



Hot Off The Press

LATEST STATISTICS FROM STATISTICS NEW ZEALAND

Embargoed until 10:45am – 22 August 2005

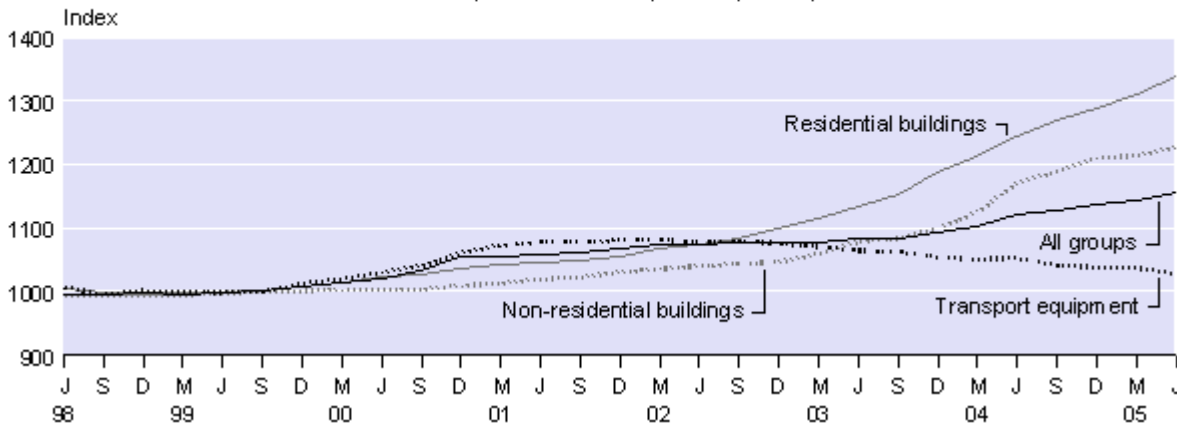
Capital Goods Price Index June 2005 quarter

Highlights

- **Capital goods prices rose 1.0 percent** in the June 2005 quarter.
- **On an annual basis, the CGPI rose 3.0 percent** in the year to the June 2005 quarter.
- **The residential buildings index rose 2.2 percent** in the June 2005 quarter.
- **The transport equipment index fell 1.0 percent** in the June 2005 quarter.

Capital Goods Price Index

Base: September 1999 quarter (=1000)



Brian Pink
Government Statistician

22 August 2005
Cat 64.900 Set 05/06 – 023

There is a companion Media Release published – [Capital Goods Price Index: June 2005 quarter](#).

Commentary

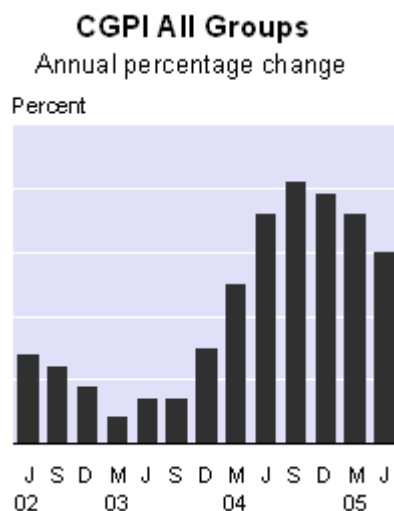
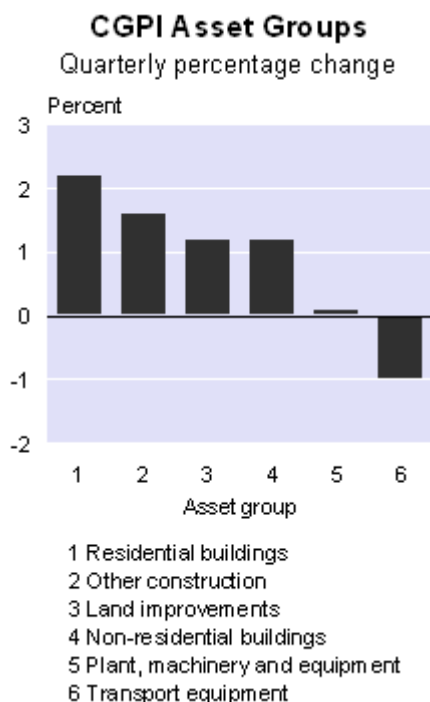
Capital goods prices rise

The Capital Goods Price Index (CGPI) rose 1.0 percent in the June 2005 quarter. This follows increases of 0.6 percent in the March 2005 quarter and 0.8 percent in the December 2004 quarter.

Of the six asset groups in the CGPI, five recorded increases in the June 2005 quarter. The most significant upward contribution to the CGPI came from the residential buildings index, which rose 2.2 percent. Other upward contributions came from the non-residential buildings index, the other construction index, the land improvements index and the plant, machinery and equipment index. The remaining asset group, the transport equipment index, recorded a 1.0 percent fall.

Falling plant, machinery and equipment costs were a consistent feature of the CGPI between the March 2002 and March 2005 quarters. However, in the June 2005 quarter, the plant, machinery and equipment index increased for the first time since the December 2001 quarter, despite the downward influence of the stronger New Zealand dollar during the June 2005 quarter.

Annually, the CGPI rose 3.0 percent from the June 2004 quarter to the June 2005 quarter. In the year from the March 2004 quarter to the March 2005 quarter, the CGPI rose 3.6 percent.



The following table shows the amount that each asset group has contributed to the All Groups CGPI movement from the March 2005 quarter to the June 2005 quarter.

Capital Goods Price Index

Index points contribution ⁽¹⁾

	March 2005 quarter to June 2005 quarter
Residential buildings	7.80
Non-residential buildings	2.15
Other construction	1.66
Plant, machinery and equipment	0.44
Land improvements	0.22
Transport equipment	-1.42

⁽¹⁾ Points contribution may not sum to totals due to rounding.

Construction

The residential buildings index, consistently the most significant positive contributor to the CGPI in recent times, rose 2.2 percent in the June 2005 quarter.

The same survey data that are used to measure the purchase and construction of new dwellings in the Consumers Price Index are used in the residential buildings index in the CGPI. This information is supplemented with additional data from the Producers Price Index Commodity Price Survey. Respondents cited increased prices for construction components, followed by higher subcontractors' charges, as the main drivers for price increases in this quarter.

The increase in the residential buildings index in the year to the June 2005 quarter was 7.6 percent. This follows increases of 8.0 percent in the year to the March 2005 quarter, and 8.5 percent in the year to the December 2004 quarter.

The non-residential buildings index rose 1.2 percent in the June 2005 quarter, the second most significant upward contribution to the CGPI. This follows increases of 0.2 percent in the March 2005 quarter, and 1.8 percent in the December 2004 quarter. Price increases were primarily driven by the increasing costs of construction components and raw materials. In the year to the June 2005 quarter, the non-residential buildings index rose 4.8 percent.

The other construction index rose 1.6 percent in the June 2005 quarter, the same rise as in the March 2005 quarter, following a 0.8 percent increase in the December 2004 quarter. Respondents cited increased suppliers' prices as the dominant factor for price rises in this quarter. The increase in the other construction index over the year to the June 2005 quarter was 5.5 percent.

Plant, machinery and equipment

The plant, machinery and equipment index increased 0.1 percent in the June 2005 quarter, its first quarterly increase since the December 2001 quarter. Respondents cited increased prices for raw materials, higher labour costs and adjustments to profit margins as the dominant factors for price increases in the current quarter, offsetting the downward influence of the exchange rate.

Of the 32 asset type indexes reported within the overall plant, machinery and equipment asset group, 19 recorded increases in the June 2005 quarter, 10 recorded decreases, and three did not change.

Transport equipment

The transport equipment index fell 1.0 percent in the June 2005 quarter, and recorded a fall of 2.4 percent in the year to the June 2005 quarter.

The major driver of price falls in the transport equipment index in the June 2005 quarter was the arrival of new vehicle models with improved specifications, where the value of the improved specifications was greater than the rise in the nominal price.

In 10 of the last 11 quarters, the transport equipment index has registered quarterly falls. The index is now 4.7 percent lower than in the September 2002 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 rate at the time of pricing.

The New Zealand dollar appreciated in the June 2005 quarter against the currencies of four of the country's five major trading partners. The New Zealand dollar depreciated slightly against the US dollar in the June 2005 quarter. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the March 2005 quarter to the June 2005 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 February 2005	0.7111	0.3764	0.9028	74.3398	0.5463
15 May 2005	0.7075	0.3826	0.9296	75.5527	0.5593
Percentage change	-0.5	1.6	3.0	1.6	2.4

For technical information contact:
Daria Kwon or Bridget Hamilton-Seymour
Wellington 04 931 4600
Email: info@stats.govt.nz

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.

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.

Copyright

Information obtained from Statistics New Zealand may be freely used, reproduced, or quoted unless otherwise specified. In all cases Statistics New Zealand must be acknowledged as the source.

Liability

While care has been used in processing, analysing and extracting information, Statistics New Zealand gives no warranty that the information supplied is free from error. Statistics New Zealand shall not be liable for any loss suffered through the use, directly or indirectly, of any information, product or service.

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 New Zealand. Statistics New Zealand accepts no responsibility for any such delays.

Next release ...

Capital Goods Price Index: September 2005 quarter will be released on 23 November 2005.

For information on the changing face of older New Zealanders,
visit www.stats.govt.nz/older-people

Tables

The following tables can be downloaded from the Statistics New Zealand website in Excel 97 format. If you do not have access to Excel 97 or higher, you may use the [Excel file viewer](#) to view, print and export the contents of the file.

List of tables

1. Capital Goods Price Index
2. Capital Goods Price Index, percentage change from previous quarter