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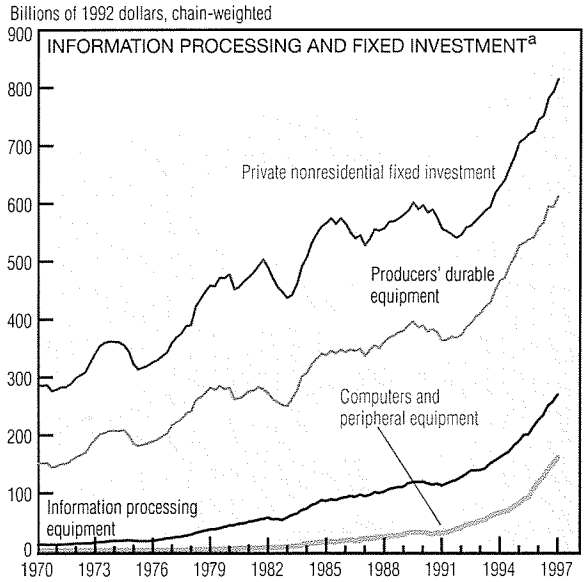
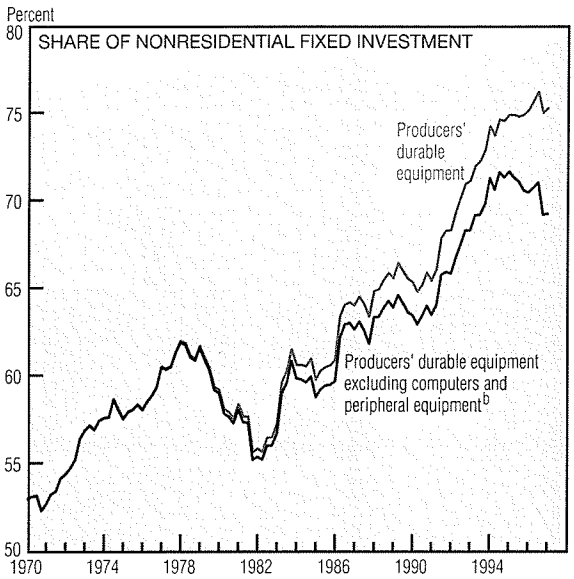
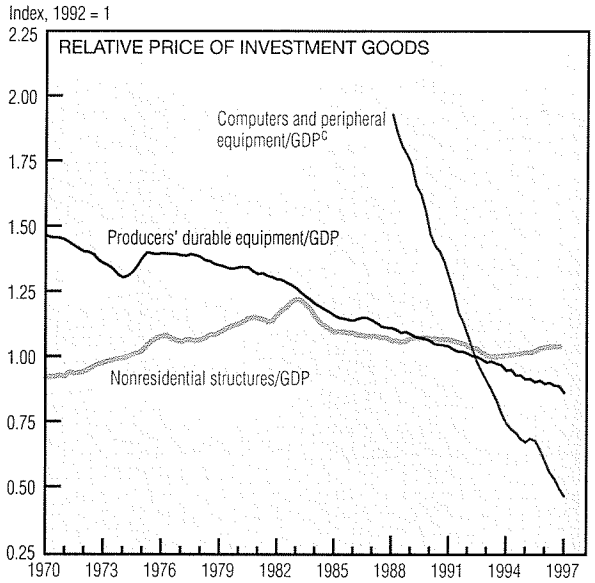
Durable Equipment Investment



Investment Growth
(Percent, annual rate)

	1970–1989	1990–present
Private nonresidential fixed investment	3.63	4.55
Producers' durable equipment	4.74	6.57
Computers and peripheral equipment	35.65	25.49
Private nonresidential fixed investment less computers and peripheral equipment	3.36	2.21
Producers' durable equipment less computers and peripheral equipment	4.31	3.40





a. Private nonresidential fixed investment is composed of producers' durable equipment and nonresidential structures. Producers' durable equipment includes industrial equipment and transportation and related equipment, in addition to information processing and related equipment.
b. Computers and peripheral equipment have been removed from both the numerator and the denominator.
c. The relative price of computers and peripheral equipment has fallen extremely rapidly from a 1970 value of 130.
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

During the 1990s, nonresidential fixed investment (producers' durable equipment plus nonresidential structures) has surged. The increase can be traced to durable equipment sales, with 57% of all fixed investment gains coming from computer and peripheral equipment purchases. However, durable equipment sales began to grow long before computer sales became significant. Since 1970, durables investment has increased from 53% to 75% of total nonresidential fixed investment. Over the same period, the relative price of durables has fallen 42%, and the relative price of structures has climbed 13%. The drop in durables' prices, accompanied by an increase in their share of total investment, indicates that investment patterns have been dominated by supply-side factors.

Since 1990, investment in computers has risen from 8% to 25% of all durable equipment. This growth also seems to be fueled by supply-side factors, given the steady decline in the relative price of computers.

In the past six months, investment has increased 8% for structures and 2.7% for durable equipment, causing durables' share of investment to fall slightly. However, durable equipment has been outpacing structures since 1990, even when computers are excluded. In fact, overall investment in structures has declined 1%. The steady drop in computer and durable equipment prices suggests that both will continue to increase as a share of total nonresidential fixed investment.