

Box 5

LATEST DEVELOPMENTS IN INVESTMENT BY TYPE OF PRODUCT

In the course of 2003, a broadly based increase in investment was observed, following a decline in the previous two years. Since the beginning of 2004, the level of total investment has been almost unchanged (see Chart A). This stabilisation, however, reflects opposite developments in construction investment and non-construction investment, which each account for approximately half of total investment. While construction investment declined over the first half of 2004, this was offset by an increase in non-construction investment, which is mainly comprised of equipment investment but also includes agricultural and other products. This box summarises the most recent developments in investment by type of product, up to the end of the second quarter of 2004.

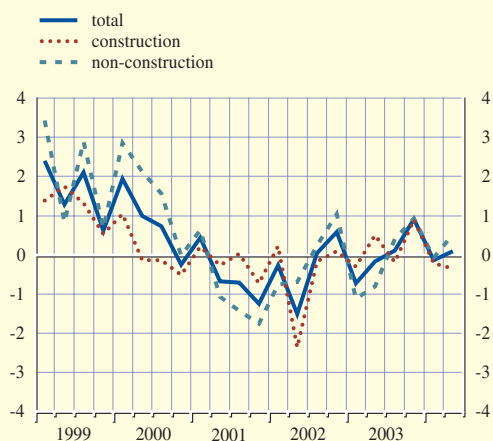
Investment in metal products and machinery remained the main factor behind the increase in equipment investment

On average, non-construction investment in the euro area continued to grow during the first half of this year, but at a somewhat slower pace than in the second half of last year. After stabilising in the first quarter of 2004, euro area non-construction investment increased by 0.5% in the second quarter. This follows an increase of 0.9% in the fourth quarter of last year. These developments could partly reflect a further improvement in industrial confidence in the second quarter of 2004 after a stabilisation in the first quarter.

The different components of non-construction investment recorded contrasting developments (see Chart B). While investment in metal products and machinery (which is the largest component, accounting for around 30% of total investment) decreased in the first quarter of

Chart A Total, construction and non-construction investment

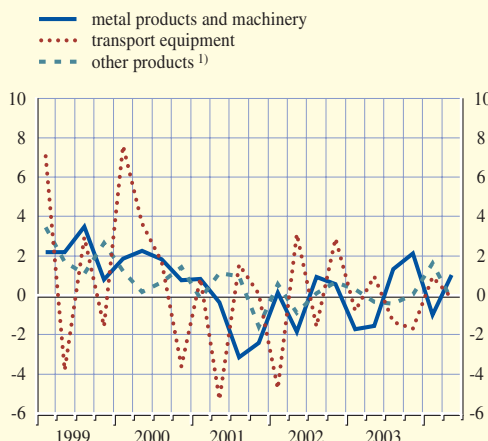
(quarter-on-quarter changes; seasonally adjusted)



Source: Eurostat.

Chart B Breakdown of non-construction investment

(quarter-on-quarter changes; seasonally adjusted)



Source: Eurostat.
1) Includes agricultural products.

2004 and increased in the second, the opposite pattern of growth was observed in the other two components. On average over the first half of 2004, both investment in metal products and machinery and investment in other products (the latter accounting for 10% of total investment) increased compared with the second half of 2003. Investment in transport equipment (which represents a further 10% of total investment) was broadly unchanged, following a decline in the second half of 2003.

Investment in construction declined in the first half of 2004

Euro area construction investment declined in both the first and the second quarter of 2004, by around 0.2-0.3% in each quarter, in contrast to the improvements observed at the end of last year. This decline is mainly accounted for by the non-housing component, while housing investment continued to increase, although at a somewhat slower pace than at the end of last year. Both components have been strongly affected by negative developments in Germany. Excluding Germany, both housing and non-housing construction investment increased during the first half of 2004 compared with the second half of last year.