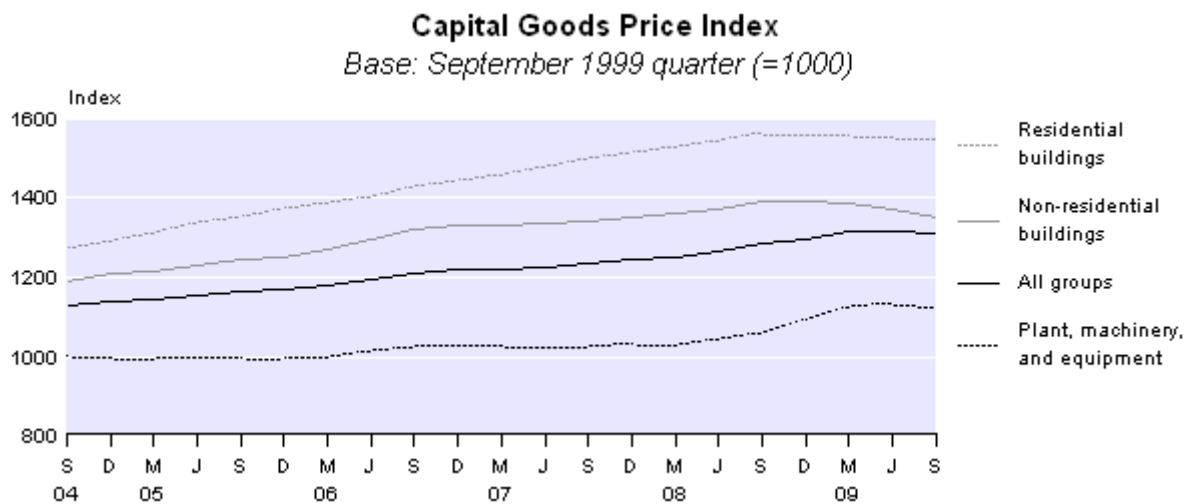


Embargoed until 10:45am – 16 November 2009

## Capital Goods Price Index: September 2009 quarter

### Highlights

- The Capital Goods Price Index (CGPI) fell by 0.4 percent.
- The non-residential buildings index fell by 1.4 percent.
- The plant, machinery and equipment index fell by 0.6 percent.
- The CGPI rose 2.3 percent in the year to the September 2009 quarter.



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## Commentary

### Capital goods price index

The Capital Goods Price Index (CGPI) fell 0.4 percent in the September 2009 quarter. The latest fall followed rises of 0.3 percent in the June 2009 quarter and 1.2 percent in the March 2009 quarter.

Four out of six asset groups in the CGPI fell in the September 2009 quarter. The most significant downward contribution to the CGPI came from the non-residential buildings index (down 1.4 percent). Further downward contributions came from the plant, machinery, and equipment index (down 0.6 percent), the residential buildings index (down 0.4 percent), and the land improvements index (down 0.4 percent). The major offsetting influences came from a rise in the transport equipment index (up 0.8 percent) and the other construction index (up 0.5 percent).

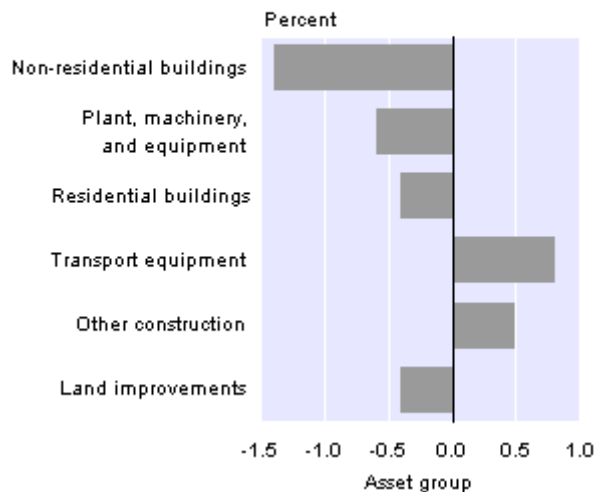
The following table shows the amount that each asset group contributed to the All Groups CGPI movement from the June 2009 quarter to the September 2009 quarter.

<b>Capital Goods Price Index</b> <i>Index points contribution</i>	
<b>Asset group</b>	<b>June 2009 quarter to September 2009 quarter</b>
Non-residential buildings	-2.95
Plant, machinery, and equipment	-2.35
Residential buildings	-1.57
Land improvements	-0.09
Other construction	0.74
Transport equipment	1.28
All groups	-4.94

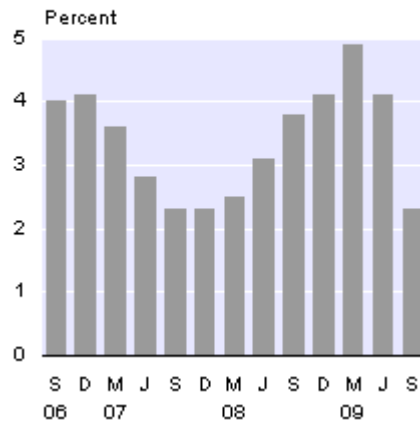
Note: Points contributions may not sum to total due to rounding.

The CGPI rose 2.3 percent from the September 2008 quarter to the September 2009 quarter. The increase followed rises of 3.8 percent in the year to the September 2008 quarter and 2.3 percent in the year to the September 2007 quarter. The latest rise is the smallest in the index since the December 2007 quarter.

**CGPI Asset Groups**  
*Quarterly change*  
 September 2009 quarter



**CGPI All Groups**  
*Annual change*



## Non-residential buildings

The non-residential buildings index was the most significant downward contributor to the CGPI index, falling 1.4 percent in the September 2009 quarter. This followed falls of 1.1 percent in the June 2009 quarter and 0.4 percent in the March 2009 quarter. The largest downward contributors were the sub-indexes for warehouses and factories (down 3.2 percent) and for shops and offices (down 1.0 percent). Lower labour and material costs for steel reinforcing and structural steelwork drove the falls in these sub-indexes.

In the year to the September 2009 quarter, the non-residential buildings index fell 3.1 percent, which is the largest annual fall since the series began in the December 1989 quarter. This fall followed rises of 4.0 percent in the year to the September 2008 quarter and 1.7 percent in the year to the September 2007 quarter.

## Plant, machinery, and equipment

The plant, machinery, and equipment index was the second most significant downward contributor to the CGPI. This index fell by 0.6 percent in the September 2009 quarter, following rises of 0.9 percent in the June 2009 quarter and 2.7 percent in the March 2009 quarter.

The fall in the plant, machinery, and equipment index was primarily driven by falls in the following indexes: other special purpose machinery (down 3.5 percent), machinery for mining, quarrying, and construction (down 3.4 percent), and computer machinery (down 1.7 percent). Respondents cited the appreciating New Zealand dollar helping to lower the prices for these assets.

In the year to the September 2009 quarter, the plant, machinery, and equipment index rose 6.5 percent. This compares with rises of 3.1 percent in the year to the September 2008 quarter, and 0.3 percent in the year to the September 2007 quarter.

## **Residential buildings**

The residential buildings index was the third most significant downward contributor to the CGPI. The residential buildings index fell 0.4 percent in the September 2009 quarter, following falls of 0.3 percent in the June 2009 quarter and 0.1 percent in the March 2009 quarter. Lower prices for apartment buildings (due to lower labour and material costs for steel reinforcing and structural steelwork) drove the latest fall.

In the year to the September 2009 quarter, the residential buildings index fell by 1.0 percent. This fall is the first annual decline in 10 years. The fall followed a rise of 4.4 percent in the year to the September 2008 quarter and 4.8 percent in the year to the September 2007 quarter.

## **Transport equipment**

The transport equipment index made the most significant upward contribution to the CGPI, with a rise of 0.8 percent in the latest quarter. This rise partly offset falls in the non-residential buildings; plant, machinery, and equipment; and residential buildings indexes. The rise in the transport equipment index followed increases of 1.4 percent in the June 2009 quarter and 3.8 percent in the March 2009 quarter. The major contributor to the latest quarterly increase came from the cars over 1600cc index (up 2.0 percent). Respondents cited higher supplier prices as the main cause for the rise in prices.

In the year to the September 2009 quarter, the transport equipment index rose 7.6 percent. This annual rise followed a rise of 0.8 percent in the year to the September 2008 quarter and a fall of 0.6 percent in the year to the September 2007 quarter.

## **Other construction**

The other construction index made the second most significant upward contribution to the CGPI, rising 0.5 percent in the September 2009 quarter. The increase followed rises of 1.0 percent in the June 2009 quarter and 1.6 percent in the March 2009 quarter.

In the year to the September 2009 quarter, the other construction index rose 4.0 percent. This followed increases of 5.7 percent in the year to the September 2008 quarter and 3.7 percent in the year to the September 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 currencies are converted to New Zealand dollars using the exchange rate at the time of pricing.

The New Zealand dollar appreciated against all five key currencies of the country's five major trading partners in the September 2009 quarter. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the June 2009 quarter to the September 2009 quarter.

<b>Exchange Rates</b>					
Bank selling rates for NZ\$1.00					
	USA (NZ\$:US\$)	UK (NZ\$:pound)	Australia (NZ\$:AUS\$)	Japan (NZ\$:yen)	Europe (NZ\$:euro)
15 May 2009	0.5899	0.3879	0.7776	56.5095	0.4315
15 August 2009	0.6701	0.4042	0.7995	63.5945	0.4675
Percentage change	13.6	4.2	2.8	12.5	8.3

**Source:** Westpac Banking Corporation.

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***Next release ...***

*Capital Goods Price Index: December 2009 quarter* will be released on 16 February 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 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.

## **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 produced by Statistics NZ 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.

## **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