



Concepts and Methods of the U.S. National Income and Product Accounts

(Chapters 1–7)

November 2010

is considered to be an integral part of the structure (such as plumbing, heating, and electrical systems).

Nonresidential equipment and software consists of purchases by private businesses and by nonprofit institutions of new equipment (such as machinery, furniture, and motor vehicles) and of computer software that meet the above definition of a fixed asset. It also includes dealers' margins on sales of used equipment to businesses and to nonprofit institutions; net purchases of used equipment from government agencies, from persons, and from the rest of the world; and own-account production of equipment and software. It is measured net of the value of worn out equipment sold for scrap.

Residential structures consists of new construction of permanent-site single-family and multifamily housing units, improvements (additions, alterations, and major structural replacements) to housing units,¹¹ expenditures on manufactured homes, brokers' commissions on the sale of residential property, and net purchases of used structures from government agencies. Residential structures also includes some types of equipment (such as heating and air conditioning equipment) that are built into the structure.

Residential equipment consists of equipment, such as furniture or household appliances, that is purchased by landlords for rental to tenants.

Recording in the NIPAs

As described in chapter 2, the NIPAs can be viewed as aggregations of accounts belonging to individual transactors in the economy. PFI represents the final demand for structures and for equipment and software by private businesses and by other entities that are treated similarly to businesses in the NIPAs. In the seven summary accounts of the NIPAs, PFI appears in the Domestic Income and Product Account (account 1) as the dominant component of gross private domestic investment and in the Domestic Capital Account (account 6) as the dominant component of gross domestic investment.

In the NIPAs, PFI is shown by type of product classification rather than by industry classification. Annual estimates of gross fixed investment and net fixed investment (that is, investment less CFC) by major type are provided in NIPA table group 5.2. PFI by type is presented in NIPA table group 5.3. PFI in structures by type is shown

¹¹ Improvements to residential structures—which, unlike those to nonresidential structures, are shown separately in the NIPAs—consist of additions, alterations, and major replacements to structures subsequent to their completion. They include construction of additional housing units in existing residential structures, finishing of basements and attics, remodeling of kitchens and bathrooms, and the addition of swimming pools and garages. They include major replacements—such as new roofs, water heaters, furnaces, and central air conditioners—that prolong the expected life of the structure or add to its value; routine maintenance and repair work is not included. For residential fixed investment, own-account construction (“do-it-yourself” projects) consists of the value of the materials supplied only and does not include the value of the labor supplied by the property owner.