



## National Income and Product Accounts • Fixed Assets and Consumer Durable Goods

The Bureau of Economic Analysis (BEA) prepares the national income and product accounts (NIPAs), which provide an aggregated view of the Nation's output, income, saving, and investment. Two of its most widely known measures are gross domestic product (GDP) and disposable personal income. The Bureau also prepares wealth accounts that provide estimates of the Nation's stock of fixed assets and consumer durable goods.

### Presentation of the NIPAs

The NIPAs can be summarized by seven accounts that show the composition of production and the distribution of incomes earned in production. Each entry in a summary account also enters one of the other summary accounts and is detailed in one or more of the tables that make the full set of 299 NIPA tables. Taken together, the summary accounts constitute a double-entry system in which a use (or expenditure) recorded

in one account of one sector is also recorded as a source (or receipt) in an account of another sector or of the same sector. This system of integrated, double-entry accounts provides a comprehensive measure of economic activity in a consistently defined framework without double-counting. Thus, the NIPAs, in combination with the Bureau's industry, wealth, and regional accounts, can be used to trace the principal economic flows among the major sectors of the economy.

The first account, the domestic income and product account, shows the consolidated—that is, unduplicated—production of all sectors of the economy as the sum of expenditures for goods and services sold to final users on the right side and the income generated by that production on the left side. The private enterprise income account (account 2) provides additional information on the sources and uses of income by private enterprises, showing the flows generating

corporate profits, proprietors' income, and rental income of persons. Accounts 3–5 show the receipts and expenditures of the other major sectors of the U.S. economy: The personal sector, which is made up of households and nonprofit institutions serving households; the government sector; and the foreign sector. Account 6 provides information on the saving and investment of the domestic sectors of the economy, and account 7 provides information on capital transactions with the rest of the world.

### Measures of GDP

Changes in current-dollar, or “nominal,” GDP measure the changes in the market value of the goods, services, and structures produced in the economy in a particular period. These changes can be decomposed into quantity and price components. Quantities and prices are expressed as index numbers with the reference year—at present, the year 2000—equal to 100. The chain-type quantity

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and price indexes, in combination with the current-dollar estimates, are the basic data series from which all other analytical tables and presentations of the NIPAs are derived, including inflation-adjusted estimates for the product-side components.

The chained (2000) dollar, or “real,” estimates can be used to calculate percent changes for GDP and its components that are consistent with those calculated from the chain-type quantity indexes. Unlike nominal estimates of GDP components, chained-dollar estimates do not add to total chained-dollar GDP. Therefore, BEA prepares contributions estimates for the components of GDP that add exactly to real GDP growth. For most analyses, the current-dollar estimates provide the best measure of a component’s relative size, and the contributions estimates provide the best measure of a component’s importance to real GDP growth.

## Fixed Assets and Consumer Durable Goods

Fixed assets and consumer durable goods estimates are part of BEA’s work on measuring the wealth of the nation. Fixed assets are produced assets that are used repeatedly, or continuously, in processes of production for more than one year. The acquisition of fixed assets by private business is presented in the NIPAs as part of gross private domestic investment and the acquisition of fixed assets by government is presented as part of government consumption expenditures and gross investment. Consumer durable goods are tangible commodities purchased by consumers that can be used repeatedly and continuously over a period of 3 or more years. Purchases of consumer durable goods by persons are presented in the NIPAs as part of personal consumption expenditures. BEA’s also estimates inventories owned by private business, and the change in private inventories is presented in the NIPAs as part of gross private domestic investment. BEA presents changes in the stock of fixed assets, private inventories, and

depreciation estimates in an integrated analysis from opening to closing balance sheets.

These estimates of the net stocks and depreciation of fixed assets and consumer durables are used in other sets of statistics, such as the flow of funds accounts prepared by the Federal Reserve Board and in studies of national income, product, and wealth, as well as in the NIPAs.

The depreciation estimates, in the form of consumption of fixed capital (CFC), are an integral part of the NIPAs. CFC is a component of gross domestic income (GDI), which measures output as the costs incurred and the incomes earned in the production of GDP, and is the conceptual equivalent of GDP. As a cost incurred in the production of GDP, CFC is defined as the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and is deducted from GDP and GDI to derive net domestic product and net domestic income—rough measures of the level of consumption that can be maintained while leaving capital assets intact. CFC is also deducted from the appropriate NIPA gross investment flows to obtain net investment in fixed assets for the total economy, for private business, and for government.

## Availability

For GDP and many other NIPA series, quarterly estimates are released on the following schedule: “Advance” estimates are released near the end of the first month after the end of the quarter; as more detailed and more comprehensive data become available, “preliminary” and “final” estimates are released near the end of the second and third months, respectively.

Monthly estimates of personal income and outlays are released near the end of the month following the reference month; estimates for the preceding 2 to 4 months are subject to revision at that time.

Annual revisions of the NIPAs are usually carried out each summer and cover the months and quarters of the

most recent calendar year and of the 2 preceding years. They are timed to incorporate newly available major annual source data. Comprehensive revisions have been carried out at about 5-year intervals. They incorporate conceptual, statistical, and presentational improvements.

## Uses of the accounts

The NIPAs are some of the Nation’s most closely watched economic statistics. Specifically, these accounts are used by:

- The White House and Congress to prepare the Federal budget estimates and projections,
- The Federal Reserve to formulate monetary policy,
- Wall Street to analyze national economic activity,
- The business community to plan financial and investment strategies, and
- Academia to undertake macroeconomic research.

## For more information

For more information on the NIPAs, see the following articles that were published in the SURVEY OF CURRENT BUSINESS, the monthly journal of the Bureau.

- “GDP and the Economy” published monthly in the SURVEY OF CURRENT BUSINESS.
- “Reliability of the NIPA Estimates of U.S. Economic Activity” (February 2005).
- “A Guide to National Income and Product Accounts of the United States” (September 2006).
- “Updated Summary NIPA Methodologies” (November 2006).
- “Annual Revision of the National Income and Product Accounts: Annual Estimates for 2003–2005 and Quarterly Estimates for 2003:I–2006:I” (August 2006).

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