

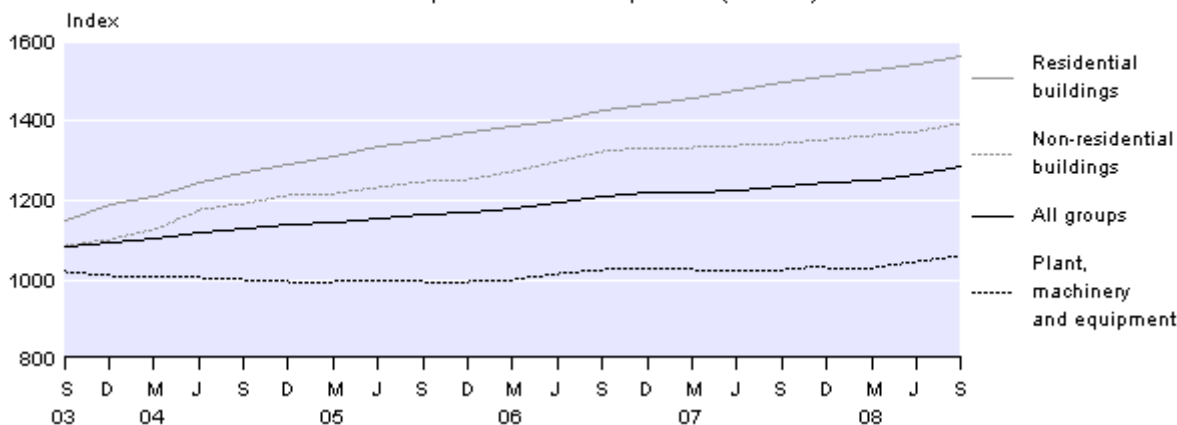
Embargoed until 10:45AM – 19 November 2008

Capital Goods Price Index: September 2008 quarter

Highlights

- The Capital Goods Price Index (CGPI) rose 1.4 percent.
- The residential buildings index rose 1.4 percent.
- The plant, machinery and equipment index rose 1.1 percent.
- The CGPI rose 3.8 percent in the year to the September 2008 quarter.

Capital Goods Price Index
Base: September 1999 quarter (=1000)



Geoff Bascand
Government Statistician

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Commentary

Capital Goods Price Index

The Capital Goods Price Index (CGPI) rose 1.4 percent in the September 2008 quarter, the largest increase since a rise of 1.6 percent in the June 2004 quarter. The latest rise followed smaller increases of 1.0 percent in the June 2008 quarter, and 0.5 percent in the March 2008 quarter.

All six asset groups in the CGPI increased in the September 2008 quarter. The most significant upward contribution to the CGPI was from the residential buildings index, which rose 1.4 percent. Further positive contributions came from the plant, machinery and equipment index (up 1.1 percent), the non-residential buildings index (up 1.6 percent), the other construction index (up 2.2 percent), the transport equipment index (up 0.8 percent), and the land improvements index (up 3.8 percent).

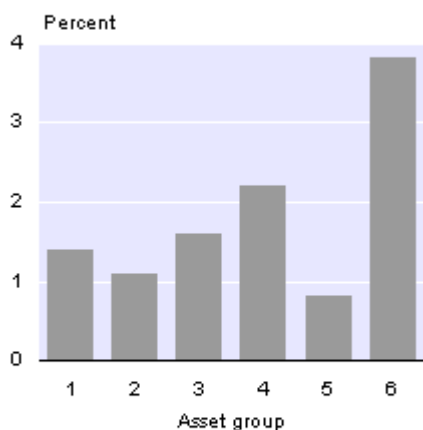
The following table shows the amount that each asset group contributed to the All Groups CGPI movement from the June 2008 quarter to the September 2008 quarter.

Capital Goods Price Index <i>Index points contribution</i>	
Asset group	September 2008 quarter
Residential buildings	5.68
Plant, machinery and equipment	4.23
Non-residential buildings	3.35
Other construction	2.74
Transport equipment	1.10
Land improvements	0.85
All groups	17.95

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

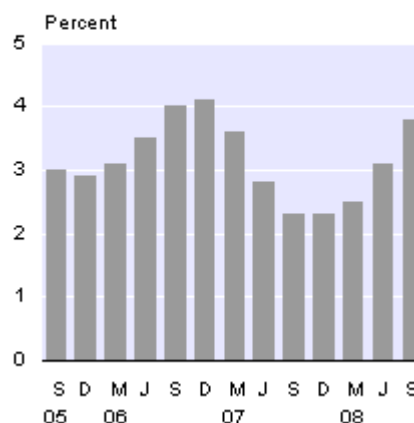
On an annual basis, the CGPI rose 3.8 percent from the September 2007 quarter to the September 2008 quarter. This follows increases of 2.3 percent in the year to the September 2007 quarter, and 4.0 percent in the year to the September 2006 quarter.

CGPI Asset Groups
Quarterly change
 September 2008 quarter



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

CGPI All Groups
Annual change



Residential buildings

The residential buildings index increased 1.4 percent in the September 2008 quarter, making it the most significant upward contributor to the CGPI. This was the largest increase since the 1.7 percent rise in the September 2006 quarter. The main driver for the latest increase was higher costs for 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.

In the year to the September 2008 quarter, the residential buildings index rose 4.4 percent following annual rises of 4.8 percent in the year to the September 2007 quarter, and 5.7 percent in the year to the September 2006 quarter.

Plant, machinery and equipment

The plant, machinery and equipment index rose 1.1 percent in the September 2008 quarter. This was the second most significant upward contribution to the CGPI. The latest rise follows a 1.5 percent rise in the June 2008 quarter, and a 0.1 percent fall in the March 2008 quarter.

The latest rise in the plant, machinery and equipment index was driven up by higher supplier prices for furniture, and increased prices for agriculture and forestry equipment (due to increases in supplier prices for components, increased costs for labour, and the depreciation of the New Zealand dollar).

In the year to the September 2008 quarter, the plant, machinery and equipment index rose 3.1 percent. This follows annual increases of 0.3 percent in the year to the September 2007 quarter

and 2.5 percent in the year to the September 2006 quarter. The rise in the latest year is the largest since a 3.2 percent increase in the year to the December 2006 quarter.

Non-residential buildings

The non-residential buildings index rose 1.6 percent in the September 2008 quarter, the largest increase since the 1.9 percent rise in the September 2006 quarter. This follows rises of 0.6 percent in the June 2008 quarter, and 1.0 percent in the March 2008 quarter. The latest rise was mainly driven by increases in the costs of structural steelwork, and higher prices for concrete and reinforcing steel products in the construction of warehouses, shops and offices.

Annually, the non-residential buildings index rose 4.0 percent for the year to the September 2008 quarter. This compares with rises of 1.7 percent in the year to the September 2007 quarter, and 6.0 percent in the year to the September 2006 quarter.

Other construction

The other (non-building) construction index rose 2.2 percent in the September 2008 quarter, the largest increase since the series began in the December 1989 quarter. This latest increase follows rises of 1.5 percent in the June 2008 quarter and 0.7 percent in the March 2008 quarter. The rise in the latest quarter came from higher costs of pipes for the construction of urban drainage and sewerage systems, and increased costs in the construction of water supply (due to higher supplier prices for raw materials and increases in labour and freight costs).

In the year to the September 2008 quarter, the other construction index rose 5.7 percent. This follows smaller increases of 3.7 percent and 5.0 percent in the years to the September 2007 and 2006 quarters, respectively.

Transport equipment

The transport equipment index rose 0.8 percent in the September 2008 quarter. The increase was driven by higher prices for commercial vehicles greater than 3500kg, cars over 1600cc, and imported buses.

In the year to the September 2008 quarter, the transport equipment index increased by 0.8 percent. This was the largest annual increase since a 0.8 percent rise in the year to the March 2002 quarter. This latest rise follows falls of 0.6 percent and 0.5 percent in the years to the September 2007 and 2006 quarters, respectively.

Land improvements

The land improvements index rose 3.8 percent in the September 2008 quarter. This follows increases of 3.8 percent in the June 2008 quarter and 2.5 percent in March 2008 quarter. Higher supplier prices for pipes for irrigation and land drainage was the main driver of the latest rise.

In the year to the September 2008 quarter, the land improvements index rose 12.2 percent, which is the largest annual increase since the series began in the year to the December 1989 quarter. The latest annual rise compares with smaller increases of 4.9 percent and 5.4 percent in the years to the September 2007 and September 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 September 2008 quarter. The table below shows changes in the value of the New Zealand dollar, in foreign currency denominations, from the June 2008 quarter to the September 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 May 2008	0.7572	0.3886	0.8052	79.0570	0.4878
15 August 2008	0.6909	0.3699	0.7941	75.6480	0.4649
Percentage change	-8.8	-4.8	-1.4	-4.3	-4.7

For technical information contact:
Stephanie Ye or Lisa-Jane Young
Wellington 04 931 4600
Email: info@stats.govt.nz

Next release ...

Capital Goods Price Index: December 2008 quarter will be released on
16 February 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