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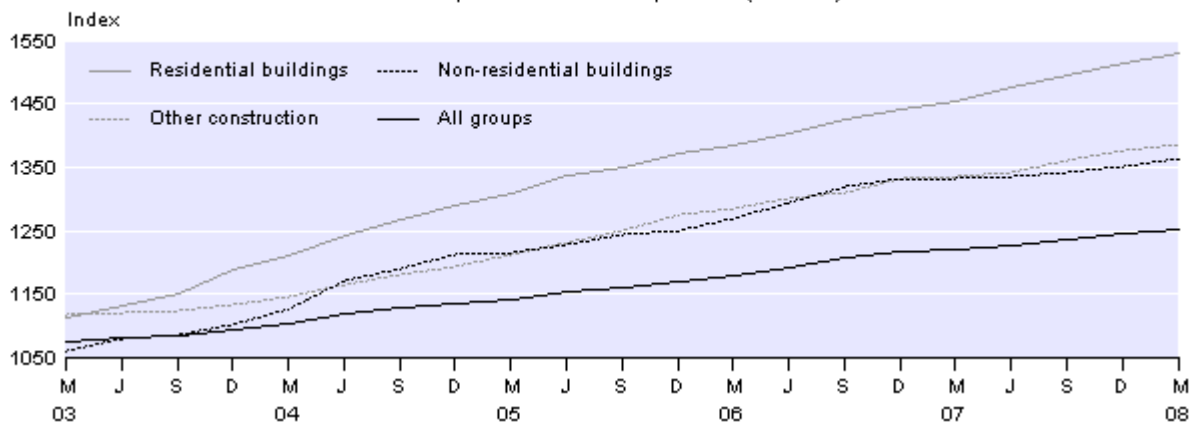
Capital Goods Price Index: March 2008 quarter

Highlights

- The Capital Goods Price Index (CGPI) rose 0.5 percent.
- The residential buildings index rose 0.9 percent.
- The non-residential buildings index rose 1.0 percent.
- The CGPI rose 2.5 percent in the year to the March 2008 quarter.

Capital Goods Price Index

Base: September 1999 quarter (=1000)



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There is a companion Media Release published – [Capital Goods Price Index: March 2008 quarter](#).

Commentary

Capital goods price index

The Capital Goods Price Index (CGPI) rose 0.5 percent in the March 2008 quarter. This followed a rise of 0.8 percent in the December 2007 quarter and 0.7 percent in the September 2007 quarter.

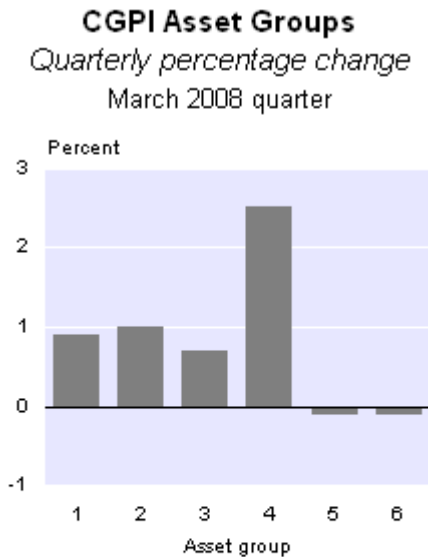
Of the six main asset groups in the CGPI, four recorded increases in the March 2008 quarter. The most significant upward contribution came from the residential buildings index, which rose 0.9 percent. Further positive contributions were from the non-residential buildings index (up 1.0 percent), the other (non-building) construction index (up 0.7 percent), and the land improvements index (up 2.5 percent). Both the transport equipment index and the plant, machinery and equipment index decreased each by 0.1 percent in the latest quarter.

Capital Goods Price Index *Index points contribution*

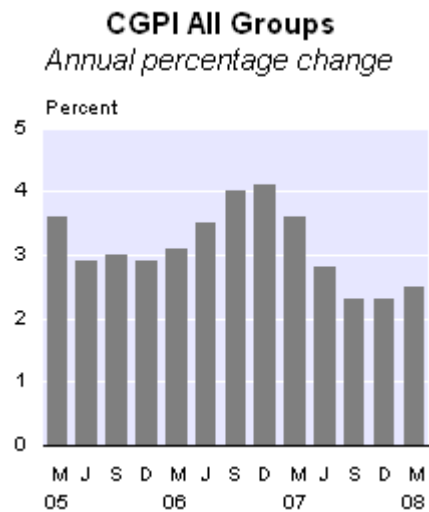
Asset groups	December 2007 quarter to March 2008 quarter
Residential buildings	3.70
Non-residential buildings	1.97
Other construction	0.90
Land improvements	0.53
Transport equipment	-0.16
Plant, machinery and equipment	-0.20
All groups	6.74

Note: Points contribution may not sum to totals due to rounding.

In the year to the March 2008 quarter, the CGPI rose 2.5 percent, following a rise of 3.6 percent in the year to the March 2007 quarter and 3.1 percent in the year to the March 2006 quarter.



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



Residential buildings

The residential buildings index rose 0.9 percent in the March 2008 quarter, making the most significant upward contribution to the CGPI. This followed a 1.2 percent rise in the December 2007 quarter. The increase in this quarter was the smallest quarterly rise in the index since a rise of 0.7 percent in the September 2002 quarter. The latest quarterly increase in the residential buildings index was driven by 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 reasons cited by respondents for the increase in this quarter were higher prices for construction components and increased subcontractors' charges.

For the year to the March 2008 quarter, the residential buildings index rose 5.0 percent. This followed a similar increase of 5.1 percent and 5.9 percent in the years to the March 2007 and March 2006 quarters, respectively.

Non-residential buildings

In the March 2008 quarter, the second most significant upward contributor to the CGPI was the non-residential buildings index, which rose 1.0 percent. This followed a rise of 0.7 percent in the December 2007 quarter and 0.4 percent in the September 2007 quarter. Higher prices for reinforcing steel products and increased costs for structural steelwork in the construction of warehouses, and of shops and offices were the main contributors to the latest quarterly rise.

The non-residential buildings index rose 2.3 percent in the year to the March 2008 quarter, following a rise of 5.0 percent in the year to the March 2007 quarter.

Other construction

The other (non-building) construction index rose 0.7 percent in the March 2008 quarter, following an increase of 1.2 percent in the December 2007 quarter. The latest quarterly increase was influenced by increases in costs for construction of water supply systems (due to higher costs for labour and fuel) and of car parks, pools, paths and drives (due to increases in costs for concrete work), and construction of wells (due to higher labour charges for water well drilling).

Annually, the other construction index rose 3.7 percent from the March 2007 quarter to the March 2008 quarter, which followed a 4.1 percent rise in the year to the March 2007 quarter.

Land improvements

The land improvements index rose 2.5 percent in the March 2008 quarter and was the third consecutive quarterly increase since a decline of 0.3 percent in the June 2007 quarter. The most commonly cited reasons for the latest quarterly increase were increases in costs for labour, fuel and freight in security fencing services to agriculture, and higher suppliers' prices for boundary fence.

In the year to the March 2008 quarter, the land improvements index rose 6.5 percent, following a rise of 5.5 percent and 4.8 percent in the years to the March 2007 and 2006 quarters, respectively. The rise in the latest year was the biggest annual increase in the index since a 6.6 percent increase in the year to the December 2006 quarter.

Plant, machinery and equipment

In the March 2008 quarter, the plant, machinery and equipment index fell 0.1 percent, mainly driven by the lower prices for printing machinery and parts (due to appreciation of the New Zealand dollar as cited by respondents). This compared with a rise of 0.6 percent in the December 2007 quarter and 0.2 percent in the September 2007 quarter.

The plant, machinery and equipment index rose 0.3 percent in the year to the March 2008 quarter, following a rise of 2.8 percent in the year to the March 2007 quarter.

Transport equipment

The transport equipment index also fell in the March 2008 quarter, by 0.1 percent. This was the third consecutive quarterly decrease since a rise of 0.1 percent in the June 2007 quarter. Lower suppliers' prices for cars (1600cc and over), and lower import prices for buses were the main contributors to the fall in the latest quarter.

Annually, the transport equipment index fell 0.4 percent from the March 2007 quarter to the March 2008 quarter. This followed a similar fall of 0.5 percent in the year to the March 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 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 March 2008 quarter while having no change against the Japanese yen. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the December 2007 quarter to the March 2008 quarter.

Exchange Rates
(Published by Westpac Bank)
Bank selling rates for NZ\$1.00

	USA (NZ\$:US\$)	UK (NZ\$:Pound)	Australia (NZ\$:AUS\$)	Japan (NZ\$:Yen)	Europe (NZ\$:Euro)
15 November 2007	0.7593	0.3690	0.8424	84.2998	0.5156
15 February 2008	0.7844	0.3982	0.8690	84.2953	0.5341
Percentage change	3.3	7.9	3.2	0.0	3.6

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Next release ...

Capital Goods Price Index: June 2008 quarter will be released on 13 August 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) have 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 Capital Goods Price Index (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. The department 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 aggregations, 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 can 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