Household income

In 2017, the purchasing power of household income would appear to have increased by 1.7%, a similar pace to that of 2016 (+1.8%). Earned income appears to have picked up substantially (+2.9% after +2.0%), with a similar recovery in consumer prices (+0.9% after –0.1%).

In H1 2018, earned income is set to gather pace once again. Households' purchasing power is expected to stall temporarily in Q1, mainly as a result of an upturn in inflation related to the increase in indirect taxes, and should then rebound in Q2.

In H1 2018, earned income should remain buoyant

In 2017, households' earned income appears to have accelerated again (+2.9% after +2.0% in 2016 and +1.5% in 2015; *Table 1*), particularly wages received by households (+3.2% after +2.0%). In the non-farm market sectors, the strong acceleration in both the average wage per capita (+2.0% in 2017 after +1.2% in 2016) and operating payroll (+1.5% after +1.1% in 2016; *Graph*) appears to have contributed to this. Meanwhile, the operating income of sole proprietors would appear to have slowed (+1.3% after +1.6%). At the start of 2018, the payroll received by households is expected to remain buoyant (+1.7% half-year-on- half-year after +1.3%).

Property income appears to have recovered slightly in 2017 (+0.8% after –3.2% in 2016): the increase in distributed dividends seems to have offset the drop in life insurance income, related to the decline in interest rates paid to policyholders. In H1 2018, property income is likely to maintain its solid growth (+1.9% half-year-on- half-year after +1.9%): the reduction in taxes and social contributions on investment income linked with the introduction of the single flat-rate tax could encourage companies to increase the dividends they distribute.

Table 1

Household gross disposable income

	Quarterly changes in %										Annual changes in %		
	2016				2017				2018		2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Gross disposable income (100%)	**0.2**	**0.3**	**0.8**	**0.5**	**0.8**	**0.6**	**0.6**	**0.6**	**0.2**	**1.1**	**1.7**	**2.6**	**1.9**
including:													
Earned income (71%)	0.5	0.3	0.6	0.7	1.0	0.7	0.6	0.6	0.9	0.7	2.0	2.9	2.4
Gross wages and salaries (63%)	*0.5*	*0.3*	*0.7*	*0.8*	*1.1*	*0.7*	*0.6*	*0.6*	*1.0*	*0.8*	*2.0*	*3.2*	*2.5*
GOS of sole proprietors[1] (8%)	*0.7*	*–0.2*	*0.3*	*0.1*	*0.3*	*0.6*	*0.7*	*0.4*	*0.3*	*0.3*	*1.6*	*1.3*	*1.3*
Social benefits in cash (35%)	0.4	0.5	0.4	0.3	0.4	0.4	0.5	0.5	0.6	0.6	1.8	1.7	1.7
GOS of "pure" households (13%)	0.4	0.5	0.6	0.9	0.7	0.5	0.5	0.6	0.2	0.2	2.2	2.6	1.2
Property income (8%)	–1.0	–0.9	–0.5	–0.1	0.0	0.8	1.0	1.0	0.9	0.9	–3.2	0.8	3.1
Social contributions and taxes (–27%)	1.1	0.4	–0.5	1.0	0.6	0.7	1.1	0.7	2.1	–0.8	1.5	2.5	2.7
Contributions of households (–11%)	*0.7*	*0.6*	*0.5*	*0.6*	*0.7*	*0.6*	*0.8*	*0.7*	*–8.5*	*0.9*	*2.2*	*2.7*	*–6.9*
Income and wealth tax (including CSG and CRDS) (–16%)	*1.3*	*0.2*	*–1.2*	*1.2*	*0.6*	*0.8*	*1.3*	*0.7*	*9.6*	*–1.8*	*1.1*	*2.4*	*9.6*
Household consumer prices (quarterly national accounts)	**–0.3**	**0.1**	**0.1**	**0.2**	**0.5**	**–0.1**	**0.1**	**0.5**	**0.7**	**0.2**	**–0.1**	**0.9**	**1.2**
Purchasing power of gross disposable income	**0.5**	**0.2**	**0.7**	**0.3**	**0.3**	**0.6**	**0.5**	**0.1**	**–0.4**	**0.9**	**1.8**	**1.7**	**0.8**
Household purchasing power by consumption	**0.4**	**0.1**	**0.6**	**0.2**	**0.2**	**0.5**	**0.4**	**0.0**	**–0.5**	**0.8**	**1.4**	**1.3**	**0.4**

Forecast

How to read it: the figures in parentheses give the structure of the year 2016.

1. The gross operating surplus (GOS) of sole proprietors is the balance of the operating accounts of sole proprietorships. It is mixed income, because it remunerates the work performed by the sole proprietor, and possibly the members of his family, but also contains the profit achieved as an enterpreneur.
Source: INSEE

The gross operating surplus of pure households[1] should slow at the start of 2018, dropping from +1.1% in H2 2017 to +0.6% in H1 2018, as the effects of lower interest rates fade after an exceptional wave of loan renegotiations in 2016 and 2017.

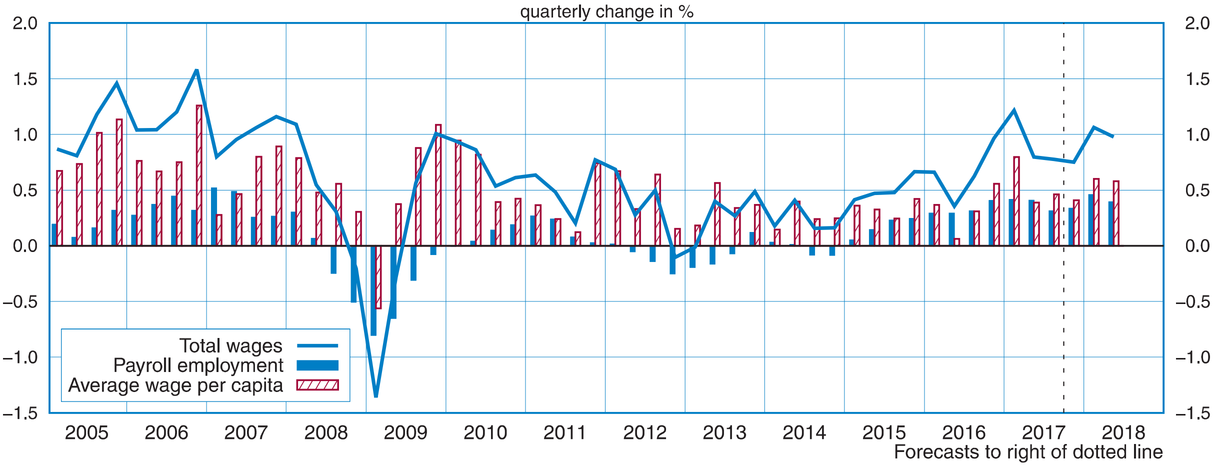
Social benefits should pick up slightly in H1 2018

In 2017, social benefits in cash would appear to have slowed slightly (+1.7% after +1.8%; *Table 3*), and there appears to have been a slowdown in social security benefits (+1.5% after +1.8% in 2016). Unemployment benefits in particular would appear to have fallen, in step with the decline in the unemployment rate in 2017. Social welfare benefits would appear to have slowed in 2017 (+1.8% after +2.8%) with the end of the ramp-up phase of the activity bonus. Conversely, "other social insurance benefits" appear to have picked up in 2017 (+2.3% after +1.6%).

In H1 2018, social security benefits are expected to accelerate a little: +1.2% half-year-on- half-year after +1.0%. Retirement pensions should return to growth rates similar to previous trends with the effect of the end of the shift in the legal retirement age. 2018 is expected to be the first year since 2011 where those retiring represent an entire generation. Family benefits should remain almost unchanged: the expected reduction in the early childhood benefit on 1st April 2018 is likely to be more than offset by the end of the freeze on the "birth bonus" and the increase in the family support benefit (ASF). Social assistance benefits are expected to pick up slightly, with an increase in the take-up rate for the adult disability allowance (AAH). All in all, social benefits in cash should accelerate a little in H1 2018 compared with H2 2017 (+1.1% after +1.0% half-year-on-half-year).

1. In the national accounts, the gross operating surplus of pure households takes account, among other things, of housing services: the added value is the difference between the rent (actually paid by tenants or imputed for home owners) and the intermediate consumption of the owners, notably banking margins on real-estate loans.

Breakdown of the total gross wages received by households in the non-agricultural market sector



Source: INSEE

Table 2

From the payroll of non-financial enterprises to that received by households

	Quarterly changes in %										Annual changes in %		
	2016				**2017**				**2018**		**2016**	**2017**	**2018 ovhg**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**			
Non-financial enterprises (67%)	0.7	0.4	0.6	1.0	1.2	0.8	0.8	0.7	1.1	1.0	2.5	3.6	3.0
Financial corporations (4%)	0.1	0.0	0.8	1.0	0.6	0.5	1.0	0.3	1.2	1.1	1.5	2.7	2.8
General government (22%)	0.0	0.2	0.8	0.5	0.9	0.6	0.3	0.2	0.7	0.3	0.8	2.5	1.4
Households excluding sole proprietors (2%)	–1.1	–0.3	–0.1	–0.3	0.5	0.1	–0.4	0.7	0.0	0.0	–1.8	0.2	0.4
Total gross wages received by households (100%)	**0.5**	**0.3**	**0.7**	**0.8**	**1.1**	**0.7**	**0.6**	**0.6**	**1.0**	**0.8**	**2.0**	**3.2**	**2.5**
including: Non-agricultural market sectors	*0.7*	*0.4*	*0.6*	*1.0*	*1.2*	*0.8*	*0.8*	*0.7*	*1.1*	*1.0*	*2.4*	*3.6*	*3.0*

Forecast

How to read it: the figures in parentheses give the structure of the year 2016.
Source: INSEE

Taxes and social contribution measures are likely to have calendar effects in 2018

Across 2017 as a whole, taxes and social contributions borne by households are expected to have accelerated (+2.5% after +1.5%). Social contributions borne by households appear to have grown at a slightly more sustained pace than in 2016 (+2.7% after +2.2%). Employee contributions appear to have increased in line with payroll, whereas contributions by the self-employed are likely to have decreased again. Taxes on income and wealth appear to have accelerated more significantly in 2017 (+2.4% after +1.1%), as the effect of tax-reduction measures (especially the 20% reduction in income tax for modest households) was lower than in 2016. In addition, the wealth tax (ISF) would appear to have been more dynamic in 2017 than in 2016, driven by the recovery in property prices and the introduction of a mechanism to limit tax base optimisation possibilities.

At the start of 2018, social contributions and taxes are expected to ramp up in Q1 before falling back in Q2. A number of measures are to be implemented in 2018 with a significant calendar effect. On 1st January 2018, the general social security contribution rate (CSG) was increased by 1.7 points while the contribution rate was reduced by 2.2 points for private sector employees, and by 2.15 for the self-employed. The contribution rate will go down again in October 2018 with the elimination of the remaining unemployment insurance contributions for employees. For civil servants, the exceptional solidarity contribution was ended on 1st January 2018 and a compensatory payment was created (*see Wages sheet*).

Households will benefit from tax cuts with the introduction of the single flat-rate tax and the transformation of the wealth tax into a tax on property wealth. The effects of the reduction in housing tax will mainly be felt in H2 2018.

Purchasing power is expected to stall in Q1 2018 then bounce back in Q2

In 2017, nominal household disposable income would appear to have picked up sharply (+2.6% after +1.7%), in line with earned income. However, consumer prices seem to have recovered significantly as an annual average (+0.9% after –0.1%), with the result that the purchasing power of gross disposable income seems to have maintained a similar pace to that in 2016 (+1.7% after +1.8%). When reduced to an individual level to take demographic changes into account, purchasing power per consumption unit would also seem to have increased comparably in 2017 to 2016 (+1.3% after +1.4%).

In H1 2018, despite vigorous earned income, the purchasing power of gross disposable income is expected to experience contrasting growth at aggregate level: it should stall in Q1, notably due to the rise in indirect taxation on energy products and tobacco, and then bounce back in the following quarters. Its growth overhang is expected to be +0.8% at the end of H1 2018. ■

Table 3

Social transfers received and paid by households

	Quarterly changes in %										Annual changes in %		
	2016				2017				2018		2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Social cash benefits received by households (100%)	**0.4**	**0.5**	**0.4**	**0.3**	**0.4**	**0.4**	**0.5**	**0.5**	**0.6**	**0.6**	**1.8**	**1.7**	**1.7**
Social Security benefits in cash (72%)	0.5	0.3	0.4	0.3	0.3	0.3	0.4	0.6	0.6	0.6	1.8	1.5	1.8
Other social insurance benefits (19%)	0.7	0.3	0.5	0.4	0.6	0.6	0.9	0.4	0.5	0.5	1.6	2.3	1.9
Social assistance benefits in cash (8%)	–1.2	3.3	0.7	0.0	0.4	0.2	0.1	0.1	0.3	0.3	2.8	1.8	0.7
Total social contribution burden by households (100%)	**0.7**	**0.6**	**0.5**	**0.6**	**0.7**	**0.6**	**0.8**	**0.7**	**–8.5**	**0.9**	**2.2**	**2.7**	**–6.9**
Employers contributions[1] (80%)	1.4	0.7	0.5	0.8	1.0	0.8	0.9	0.8	–8.6	0.9	3.0	3.4	–6.8
Contributions of households (20%)	–1.7	0.2	0.7	–0.1	–0.5	–0.2	0.3	0.2	–8.2	0.9	–0.6	–0.1	–7.3

Forecast

How to read it: The figures in parentheses give the structure of the year 2016.

1. Employer contributions are both received and paid by households in the national accounts: they therefore have no effect on gross disposable income.