

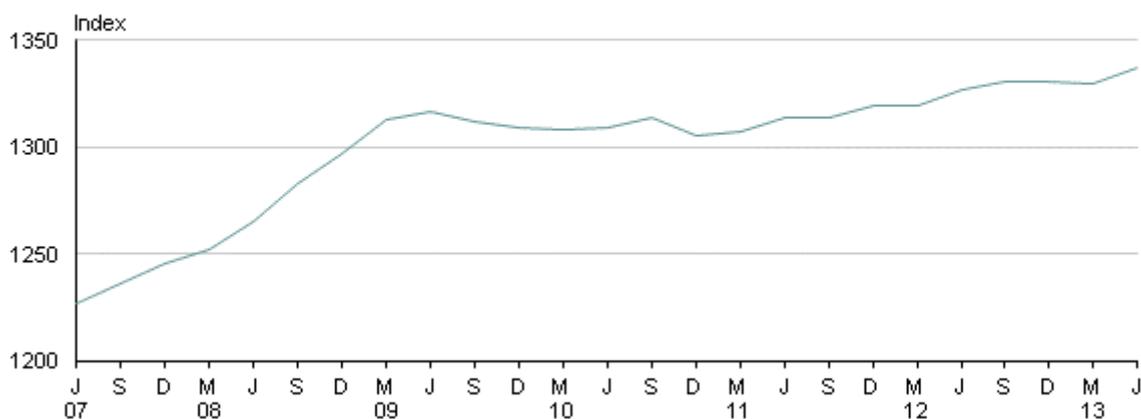
# Capital Goods Price Index: June 2013 quarter

Embargoed until 10:45am – 19 August 2013

## Key facts

- The capital goods price index (CGPI) rose 0.5 percent in the June 2013 quarter.
- In the year to the June 2013 quarter, the CGPI rose 0.8 percent.

**Capital goods price index**  
Quarterly  
Base: September 1999 quarter (=1000)



Source: Statistics New Zealand

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## Commentary

- Capital goods price index up 0.5 percent
- Residential building prices up 1.4 percent
- Non-residential building prices up 0.5 percent
- Transport equipment prices down 0.3 percent
- Other asset group price movements
- New Zealand dollar depreciates against three major traded currencies

The capital goods price index (CGPI) measures changes in the price of new fixed assets purchased by New Zealand producers.

### Capital goods price index up 0.5 percent

The CGPI rose 0.5 percent in the June 2013 quarter, following a 0.1 percent fall in the March 2013 quarter.

The main contribution to the latest rise came from higher prices for residential buildings. The non-residential buildings and civil construction asset groups also rose, while the remaining three asset groups (transport equipment; plant, machinery, and equipment; and land improvements) fell.

In the year to the June 2013 quarter, the CGPI rose 0.8 percent.



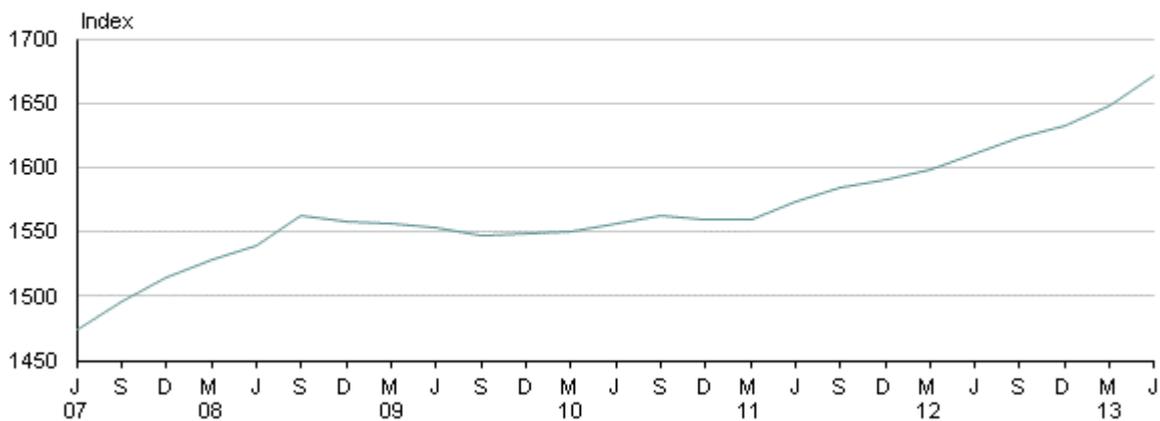
Source: Statistics New Zealand

## Residential building prices up 1.4 percent

The residential buildings index rose 1.4 percent in the June 2013 quarter, reflecting higher prices for purchasing and constructing new dwellings. This rise is the largest for this index since the September 2008 quarter, when it rose 1.4 percent.

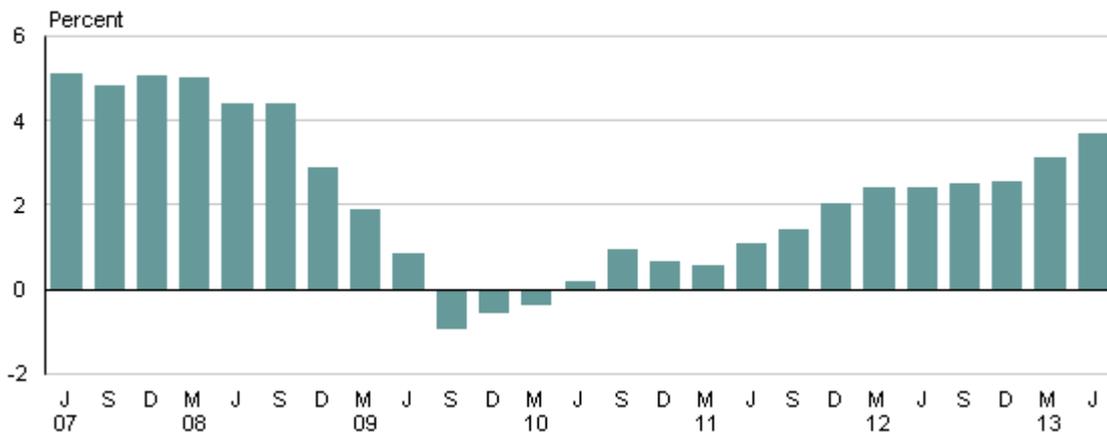
In the year to the June 2013 quarter, the residential buildings price index rose 3.7 percent. This is the largest annual increase since the year to the September 2008 quarter, when it rose 4.4 percent.

**Residential buildings index**  
Quarterly  
Base: September 1999 quarter (=1000)



Source: Statistics New Zealand

**Residential buildings index**  
Annual change from same quarter of previous year



Source: Statistics New Zealand

## Non-residential building prices up 0.5 percent

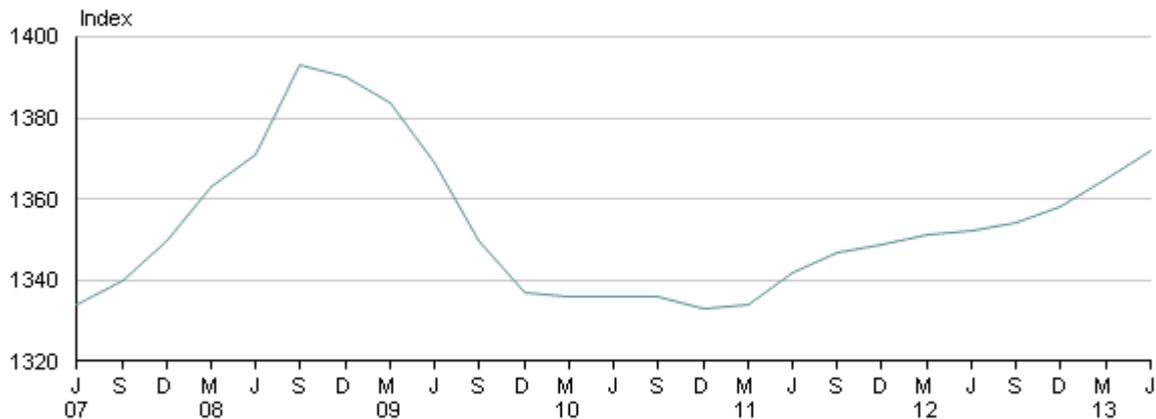
The non-residential buildings index rose 0.5 percent in the June 2013 quarter, following the same movement in the March 2013 quarter. Higher building material prices (timber and timber products) and labour costs contributed to this rise.

In the year to the June 2013 quarter, the non-residential buildings price index rose 1.5 percent. This annual rise is the largest since the March 2009 quarter, when it rose 1.5 percent.

### Non-residential buildings index

Quarterly

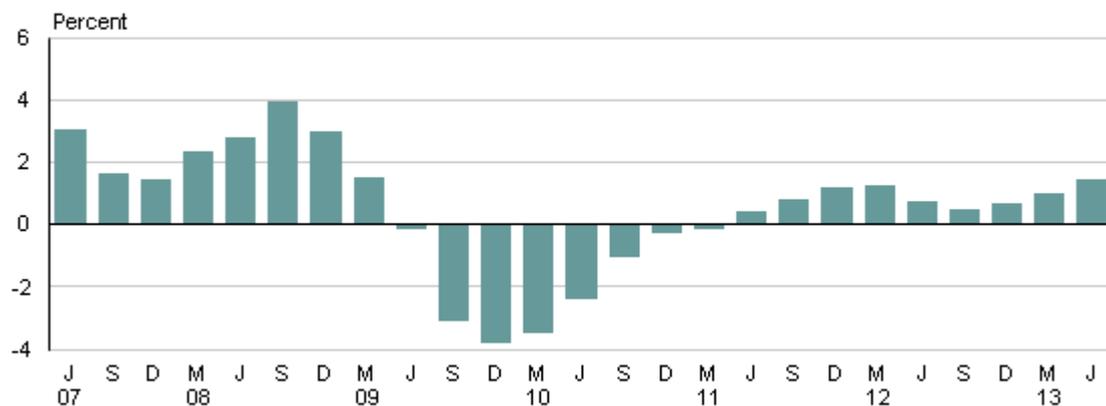
Base: September 1999 quarter (=1000)



Source: Statistics New Zealand

### Non-residential buildings index

Annual change from same quarter of previous year

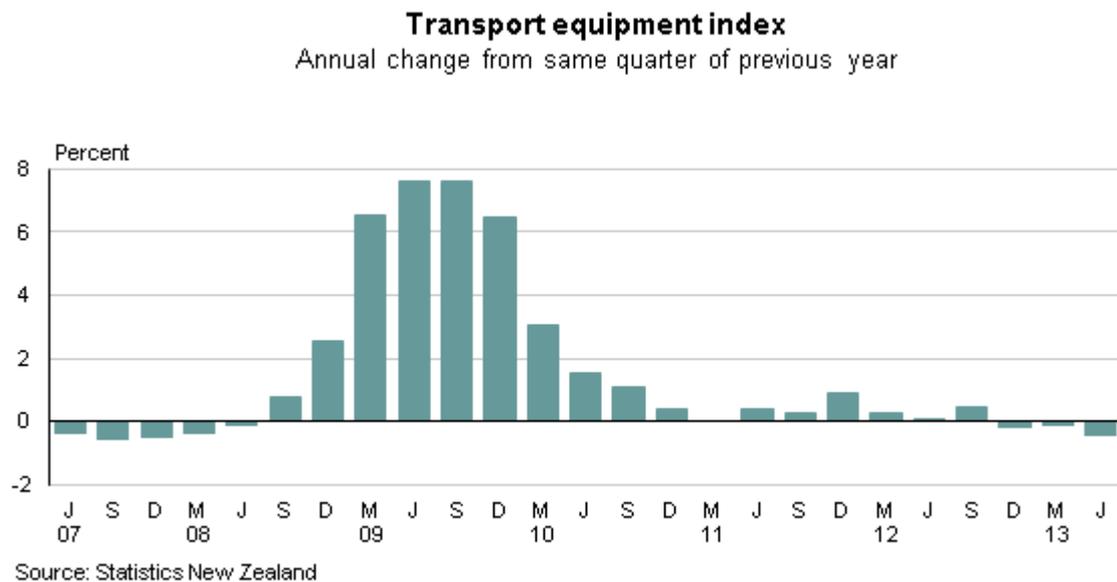
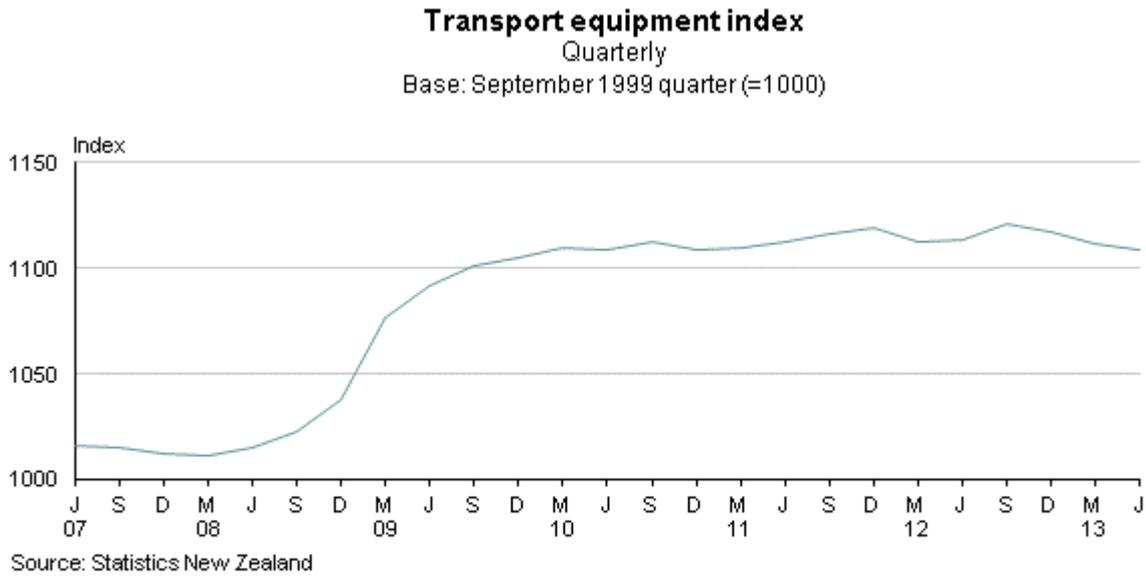


Source: Statistics New Zealand

## Transport equipment prices down 0.3 percent

The transport equipment index fell 0.3 percent in the June 2013 quarter, following 0.4 percent falls in the previous two quarters. The latest fall was mainly influenced by lower prices for commercial vehicles 3500kg and under, and cars over 1600cc.

In the year to the June 2013 quarter, the transport equipment price index fell 0.4 percent.



## Other asset group price movements

The **civil construction** index rose 0.2 percent in the June 2013 quarter, influenced by higher prices for road construction.

The **plant, machinery, and equipment** index fell 0.2 percent in the June 2013 quarter, following a 0.9 percent fall in the March 2013 quarter.

The **land improvements** index fell 0.1 percent in the June 2013 quarter, reflecting lower prices for fencing.

## New Zealand dollar depreciates against three major traded currencies

When calculating the CGPI, prices collected on the 15th 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 currencies are converted to New Zealand dollars using the exchange rate at the time of pricing.

In the June 2013 quarter, the New Zealand dollar depreciated against three of the five major traded currencies, while appreciating against the Australian dollar and the Japanese yen. A depreciating New Zealand dollar has an upward influence on the New Zealand dollar prices of goods denominated in foreign currencies. The table below shows changes in the value of the New Zealand dollar, in foreign currency denominations, from the mid-points of the March 2013 and June 2013 quarters.

<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 February 2013	0.8346	0.5387	0.8083	77.5686	0.6238
15 May 2013	0.8064	0.5293	0.8172	82.3255	0.6212
Percentage change	-3.4	-1.7	1.1	6.1	-0.4

Source: Westpac Banking Corporation

For more detailed data see the Excel tables in the 'Downloads' box.

## Definitions

### About the capital goods price index

The capital goods price index (CGPI) estimates the overall price change in a range of physical assets that the productive sector holds, acquires, or builds. The major asset groups are buildings, both residential and non-residential; civil construction; land improvements; and plant, machinery, and equipment.

The CGPI is a price index that measures prices for purchases of new fixed assets, not existing ones. For example, second-hand trucks or buses, which may be heavily used by the productive sector, are not included in the CGPI. Similarly, the CGPI prices the construction of new buildings and additions. It does not price the existing stock of buildings.

### More definitions

**Capital goods:** produced assets (such as machinery, equipment, buildings, or other structures) that are used repeatedly or continuously in production over several accounting periods (more than one year).

**Civil construction:** formerly labelled as 'other construction'. Includes mainly infrastructure-related constructions such as roads, electrical works, and pipelines.

**Land improvements:** includes land clearing and establishment, fencing, irrigation and drainage, reclamation, and river control.

**Non-residential buildings:** includes shops, offices, warehouses, factories, farm buildings, and other non-residential building. Pricing relates to the construction of these buildings or additions to existing buildings.

**Plant, machinery, and equipment:** this is the largest category in the CGPI, both in terms of weight and number of categories. It covers a wide variety of asset types intended to cover a wide range of industrial use.

**Residential buildings:** includes dwellings and out-buildings, hostels, and boarding houses. Pricing relates to the construction of new buildings or additions to existing buildings.

**Transport equipment:** is broken down into small and large passenger vehicles, commercial vehicles, buses, trailers, motorcycles, and aircraft.

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*Capital Goods Price Index: September 2013 quarter* will be released on 20 November 2013.

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## Data quality

- [Data sources](#)
- [Calculation](#)
- [Consistency with other datasets](#)
- [Contract indexation](#)
- [More information](#)

### Data sources

Prices used to calculate the capital goods price index (CGPI) are collected mainly from the Commodity Price Survey. Some data collected for the consumers price index and the labour cost index are also used for CGPI. The Commodity Price Survey collects prices on a quarterly basis and is also used to collect prices for the producers price index (PPI). This survey is primarily questionnaire-based but also includes a number of other methods of data collection, such as retrieving data from company websites, electronic returns from a number of survey participants, and using a US Bureau of Labor Statistics measure of computer equipment prices.

### 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. Goods and services tax (GST) is excluded from prices used in this index.

### Consistency with other datasets

There are some fundamental differences between the CGPI and the PPI, even though both are generally based on the same data source, the Commodity Price Survey. The CGPI is primarily a product-based index, whereas the PPI is both an industry-based and a product-based index (for instance, inputs into the dairy product manufacturing industry).

The scope of the CGPI also differs from the PPI. The CGPI measures changes in prices for fixed assets rather than products used up by the productive sector within an accounting year. The inputs PPI covers goods and services used by the productive sector.

The CGPI is a price index conceptually related to gross fixed capital formation in the System of National Accounts. However, it only measures prices for purchases of new fixed assets and not existing ones.

### 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 Statistics NZ produces 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

[See more information about CGPI](#)

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## Tables

The following tables are available in Excel format from the 'Downloads' box. If you have problems viewing the files, see [opening files and PDFs](#).

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

## Access more data on Infoshare

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