

6. Disposable income

Disposable income, as a concept, is closer to the concept of income generally understood in economics, than either national income or GDP. At the total economy level it differs from national income in that additional income items are included, mainly *other current transfers* such as *remittances*. For countries where these additional items form significant sources of income the importance of focusing on disposable income in formulating policy is clear. For OECD countries the differences between national and disposable income at the total economy level are typically insignificant. But another very important difference between national income and disposable income concerns the allocation of income across sectors. At this level significant differences arise. In the main these reflect the reallocation of national income: *from corporations and households to government*, on account of income taxes; *from households to government* to reflect social contributions; and, *from government and corporations to households* to reflect social benefits other than social transfers in kind. It is mainly this reallocation of income that brings the concept of income closer to the economic concept. Indeed, ignoring, for simplicity, changes in net worth that arise from capital transfers or holding gains say, disposable income can be seen as the maximum amount that a unit can afford to spend on consumption goods or services without having to reduce its financial or non-financial assets or by increasing its liabilities.

Definition

The description given above relates to what is known as *disposable income*, which can be shown gross or net of depreciation. However there is an important variant of this concept, described as *adjusted disposable income*, which additionally reallocates “income” from government and NPISHs to households to reflect social transfers in kind. These transfers reflect expenditures made by government or NPISHs on individual goods and services, such as health and education, on behalf of an individual household.

This variant provides an important mechanism for international comparisons of households’ “income” as it adjusts for the levels of individual goods and services indirectly “consumed” by households via taxation for example. The adjustment in effect imputes these expenditures from government/NPISHs to households (*actual consumption*) and also imputes the same values to households as if they were income (meaning that *net saving* is unaffected by this reallocation, see Section 7). In theory some social transfers in kind may involve non-resident households or

governments/NPISH but these are typically insignificant and, so, the SNA recommends, unless strong evidence to the contrary exists, that these cross border flows net out.

Comparability

Comparability is good but there are practical difficulties in the measurement of the additional income components, such as remittances, that make up the difference between GDP and disposable income (including adjusted). It is for that reason that GDP per capita is the most widely used indicator of income or welfare, even though it is theoretically inferior, in that context, to measures of disposable income.

Both measures of disposable income include the payments of pension contributions to pension schemes and to social security and the receipts of pensions from pension schemes and social security. The SNA prescribes this treatment as it aligns better with the individual’s concept of income and comes despite the fact that payments of pension contributions into the schemes and the receipts of pensions by pensioners constitute the acquisition and disposal of financial assets (see also Section 7). Not all countries however include these particular flows into and out of pension schemes as parts of disposable income and so comparability at the sectoral level is affected, albeit only marginally.

Table 6.2 shows annual growth in household net disposable income in real terms (with nominal values deflated by the total household final consumption deflator). Table 6.3 shows annual growth in households net adjusted disposable income in real terms (with nominal values deflated by the actual individual consumption deflator).

Source

- OECD (2012), *National Accounts of OECD Countries*, OECD Publishing, <http://dx.doi.org/10.1787/2221433x>.

Online database

- OECD (2012), “Detailed National Accounts: Non-financial accounts by sectors, annual”, *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/data-00034-en>.
- OECD (2012), “Detailed National Accounts: Non-financial accounts by sectors, quarterly”, *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/data-00626-en>.

Further reading

- Lequiller, F. and D. Blades (2007), *Understanding National Accounts*, OECD Publishing, <http://dx.doi.org/10.1787/9789264027657-en>.
- OECD (2000), *System of National Accounts, 1993 – Glossary*, OECD Publishing, <http://dx.doi.org/10.1787/9789264180871-en>.
- UN, OECD, IMF, World Bank and Eurostat (eds.) (1993 and 2008), *System of National Accounts*, United Nations, Geneva, <http://unstats.un.org/unsd/nationalaccount/sna.asp>.

Table 6.1. Household gross adjusted disposable income per capita
US dollars at current PPPs

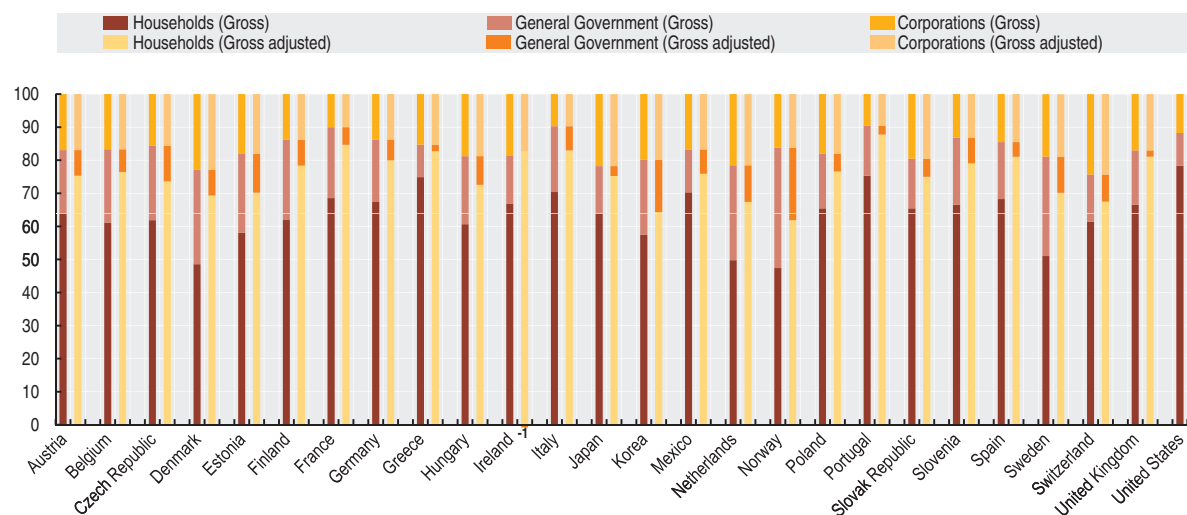
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	18 876	19 786	21 493	22 224	23 295	23 992	25 482	25 907	27 004	28 696	30 094	30 202	31 362	..
Austria	19 372	20 270	22 165	21 981	23 505	24 196	25 169	25 704	27 403	28 250	29 264	29 333	29 813	30 609
Belgium	18 766	19 377	21 829	22 738	24 295	23 704	24 273	24 160	25 113	25 994	27 469	28 017	28 121	28 657
Canada	19 029	19 718	20 898	21 711	22 169	22 786	24 013	24 977	25 897	27 348	28 226	28 339	29 433	..
Chile	..	..	..	..	..	..	..	..	..	..	9 848	10 353	11 041	..
Czech Republic	10 496	10 871	11 732	12 673	13 361	13 885	14 521	14 999	15 857	16 903	16 645	17 602	17 738	17 868
Denmark	17 560	17 389	18 498	19 055	20 762	20 248	21 078	20 988	22 327	23 367	24 466	24 865	25 873	26 444
Estonia	6 582	6 621	7 567	7 954	9 058	9 557	9 980	10 712	11 761	13 233	14 169	13 972	13 685	13 858
Finland	14 547	15 421	16 840	17 417	18 933	19 360	20 705	21 114	22 333	24 258	26 087	26 654	27 493	27 924
France	18 637	19 230	21 301	22 756	24 768	23 909	24 671	25 116	26 032	27 408	28 348	28 726	29 316	29 876
Germany	19 667	20 381	21 415	22 213	23 307	24 150	24 745	26 084	27 075	28 015	29 269	29 484	30 518	31 868
Greece	..	..	..	..	..	..	..	19 553	21 027	22 821	23 682	23 549	21 859	20 303
Hungary	8 714	9 039	9 751	10 632	11 966	12 303	12 853	13 306	13 872	13 861	14 309	14 428	14 494	15 275
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	19 538	20 449	21 570	22 972	23 918	25 004	25 433	24 886	24 706	24 594
Israel ¹	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	18 552	18 988	20 365	22 133	22 145	22 326	22 475	22 909	24 016	25 066	26 323	25 627	25 836	26 275
Japan	..	..	..	18 760	19 813	20 478	21 228	22 380	23 035	23 908	24 339	24 708	25 616	..
Korea	10 939	11 321	11 741	11 978	12 654	13 278	14 220	14 749	15 454	16 255	16 860	17 136	18 084	18 592
Luxembourg	..	..	..	..	..	..	..	..	34 222	35 153	37 277	37 559	..	..
Mexico	..	..	..	..	..	9 124	9 624	10 239	11 084	11 679	12 217	11 290	12 924	..
Netherlands	17 609	18 386	20 477	21 947	23 523	22 427	23 059	23 468	25 096	26 706	27 445	27 294	27 442	27 510
New Zealand	14 077	15 190	15 037	15 771	15 743	16 401	17 556	17 753	18 787	..	..	..	..	..
Norway	18 696	19 139	20 816	21 260	23 737	25 132	26 349	27 665	27 117	29 377	30 701	31 891	32 863	34 791
Poland	8 168	8 593	9 270	9 783	10 368	10 444	10 757	11 024	11 780	13 094	13 989	14 831	15 540	..
Portugal	12 107	13 136	14 475	15 067	15 816	16 062	16 542	17 685	18 264	18 905	19 772	20 067	20 713	20 663
Slovak Republic	8 448	8 241	8 803	9 701	10 700	10 463	10 915	11 856	12 692	14 574	16 120	16 486	17 334	17 508
Slovenia	12 346	12 949	14 208	15 021	16 445	16 354	17 184	17 846	18 781	19 675	20 717	20 553	20 777	21 305
Spain	..	..	16 987	18 005	19 785	19 913	20 532	21 347	22 554	23 347	24 740	24 885	24 289	23 983
Sweden	15 863	16 886	18 668	19 842	21 476	21 715	22 153	22 182	23 415	25 289	26 791	26 874	27 008	28 109
Switzerland	20 737	21 176	22 645	23 494	24 758	24 069	24 923	25 272	26 643	29 021	30 495	30 537	31 813	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	18 123	18 736	20 945	22 525	24 115	24 441	25 616	26 050	27 177	27 196	27 205	27 493	28 123	27 927
United States	25 515	26 474	28 139	29 162	30 348	31 617	33 123	34 373	36 360	37 810	39 662	38 608	39 658	..
Euro area	..	18 220	19 705	20 910	22 166	22 238	22 818	23 580	24 640	25 772	26 886	26 908	27 270	27 803
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

StatLink  <http://dx.doi.org/10.1787/888932762330>

Figure 6.1. Disposable income – gross and gross adjusted – by sector

Total economy = 100%, 2010



StatLink  <http://dx.doi.org/10.1787/888932761627>

6. Disposable income

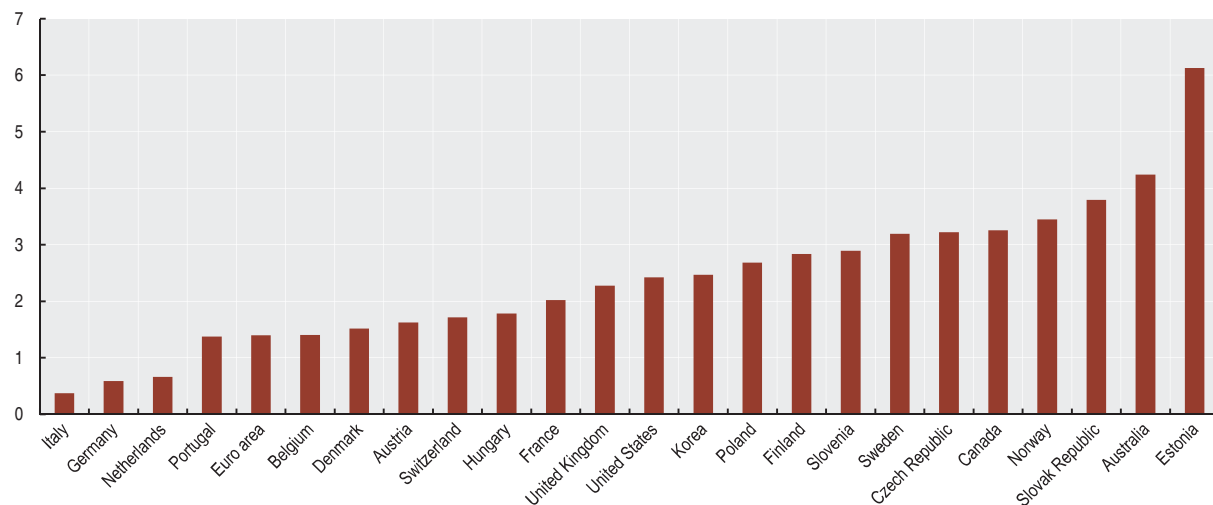
Table 6.2. **Real household net disposable income**
Annual growth rates in percentage

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	3.0	4.3	4.6	3.0	1.9	5.0	4.9	3.5	6.2	5.1	7.4	1.1	3.7	..
Austria	2.5	4.1	1.9	-0.5	1.5	1.8	2.6	2.8	2.7	2.6	0.7	0.3	-0.6	-0.9
Belgium	2.0	2.5	1.8	3.1	-0.2	-0.2	-0.2	0.1	2.7	2.2	2.1	2.8	-1.3	-1.1
Canada	2.8	2.9	4.8	2.8	1.8	2.1	3.8	2.5	5.7	3.8	4.2	1.1	3.5	..
Chile	..	..	..	..	..	..	..	..	..	..	..	7.4	5.9	..
Czech Republic	-2.9	2.0	2.0	2.3	3.0	4.0	1.8	5.1	5.6	3.8	2.1	2.7	1.2	-1.4
Denmark	2.7	-3.8	0.5	3.7	2.0	2.4	2.7	2.2	1.8	0.1	-0.2	0.0	3.7	1.1
Estonia	2.5	-1.9	11.2	5.9	7.0	7.3	2.0	11.0	10.8	11.8	-0.1	-4.3	-6.4	2.5
Finland	2.4	4.5	0.6	3.2	2.2	6.0	4.8	1.0	2.7	3.6	2.4	1.9	2.5	0.0
France	3.0	2.7	3.1	3.1	3.5	0.5	2.1	1.1	2.4	3.0	0.2	1.2	0.9	0.6
Germany	1.1	1.8	0.9	1.7	0.0	0.7	0.6	0.4	1.2	0.0	0.9	-0.5	0.9	1.2
Greece	..	..	..	..	..	..	..	..	5.1	7.3	-2.3	-0.4	-11.4	-10.7
Hungary	3.4	1.5	1.2	5.2	6.4	5.5	4.0	3.6	1.7	-3.0	-1.8	-4.4	-2.1	2.6
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	2.4	5.3	7.9	4.4	4.4	6.0	1.3	-2.7	-3.9
Israel ¹	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	-1.4	1.5	0.1	3.0	1.2	0.5	0.9	0.6	0.9	1.0	-1.4	-3.0	-0.7	-0.8
Japan	..	..	..	..	1.0	0.0	1.1	0.9	0.8	0.8	-1.2	1.3	2.5	..
Korea	-4.0	2.8	0.4	0.9	3.4	4.9	4.7	2.3	2.6	2.7	1.3	1.6	4.1	0.9
Luxembourg	..	..	..	..	..	..	..	..	..	4.0	3.7	1.5	..	..
Mexico	..	..	..	..	..	..	4.0	4.6	5.5	3.4	1.0	-7.7	4.1	..
Netherlands	3.5	2.1	2.2	5.6	-0.6	-2.5	0.6	-0.3	0.5	2.6	-0.3	-1.1	-0.1	-0.2
New Zealand	5.4	7.8	-4.1	3.7	-0.5	8.4	5.8	2.4	2.1	..	..	..	..	..
Norway	5.7	2.5	3.8	0.0	8.0	4.6	3.3	7.8	-6.4	6.3	3.9	3.9	3.5	4.2
Poland	5.5	3.5	1.7	4.1	-1.0	1.2	1.7	1.5	4.8	4.2	4.0	4.7	2.1	..
Portugal	4.6	6.6	3.6	1.6	1.0	0.3	1.7	0.7	-0.4	1.9	1.6	1.8	1.3	-4.6
Slovak Republic	4.7	-1.3	2.0	3.0	5.1	-0.7	3.9	6.2	3.4	9.1	5.0	1.2	3.6	-1.4
Slovenia	1.7	3.5	4.5	4.6	3.2	0.6	3.9	4.1	3.2	4.2	1.8	-1.1	-0.2	-0.4
Spain	..	..	..	3.1	3.0	3.7	2.7	3.8	3.0	3.2	3.3	1.8	-5.0	-3.4
Sweden	1.6	2.9	5.1	6.5	3.1	0.9	1.3	1.9	3.6	5.5	2.3	2.0	1.6	3.5
Switzerland	2.5	3.0	2.7	2.9	-1.3	-0.8	2.3	2.2	3.7	4.1	0.1	1.5	1.8	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	2.6	2.5	5.0	5.4	2.6	2.9	1.0	1.4	1.2	0.6	1.3	1.6	0.8	-1.5
United States	6.0	3.1	4.8	2.5	3.6	2.9	3.1	1.4	4.0	2.0	2.7	-2.5	2.1	1.6
Euro area	..	..	1.7	2.8	1.4	1.0	1.6	1.3	1.7	2.1	0.5	-0.1	-0.6	-0.3
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

StatLink  <http://dx.doi.org/10.1787/888932762349>

Figure 6.2. **Real household net disposable income**
Average annual growth rates between 2000 and 2010



StatLink  <http://dx.doi.org/10.1787/888932761646>

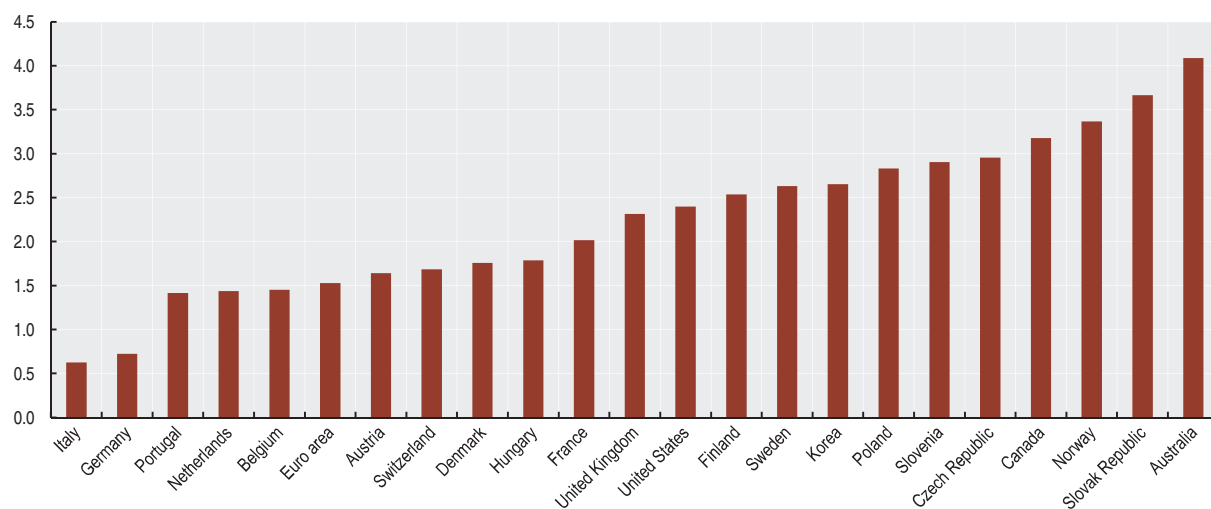
Table 6.3. **Real household net adjusted disposable income**
Annual growth rates in percentage

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	4.2	3.8	4.3	3.0	2.1	5.2	4.9	3.0	5.8	4.7	6.8	1.2	3.2	..
Austria	2.6	3.9	1.7	-0.4	1.6	1.8	2.3	2.7	2.8	2.7	1.1	0.3	-0.4	-0.7
Belgium	2.0	2.2	2.1	2.8	-0.2	0.1	0.4	0.1	2.4	2.3	2.2	2.2	-0.8	-0.5
Canada	2.6	2.7	4.4	2.9	1.8	2.2	3.6	2.5	5.1	3.7	4.1	1.4	3.3	..
Chile	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Czech Republic	-2.7	1.7	1.4	3.2	3.6	3.9	1.6	3.5	4.4	3.3	1.8	2.9	1.1	-1.5
Denmark	3.0	-2.0	1.0	3.3	2.3	2.1	2.6	1.8	2.1	0.7	0.8	0.8	2.9	0.3
Estonia	1.4	-1.6	8.7	4.8	6.4	6.7	2.4	9.6	10.3	10.9	0.6	-3.5	-5.5	2.3
Finland	2.6	3.9	0.8	2.8	2.2	5.0	4.2	1.4	2.2	3.1	2.2	1.4	1.8	0.0
France	2.6	2.4	2.9	3.0	3.3	0.8	2.1	1.2	2.2	2.8	0.5	1.4	1.1	0.8
Germany	1.3	1.6	0.9	1.6	0.2	0.8	0.3	0.6	1.2	0.4	1.3	0.0	1.1	1.2
Greece	..	..	..	..	..	..	..	..	5.5	7.4	-2.4	-0.5	-10.3	-10.4
Hungary	2.7	1.4	1.1	5.1	6.3	5.6	3.8	3.7	1.9	-4.2	-1.1	-3.7	-2.6	2.1
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	3.1	4.9	6.8	4.5	4.9	4.8	1.5	-2.7	-4.4
Israel ¹	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	-1.1	1.4	0.4	3.2	1.4	0.8	1.2	0.8	0.9	1.0	-1.0	-2.4	-0.6	-0.7
Japan	..	..	..	..	1.2	0.2	1.2	1.0	0.8	1.0	-0.8	1.4	2.5	..
Korea	-3.7	2.9	0.5	0.7	3.7	4.9	4.8	2.5	3.0	2.7	1.6	2.1	4.2	..
Luxembourg	..	..	..	..	..	..	..	..	..	4.3	3.3	2.3	..	..
Mexico	..	..	..	..	..	..	3.6	4.5	5.3	3.4	0.9	-7.1	3.9	..
Netherlands	3.4	2.0	2.3	5.2	0.2	-1.4	0.6	0.2	3.5	3.0	0.5	0.5	0.5	0.5
New Zealand	5.4	6.7	-3.1	3.7	0.0	7.6	5.6	2.7	2.0	..	..	..	..	..
Norway	5.5	2.6	3.6	1.2	7.1	4.3	3.1	7.0	-4.5	5.2	3.4	3.8	3.3	3.7
Poland	4.9	3.3	1.8	3.9	-1.0	1.6	1.7	1.9	5.0	4.2	4.6	4.6	2.3	..
Portugal	4.8	6.1	3.6	1.7	0.9	0.5	1.6	1.2	-0.6	1.6	1.4	2.2	1.5	-4.6
Slovak Republic	4.7	-4.4	1.3	3.0	5.0	-1.0	2.6	5.7	3.9	9.9	5.5	1.3	3.4	-1.9
Slovenia	2.2	3.4	4.1	4.3	3.4	1.0	3.7	3.9	3.2	3.9	2.2	-0.5	0.0	-0.1
Spain	..	..	..	3.2	3.3	3.8	3.1	3.9	2.9	3.3	3.4	1.8	-4.4	-3.2
Sweden	2.6	2.4	3.2	5.9	3.0	0.8	0.8	1.8	3.0	4.1	1.9	2.0	1.5	3.0
Switzerland	2.3	2.8	2.4	2.7	-0.8	-0.1	1.9	2.3	3.3	3.8	-0.5	1.9	1.7	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	2.5	2.5	4.5	5.0	2.8	2.8	1.3	1.5	1.4	0.8	1.3	1.9	0.9	-1.2
United States	5.8	3.0	4.7	2.5	3.6	2.8	2.8	1.4	3.7	1.9	2.5	-1.8	1.7	..
Euro area	..	..	1.9 e	2.7 e	1.5 e	1.1 e	1.6 e	1.5 e	1.9 e	2.2 e	0.7 e	0.1 e	-0.1 e	-0.1 e
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

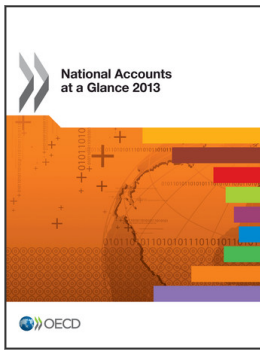
1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

StatLink  <http://dx.doi.org/10.1787/888932762368>

Figure 6.3. **Real household net adjusted disposable income**
Average annual growth rates between 2000 and 2010



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