

Difference Between GDP Per Capita and Income Per Capita

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Key Difference – GDP Per Capita vs Income Per Capita

The economic status of countries is vital due to a number of reasons, and many methods are used to measure the economic conditions. GDP per capita and income per capita are two such pioneer measures that are partly considered the same. This is due to the fact that GDP can also be used to calculate income per capita. The key difference between GDP per capita and income per capita is that **GDP per capita is the measure of the total output of a country where the Gross Domestic Product (GDP) is divided by the total population in the country** whereas **income per capita is a measure of income earned per person in a country within a given period of time.**

What is GDP Per Capita?

GDP per capita is the measure of the total output of a country where the Gross Domestic Product (GDP) is divided by the total population in the country. GDP per capita is a widely used measure of economic activity and becomes very useful when comparing one country to another. Gross domestic product (GDP) is the monetary value of all goods and services produced in a period (quarterly or yearly). In GDP, the output is measured as per geographical location of production, mostly in a country. GDP per capita is calculated as per below.

$$\text{GDP per capita} = \text{GDP} / \text{population}$$

Countries continuously attempt to maintain an increasing GDP per capita since it is a sign of economic productivity. Further, this is used as an indicator of standard of living, where higher GDP per capita indicates a higher standard of living. However, GDP per capita should not be considered as the sole measure of economic robustness in a country since it is criticized for not taking into account the quality of life; it simply measures the value of goods and services produced. In addition, since this produces an absolute measure, it is heavily affected by the number of population. An increasing GDP per capita is a phenomenon that all nations thrive to achieve to obtain superior results.

Rank and Country	GDP per capita (Nominal) in \$
1.Luxembourg	101,715
2.Switzerland	78,245
3. Norway	73,450
4. Macao SAR	68,401
5. Iceland	67,570

Table 1: Countries with highest GDP per capita in 2016

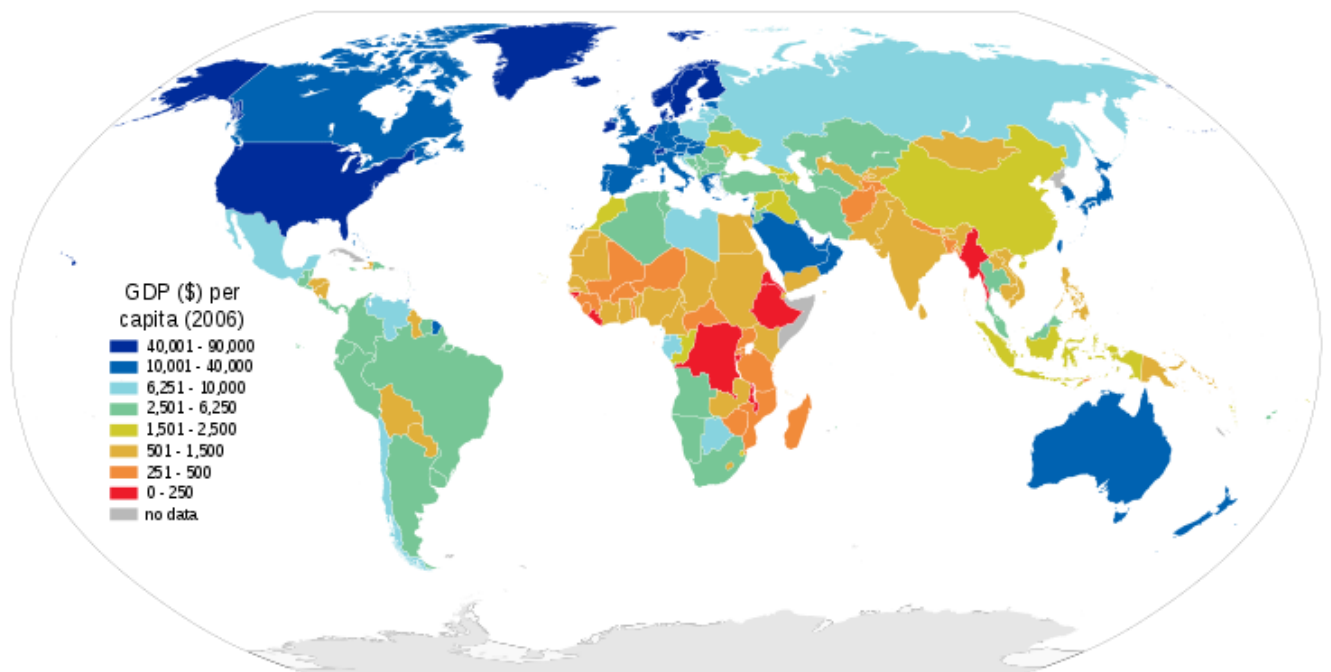


Figure 01: GDP per capita in different countries

What is Income Per Capita?

Income per capita is a measure of income earned per person in a given area, preferably a country within a given period of time. It is calculated as,

$$\text{Income per capita} = \text{Income} / \text{population}$$

In the above formula, income is derived by adding up all incomes received by the production of goods and services in the economy during a year. Wages and salaries from employment and self-employment, profits from companies, interest to lenders of capital and rents to landowners are considered as income sources. Alternatively, income per capita is also calculated using GDP, which is the more common method as GDP is considered equal to the total income earned by a country.

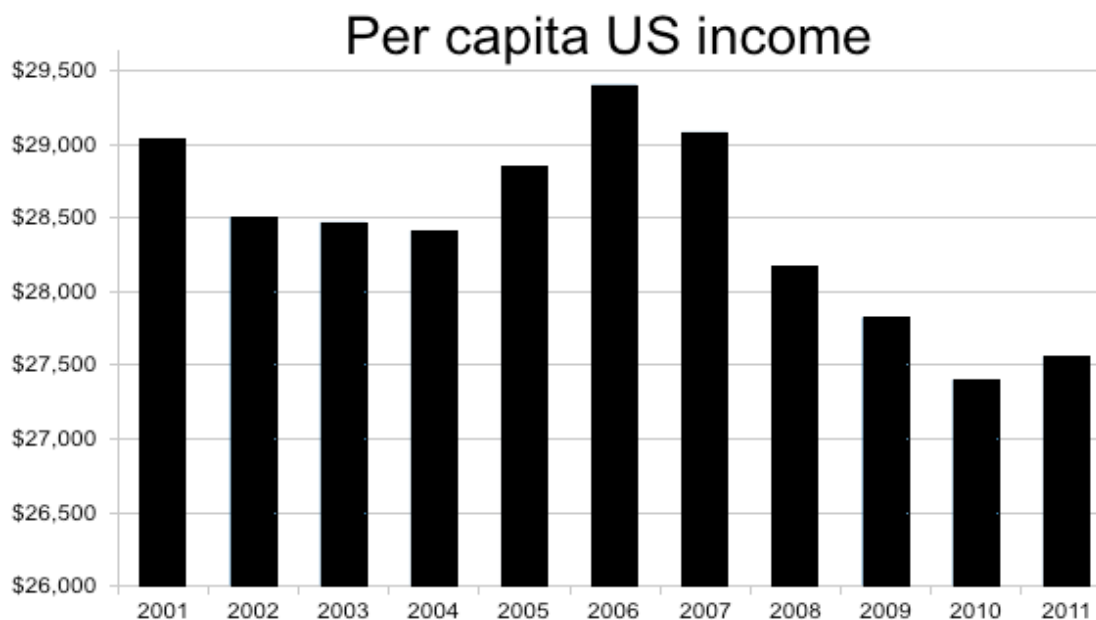


Figure 02: Income per capita

A variation of income per capita, **disposable income per capita** is another widely used economic measure. Individuals and households consume goods and services (necessities) such as food, shelter, transportation, healthcare, and leisure while also saving a portion of funds. They also undertake investing activities to earn returns. Therefore, disposable income per capita is the amount of net income available to a

household or an individual for spending, investing and saving purpose after income taxes are paid. It can be calculated by subtracting income taxes from income.

What are the similarities between GDP Per Capita and Income Per Capita?

- Both GDP per capita and income per capita are calculated by dividing GDP/income by the total population.

What is the difference between GDP Per Capita and Income Per Capita?

GDP Nominal vs GDP PPP	
GDP per capita is the measure of the total output of a country where the Gross Domestic Product (GDP) is divided by the total population in the country.	Income per capita is a measure of income earned per person in a country within a given period of time.
Calculation	
GDP per capita is calculated as (GDP/population).	Income per capita is calculated as (Income/population).

Summary – GDP Per Capita vs Income Per Capita

The difference between GDP per capita and income per capita is that GDP per capita is derived by dividing the total population by the GDP while income is divided by the total population to arrive at income per capita. However, in practice, GDP per capita is commonly used for both measures where GDP and income is considered similar to each other. Furthermore, developed countries typically have a superior GDP/ income per capita compared to developing countries.

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3. "Disposable Income." Investopedia. N.p., 05 Nov. 2014. Web. [Available here](#). 06 July 2017.

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1. "GDP per capita-worldmap-2006" By me, Bamse – Own work ([CC BY-SA 3.0](#)) via [Commons Wikimedia](#)
2. "Per capita US income" By CLDunlap – data from [Census.gov](#) ([CC BY-SA 3.0](#)) via [Commons Wikimedia](#)

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