at the time of pricing.

The New Zealand dollar depreciated against three currencies of the country's five major trading partners in the December 2008 quarter. Significant depreciations were recorded against the Japanese yen and the US dollar compared with relatively moderate depreciation against the euro in the latest quarter. The New Zealand dollar appreciated against the UK pound and the Australian dollar. The table below shows changes in the value of the New Zealand dollar, in foreign currency denominations, from the September 2008 quarter to the December 2008 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 August 2008	0.6909	0.3699	0.7941	75.6480	0.4649
15 November 2008	0.5447	0.3732	0.8588	52.0542	0.4363
Percentage change	-21.2	0.9	8.1	-31.2	-6.2

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Next release ...

Capital Goods Price Index: March 2009 quarter will be released on
18 May 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