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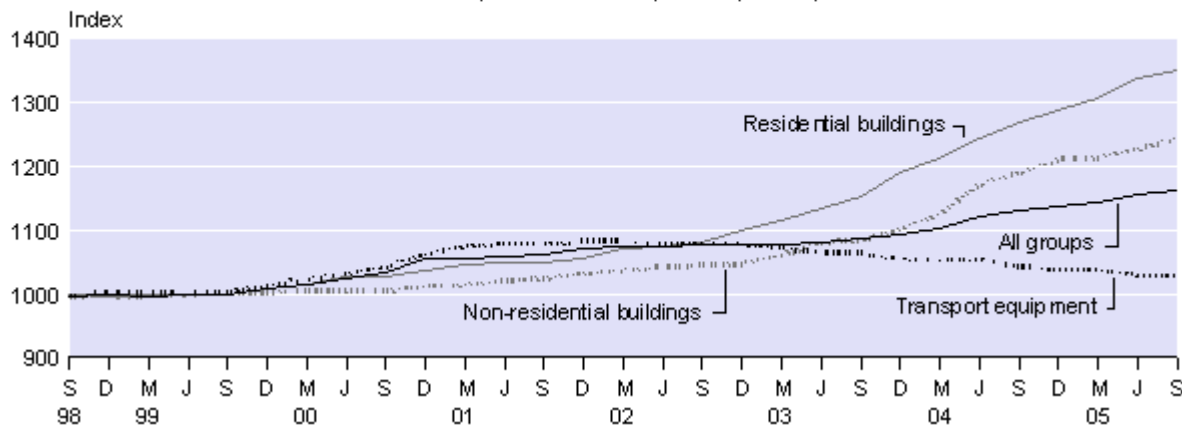
Capital Goods Price Index September 2005 quarter

Highlights

- **Capital goods prices rose 0.6 percent** in the September 2005 quarter.
- **On an annual basis, the CGPI rose 3.0 percent** in the year to the September 2005 quarter.
- **The residential buildings index rose 1.0 percent** in the September 2005 quarter.
- **The transport equipment index fell 0.2 percent** in the September 2005 quarter.

Capital Goods Price Index

Base: September 1999 quarter (=1000)



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Government Statistician

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

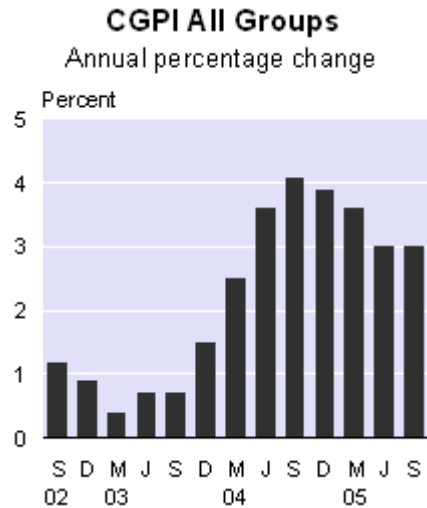
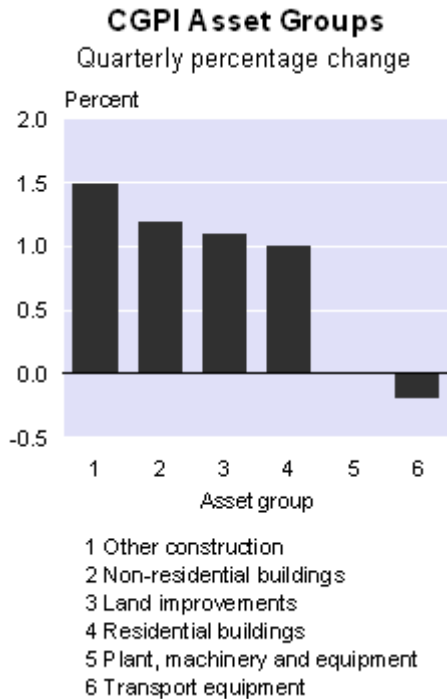
Commentary

Capital goods prices rise

The Capital Goods Price Index (CGPI) rose 0.6 percent in the September 2005 quarter, its tenth consecutive quarterly rise since the June 2003 quarter, following increases of 1.0 percent in the June 2005 quarter and 0.6 percent in the March 2005 quarter.

Of the six asset groups in the CGPI, four recorded increases in the September 2005 quarter. The most significant upward contribution to the CGPI came from the residential buildings index, which rose 1.0 percent. Other upward contributions came from the non-residential buildings index, the other construction index and the land improvements index. The plant, machinery and equipment index showed no movement and the transport equipment index fell 0.2 percent in the September 2005 quarter.

Annually, the CGPI rose 3.0 percent from the September 2004 quarter to the September 2005 quarter, the same percentage increase as in the year to the June 2005 quarter.



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

Capital Goods Price Index

Index points contribution ⁽¹⁾

	June 2005 quarter to September 2005 quarter
Residential buildings	3.40
Non-residential buildings	2.32
Other construction	1.72
Land improvements	0.19
Plant, machinery and equipment	-0.02
Transport equipment	-0.28

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

Buildings

The residential buildings index rose 1.0 percent in the September 2005 quarter, making the most significant upward contribution to the CGPI for the sixteenth consecutive quarter. This follows increases of 2.2 percent in the June 2005 quarter, and 1.5 percent in the March 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 increased local authority fees and higher sub-contractors charges, as the main drivers for price increases in this quarter.

The increase in the residential buildings index in the year to the September 2005 quarter was 6.5 percent, following increases of 7.6 percent in the year to the June 2005 quarter, and 8.0 percent in the year to the March 2005 quarter.

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

Annually, the non-residential buildings index rose 4.5 percent from the September 2004 quarter to the September 2005 quarter, following an increase of 4.8 percent in the year to the June 2005 quarter and 7.8 percent in the year to the March 2005 quarter.

Non-building construction

The other construction index rose 1.5 percent in the September 2005 quarter, following a rise of 1.6 percent in the June 2005 quarter. Respondents cited increased prices for raw materials as the dominant factor for price increases this quarter, with concrete pipe prices the primary driver. Other reasons for price increases were adjustments to profit margins and price increases in fuel. There was a 5.7 percent increase in the other construction index in the year to the September 2005 quarter, following a 5.5 percent increase in the year to the June 2005 quarter.

Transport equipment

The transport equipment index fell 0.2 percent in the September 2005 quarter. This follows decreases of 1.0 percent in the June 2005 quarter and 0.1 percent in the March 2005 quarter. The transport equipment index fell 1.5 percent in the year to the September 2005 quarter.

The major driver of price falls in the September 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. The other reason was lower manufacturers' prices.

In 11 of the last 12 quarters, the transport equipment index has fallen. The index is now 4.9 percent lower than in the September 2002 quarter.

Plant, machinery and equipment

The plant, machinery and equipment index showed no movement in the September 2005 quarter, following a 0.1 percent increase in the June 2005 quarter and 13 consecutive quarterly decreases from the March 2002 quarter to the March 2005 quarter.

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

Respondents cited suppliers prices and higher metal prices as the dominant factors for price increases in the current quarter. Factors that offset the price increases were lower suppliers' prices for computer machinery, and lower prices driven by market competition.

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 showed mixed movements in the September 2005 quarter. The New Zealand dollar appreciated against the currencies of three of the country's five major trading partners in this quarter and depreciated against the US dollar and the Australian dollar. The table below shows changes in the value of the New Zealand dollar in foreign currency denominations from the June 2005 quarter to the September 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 May 2005	0.7075	0.3826	0.9296	75.5527	0.5593
15 August 2005	0.7024	0.3873	0.9105	76.5030	0.5628
Percentage change	-0.7	1.2	-2.1	1.3	0.6

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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.

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

Next release ...

Capital Goods Price Index: December 2005 quarter will be released on 15 February 2006.

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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