

# Module6 Primary Income-its distribution and Use

## 1. Income accounts

### 1.1 Session 3.4: Primary Income – its distribution and Use

Linking Economic Censuses and surveys with key national accounts aggregates

**Module6: Primary Income – its distribution and Use**

UNITED NATIONS  
**siap**  
Statistical Institute for Asia and the Pacific

Integrated Economic Statistics to Support 2008 SNA Implementation

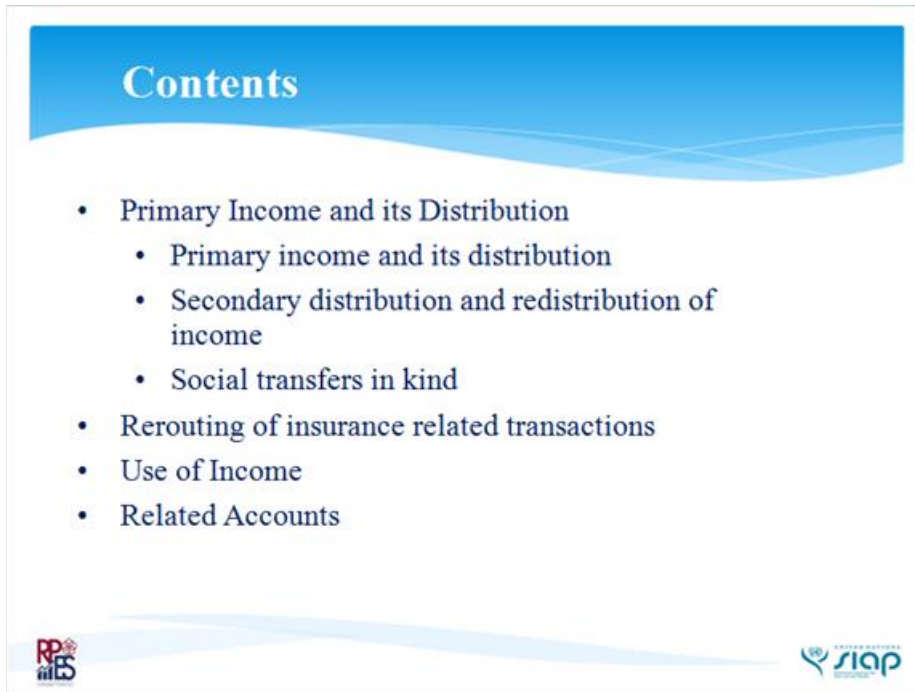
**RP**  
**ME**  
ECONOMIC STATISTICS

The image shows the cover of a report. It features a blue background with a white wavy line at the bottom. The title 'Module6: Primary Income – its distribution and Use' is prominently displayed in a dark red banner. Logos for the United Nations Statistical Institute for Asia and the Pacific (SIAP) and the Regional Panel of Economic Statistics (RPES) are visible at the bottom.

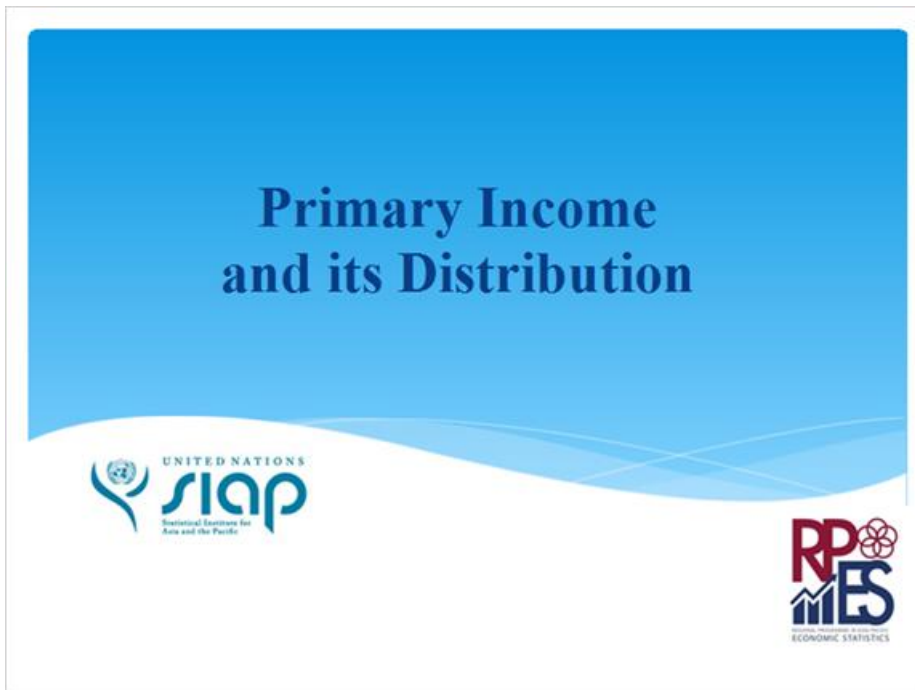
Notes:

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## 1.2 Contents



## 1.3 Primary Income



## 1.4 Primary Income



Primary Income

### Primary Income


The income of the recipients of the shares of income generated in production process is called *primary income* in the SNA.

**Includes:**

- a. Compensation of employees received by the households;
- b. Taxes on production and imports (received only by the government);
- c. Mixed income (accruing only to resident households);
- d. *Property income*: [discussed later]
  - i. Investment income: like interest and dividends;
  - ii. Rent on land and sub-soil assets.



## 1.5 Quiz



### Questions

**Which of the following (more than one) are primary income – i.e. income obtained from production process?**

- Beggars income
- Smugglers Income
- Gamblers' income
- Income from purchase and sale of shares
- Landlord's income from rent of land
- Casino owner's income
- Receipts from sale of land & building
- Government's revenue from income tax



## 1.6 Property Income

Property Income

### Property Income

- Recall that *property income* is one of the components of *primary income*.
- **Property income** is the income of owners of financial assets and natural resources earned by putting them at the disposal of other institutional units.

```
graph TD; PI[Property Income] --> II[Investment Income]; PI --> R[Rent]; II --> I[Interest]; II --> DIC["distributed income of corporations (like dividends)"]; II --> RE["Reinvested earnings on FDIs"]; II --> IID["Investment income disbursements"];
```



## 1.7 Property Income - inclusion

Property Income

### Property Income - inclusion

**Includes:**

- **Investment income**
  - *Interest*: nominal interest receivable or payable  
+ / – allocated FISIM
  - *Distributed income of corporations like dividends.*
  - *Other investment income like -*  
attributable to insurance policyholders,  
payable on pension entitlements, etc.
- **Rent**: Income receivable by the owner of a natural resources.



 

## 1.8 Property Income and Operating Surplus

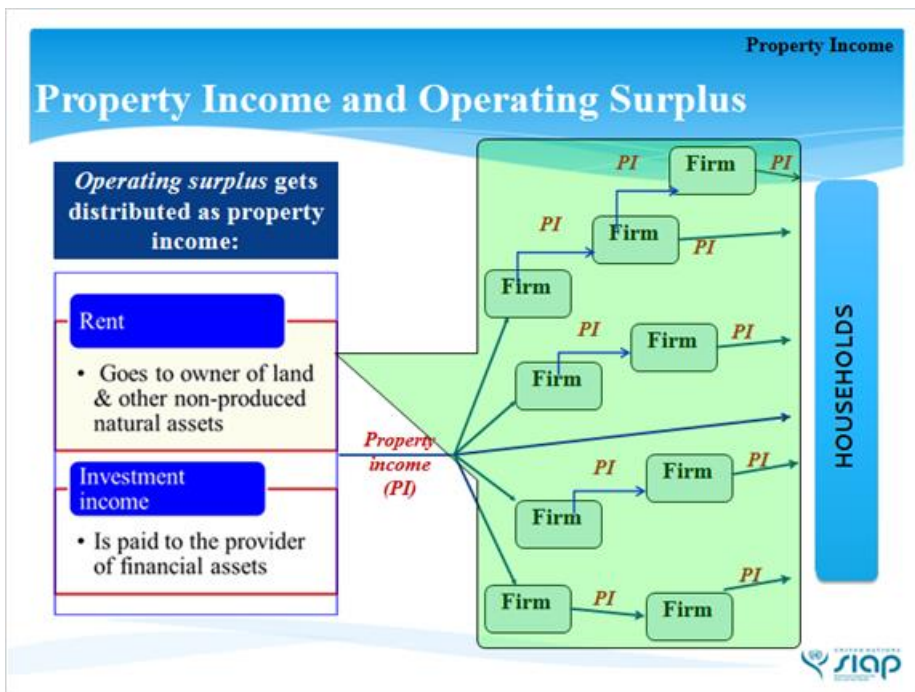
Property Income

### Property Income and Operating Surplus

- Recall that operating surplus generated in a production process is distributed to the factor service providers –the households.
- The generated operating surplus gets distributed in form of property income.
- Mostly the households do not receive property income directly from the entrepreneurs.

## 1.9 Property Income and Operating Surplus







## 1.10 Property Income and Operating Surplus

Property Income

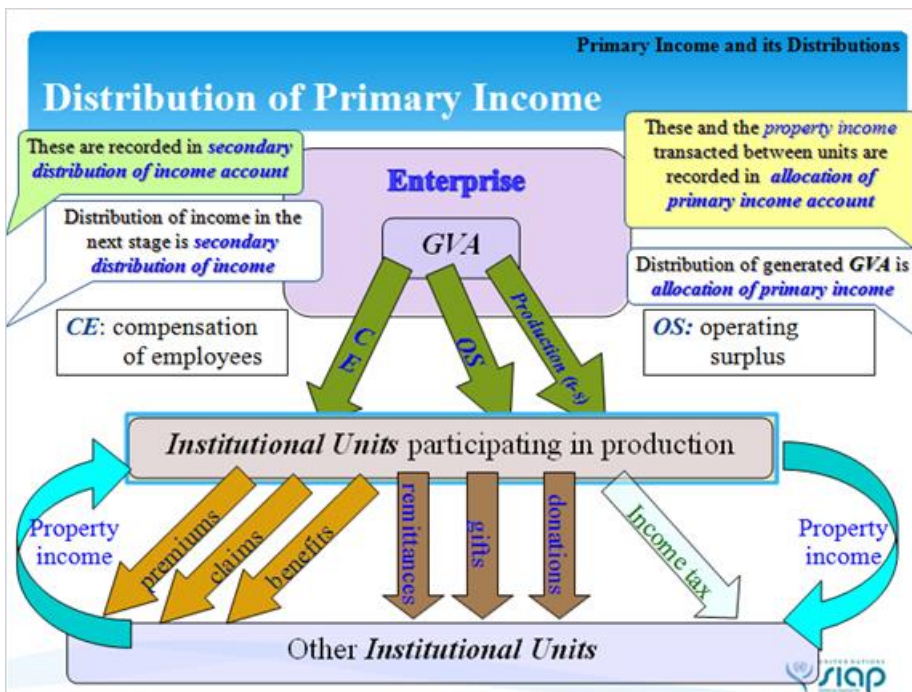
### Property Income and Operating Surplus

- These flow thru' different firms – financial and non-financial – before reaching the households.
- For example bank receives interest from the enterprises and pays interest to the households who are the main depositors in the banks.
- The payments and receipts of property income (*PI*) among all the intermediary firms cancel out each other thus their sum is zero.
- Thus, *PI* does not appear in the GDP by income approach

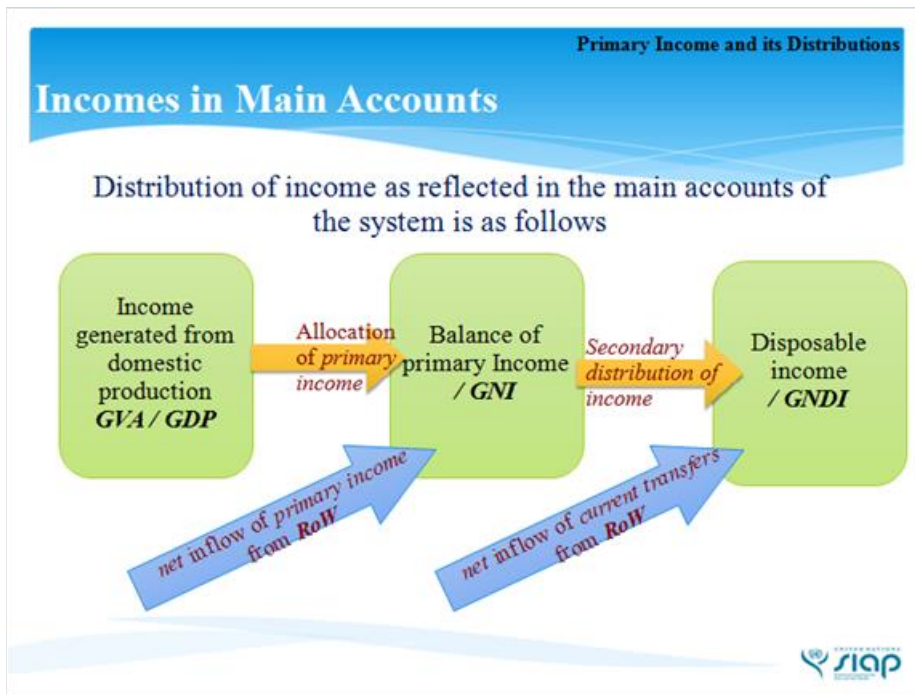
$$GDP_{mp} = CE + OS + MI + \text{product } (t-s) + (t-s) \text{ on import}$$

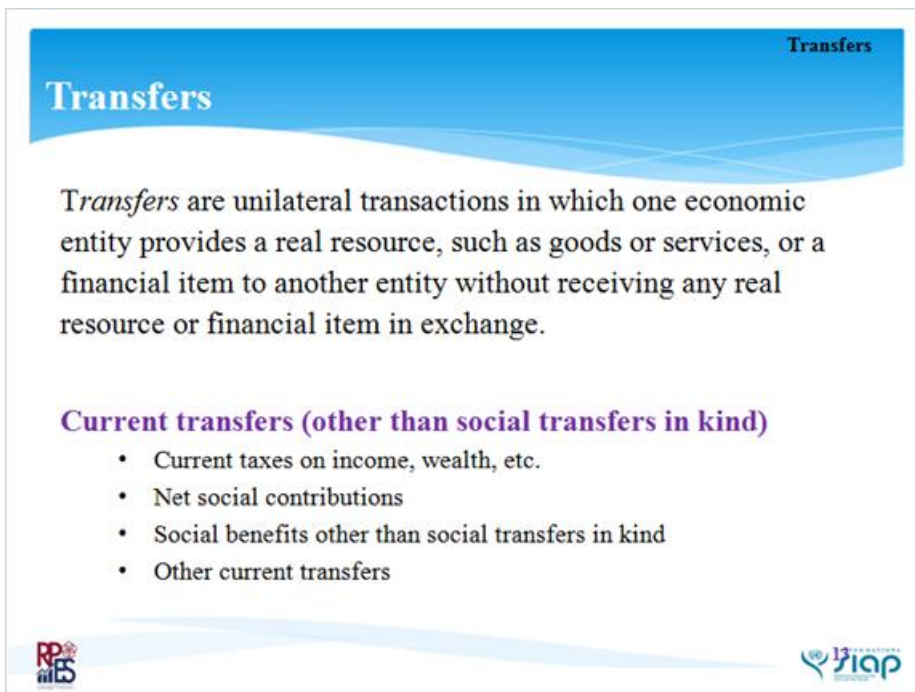
## 1.11 Distribution of Primary Income



## 1.12 Incomes in Main Accounts



## 1.13 Transfers





## 1.14 Cross-border Current Transfers

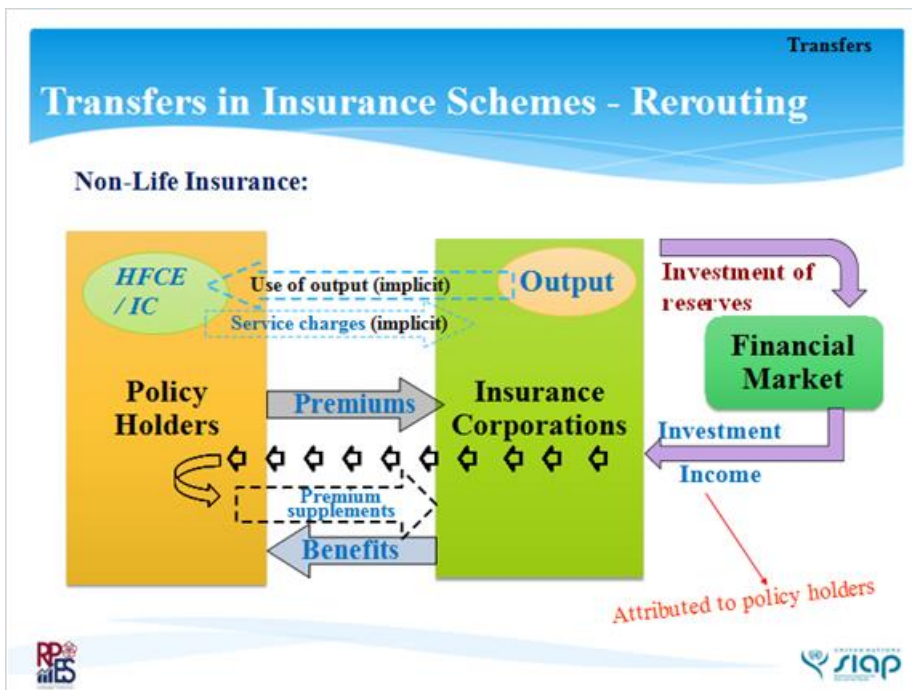
Transfers

### Cross-border Current Transfers

- In the SNA, *transfers* are not treated as income.
- Receipts and payment of *transfers* from/ to RoW changes the amount of purchasing power with the residents.
- The income remaining at disposal of the residents after the cross-border transfers is called *gross national disposable income (GNDI)*.
- This is related to *GDP* and *GNI* as follows:
 
$$\begin{aligned}
 \mathbf{GNDI} &= \mathbf{GNI} + (\text{net}) \text{ current transfers from RoW} \\
 &= \mathbf{GDP} + (\text{net}) \text{ primary income from RoW} \\
 &\quad + (\text{net}) \text{ current transfers from RoW.}
 \end{aligned}$$

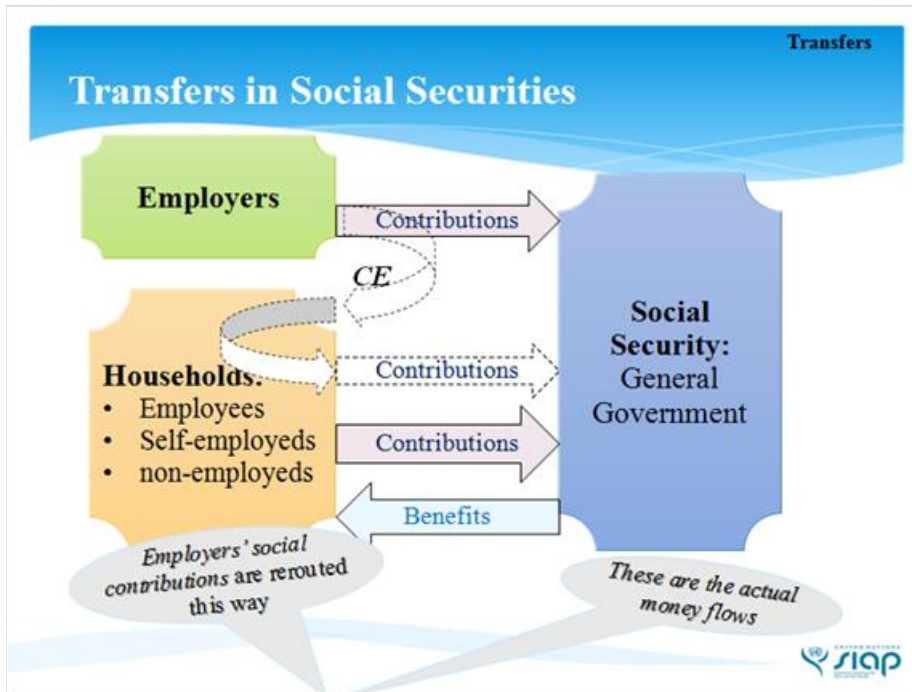



## 1.15 Transfers in Insurance Schemes - Rerouting

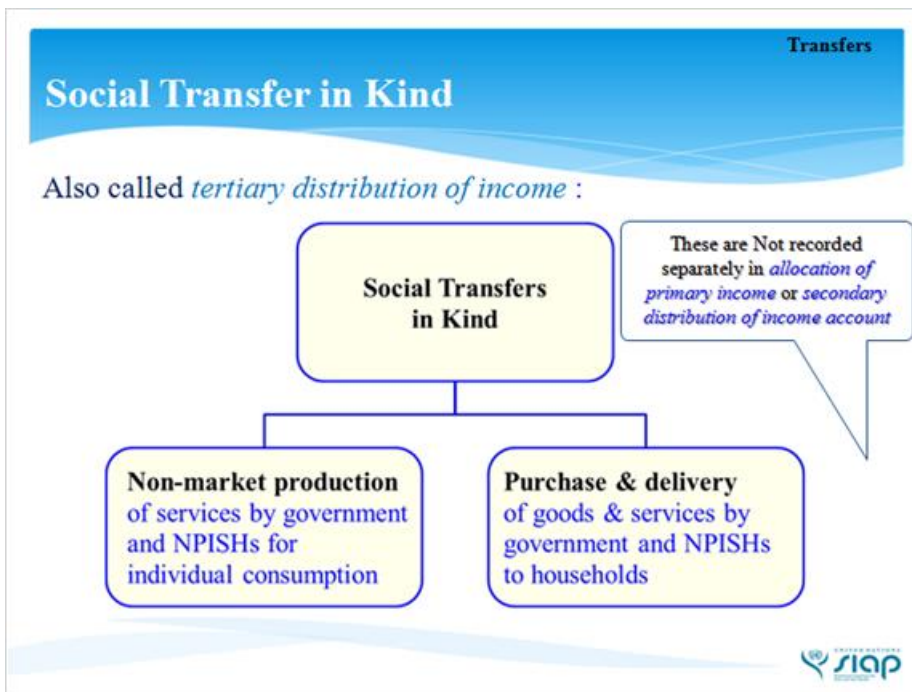




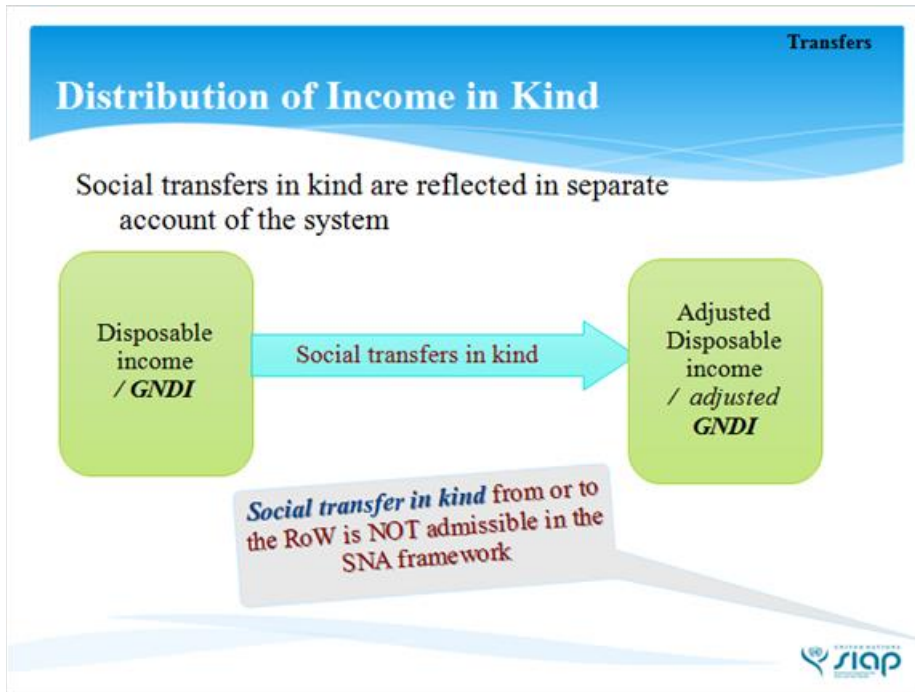
## 1.16 Transfers in Social Securities



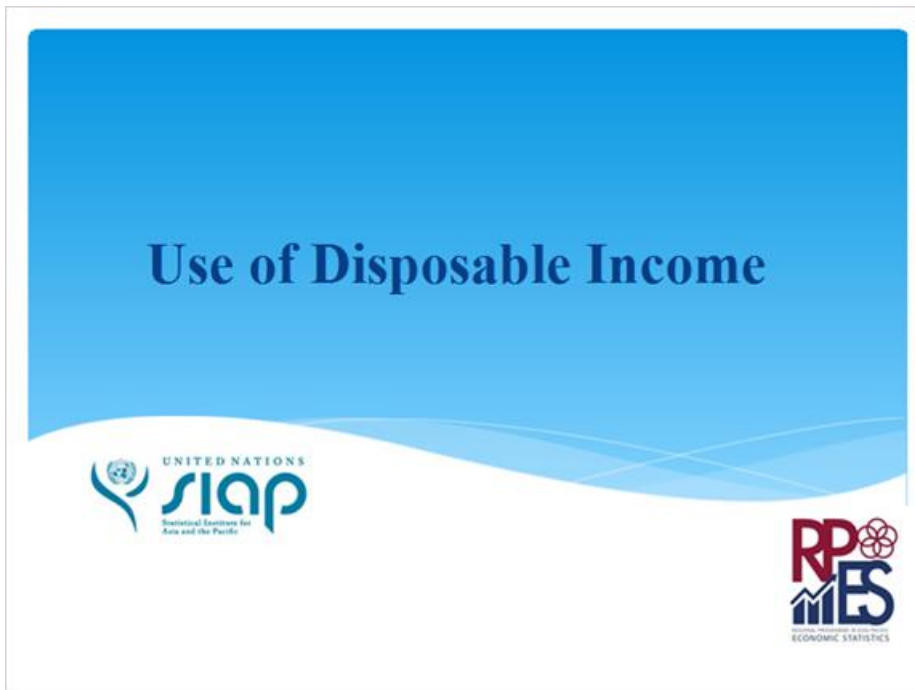
## 1.17 Social Transfer in Kind



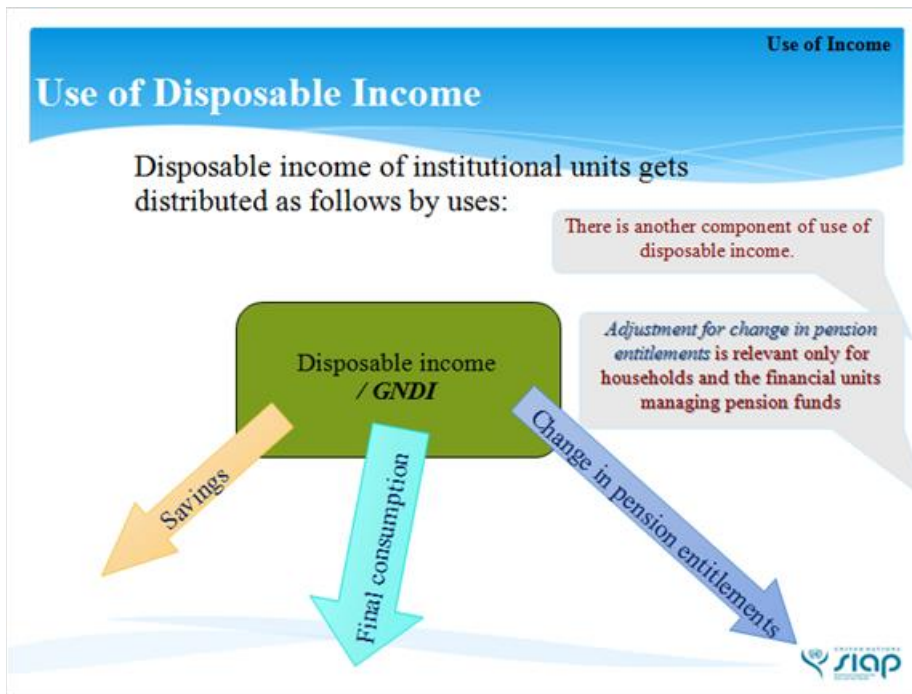
## 1.18 Distribution of Income in Kind



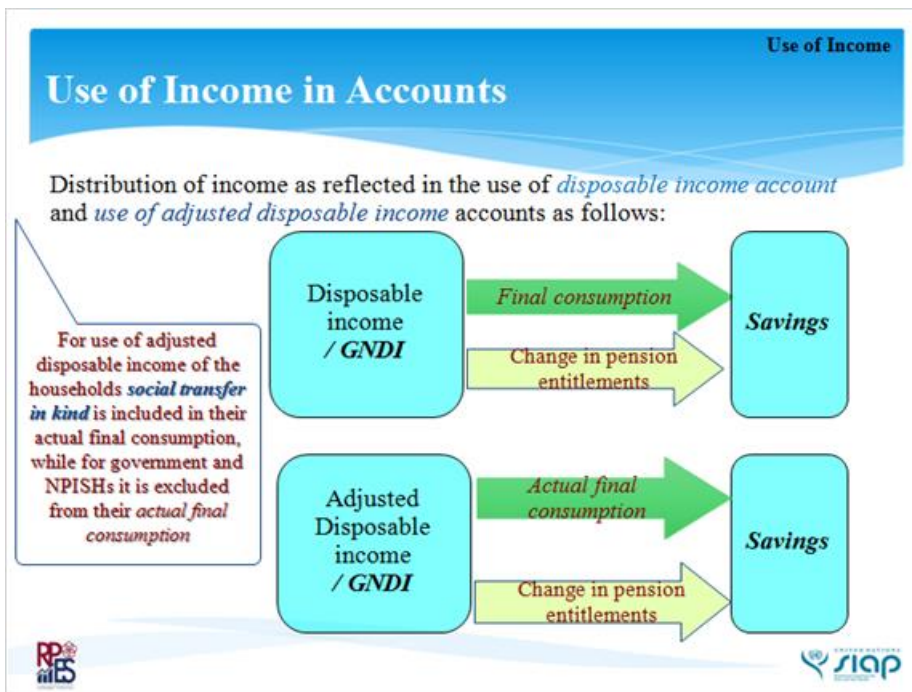
## 1.19 Use of Disposable Income




## 1.20 Use of Disposable Income



## 1.21 Use of Income in Accounts




## 1.22 Quiz




### Use of Income

State whether TRUE or FALSE. In *allocation of primary income account* of a domestic economy,

1. *CE paid to RoW* is included in the resources-side. Q 1. FALSE
2. *FISIM* is NOT included. Q 2. TRUE
3. Withdrawals from income of quasi-corporates are included. Q 3. TRUE
4. Investment income earned by insurance agencies is included in accounts of policy holders. Q 4. TRUE
5. Income taxes are included and production taxes are not included. Q 5. FALSE
6. Insurance premiums payable are included. Q 6. FALSE
7. Reinvested earnings of FDI of a domestic company is included. Q 7. TRUE





## 1.23 Quiz



### Distribution and Use of Income


State whether TRUE or FALSE. In *secondary distribution of income account* of a domestic economy,

1. Individual income taxes and corporate taxes are included. Q 1. TRUE
2. Non-life insurance premiums are NOT included at all. Q 2. FALSE
3. Employers' social contribution is included. Q 3. TRUE
4. Social security benefits are included. Q 4. TRUE
5. Expenditure on free health services provided by an NPISH is included. Q 5. FALSE
6. Social benefits (other than social transfers in kind) are included. Q 6. TRUE
7. Non-life insurance claims are included in *other current transfers*. Q 7. TRUE






## 1.24 Quiz


 **Distribution and Use of Income**  
State whether TRUE or FALSE. In *use of disposable income account* of a domestic economy,


1. entries are aggregation of those for the households, government and NPISHs. **Q 1. TRUE**
2. government expenditure on CE of its employees is included. **Q 2. TRUE**
3. a part of FISIM is included. **Q 3. TRUE**
4. military expenditures on weapons systems are included. **Q 4. FALSE**
5. expenditure on free health services provided by an NPISH is included. **Q 5. TRUE**
6. Social transfers in kind are included in *final consumption* of government. **Q 6. TRUE**
7. Social transfers in kind are included in *final consumption* of households. **Q 7. FALSE**



## 1.25 Distribution of Income Accounts

**Distribution of Income Accounts  
by institutional sectors**

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## 1.26 Underlying Identity

Use of Distribution of Income Account

### Underlying Identity

#### – Allocation of Primary income Account



*Balance of primary income /*

$$GNI \equiv (CE + OS \& MI) \text{ generated in domestic enterprises + production } (t-s) + (t-s) \text{ on imports} \\ + CE \text{ from RoW (net) + PI from RoW (net)}$$

OR

*Balance of primary income /*

$$GNI \equiv GDP + (\text{net}) \text{ compensation of employees from RoW} \\ + \text{Property income receivable from non-residents} \\ - \text{Property income payable to non-residents}$$





## 1.27 Underlying Identity

Distribution of Income Account

### Underlying Identity

#### – Secondary Distribution of Income Account

*GNDI*  $\equiv$  *GNI* + *(net) current transfers from RoW*  
+ *(net) taxes on income & wealth from RoW*



## 1.28 Accounting Structure


**Distribution of Income Account**

### Accounting Structure

Applicable only to household sector

Uses	Resources
<b>Allocation of Primary Income Account</b>	
	<i>B.2g &amp; B.3g OS+MI (gross)</i>
Property income payable	<i>CE (net of payable to RoW)</i>
	Property income receivable
	Production & import taxes
	Subsidies (-)
<i>B.4g Balance of primary income / GNI</i>	
<i>CFC</i>	
<i>B.4n Balance of primary income / NNI</i>	

Taxes & subsidies are resources only for government sector



## 1.29 Accounting Structure (Contd.)

**Distribution of Income Account**

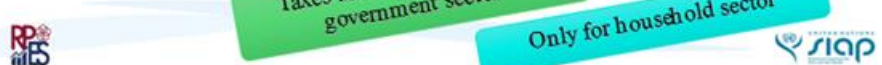
### Accounting Structure (Contd.)

Taxes are uses for non-government sector

Uses	Resources
<b>Secondary Distribution of Income Account</b>	
	<i>Balance of primary incomes (GNI)</i>
Current taxes on income & wealth, etc.	Current taxes on income & wealth, etc.
Net Social contributions	Net Social contributions
Social benefits (excl. in kind)	Social benefits (excl. in kind)
Other current transfers	Other current transfers
<i>B.6g GNDI</i>	
<i>CFC</i>	
<i>B.6n NNDI</i>	

Taxes are resources only for government sector

Only for household sector





### 1.30 Accounting Structure (Contd.)

Distribution of Income Account

## Accounting Structure (Contd.)

Uses		Resources	
<b>Redistribution of Income in Kind Account</b>			
		<i>B.6g GNDI</i>	
	Social transfers in kind	Social transfers in kind	
	<i>B.7g Adjusted GNDI</i>		
	<i>B.7n Adjusted NNDI</i>		


### 1.31 Household Sector – try yourself [using the given data]

Distribution of Income Account

## Household Sector – try yourself [using the given data]

Uses		Resources	
<b>Allocation of Primary Income Account</b>			
		<i>B.2g OS / B.3g MI (gross)</i>	?
		Compensation of employees (net of payable to RoW) =2500+100	?
?	Property income payable	Property income received =192+2+30	?
		Production & import Taxes	
		Subsidies (-)	
?	<i>B.4g Balance of PI / GNI</i>		

Click on question marks to know correct answers.



### 1.32 Household Sector – try yourself [using the given data]

Distribution of Income Account

## Household Sector – try yourself [using the given data]

Uses		Resources	
<b>Secondary Distribution of Income Account</b>			
		<i>Balance of primary incomes (GNI)</i>	?
?	Current taxes on income & wealth, etc.	Current taxes on income & wealth, etc.	
?	Net Social contributions <span style="background-color: #007bff; color: white; padding: 2px;">=100+50+30-10</span>	Net Social contributions	
	Social benefits (excl. in kind)	Social benefits (excl. in kind)	
	Other current transfers	Other current transfers	?
?	<i>B.6g GNDI</i>		

Click on question marks to know correct answers.

### 1.33 Government – try yourself [using the given data]

Distribution of Income Account

## Government – try yourself [using the given data]

Uses		Resources	
<b>Allocation of Primary Income Account</b>			
		<i>B.2g OS / B.3g MI (gross)</i>	?
		Compensation of employees (net of payable to RoW)	
?	Property income payable	Property income receivable	?
		Production & import Taxes	?
		Subsidies (-)	
?	<i>B.4g Balance of PI / GNI</i>		

Click on question marks to know correct answers.

CFC


### 1.34 Government– try yourself [using the given data]

Distribution of Income Account

**Government– try yourself** [using the given data]

Uses		Resources	
<b>Secondary Distribution of Income Account</b>			
		<i>Balance of primary incomes (GNI)</i>	?
	Current taxes on income & wealth, etc.	Current taxes on income & wealth, etc.	?
	Net Social contributions	Net Social contributions	
?	Social benefits (excl. in kind)	Social benefits (excl. in kind)	
?	Other current transfers	Other current transfers	?
?	<i>B.6g GNDI</i>		

Click on question marks to know correct answers.




### 1.35 Commercial Bank – try yourself [using the given data]

Distribution of Income Account

**Commercial Bank – try yourself** [using the given data]

Uses		Resources	
<b>Allocation of Primary Income Account</b>			
		<i>B.2g OS / B.3g MI (gross)</i>	?
		Compensation of employees (net of payable to RoW)	
?	Property income payable	Property income re =1620-100+500	?
	= 900+120+100+500	Production & import Taxes	
		Subsidies (-)	
?	<i>B.4g Balance of PI / GNI</i>		

Click on question marks to know correct answers.






### 1.36 Commercial Bank – try yourself

Distribution of Income Account

**Commercial Bank – try yourself** [using the given data]


Uses		Resources	
<b>Secondary Distribution of Income Account</b>			
		<i>Balance of primary incomes (GNI)</i>	?
?	Current taxes on income & wealth, etc.	Current taxes on income & wealth, etc.	
	Net Social contributions	Net Social contributions	
	Social benefits (excl. in kind)	Social benefits (excl. in kind)	
?	Other current transfers	Other current transfers	?
?	<i>B.6g GNDI</i>		


Click on question marks to know correct answers.



### 1.37 Use of Disposable Income Accounts

**Use of Disposable Income Accounts  
by institutional sectors**


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### 1.38 Household Sector – try yourself

Use of Income Account

**Household Sector – try yourself** [using the given data]

Uses		Resources	
Use of Disposable Income			
	$=1750+550+25+10+2$	<i>B.6g GNDI</i>	3164
?	<i>FCE</i>		
	Adjustments for changes in pension entitlements	Adjustments for changes in pension entitlements	
?	<i>B.8g Gross savings</i>		

Click on question marks to know correct answers.




### 1.39 Government – try yourself

Use of Income Account

**Government – try yourself** [using the given data]

Uses		Resources	
Use of Disposable Income			
	$=25+160+10+70+280+25+60-5$	<i>B.6g GNDI</i>	2435
?	<i>FCE</i>		
	Adjustments for changes in pension entitlements	Adjustments for changes in pension entitlements	
?	<i>B.8g Gross savings</i>		

Click on question marks to know correct answers.




### 1.40 Household Sector – try yourself

Use of Income Account

**Household Sector – try yourself** [using the given data]

Uses		Resources	
<b>Use of Adjusted Disposable Income</b>			
		<i>B.7g Adjusted GNDI</i>	
	Actual <i>FCE</i>		
	Adjustments for households' pension funds	Adjustments for households' pension funds	
	<i>B.8g Gross savings</i>		




### 1.41 Government – try yourself

Use of Income Account

**Government – try yourself** [using the given data]

Uses		Resources	
<b>Use of Adjusted Disposable Income</b>			
		<i>B.7g Adjusted GNDI</i>	
	Actual <i>FCE</i>		
	Adjustments for households' pension funds	Adjustments for households' pension funds	
	<i>B.8g Gross savings</i>		



## 1.42 Thanks

