7. Saving

The purpose of saving is to increase future resources available for consumption and to protect against unexpected changes in income. Saving in its simplest terms is very similar to the concept of saving commonly used by the man on the street. It reflects the amount of disposable income that remains after final consumption expenditures, and that is invested – be that in financial assets, such as bank deposits or shares, or non-financial assets, such as real estate. Its importance is therefore paramount in many areas such as: analyses of the sustainability of consumption patterns; or the scope of governments to stimulate demand or raise taxes. Government saving is also an important indicator in a budgetary context. The "Golden rule", for example, that government saving should be zero over the course of an economic cycle is often set as a fiscal objective.

Definition

Saving is the difference between disposable income and final consumption expenditure plus the change in net equity of households in pension funds (since this component is also a determinant of household disposable income but with an opposite sign, see also Section 6). It can also be calculated using adjusted disposable income and actual final consumption instead of disposable income and final consumption. It therefore reflects the residual income used to acquire financial and non-financial assets. Net saving is equal to saving net of depreciation.

Because by definition they have no final consumption, saving and disposable income are exactly equal for corporations.

It's important to note that disposable income does not include any capital gains or indeed losses, and, so, neither does saving. Some have argued that disposable income and saving should include capital gains. But asset prices may rise for reasons unconnected with the productive potential of the economy, for example, a reduction of the risk premium. Moreover capital gains have to be realised before they are available to support consumption, and the very act of realising gains may actually reduce their size. Finally households respond differently to capital gains than to income. This is partly because asset prices are volatile, and partly because much household wealth is not liquid (*e.g.* pension funds).

An interesting point to note in this context is the treatment of capital gains taxes, which are included in disposable income. Taken to an extreme, for households this means that savings will fall, everything else being equal, during periods of strong asset prices because of the taxes payable on capital gains realised.

Comparability

Because disposable income and final consumption expenditure are large aggregates, small changes to either are capable of producing a large change in gross saving. Although in itself this does not impair international comparability it does mean that some care is needed in interpreting early estimates of saving's statistics, which may be affected by revisions.

As described in Section 6 not all countries include changes in net equity of households in pension funds and so comparisons of savings estimates at the sectoral, but not national, level will be affected.

Some care is also needed in terms of economic interpretability at the sectoral level. For example, because in many countries capital gains taxes are lower than marginal income taxes, instead of paying a dividend, a company may choose to buy its own equity at a premium, so rewarding its shareholders with a capital gain. This would result in lower estimates of households savings than if dividends were paid, as dividends are recorded as disposable income.

Source

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

Online database

- OECD (2012), "Aggregate National Accounts: Disposable income and net lending/borrowing", *OECD National Accounts Statistics* (database), *http://dx.doi.org/10.1787/data-00002-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 7.1. **Net saving**

Percentage of GDP

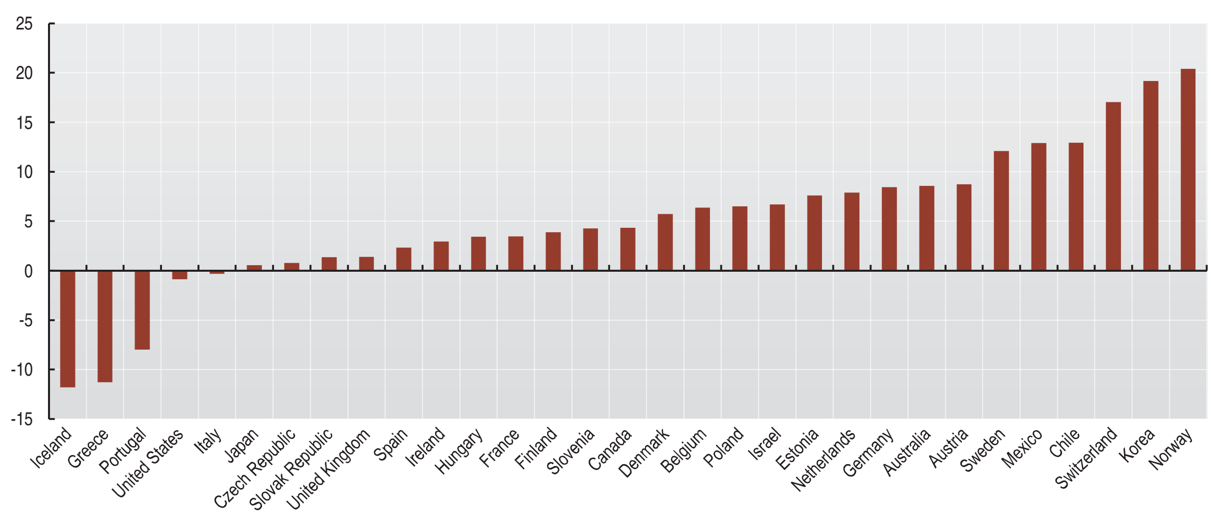
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	4.8	5.5	4.6	5.7	5.2	6.0	5.6	6.6	6.5	7.0	8.7	7.0	8.6	..
Austria	8.4	8.3	8.6	7.9	9.6	8.9	9.6	9.2	10.4	12.2	12.3	7.5	8.7	9.8
Belgium	10.7	11.2	11.6	10.2	10.0	9.5	9.9	9.5	9.8	10.8	8.6	3.2	6.4	5.4
Canada	5.7	7.5	10.8	8.9	7.7	8.0	10.0	11.0	11.7	10.9	10.4	3.1	4.3	..
Chile	10.0 e	9.1 e	8.7 e	8.4 e	8.4 e	8.5 e	10.9 e	11.6 e	13.9 e	13.2 e	10.3 e	10.1 e	12.9 e	11.1 e
Czech Republic	7.0	5.0	5.3	5.0	3.4	2.2	4.0	6.0	7.1	7.1	8.3	1.7	0.8	1.6
Denmark	4.8	5.7	6.8	7.4	6.6	6.6	7.0	9.3	9.9	8.7	8.2	2.4	5.7	6.7
Estonia	10.6	8.7	11.4	10.8	9.8	9.7	9.4	11.3	10.8	10.9	8.4	6.1	7.6	11.1
Finland	9.4	10.9	13.0	13.4	12.4	9.2	11.0	9.7	10.4	11.7	9.5	3.6	3.9	3.8
France	8.9	9.7	9.3	8.8	7.4	6.7	7.1	6.8	7.3	7.7	6.6	3.2	3.4	4.1
Germany	6.7	6.0	5.8	5.4	5.3	4.9	7.6	7.6	10.1	12.3	10.6	6.7	8.4	8.8
Greece	-0.1 e	-0.1 e	-0.1 e	0.1 e	-0.9 e	-0.1 e	-0.1 e	-1.7	-1.3	-3.1	-6.8	-9.9	-11.3	-14.3
Hungary	3.0	-0.2	1.0	2.4	2.0	0.0	1.7	1.8	1.8	0.2	1.8	1.4	3.4	4.3
Iceland	5.9	3.1	1.2	4.8	7.7	3.0	2.1	0.5	-1.1	0.1	-14.8	-14.6	-11.8	-8.1
Ireland	14.4	13.3	13.6	11.2	10.3	12.8	13.1	13.2	13.8	10.8	5.4	1.4	2.9	2.1
Israel[1]	8.7	7.4	6.8	5.9	3.7	4.2	5.3	8.2	10.3	8.9	6.8	6.8	6.7	6.8
Italy	7.1	6.7	6.0	6.4	6.0	5.0	5.5	4.5	4.7	5.2	2.6	-0.2	-0.3	-1.1
Japan	8.8 e	7.3 e	7.3 e	5.3	4.3	4.8	5.6	5.7	5.9	6.7	4.1	-0.6	0.5	..
Korea	21.5	19.8	19.1	17.5	17.5	18.8	21.1	18.8	17.5	17.5	17.5	17.0	19.2	18.7
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Mexico	14.2 e	14.8 e	15.5 e	11.5 e	12.3 e	12.8	15.2	14.8	16.9	16.8	16.2	12.1	12.9	..
Netherlands	10.8	12.5	13.7	12.0	10.8	10.4	12.6	11.8	14.5	14.5	10.9	6.2	7.9	11.6
New Zealand	2.1	1.7	3.6	5.7	5.3	5.6	4.9	2.4	1.2	2.2	0.0	1.7	..	..
Norway	10.9	13.5	21.9	21.2	17.3	16.4	19.7	25.0	27.2	25.5	27.7	18.4	20.4	23.6
Poland	7.7	6.6	6.1	4.8	2.9	3.3	2.8	5.2	5.3	7.3	7.7	6.2	6.5	..
Portugal	5.2	4.4	1.9	1.0	0.8	0.1	-1.1	-3.8	-4.6	-4.1	-6.7	-8.3	-8.0	-7.6
Slovak Republic	3.8	2.8	2.7	1.8	0.9	-2.3	-0.1	1.0	1.5	5.2	4.4	-1.8	1.4	2.5
Slovenia	7.3	7.4	7.1	7.8	8.6	9.1	9.6	10.1	11.6	12.8	10.9	5.2	4.3	4.0
Spain	9.5	9.3	9.6	9.2	9.8	10.0	8.7	8.0	7.6	6.6	4.7	3.7	2.3	1.4
Sweden	10.0	10.1	10.6	10.0	9.3	11.3	11.3	12.4	14.3	16.6	16.0	9.3	12.1	13.1
Switzerland	13.0	13.2	15.3	12.2	9.5	13.4	13.7	17.4	18.7	13.7	6.8	12.1	17.0	14.4 e
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	6.7	4.1	3.4	3.8	3.7	4.0	3.7	3.9	3.5	5.1	5.6	1.5	1.4	1.8
United States	7.4	6.7	6.4	4.4	2.5	1.8	2.6	3.0	4.0	1.9	0.2	-2.4	-0.9	-0.8
Euro area	..	..	..	..	..	..	..	..	..	..	..	..	..	..
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..

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

StatLink http://dx.doi.org/10.1787/888932762387

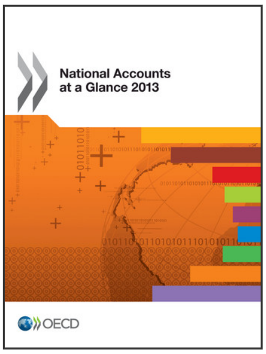
Figure 7.1. **Net saving**

Percentage of GDP, 2010



Note: Information on data for Israel: *http://dx.doi.org/10.1787/888932315602*.

StatLink http://dx.doi.org/10.1787/888932761684



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