

## 5. 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 5.2 shows annual growth in household net disposable income in real terms (with nominal values deflated by the total household final consumption deflator). Table 5.3 shows annual growth in households net adjusted disposable income in real terms (with nominal values deflated by the actual individual consumption deflator).

### Source

- OECD (2011), *National Accounts of OECD Countries*, Vol. 2011/2, OECD Publishing, [http://dx.doi.org/10.1787/na\\_ma\\_dt-v2011-2-en](http://dx.doi.org/10.1787/na_ma_dt-v2011-2-en).

### Online database

- OECD (2011), “Detailed National Accounts: Non-financial accounts by sectors”, *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/data-00034-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 and Eurostat (eds.) (1993), *System of National Accounts 1993*, United Nations, Geneva, <http://unstats.un.org/unsd/sna1993>.

Table 5.1. Household gross adjusted disposable income per capita  
US dollars at current PPPs

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	18 552	19 230	20 057	21 561	22 400	23 345	23 894	25 290	25 859	26 977	28 160	29 261	..	..
Austria	18 510	19 278	20 270	22 191	21 989	23 505	24 098	25 305	25 043	27 315	28 196	29 171	29 171	29 434
Belgium	18 474	18 676	19 377	21 855	22 747	24 295	23 608	24 432	23 810	25 032	25 929	27 429	27 925	28 245
Canada	18 463	18 998	19 718	20 887	21 715	22 169	22 752	24 036	24 977	25 880	27 385	28 228	28 334	29 499
Chile	..	..	..	..	..	..	5 885	6 442	7 078	7 730	8 448	9 106	9 063	..
Czech Republic	10 260	10 113	10 493	11 225	12 015	12 628	13 185	13 799	12 984	15 083	16 446	17 376	17 472	..
Denmark	16 623	17 475	17 389	18 520	19 062	20 762	20 166	21 192	21 645	22 256	23 323	24 462	24 620	..
Estonia	5 194	5 405	6 621	7 576	7 957	9 058	9 519	10 034	10 374	11 723	13 208	14 221	14 066	14 033
Finland	13 914	14 477	15 421	16 860	17 423	18 933	19 282	20 818	21 717	22 261	24 212	26 006	26 660	27 570
France	17 876	18 535	19 230	21 327	22 765	24 768	23 813	24 805	24 155	25 948	27 356	28 154	28 622	29 221
Germany	19 308	19 572	20 381	21 440	22 222	23 307	24 053	24 880	25 263	26 988	27 962	29 234	29 627	30 536
Greece	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	8 464	8 724	9 039	9 762	10 636	11 966	12 253	12 923	12 375	13 828	13 836	14 365	14 392	14 106
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	19 305	20 233	21 671	23 050	23 849	25 398	26 222	25 615	25 618
Israel <sup>1</sup>	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	18 043	18 457	18 894	20 320	22 081	22 079	22 101	22 399	22 862	23 694	24 754	26 036	25 358	25 640
Japan	17 115	17 249	17 574	18 567	18 656	19 794	20 330	21 253	22 491	23 231	24 115	24 626	..	..
Korea	11 154	10 922	11 320	11 735	11 980	12 654	13 259	14 233	14 749	15 468	16 325	16 978	17 269	18 211
Luxembourg	..	..	..	..	..	..	..	..	..	34 162	35 152	37 520	38 091	..
Mexico	..	..	..	..	..	..	9 112	9 636	10 239	11 043	11 662	12 422	11 414	..
Netherlands	16 643	17 524	18 386	20 502	21 955	23 523	22 337	23 185	22 531	25 016	26 655	27 294	27 174	27 831
New Zealand	13 291	14 060	15 190	15 026	15 779	15 743	16 379	17 572	17 753	18 764	..	..	..	..
Norway	17 656	18 602	19 136	20 838	21 265	23 735	24 952	26 345	29 264	26 769	29 056	30 742	32 341	33 480
Poland	7 699	8 155	8 593	9 281	9 787	10 368	10 402	10 968	10 731	11 856	13 244	14 156	15 080	..
Portugal	11 672	12 046	13 133	14 492	15 070	15 820	16 000	16 634	17 787	18 202	18 869	19 771	20 490	21 121
Slovak Republic	8 001	8 350	8 242	8 814	9 706	10 702	10 421	10 975	11 017	12 653	14 548	16 185	16 949	17 663
Slovenia	10 590	11 537	12 949	14 225	15 027	16 445	16 288	17 277	17 284	18 721	19 677	20 999	20 876	20 992
Spain	..	..	..	17 018	18 024	19 819	19 796	20 693	20 707	22 626	23 368	24 623	25 116	..
Sweden	15 449	15 916	17 034	18 868	20 038	21 681	21 854	22 517	22 395	23 654	25 566	27 199	27 554	27 836
Switzerland	19 443	19 977	20 462	22 064	22 873	24 153	23 427	24 440	25 345	25 773	27 935	29 435	29 755	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	17 765	18 115	18 828	21 047	22 631	24 194	24 549	25 868	25 501	27 336	27 402	28 271	28 683	..
United States	24 159	25 515	26 474	28 137	29 151	30 329	31 593	33 096	34 346	36 331	37 768	39 385	39 373	..
Euro area	..	..	18 159	19 729	20 940	22 172	22 125	22 901	22 784	24 526	25 689	26 830	26 985	27 128
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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


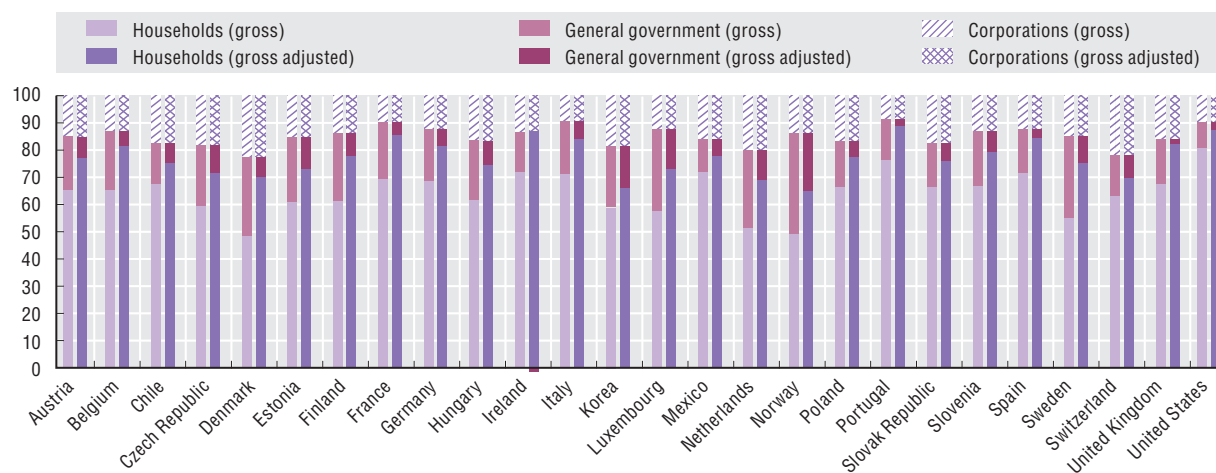
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Figure 5.1. Disposable income – gross and gross adjusted – by sector

Total economy = 100%, 2009




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Table 5.2. **Real household net disposable income**  
Annual growth rates in percentage

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	3.2	2.6	3.8	3.4	3.1	0.9	4.4	3.7	4.8	5.9	3.3	7.5	..	..
Austria	-1.9	2.4	4.0	1.8	-0.5	1.5	1.8	2.6	2.8	2.7	2.6	0.9	-1.7	-0.3
Belgium	0.6	2.0	2.5	1.8	3.1	-0.2	-0.2	0.0	0.1	2.7	2.2	2.2	3.1	-0.6
Canada	2.2	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	3.8 e	4.9 e	-0.9 e	3.5 e	3.2 e	2.2 e	3.4 e	7.8	7.7	7.0	7.1	4.9	-0.3	..
Czech Republic	2.2	-2.2	2.1	0.8	1.1	2.8	5.1	0.5	5.3	6.8	6.6	3.3	-0.9	..
Denmark	-0.1	2.7	-3.8	0.5	3.7	2.0	2.4	2.7	2.2	1.8	0.1	0.0	-1.1	..
Estonia	9.5 e	2.3 e	-1.8 e	11.0 e	5.9	7.0	7.3	2.0	11.0	10.8	11.8	0.4	-6.7	-2.7
Finland	5.2	2.4	4.5	0.6	3.2	2.2	6.0	4.8	1.0	2.7	3.6	2.5	1.7	2.1
France	1.5	3.0	2.7	3.1	3.1	3.5	0.5	2.1	1.1	2.4	3.0	0.2	1.3	0.9
Germany	0.3	1.1	1.8	0.9	1.7	0.0	0.7	0.6	0.4	1.2	0.0	1.0	-0.8	1.0
Greece	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	0.6	3.4	1.5	1.2	5.2	6.4	5.5	4.0	3.6	1.7	-3.0	-1.8	-4.3	-4.0
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	..	3.1	5.8	7.8	4.3	6.9	5.0	-2.0	-2.2
Israel <sup>1</sup>	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	0.0	-1.1	1.0	0.3	3.0	1.1	0.1	0.6	0.5	0.7	0.8	-1.2	-3.5	-0.6
Japan	0.4	0.1	-0.4	-0.9	-2.1	1.3	-0.7	1.7	1.7	1.3	0.6	-0.7	..	..
Korea	1.6	-4.0	2.8	0.4	0.9	3.4	4.9	4.7	2.3	2.6	2.7	1.3	1.6	3.8
Luxembourg	..	..	..	..	..	..	..	..	..	..	4.0	4.2	1.4	..
Mexico	..	..	..	..	..	..	..	4.0	4.6	5.5	3.4	3.1	-8.1	..
Netherlands	4.0	3.5	2.1	2.2	5.6	-0.6	-2.5	0.6	-0.3	0.5	2.6	-0.3	-0.8	-0.4
New Zealand	2.3	5.4	7.8	-4.1	3.7	-0.5	8.4	5.8	2.4	2.1	..	..	..	..
Norway	3.7	5.7	2.5	3.8	0.0	8.0	4.4	3.6	7.6	-6.4	6.3	3.6	4.4	4.1
Poland	7.1	5.5	3.5	1.7	4.1	-1.0	1.2	3.4	1.5	4.4	4.7	3.5	4.7	..
Portugal	2.7	4.6	6.6	3.6	1.6	1.0	0.3	1.7	0.7	-0.4	1.9	1.6	3.2	1.0
Slovak Republic	4.9	4.7	-1.3	2.0	3.0	5.1	-0.7	3.9	6.2	3.4	9.1	5.0	2.2	3.2
Slovenia	5.1	1.7	3.5	4.5	4.6	3.2	0.6	3.9	4.1	3.2	4.5	2.7	-0.4	0.3
Spain	..	..	..	..	3.0	3.1	3.2	3.1	4.1	3.2	2.6	2.5	1.9	..
Sweden	-0.6	1.7	3.0	5.2	6.5	3.2	1.0	1.3	2.1	3.8	5.4	3.3	1.8	1.6
Switzerland	1.3	2.8	2.7	3.7	2.7	-1.2	-0.7	2.1	2.6	3.0	3.6	0.1	1.7	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	4.1	2.0	2.5	4.0	4.4	1.8	3.1	0.4	2.2	1.1	0.2	2.2	1.0	..
United States	3.3	6.0	3.1	4.8	2.5	3.6	2.9	3.1	1.4	4.0	2.0	2.7	-2.1	2.2
Euro area	..	..	..	2.1	2.9	1.4	0.8	1.5	1.1	1.8	2.0	0.7	-0.2	-0.8
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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


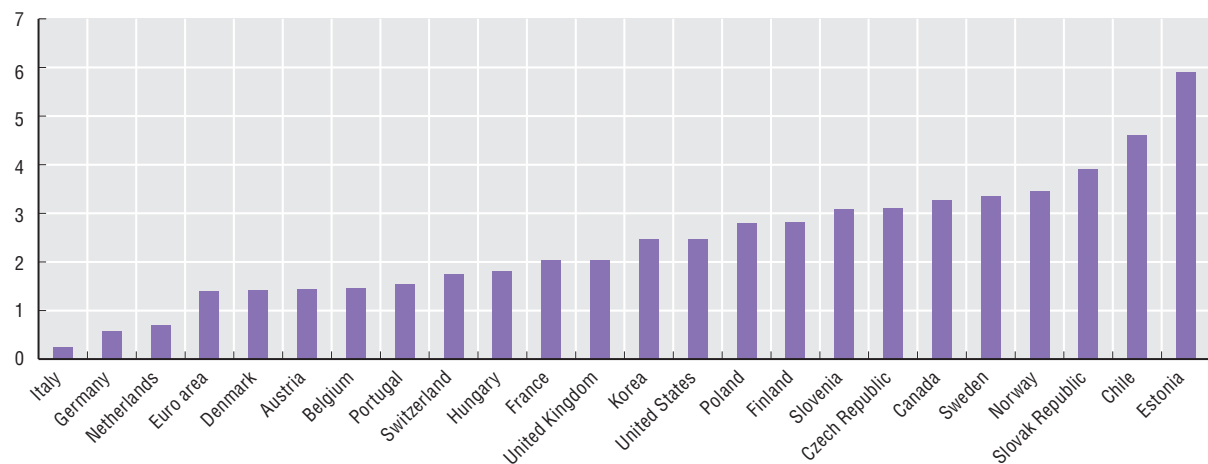

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Figure 5.2. **Real household net disposable income**  
Average annual growth rates between 1999 and 2009




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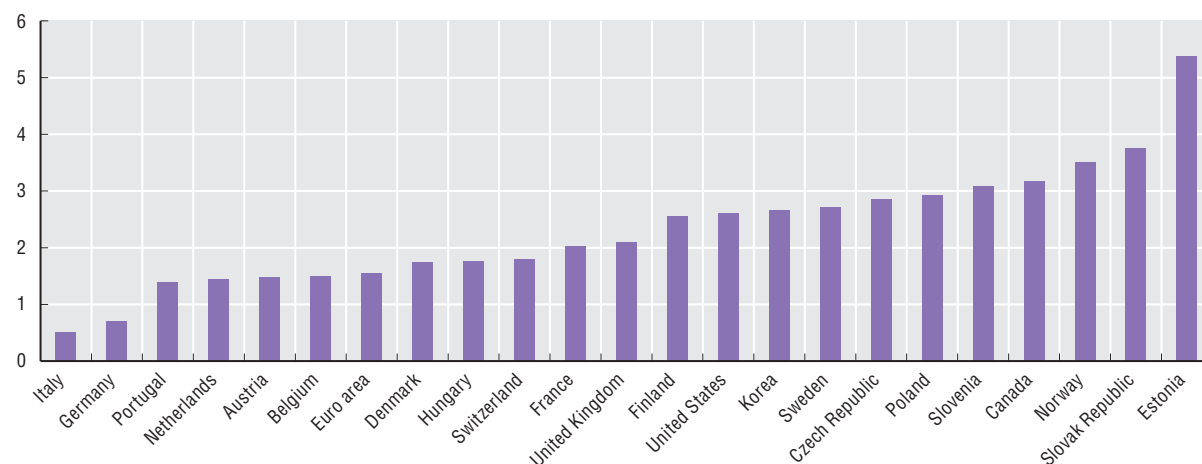
**Table 5.3. Real household net adjusted disposable income**  
Annual growth rates in percentage


	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	3.4	3.8	3.4	3.3	3.1	1.3	4.7	3.9	4.1	5.6	3.2	6.9	..	..
Austria	-0.1	2.6	3.9	1.7	-0.4	1.6	1.8	2.3	2.7	2.8	2.7	1.2	-1.4	-0.3
Belgium	0.7	2.0	2.3	1.9	2.8	0.1	0.0	0.5	0.4	2.3	2.1	2.1	2.8	-0.3
Canada	1.3	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	..	..	..	..	..	..	..	7.6	7.5	7.1	7.1	4.8	0.2	..
Czech Republic	1.6	-2.1	1.8	0.3	2.2	3.3	4.8	0.6	3.7	5.4	5.6	2.8	0.0	..
Denmark	0.1	3.0	-2.0	1.0	3.3	2.3	2.1	2.6	1.8	2.1	0.7	1.1	0.5	..
Estonia	6.0 e	1.7 e	-2.4 e	8.0 e	4.8	6.4	6.7	2.4	9.6	10.3	10.9	1.1	-5.4	-2.5
Finland	4.7	2.6	3.9	0.8	2.8	2.2	5.0	4.2	1.4	2.2	3.1	2.4	1.4	1.9
France	1.2	2.6	2.4	2.9	3.0	3.3	0.8	2.1	1.2	2.2	2.8	0.5	1.4	0.9
Germany	0.6	1.3	1.6	0.9	1.6	0.2	0.8	0.3	0.6	1.2	0.4	1.4	-0.3	1.2
Greece	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	0.4	2.7	1.4	1.1	5.1	6.3	5.6	3.8	3.7	1.9	-4.2	-1.1	-4.1	-4.2
Iceland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	..	3.4	5.5	6.9	4.5	7.0	4.1	-1.1	-1.8
Israel <sup>1</sup>	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	0.1	-1.2	1.1	0.6	3.3	1.4	0.4	0.9	0.7	0.8	0.9	-0.9	-2.8	-0.5
Japan	0.5	0.0	0.1	-0.1	-1.4	1.5	-0.4	1.7	1.8	1.3	0.8	-0.4	..	..
Korea	1.7	-3.7	2.9	0.5	0.7	3.7	4.9	4.8	2.5	3.0	2.7	1.6	2.1	..
Luxembourg	..	..	..	..	..	..	..	..	..	..	4.3	3.7	2.2	..
Mexico	..	..	..	..	..	..	..	3.6	4.5	5.3	3.4	2.8	-7.5	..
Netherlands	4.0	3.4	2.0	2.3	5.2	0.2	-1.4	0.6	0.2	3.5	3.0	0.5	0.6	0.5
New Zealand	2.8	5.4	6.7	-3.1	3.7	0.0	7.6	5.6	2.7	2.0	..	..	..	..
Norway	3.8	5.5	2.6	3.6	1.2	7.1	3.9	3.3	6.6	-4.6	5.4	4.2	4.8	3.4
Poland	6.4	4.9	3.3	1.8	3.9	-1.0	1.6	3.1	1.9	4.6	4.5	4.2	4.7	..
Portugal	2.7	4.8	6.1	3.2	1.9	1.1	0.3	1.7	0.8	-0.5	1.1	1.3	3.0	1.4
Slovak Republic	10.6	4.7	-4.4	1.3	3.0	5.0	-1.0	2.6	5.7	3.9	9.9	5.5	2.1	3.1
Slovenia	4.6	2.2	3.4	4.1	4.3	3.4	1.0	3.7	3.9	3.2	4.2	3.0	0.1	0.5
Spain	..	..	..	..	3.2	3.5	3.3	3.5	4.2	3.1	2.8	2.7	1.7	..
Sweden	-0.9	2.7	2.5	3.3	5.9	3.0	0.9	0.8	1.8	3.2	4.0	2.6	1.7	1.4
Switzerland	1.5	2.5	2.5	3.4	2.8	-0.7	-0.1	1.8	2.5	2.6	3.4	0.5	1.8	..
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	3.7	1.9	2.5	3.7	4.1	2.0	3.1	0.9	2.1	1.2	0.5	2.0	1.2	..
United States	3.2	5.8	3.0	4.7	2.5	3.6	2.8	2.8	1.4	3.7	1.9	1.9	0.8	..
Euro area	..	..	..	2.2 e	2.8 e	1.5 e	1.0 e	1.5 e	1.3 e	2.0 e	2.1 e	0.9 e	0.1 e	-0.4 e
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

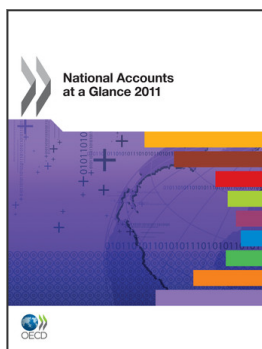
1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

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**Figure 5.3. Real household net adjusted disposable income**  
Average annual growth rates between 1999 and 2009



StatLink  <http://dx.doi.org/10.1787/888932549131>



**From:**  
**National Accounts at a Glance 2011**

**Access the complete publication at:**  
[https://doi.org/10.1787/na\\_glance-2011-en](https://doi.org/10.1787/na_glance-2011-en)

**Please cite this chapter as:**

OECD (2012), "Disposable income", in *National Accounts at a Glance 2011*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/na\\_glance-2011-7-en](https://doi.org/10.1787/na_glance-2011-7-en)

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