



Hot Off The Press

LATEST STATISTICS FROM STATISTICS NEW ZEALAND



Embargoed until 10:45am – 24 November 2005

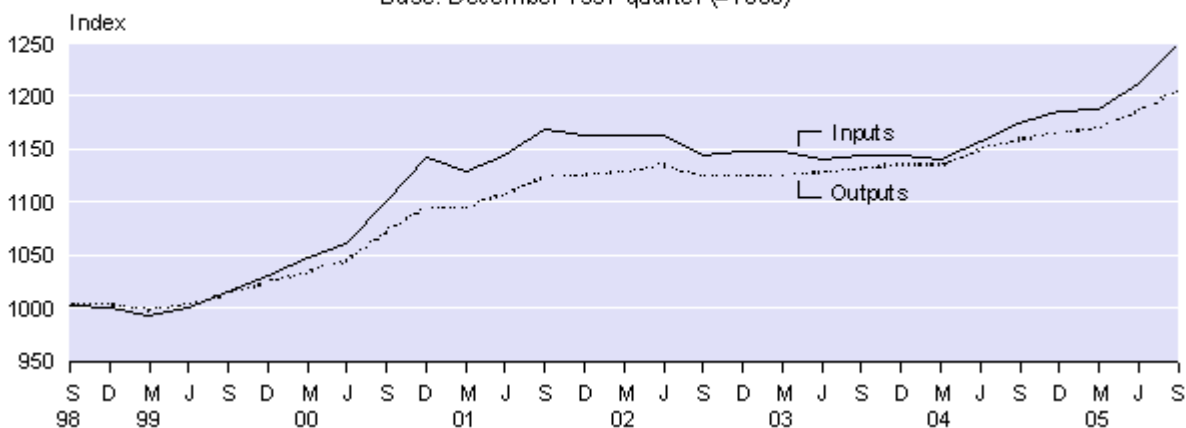
Producers Price Index September 2005 quarter

Highlights

- **The PPI outputs index rose 1.8 percent** in the September 2005 quarter.
- **Output prices rose 4.1 percent** between the September 2004 and September 2005 quarters.
- **Output prices for wholesale trade rose 2.9 percent** in the September 2005 quarter.
- Statistics New Zealand is currently reviewing the selected PPI commodity indexes and is inviting input into the review process. See the commentary of this release for more details.
- **The PPI inputs index rose 2.9 percent** in the September 2005 quarter.
- **Input prices rose 6.1 percent** between the September 2004 and September 2005 quarters.
- **Input prices for wholesale trade rose 8.8 percent** in the September 2005 quarter.

Producers Price Index

All industries – inputs and outputs
Base: December 1997 quarter (=1000)



Brian Pink
Government Statistician

24 November 2005
Cat 70.906 Set 05/06 – 085

There is a companion Media Release published – *Producers Price Index: September 2005 quarter*.

Commentary

Outputs

Output prices for all industries in the Producers Price Index (PPI) rose 1.8 percent in the September 2005 quarter, compared with rises of 1.2 percent in the June 2005 quarter and 0.5 percent in the March 2005 quarter. The increase in the September 2005 quarter is the sixth consecutive quarterly upward movement since a fall of 0.1 percent in the March 2004 quarter, and the largest quarterly increase in the outputs index since a rise of 2.1 percent in the December 2000 quarter.

The most significant upward contribution to the PPI outputs index, for the September 2005 quarter, was a 2.9 percent increase in the wholesale trade index. The main driver of the rise in this index was higher prices in the mineral, metal and chemical wholesaling sector, which reflected higher fuel prices (caused by international crude oil market movements). This is the second quarter in a row where the wholesale trade index has been the most significant contributor to the overall PPI outputs index, and driven by the mineral, metal and chemical sector.

Other significant upward contributions to output prices in the PPI were a 9.5 percent increase in the electricity generation and supply index (driven by higher wholesale electricity prices), an increase of 5.7 percent in the livestock and cropping farming index (due mainly to higher auction prices for beef as well as sheep and lamb), and an increase of 1.9 percent in the construction index (driven by a 3.3 percent rise in construction trade services, as a result of firms responding to increasing labour costs).

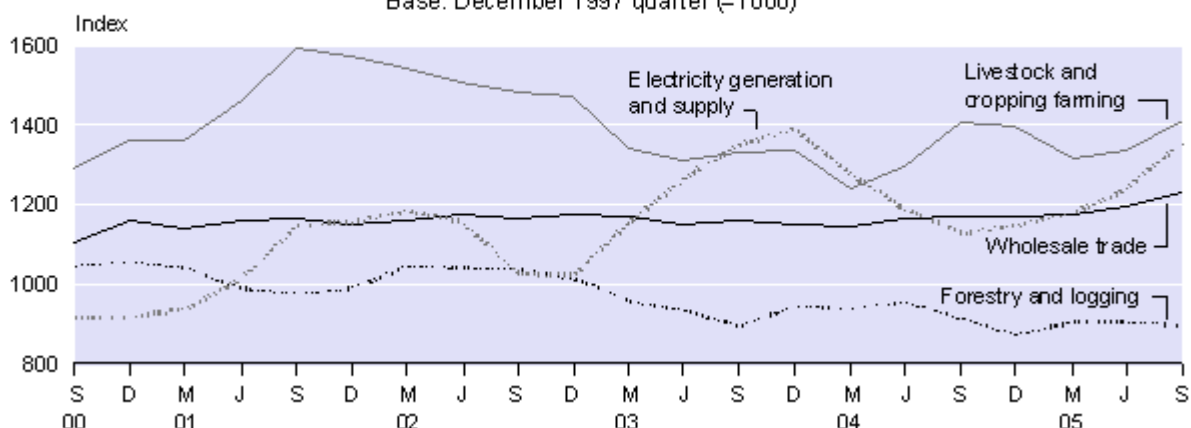
The overall increase in output prices was partly offset by decreases in the indexes for forestry and logging; finance; and paper and paper product manufacturing. The major downward contributor was the forestry and logging index, which declined 0.9 percent in the September 2005 quarter, due mainly to lower prices for domestic sales of *pinus radiata*. The 0.3 percent fall in the finance index was due to a fall in the price of financial intermediation services (resulting from continued competition between banking institutions). The paper and paper product manufacturing index, driven by lower prices for mechanical wood pulp, recorded a fall of 0.6 percent in the September 2005 quarter. The current quarter's index number represents the lowest level in output prices for the paper and paper product manufacturing industry since the December 1999 quarter.

In the year to the September 2005 quarter the PPI outputs index rose 4.1 percent, the highest annual increase since the year to the September 2001 quarter when the outputs index rose 4.8 percent. The PPI outputs index has risen in 10 of the last 11 quarters, and despite the effect of an appreciating exchange rate over much of that period, the overall PPI outputs index is now 7.3 percent higher than in the December 2002 quarter.

Of the 50 indexes published as part of the overall PPI outputs index, 44 recorded rises in the September 2005 quarter, and six recorded falls. The last quarter the PPI had such a one-sided set of quarterly index movements was the December 2000 quarter, when 45 indexes recorded rises, five recorded falls, and the overall PPI outputs index rose 2.1 percent.

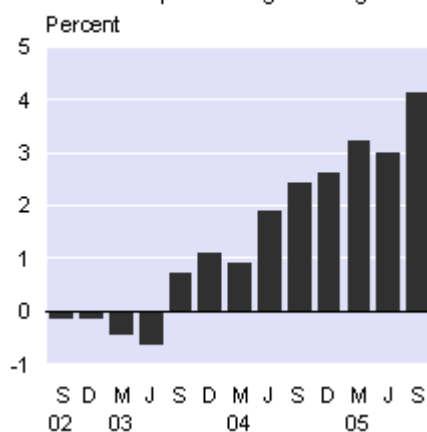
Producers Price Index

Outputs index – selected industries
Base: December 1997 quarter (=1000)



PPI Outputs

Annual percentage change



Producers Price Index

Outputs – all industries

Quarter	Percentage change from previous quarter	Percentage change from the same quarter, previous year
Sep 2003	0.4	0.7
Dec 2003	0.4	1.1
Mar 2004	-0.1	0.9
Jun 2004	1.3	1.9
Sep 2004	0.8	2.4
Dec 2004	0.5	2.6
Mar 2005	0.5	3.2
Jun 2005	1.2	3.0
Sep 2005	1.8	4.1

Inputs

Input prices for all industries in the PPI rose 2.9 percent in the September 2005 quarter, following increases of 2.0 percent in the June 2005 quarter, and 0.3 percent in the March 2005 quarter.

The increase in the September 2005 quarter is the sixth consecutive quarterly upward movement since a fall of 0.5 percent in the March 2004 quarter, and the largest quarterly rise in the inputs index since a 3.7 percent rise in the December 2000 quarter.

The most significant upward contributions to the PPI inputs index, for the September 2005 quarter, were recorded in the wholesale trade index, the electricity generation and supply index, and the meat and meat product manufacturing index. The wholesale trade index rose 8.8 percent in the September 2005 quarter, driven by the higher cost of crude oil. This follows rises of 4.8 percent and 0.9 percent in the June 2005 and March 2005 quarters, respectively, and is the largest since a 9.8 percent rise in the September 2000 quarter. The electricity generation and supply index rose 14.0 percent in the September 2005 quarter, the largest increase since an 18.6 percent rise in the March 2003 quarter and mainly driven by higher wholesale electricity prices. The meat and meat product manufacturing index rose 7.6 percent, mainly driven by increasing wholesale prices for bulls and steers.

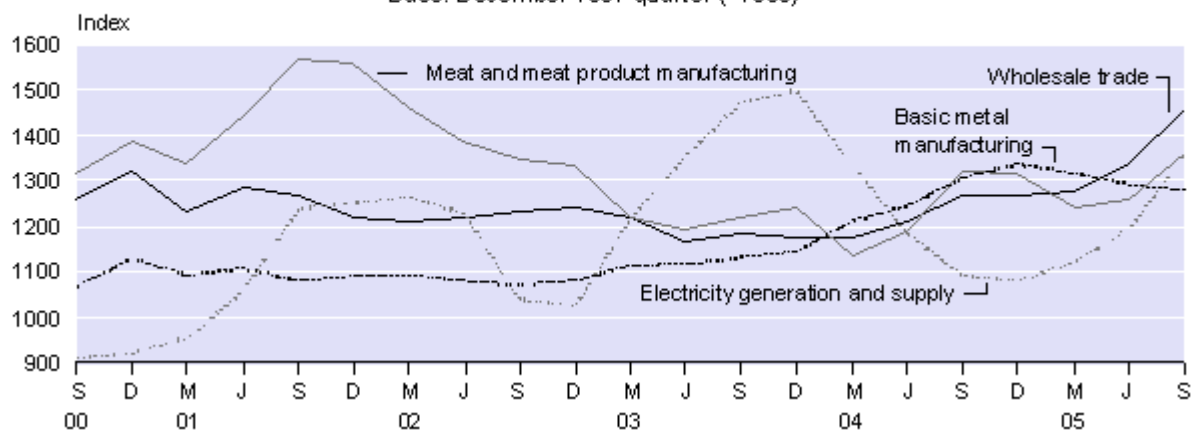
Downward contributions to the PPI inputs index were recorded in only two of the sub-industries. The basic metal manufacturing index fell 1.0 percent (due to lower prices for scrap metal, mainly brass and steel) while the gas supply index fell 1.6 percent in the September 2005 quarter (due to lower bulk prices for natural gas).

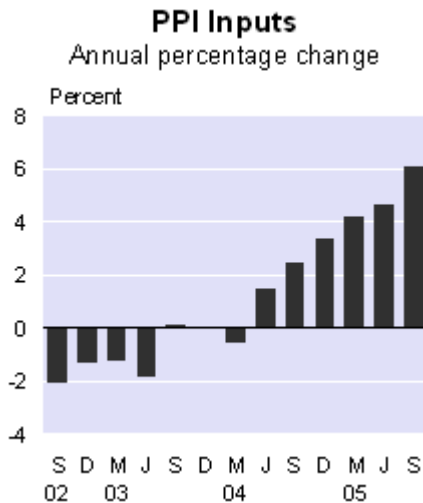
In the year to the September 2005 quarter, the PPI inputs index rose 6.1 percent, the highest annual increase since the year to the September 2001 quarter when the inputs index rose 6.2 percent.

Of the 55 indexes published as part of the overall PPI inputs index, 53 recorded rises in the September 2005 quarter, and two recorded falls. The last quarter the PPI had such a one-sided set of quarterly index movements was the December 2000 quarter, when all of the 55 indexes recorded rises, and the overall PPI inputs index rose 3.7 percent.

Producers Price Index

Inputs index – selected industries
Base: December 1997 quarter (=1000)





Producers Price Index

Inputs – all industries

Quarter	Percentage change from previous quarter	Percentage change from the same quarter, previous year
Sep 2003	0.4	0.1
Dec 2003	0.0	-0.1
Mar 2004	-0.5	-0.6
Jun 2004	1.6	1.5
Sep 2004	1.5	2.5
Dec 2004	0.9	3.4
Mar 2005	0.3	4.2
Jun 2005	2.0	4.7
Sep 2005	2.9	6.1

Commodities

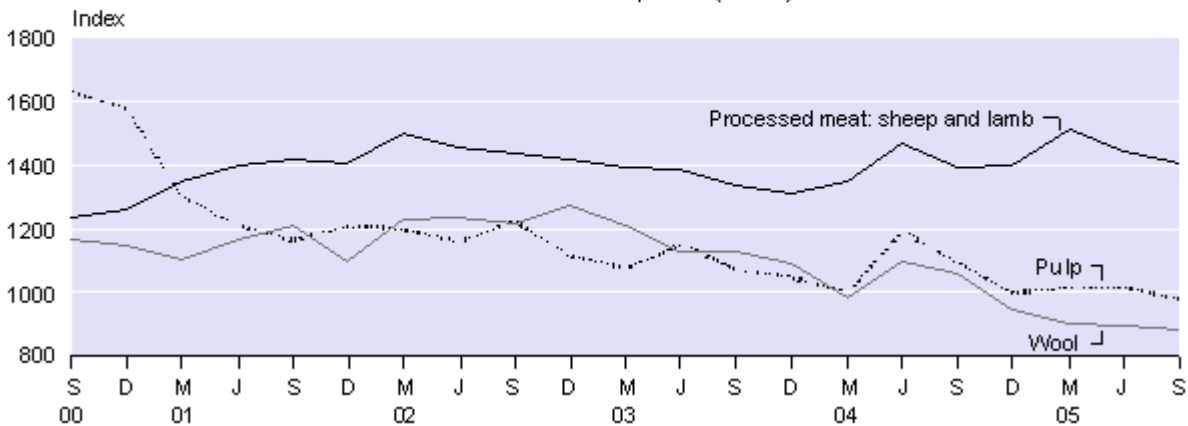
In the September 2005 quarter the pulp index fell 3.3 percent, following a rise of 0.2 percent in the June 2005 quarter. The main driver was lower world market prices for pulp. In the year to the September 2005 quarter the index for pulp fell 10.2 percent.

The wool index fell 1.5 percent in the September 2005 quarter, the fifth consecutive quarterly fall and following decreases of 0.4 percent in the June 2005 quarter and 5.4 percent in the March 2005 quarter. The fall in the most recent quarter was mainly influenced by decreased auction prices for wool. In the year to the September 2005 quarter, the index fell 16.9 percent.

The processed meat:sheep and lamb index fell 2.4 percent, in the September 2005 quarter, following a decrease of 4.4 percent in the June 2005 quarter. The most recent fall was mainly influenced by price decreases in frozen sheep meat. In the year to the September 2005 quarter the processed meat:sheep and lamb index rose 1.2 percent.

Selected Commodity Indexes

Processed meat: sheep and lamb; pulp; wool
Base: December 1997 quarter (=1000)



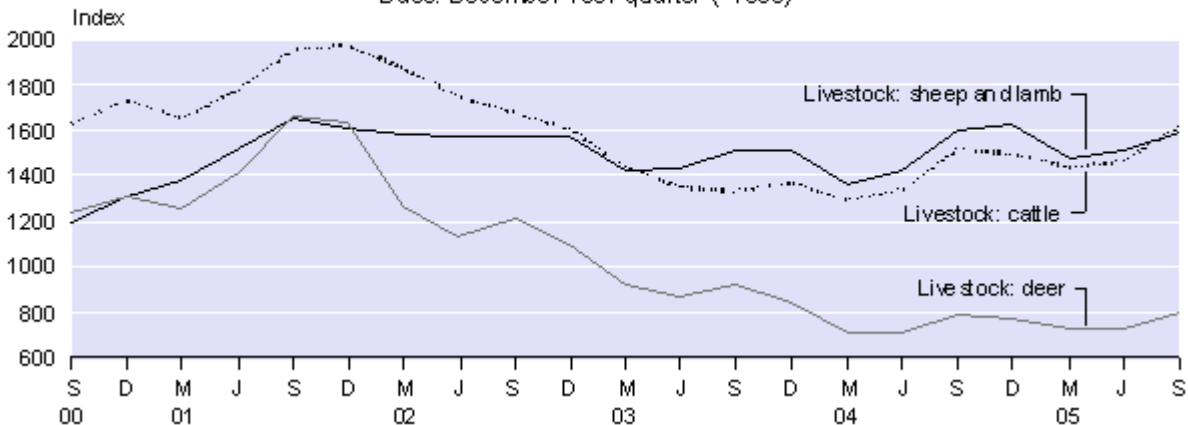
In contrast to the processed meat: sheep and lamb index, the livestock: sheep and lamb index rose 5.6 percent in the September 2005 quarter, following a 1.9 percent increase in the June 2005 quarter. The increase in the September 2005 quarter was mainly influenced by increased wholesale prices for sheep and lamb. In the year to the September 2005 quarter, the index for livestock: sheep and lamb fell 0.8 percent.

In the September 2005 quarter the index for livestock: cattle rose 10.4 percent, following an increase of 1.9 percent in the June 2005 quarter. Respondents commonly cited high wholesale prices for bulls and steers as the main driver of the rise this quarter. In the year to the September 2005 quarter, the index for livestock: cattle rose 6.9 percent.

The index for livestock: deer rose 9.6 percent in the September 2005 quarter, following no movement in the June 2005 quarter. The increase was primarily influenced by higher wholesale prices for deer. In the year to the September 2005 quarter the livestock: deer index increased 1.1 percent.

Selected Commodity Indexes

Livestock: sheep and lamb; livestock: cattle; livestock: deer
Base: December 1997 quarter (=1000)



Review of selected commodities

As part of the ongoing process of reviewing the mix of statistics produced by Statistics New Zealand, we are seeking user views on the proposal to update the selected commodity indexes published as part of the Producers Price Index Hot Off The Press (Table 5).

To make a decision on the number and type of indexes published in this part of the release in future, we welcome your comments. Of particular interest to Statistics New Zealand is to determine which of the current indexes are used, and the types of decision making and outcomes involved with their use. We also encourage suggestions for any new commodity indexes that users of these data would like to see published. Published indexes must satisfy confidentiality and quality considerations.

Statistics New Zealand encourages those who reproduce information from this Producers Price Index release to include this request for user views in their publications. By widely distributing this request for information, Statistics New Zealand will obtain a cross section of users views.

If you use these indexes, or would like to have input into the review process, please contact Nicola Argyle (phone: (04) 931 4771, fax: (04) 931 4041 email: nicola.argyle@stats.govt.nz or post: Nicola Argyle, Prices Unit, Statistics New Zealand, PO Box 2922, Wellington).

Impact of exchange rates

When calculating the PPI, 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 between currencies 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

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

Technical notes

Price index interpretation

Price indexes are used to measure the changes in the level of prices, not the actual level of the prices themselves.

The Producers Price Index (PPI) measures prices relating to the production sector of the economy. By comparison, the Consumers Price Index measures prices relating to the household sector and the Labour Cost Index measures prices in the labour market.

The PPI is made up of two types of indexes: the outputs index, which measures changes in the prices received by producers; and the inputs index, which measures changes in the cost of production (excluding labour and capital costs).

The Farm Expenses Price Index (FEPI) measures price changes specific to the inputs into the farming industry.

PPI outputs index

The outputs index measures changes in prices received by producers.

The outputs index covers the prices of:

- primary products
- manufactured goods
- revenue from renting and leasing
- the provision of services
- capital work undertaken by own employees
- margins on goods purchased for resale.

The outputs index excludes:

- interest and dividends
- royalties and patent fees
- receipts from insurance claims
- government cash grants and subsidies
- goods and services tax (GST) and other indirect taxes.

These indexes are designed to measure price changes at a level corresponding to the prices received before the addition of commodity taxes or deduction of subsidies.

PPI inputs index

The inputs index measures price changes in costs of production, excluding labour and depreciation costs.

The inputs index covers the prices of:

- materials
- fuels and electricity
- transport and communication
- commission and contract services
- rent and lease of land, buildings, vehicles and plant
- business services
- insurance premiums less claims.

The inputs index excludes:

- wages and salaries (measured in the Labour Cost Index)
- capital expenditure/depreciation (measured in the Capital Goods Price Index)
- ACC levies, land tax, government licence fees, road user charges
- rates
- royalties, patent fees
- bad debts and donations.

GST is excluded when measuring input prices for 45 of the 47 industry inputs indexes. The assumption is made that those involved in activities in these industries are 'registered persons, or businesses' who provide 'taxable supply'. GST paid on intermediate consumption is recoverable under the GST credit offset system and therefore is effectively not part of the ultimate input price. Exceptions include the finance and ownership of owner-occupied dwellings indexes, which include some 'GST exempt' and non-recoverable GST activities. Interest costs are excluded because they are regarded as a cost of capital and not as a payment for a good or service.

Government charges are excluded when they are used to raise tax revenue rather than the payment for a good or service purchased from the government. This is consistent with the System of National Accounts.

Farm Expenses Price Index

The Farm Expenses Price Index (FEPI) measures price changes of fixed inputs of goods and services to the farming industry. It does not fully measure changes in the production costs of farming. This is because production costs are not solely dependent on price movements, but are also dependent on factors that affect productivity, such as technological advances, management efficiency and climate fluctuations.

Capital expenditure and depreciation are not covered. (For price indexes of capital expenditure, refer to the Capital Goods Price Index.)

Coverage

The indexes are calculated quarterly from price quotes, which are collected mainly by postal survey. Approximately 13,000 individual commodity items are surveyed from about 3,000 respondents. Prices are generally collected each quarter, according to those prevailing on the fifteenth of the middle month of the quarter being measured. Prices may be obtained monthly or annually, depending on the nature of the item.

Calculation

The PPI and FEPI are Laspeyres base-weighted price index series. The weightings are determined by the relative importance of commodities and businesses within the industry or industry group. Information from various surveys and censuses and other sources is used to determine the weightings. Further information about this is available on request.

Industry classification

The PPI inputs and outputs indexes cover all the major market industry groups as defined by the Australian and New Zealand Standard Industrial Classification 1993 (ANZSIC). Index numbers for industry indexes based on this classification are available from the June 1994 quarter.

The all industries inputs index is made up of 47 industry indexes. Outputs indexes are not available for public administration and defence; education; health and community services; cultural and recreational services; and personal and other services industries, as reliable estimates of output prices have yet to be developed.

Customised price indexes

Statistics New Zealand has a large number of unpublished sub-industry and representative commodity price indexes. These indexes are available at a small charge to cover dissemination costs.

Back series of indexes

Statistics New Zealand will provide tables of the complete back series of the current PPI and FEPI indexes on request.

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 ...

Producers Price Index: December 2005 quarter will be released on 16 February 2006.

Statistics New Zealand: The first source of independent information for your key decisions.

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

Producers Price Index

1. Producers Price Index, outputs – index numbers
2. Producers Price Index, inputs – index numbers
3. Producers Price Index, outputs, percentage change from previous quarter
4. Producers Price Index, inputs, percentage change from previous quarter
5. Producers Price Index, selected commodities – index numbers and percentage changes

Farm Expenses Price Index

- 1.01 Farm Expenses Price Index, all farms – index numbers
- 1.02 Farm Expenses Price Index, all farms
2. Farm Expenses Price Index, sheep and beef farms – index numbers
3. Farm Expenses Price Index, dairy farms – index numbers
4. Farm Expenses Price Index, horticultural farms – index numbers
5. Farm Expenses Price Index, cropping and other farms – index numbers