Consumer goods are classified in three categories, depending on their durability. Durable consumer goods typically include commodities with an expected lifetime of more than three years and with a relatively high value (e.g. cars, furniture, home appliances or electrical and electronic devices). Semi-durable and non-durable consumer goods have an expected lifetime of between one and three years and less than one year, respectively, and a comparatively lower value.

Euro area household expenditure on durables (1) and semi-durables tends to be similar to that on non-durables (and services) and overall private consumption, although it is much more volatile (see Chart A). A decision to purchase a durable good is rather like an investment decision due to its long-lasting nature, providing consumers with services over several years, and its high purchase price. Nonetheless, it is less costly to reverse a purchase of a durable good than to reverse an investment. These characteristics explain why purchases of durable goods are more sensitive to shocks, such as unexpected income changes, than purchases of non-durable goods.

1 Since Eurostat only publishes a breakdown of private consumption into durable and non-durable goods for some euro area countries, euro area aggregates in this box have been approximated using available country data (i.e. Germany, Estonia, Spain, France, Italy, Luxembourg, Netherlands and Finland), with a coverage of 85% of the euro area.
Consumption of durable goods in the euro area plummeted during the 2008 recession, recovered briefly in 2009 and fell again in 2010. In 2011 the consumption of durable goods rebounded briefly, but declined again in 2012 and most of 2013. Prior to the financial crisis, the strong growth in the consumption of durable goods was mainly due to purchases of durable goods other than cars (see Chart B). However, in 2009 car purchases became the main factor, principally because of car scrappage schemes in several countries which pushed up car sales. During the financial crisis the decline in the consumption of durable goods was initially led by cars, with a sharp fall towards the end of 2008, but purchases of other durable goods also dropped. However, the fiscal incentives to boost sales of new cars made it possible to reverse this downturn, while purchases of other durable goods continued to fall2. As soon as the incentives were exhausted or terminated, car purchases fell again in 2010, whereas overall private consumption and the consumption of other durable goods recovered strongly. Thereafter, concerns about debt sustainability in some euro area countries, rising unemployment, weak developments in real disposable income and household wealth as well as heightened uncertainty and low consumer confidence were the main factors behind the negative evolution of expenditure on durable goods in 2012 and most of 2013. In the last quarter of 2013, however, its annual growth turned positive for first time since September 2011. This outcome might nevertheless have been influenced by a spike in car purchases ahead of tax hikes in the Netherlands and France and the extension of the car scrappage scheme in Spain.

2 See also Box 2 “Household consumption of durable goods during the latest recession” in the July 2010 Monthly Bulletin.
Developments across countries and main determinants

At the end of 2013 positive developments in spending on durables were observed in almost all euro area countries, even in stressed countries. This widespread improvement could be the first sign of a more lasting recovery, but the high volatility of expenditure on durable goods together with the distortions created by some fiscal measures merit careful consideration before drawing any conclusions.

The demand for durables partly depends on the relative prices of those goods and on the disposable income and wealth of households. In some cases, households need to take out loans to buy high-value durable goods. Therefore, financing conditions are also important determinants. As furniture and household appliances are classified as durable goods, the evolution of residential construction also affects demand for durables.

In recent years, prices of durables declined relative to those of non-durables in the four largest euro area countries and in the euro area as a whole, partly due to continued and rapid technological advances, particularly in electronic equipment (see Chart C). However, the relative real consumption of durables, as opposed to non-durables, semi-durables and services, differed across countries. In Spain and Italy, the relative consumption of durable goods decreased sharply, indicating that consumers were not benefiting from price reductions. The weak developments in real disposable income and housing wealth of households, the deleveraging process and more restricted access to financing led to households in these two countries spending significantly less disposable income on durable goods. In Germany and, to a lesser extent, France, the relative consumption of durables increased on average, supported by the positive evolution of disposable incomes and favourable relative prices.

Chart C Average annual growth of prices and real consumption of durables in relation to non-durables (between 2009 and 2013) (average annual percentage changes)

<table>
<thead>
<tr>
<th>Country</th>
<th>relative prices</th>
<th>relative real consumption</th>
<th>real disposable income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>2.0</td>
<td>1.0</td>
<td>0.0</td>
</tr>
<tr>
<td>France</td>
<td>-1.0</td>
<td>0.0</td>
<td>-1.0</td>
</tr>
<tr>
<td>Spain</td>
<td>-3.0</td>
<td>-2.0</td>
<td>-3.0</td>
</tr>
<tr>
<td>Italy</td>
<td>-4.0</td>
<td>-4.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>Euro area</td>
<td>-5.0</td>
<td>-5.0</td>
<td>-5.0</td>
</tr>
</tbody>
</table>

Source: ECB calculations.
Note: In the calculation, non-durables include semi-durables and services.

Outlook for the consumption of durable goods

The European Commission’s consumer survey provides information about households’ intentions with regard to major purchases in the next 12 months. The survey historically had good leading indicator properties for future purchases of durables. This indicator is currently still far below its long-term average, despite the reported strong increases in consumer confidence. It has remained at low levels since 2009 (see Chart D), suggesting a prolonged period of weakness in the consumption of durables ahead. The survey also includes a question on current intentions with regard to major purchases in view of the general economic situation. In the past, the indicators for current and future intentions of major purchases displayed similar paths, but since the financial crisis they have

3 According to estimates of the Banco de España (Economic Bulletin, September 2013), the sensitivity of durables consumption to income has increased significantly since 2008.
diverged significantly, with the indicator for current plans following developments in the consumption of durable goods more closely. This divergence may indicate a high level of uncertainty perceived by consumers with respect to the future economic situation, which could lead them to buy durable goods today rather than later on. In addition, the indicator of the current intentions to buy consumer durables has been improving since mid-2013, in line with consumer confidence, resulting in a positive short-term outlook for consumption of durables.

To sum up, changes in disposable income and fiscal measures have played an important role in the recent evolution of the consumption of durables in the euro area, and notably in the largest member countries. The widespread improvement in spending on durables may be seen as a sign of rising domestic demand. Moreover, the European Commission’s consumer survey seems to indicate that consumers are preferring to buy now rather than later.