Hot Off The Press

Latest statistics from Statistics New Zealand

Statistics New Zealand
TATAURANGA AOTEAROA

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Capital Goods Price Index: June 2010 quarter

Highlights

In the June 2010 quarter compared with the March 2010 quarter:

- The capital goods price index (CGPI) rose 0.1 percent.
- The residential buildings index rose 0.3 percent.
- The other construction index rose 0.1 percent.
- The plant, machinery, and equipment index fell 0.1 percent.

From the June 2009 quarter to the June 2010 quarter:

- The CGPI fell 0.6 percent, following a 0.4 percent fall in the year to the March 2010 quarter.

Source: Statistics New Zealand

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Government Statistician

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Commentary

Capital goods price index

Quarterly

The capital goods price index (CGPI) rose 0.1 percent in the June 2010 quarter, the first quarterly increase since the June 2009 quarter. The latest rise compares with a 0.1 percent fall in the March 2010 quarter and a 0.2 percent fall in the December 2009 quarter.

The rise in the CGPI was influenced by the sub-indexes for residential buildings (up 0.3 percent) and other construction (up 0.1 percent).

The offsetting influences came from a slight fall in the prices of plant, machinery, and equipment (down 0.1 percent) and in the transport equipment index (down 0.1 percent).

The following table shows the amount that each asset group contributed to the all groups CGPI movement from the March 2010 quarter to the June 2010 quarter. The asset-group contributions in the June 2010 quarter were relatively small.

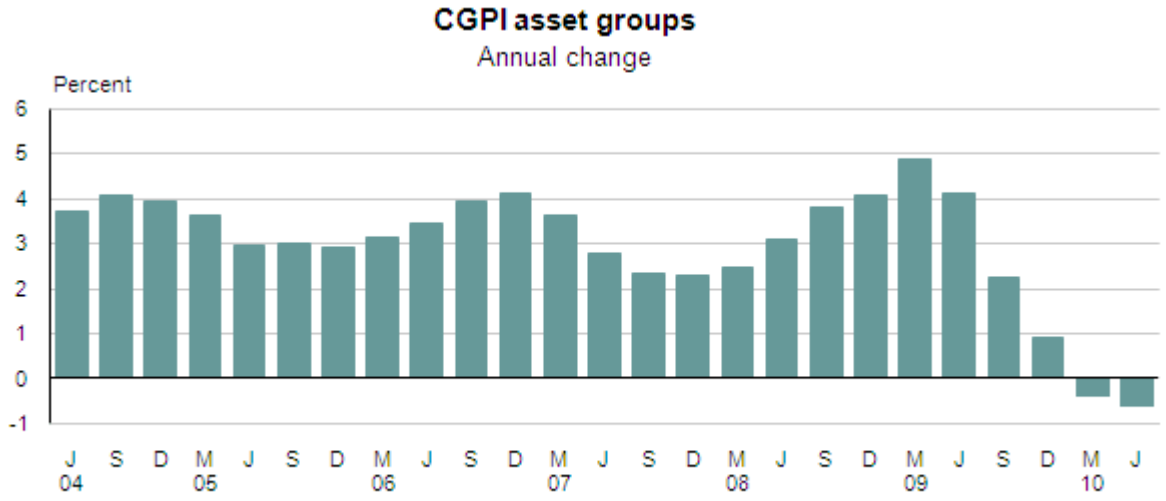
Capital goods price index
Index points contribution

Asset group	**March 2010 quarter to June 2010 quarter**
Residential buildings	1.49
Other construction	0.20
Non-residential buildings	0.11
Land improvements	0.09
Transport equipment	-0.11
Plant, machinery, and equipment	-0.24
All groups	1.54

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

Annual

In the year to the June 2010 quarter the CGPI fell 0.6 percent. The latest annual fall follows a 4.1 percent rise in the year to the June 2009 quarter and a 3.1 percent rise in the year to the June 2008 quarter.



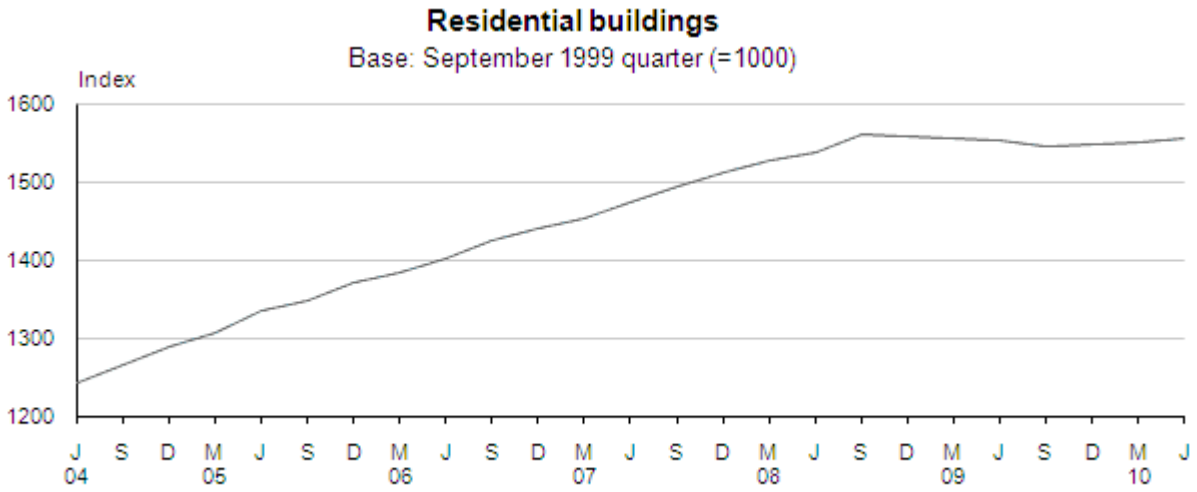
Source: Statistics New Zealand

Residential buildings

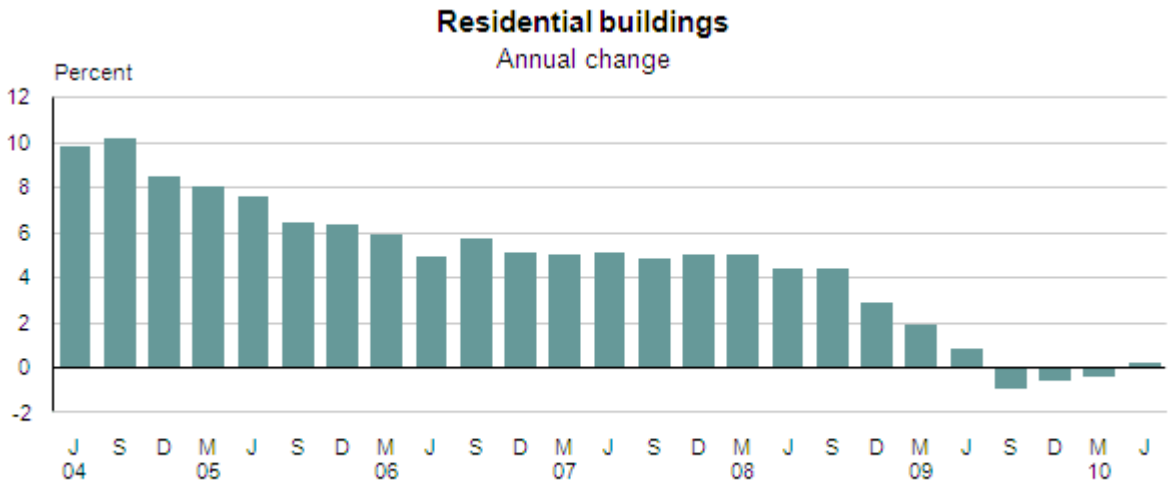
The residential buildings index (up 0.3 percent) made the most significant upward contribution to the CGPI. The latest rise follows increases of 0.1 percent in the March 2010 quarter and 0.1 percent in the December 2009 quarter.

The rise in the residential buildings index was largely influenced by a price increase for dwellings and out-buildings (up 0.4 percent).

In the year to the June 2010 quarter the residential buildings index rose 0.2 percent. The latest annual rise follows a 0.8 percent rise in the year to the June 2009 quarter and a 4.4 percent rise in the year to the June 2008 quarter.



Source: Statistics New Zealand



Source: Statistics New Zealand

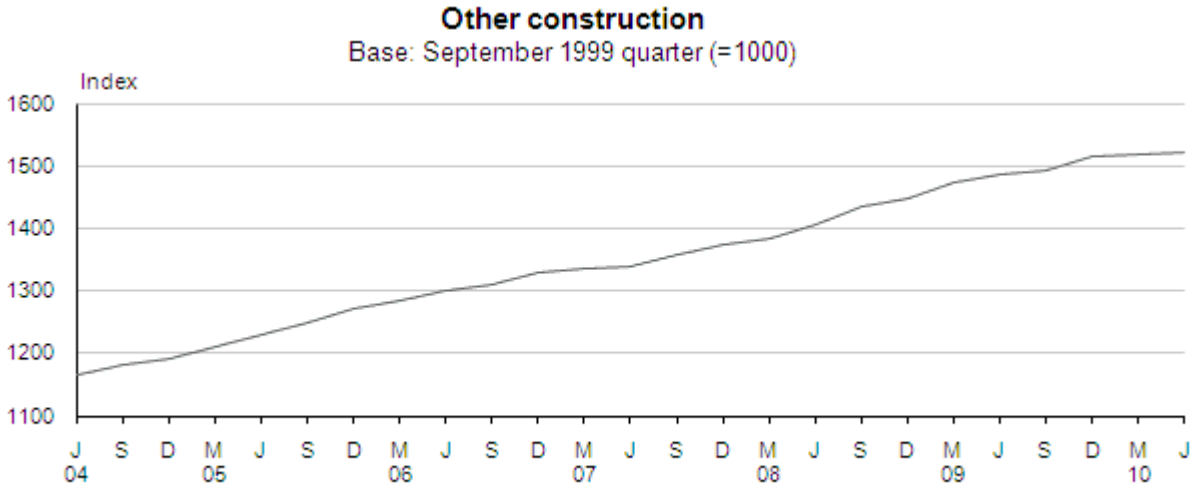
Other construction

The other construction index (up 0.1 percent) made the second largest upward contribution to the CGPI. This index includes items like construction of roads, wharves, and pipelines. The latest rise follows a 0.3 percent rise in the March 2010 quarter and a 1.4 percent rise in the December 2009 quarter.

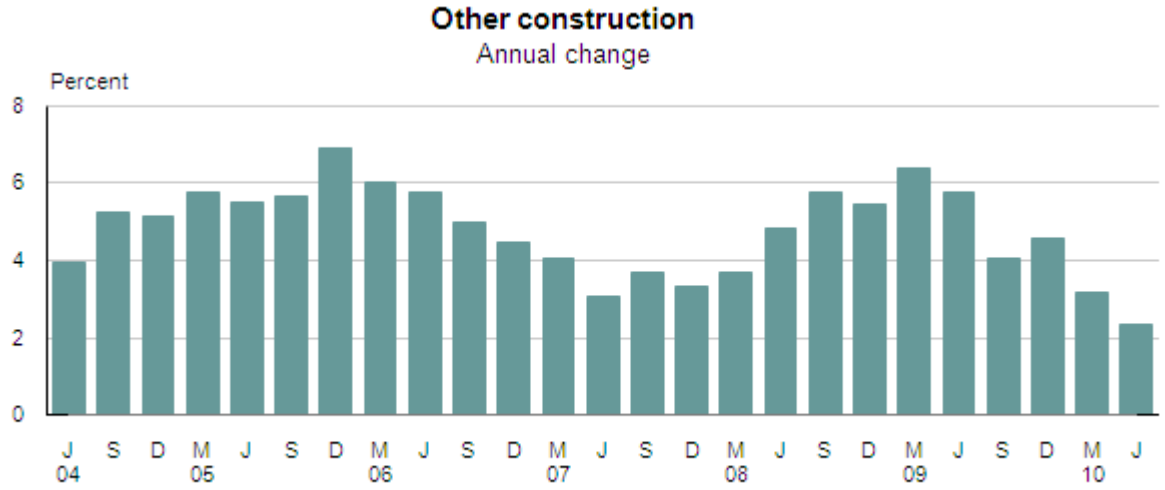
The rise in the other construction index was influenced by the sub-index for construction of pipelines (up 0.8 percent). Increased manufacturers' prices, raw material costs, and general market changes were cited as the main reasons for the latest rise.

The largest offsetting impact on the other construction index came from the sub-index for construction of transport ways (down 0.3 percent).

In the year to the June 2010 quarter the other construction index rose 2.4 percent. This annual rise follows a 5.8 percent rise in the year to the June 2009 quarter and a 4.9 percent rise in the year to the June 2008 quarter. The latest annual increase is the smallest increase since the year to the December 2003 quarter.



Source: Statistics New Zealand



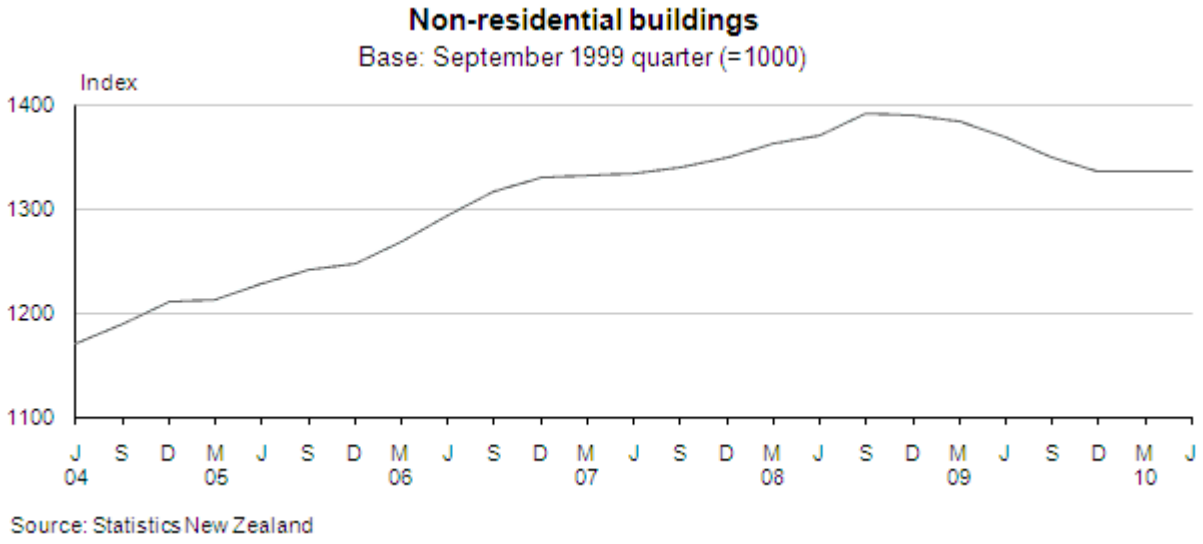
Source: Statistics New Zealand

Non-residential buildings

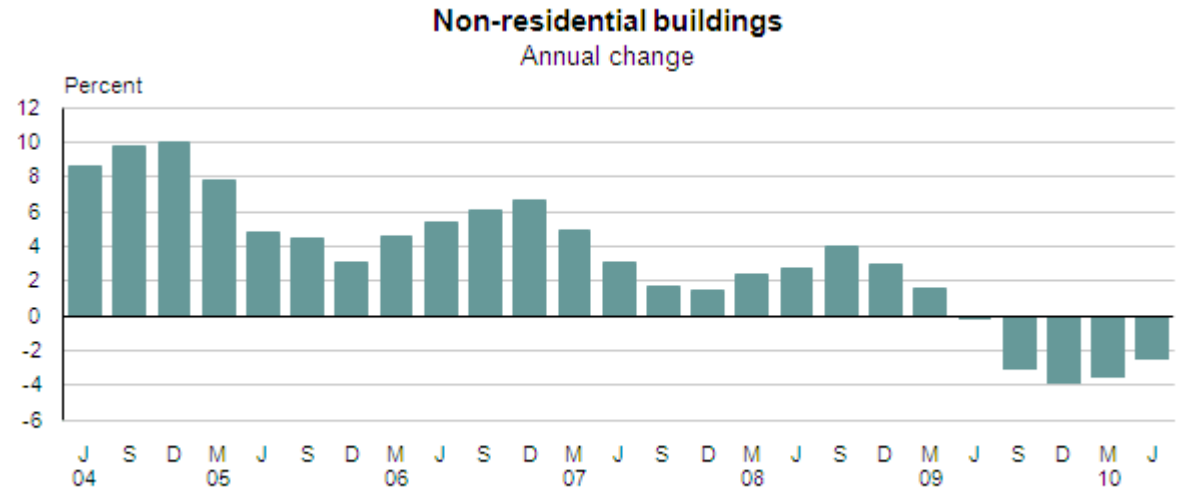
The non-residential buildings index remained unchanged in the June 2010 quarter. The latest movement follows a 0.1 percent fall in the March 2010 quarter and a 1.0 percent fall in the December 2009 quarter. Respondents cited low local demand as the main reason for non-residential building prices remaining flat.

The other non-residential buildings sub-index (up 0.1 percent) made the largest upward contribution to non-residential building prices. This sub-index measures construction of hotels, hospitals, and education buildings.

In the year to the June 2010 quarter the non-residential buildings index fell 2.4 percent. This latest annual fall follows a 0.1 percent fall in the year to the June 2009 quarter and a 2.8 percent rise in the year to the June 2008 quarter.



Source: Statistics New Zealand



Source: Statistics New Zealand

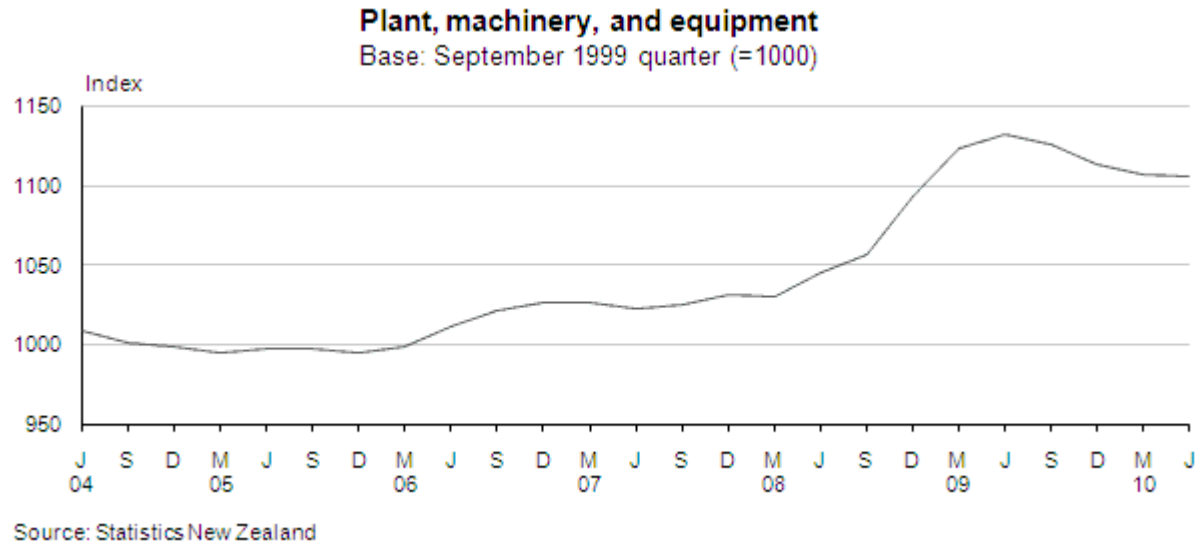
Plant, machinery, and equipment

The plant, machinery, and equipment index fell 0.1 percent in the June 2010 quarter, following a 0.6 percent fall in the March 2010 quarter and a 1.1 percent fall in the December 2009 quarter. This index made the largest downward contribution to the CGPI.

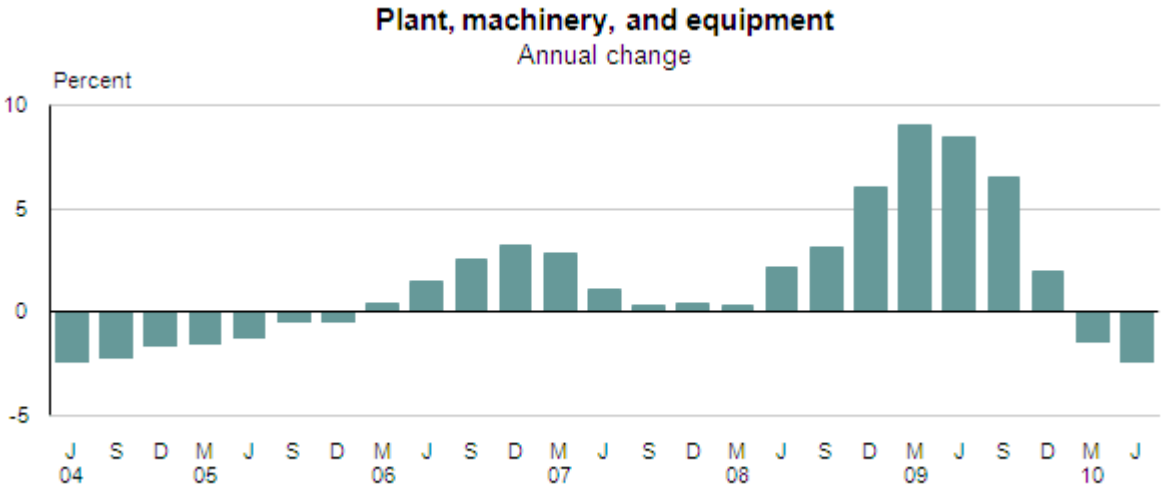
The computer machinery (down 3.4 percent) sub-index had the largest downward contribution to plant, machinery, and equipment prices. Computer-related price indexes from the United States are used as a proxy to measure the price change of computer machinery. The United States indexes are exchange rate adjusted, and the appreciation of the New Zealand dollar against the United States dollar in the latest quarter had an impact on the decrease in computer prices.

The sub-index for furniture (up 3.2 percent) had the largest offsetting impact on the plant, machinery, and equipment index.

In the year to the June 2010 quarter the plant, machinery, and equipment index fell 2.4 percent. The latest annual fall follows an 8.4 percent rise in the year to the June 2009 quarter and a 2.2 percent rise in the year to the June 2008 quarter.



Source: Statistics New Zealand



Source: Statistics New Zealand

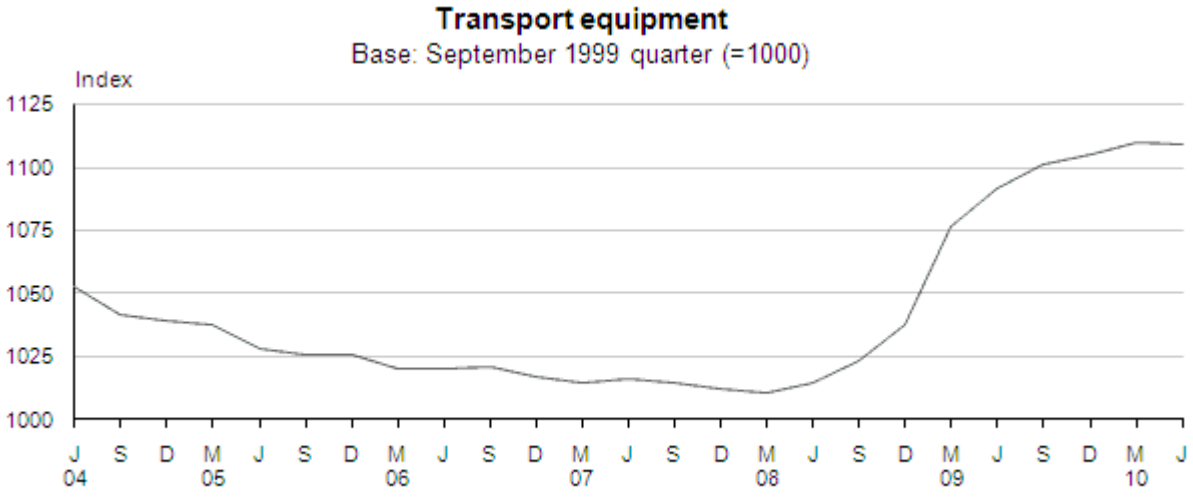
Transport equipment

The transport equipment index fell 0.1 percent in the June 2010 quarter. The latest fall follows a 0.5 percent rise in the March 2010 quarter and a 0.4 percent rise in the December 2009 quarter.

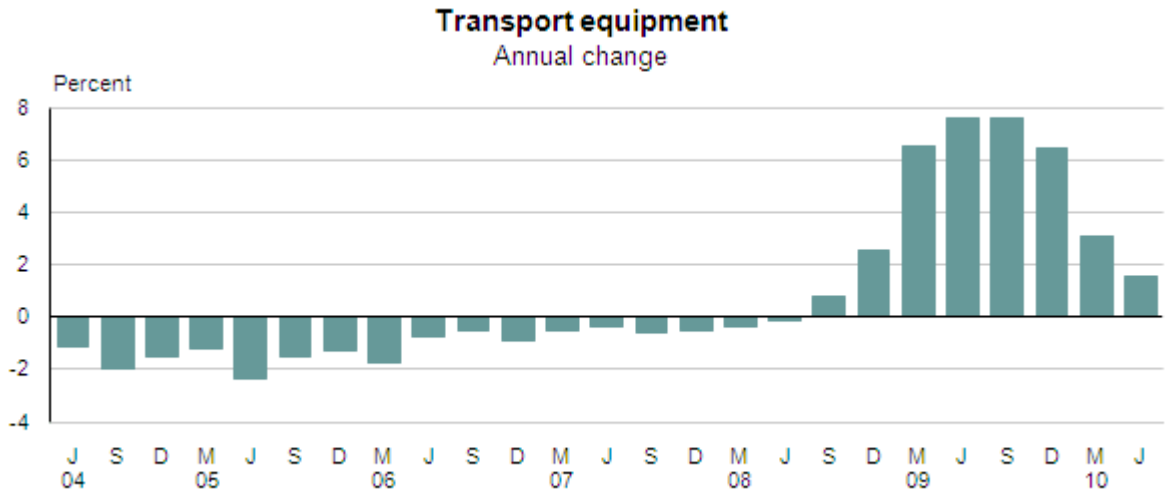
The latest fall in the transport equipment index was influenced by the sub-index for commercial vehicles over 3500kg (down 0.5 percent). Respondents cited a stronger New Zealand dollar as the main reason for the fall.

The offsetting contribution to the transport equipment index came from the sub-indexes for cars over 1600cc (up 0.2 percent).

In the year to the June 2010 quarter the transport equipment index rose 1.6 percent, following a 7.6 percent rise in the year to the June 2009 quarter and a 0.1 percent fall in the year to the June 2008 quarter.



Source: Statistics New Zealand



Source: Statistics New Zealand

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

In the June 2010 quarter, the New Zealand dollar appreciated against all of the country's five major trading partners. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the March 2010 quarter to the June 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 February 2010	0.6884	0.4387	0.7764	61.6633	0.5031
15 May 2010	0.7073	0.4835	0.7898	65.3447	0.5610
Percentage change	2.7	10.2	1.7	6.0	11.5

Source: Westpac Banking Corporation

Price index development

The CGPI asset type indexes have now all been redeveloped. The remaining CGPI asset type and PPI output industry redevelopments were implemented in the March 2010 quarter.

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Next release ...

Capital Goods Price Index: September 2010 quarter will be released on 18 November 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.

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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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