

Wages

In 2018, nominal wages are expected to pick up slightly in the market sectors: +1.6% as an annual average after +1.3% in 2017 for the basic monthly wage and +2.0% after +1.7% for the average wage per capita. Prices are likely to accelerate faster, with the result that wages in real terms in 2018 should continue to increase at the same pace as in 2017: at +0.4% for the average wage per capita. In H1 2019, the exemption of overtime from tax and social contributions, combined with the payment of exceptional bonuses by certain enterprises, also similarly exempted, are expected to speed up the growth of the average wage per capita in market sectors. Due to the expected inflation downturn, the purchasing power of wages is likely to perk up a little: the annual mid-year growth overhang should reach +1.2% by mid-2019. In general government, growth in the nominal average wage per capita should remain buoyant in 2018 (+2.2% on an annual average basis, as in 2017), but this is due to the granting of an allowance to offset the rise in the general social security contribution in the context of the freezing of the index point and of the Professional Career Paths, Careers and Remunerations (PPCR) protocol. However, the average wage per capita is expected to slacken in real terms (+0.6% after +0.9%). In H1 2019, despite the resumption of the PPCR protocol, the average wage per capita is likely to slow down

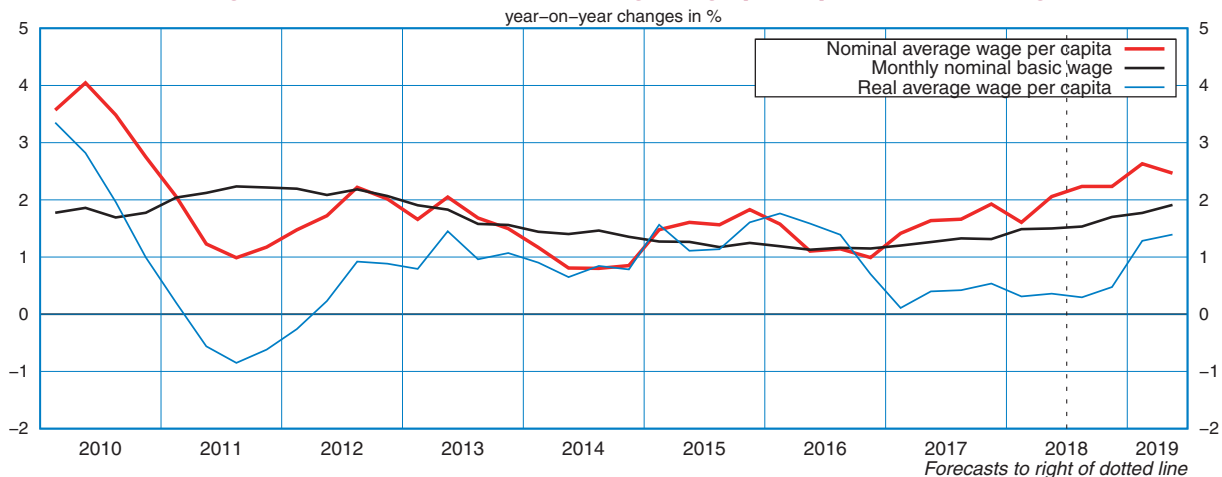
significantly: in this way, its annual mid-year growth overhang should reach +0.9% in 2019, corresponding to 0.0% in real terms.

In 2018, wages in the market sectors are expected to accelerate in nominal terms, but should slow in real terms

In 2018, the increase in the minimum wage was slightly higher than in the previous year (+1.2% after +0.9%). Unemployment is expected to fall back slightly and inflation is likely to be more vigorous. In the non-agricultural market sectors, the basic monthly wage¹ looks set to increase by 1.6% as an annual average, i.e. by slightly more than in 2017 (+1.3%, *Graph and Table*). The average wage per capita, which covers a broader range of remunerations (bonuses, profit-sharing and overtime) should also pick up (+2.0% on average in 2018 after +1.7% in 2017). In H2 2018, the increase in the average minimum wage per capita is expected to equal the rise in H1 (+1.1% half-year on half-year). Net wages look set to be more dynamic in 2018, with the increase in the general social security contribution being more than offset by two consecutive drops in social contributions for private-sector employees. After an initial reduction in January, the contributions fell again on 1st October 2018.

On an annual average basis, prices² are expected to gather pace in 2018, at almost the same rate as nominal wages (+1.7% after +1.3% in 2017), to the extent that in real terms, the basic monthly wage

Change in the nominal and real average wage per capita and basic wage



Scope: non-agricultural market sector
Sources: INSEE, Dares, Acoss

is expected to be almost stable and the average wage per capita should continue to grow at the same rate (0.4%). However, prices look set to slacken during the course of the year: +0.7% in H2 2018, against +1.1% in H1. As a consequence, the real average minimum wage per capita is likely to bounce back during the second half of the year (+0.4% after +0.1%).

Both nominal and real wages are expected to gather pace at the beginning of 2019

Taking account of annual inflation measured in November 2018, the increase in the minimum wage on 1st January 2019 is expected to be +1.5%: higher than the increases in the two previous years. In early 2019, this acceleration is likely to combine with the measures announced on 10 December and with recruitment difficulties to buoy up wages despite the expected slowdown in prices. Nominal wages should then increase at a similar rate to that at the end of 2018: in H1 2019, the basic monthly wage is expected to grow at a similar rate to that at the end of 2018, rising by 1.0% half-year on half-year (after +0.9% in H2 2018). The measures announced on 10 December (exemption of overtime - and of the payment of an exceptional bonus by certain enterprises - from tax and social contributions), should make the average wage per capita more dynamic. In this way, in the market sectors, the average wage per capita should accelerate to +1.3% half-year on half-year. The inflation downturn looks set to enable another rise in the purchasing power of the basic monthly wage at the beginning of 2019: the annual mid-year growth overhang should reach +0.7% in 2019, after

-0.1% throughout 2018 as a whole. In the same way, the annual mid-year growth overhang for the average wage per capita in real terms is expected to be +1.2% in 2019 against +0.4% throughout 2018.

In the civil service, gross nominal wages should continue to rise strongly in 2018 before weakening in 2019

In 2018, the terms of compensation for the rise in the general social security contribution in general government have been different from those in the private sector and come partly in the form of an allowance, which increases the gross wage in order to maintain a constant net wage. This allowance has bolstered growth in the average wage per capita despite the freezing of the index point and of the PPCR protocol in 2018. Consequently, on an annual average basis, the nominal average wage per capita in general government in 2018 is likely to be almost as buoyant as in 2017: +2.2%. Taking account of the expected rise in prices, the real average wage per capita looks set to slow down in 2018: +0.6% after +0.9% in 2017. Real net wages are likely to slow more sharply in 2018.

In 2019, the nominal average wage per capita should slow down significantly. Although the terms of the PPCR should be implemented again after being frozen in 2018, the value of the index point is expected to remain the same. All in all, the annual mid-year growth overhang is likely to be +0.9% in 2019, against +2.2% on average in 2018; it should remain virtually stable in real terms (+0.0%) after rising by 0.6% throughout the previous year as a whole. ■

Variation in the basic monthly wage and the average wage per capita in the non-farm market branches and in general government

in %

	Quarterly growth rates						Half-yearly rates			Annual averages		
	2018				2019		2018 H1	2018 H2	2019 H1	2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2						
Basic monthly wage	0.4	0.4	0.4	0.5	0.5	0.5	0.8	0.9	1.0	1.3	1.6	1.5
Average wage per capita in the non-farm market branches	0.5	0.7	0.5	0.6	0.8	0.5	1.1	1.1	1.3	1.7	2.0	2.1
Average wage per capita in general government (GG)										2.2	2.2	0.9
Household consumer price index (quarterly national accounts)	0.6	0.5	0.4	0.3	0.2	0.2	1.1	0.7	0.4	1.3	1.7	0.9
Real basic monthly wage	-0.2	-0.1	0	0.2	0.3	0.3	-0.3	0.2	0.6	0	-0.1	0.7
Real average wage per capita (non-farm market branches)	-0.2	0.2	0.1	0.3	0.6	0.3	0.1	0.4	1.0	0.4	0.4	1.2
Real average wage per capita (GG)										0.9	0.6	0.0

Forecast

Sources: INSEE, DARES

1. For a definition of the terms "basic monthly wage" and "average wage per capita", see definitions on the site www.insee.fr; both measure gross wages.

2. Inflation here is measured by the variation in household consumer price in the quarterly national accounts.