

Box 4

LATEST DEVELOPMENTS IN INVESTMENT BY TYPE OF PRODUCT

Investment has been one of the demand components of GDP which exhibited a clear decline over 2001 and 2002. In the course of 2003, however, while negative growth rates continued, there was a broadly based improvement evident across investment categories. This translated into an increase in total investment in the fourth quarter of last year (see Chart A). This is apparent in both construction and non-construction investment (referred to here as “equipment investment”). As concerns equipment investment, the improvement in the global economic environment, together with supportive financial conditions, explain the pattern observed over last year and should contribute to further growth over this year. This box summarises the most recent developments in investment by type of product, up to the fourth quarter of 2003.¹

Investment in metal products and machinery has led the improvement in equipment investment

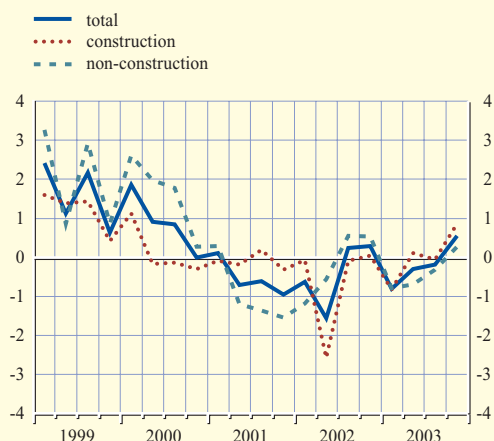
In the fourth quarter of 2003, data on euro area equipment investment confirmed the signs of improvement observed in this category in the second and third quarters. Euro area equipment investment increased by 0.3% quarter on quarter in the fourth quarter of 2003, following a decline of 0.3% in the third quarter (see Chart B).

Among the components of equipment investment, investment in metal products and machinery (which is the largest component, accounting for around 30% of total investment) led the resumption of investment. It rose by 0.7% quarter on quarter in the fourth quarter, after remaining stable in the previous quarter and after declining by 0.8% in the first half of 2003. On the other hand, for transport equipment (accounting for around 10% of total investment), which tends to be a very volatile component, the rates of decline slowed down in the course of 2003,

¹ Developments up to the first quarter of 2003 were reported in the September 2003 issue of the ECB Monthly Bulletin (in Box 6).

Chart A Total, construction and non-construction investment

(quarter-on-quarter changes; quarterly data)

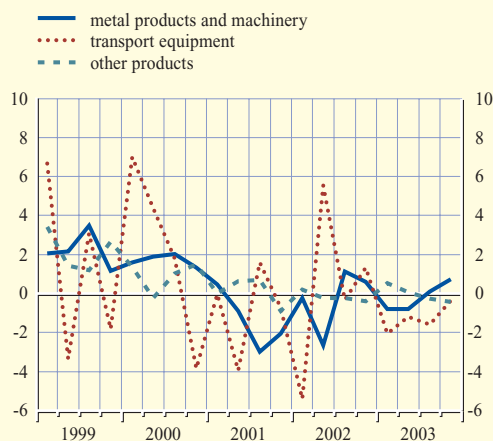


Source: Eurostat.

Note: Investment in other products includes agriculture.

Chart B Breakdown of non-construction investment

(quarter-on-quarter changes; quarterly data)



standing at -0.4% in the last quarter. Finally, investment in other products (also 10% of total investment), which includes software, exhibited a downward trend throughout the whole year, registering a fall of 0.4% in the fourth quarter.

Resumption of construction investment

Euro area construction investment (accounting for around 50% of total investment) increased by 0.9% quarter on quarter in the fourth quarter of 2003. This follows a continuous decline over the past three years, which has however been less pronounced since the second half of 2002. This gradual improvement was initially supported by a slight increase in the housing sub-component in the second and third quarters of 2003. In the fourth quarter, this increase extended to the non-housing component as well.