Household income

In 2018, household income is expected to pick up slightly: +3.1% after +2.7% in 2017, buoyed up by vigorous earned income and a sharp acceleration in property income. In this way, the purchasing power of household income should maintain its annual growth rate (+1.4%, as in 2017), despite the acceleration of consumer prices (+1.7% after +1.3%). After gathering pace in the autumn of 2018 following the reduction of employee contributions and the housing tax, in Q1 2019 household purchasing power is expected to benefit from the support measures announced in December 2018 (+0.5%) before slowing down as a backlash (+0.2%). The momentum built up at the end of 2018, combined with the new measures, are likely to lead to the annual carry-over effect of the purchasing power of GDI reaching +2.0% by mid-2019.

Earned income should remain buoyant in 2018 and in H1 2019

In 2018, households' earned income looks set to continue to grow at a sustained pace (+2.7% after +2.8%; *Table 1*), in line with the rate of change for gross wages (+3.0% after +3.1%). In the non-agricultural market sectors, gross wages are expected to remain buoyant (+3.5%, as in 2017), thanks to the acceleration of the average wage per capita (+2.0% in 2018 after +1.7% in 2017; *Graph*) which should offset the slowdown in payroll employment (+1.5% after +1.8%). Meanwhile, the operating income of sole proprietors is likely to slow slightly (+0.1% after +0.3%). At the beginning of 2019, the gross wages received by households are expected to gather pace (+0.8% in Q1, *Table 2*). The gross operating surplus of pure households[1] is likely to slow in 2018 (+1.8% after

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.

Table 1

Household gross disposable income

	Quarterly changes in %										Annual changes in %		
	2017				**2018**				**2019**		**2017**	**2018**	**2019 ovhg**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**			
Gross disposable income (100%)	**0.9**	**0.7**	**0.6**	**0.8**	**0.2**	**1.3**	**0.8**	**1.6**	**0.7**	**0.4**	**2.7**	**3.1**	**2.9**
including:													
Earned income (71%)	1.0	0.7	0.6	0.8	0.8	0.6	0.4	0.5	0.7	0.5	2.8	2.7	1.9
Gross wages and salaries (63%)	1.1	0.7	0.7	0.9	0.9	0.7	0.5	0.6	0.8	0.6	3.1	3.0	2.1
GOS of sole proprietors[1] (8%)	0.2	0.2	0.5	0.3	–0.1	–0.3	–0.1	0.1	0.1	0.1	0.3	0.1	0.2
Social benefits in cash (35%)	0.5	0.4	0.6	0.6	0.5	0.5	0.5	0.7	*	*	1.9	2.2	*
GOS of "pure" households (13%)	1.3	1.0	0.8	0.6	0.3	0.2	0.2	0.3	0.4	0.4	3.7	1.8	1.2
Property income (8%)	1.5	2.4	2.4	2.5	2.6	2.3	4.0	2.2	1.7	0.5	4.9	10.9	6.4
Social contributions and taxes (–27%)	0.7	0.6	1.3	0.8	2.6	–1.6	–0.2	–2.8	*	*	2.7	2.0	*
Contributions of households (–11%)	1.1	0.7	0.9	0.6	–7.5	–1.0	0.8	–4.6	*	*	3.2	–7.8	*
Income and wealth tax (including CSG and CRDS) (–16%)	0.5	0.6	1.7	0.9	9.7	–2.0	–0.7	–1.7	*	*	2.3	8.9	*
Household consumer prices (quarterly national accounts)	**0.7**	**0.1**	**0.1**	**0.5**	**0.6**	**0.5**	**0.4**	**0.3**	**0.2**	**0.2**	**1.3**	**1.7**	**0.9**
Purchasing power of gross disposable income	**0.2**	**0.7**	**0.4**	**0.4**	**–0.4**	**0.8**	**0.4**	**1.3**	**0.5**	**0.2**	**1.4**	**1.4**	**2.0**
Household purchasing power by consumption	**0.1**	**0.6**	**0.3**	**0.3**	**–0.5**	**0.7**	**0.3**	**1.2**	**0.4**	**0.1**	**1.0**	**1.0**	**1.6**

Forecast

How to read it: the figures in parentheses give the structure of the year 2017.

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

+3.7%). Property income should accelerate strongly (+10.9% in 2018 after +4.9%): the introduction of the PFU (single flat-rate tax), in addition to the profits generated by the positive results of 2017 would appear to have encouraged enterprises to significantly increase the dividends they distribute.

In early 2019, property income is likely to slow (+1.7% in Q1 followed by +6.5% in Q2).

Purchasing power support measures were announced on 10 December 2018

Different purchasing power support measures were announced on 10 December 2018 and should be introduced in early 2019: cancellation – for a certain income bracket – of the increase in the general social security contribution for pensioners that was introduced in 2018; exemption of overtime – and of the payment of an exceptional bonus by certain enterprises – from tax and social security contributions; increase of €100 per month in the income received by minimum-wage-earning employees.

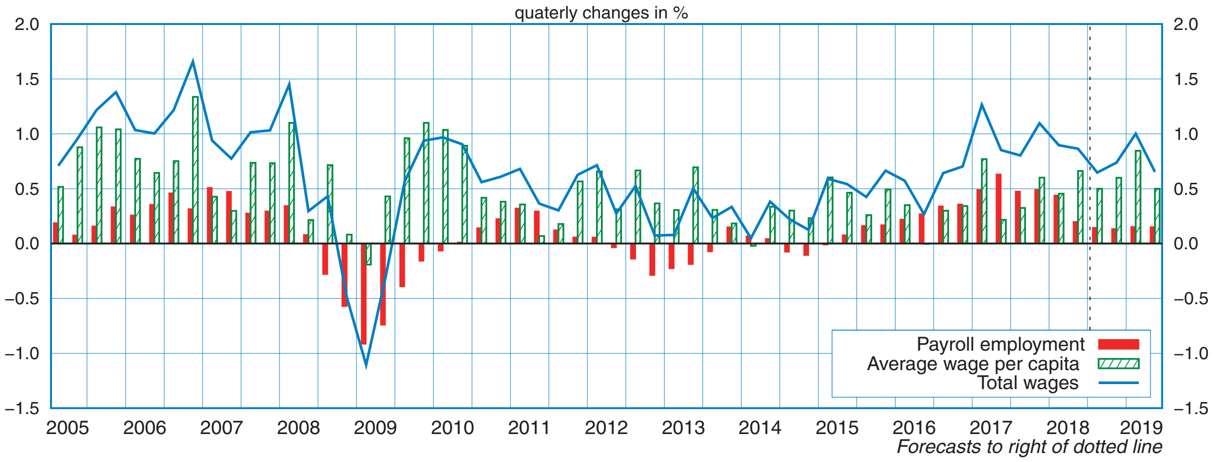
There were still uncertainties over the exact terms for the implementation of these measures at the time this *Conjoncture in France* was finalised (13 December 2018). Nonetheless, they have been incorporated into the forecasting scenario (apart from the measure concerning the income of minimum-wage-earning employees, pending information about the form of the announced increase), and an initial estimate points towards an overall impact of +0.5 GDI points in Q1.

This estimate should be treated with caution because the impact of the measures will ultimately depend on their implementation procedures and calendar, as well as the behaviour of the enterprises that are required to pay their employees an exceptional bonus.

Social benefits look set to pick up slightly in 2018

In 2018, social benefits in cash received by households should pick up a little (+2.2% after +1.9%), buoyed up by rises in social security benefits (+2.3% after +1.8% in 2017; *Table 3*). In particular, retirement pensions should return to a level of growth close to their trend level due to the

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 %		
	2017				2018				2019		2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			ovhg
Non-financial enterprises (67%)	1.3	0.9	0.8	1.1	0.9	0.9	0.6	0.7	1.0	0.6	3.6	3.6	2.3
Financial corporations (4%)	–0.2	0.4	0.4	0.5	0.8	0.5	0.4	0.8	1.0	0.7	1.5	2.3	2.5
General government (22%)	0.9	0.6	0.4	0.4	0.9	0.3	0.1	0.1	0.4	0.3	2.5	1.9	0.8
Households excluding sole proprietors (2%)	0.2	–0.5	–0.4	–0.3	1.3	0.2	–0.2	0.2	0.2	0.1	–1.2	0.8	0.3
Total gross wages received by households (100%)	**1.1**	**0.7**	**0.7**	**0.9**	**0.9**	**0.7**	**0.5**	**0.6**	**0.8**	**0.6**	**3.1**	**3.0**	**2.1**
including: Non-agricultural market sectors	1.3	0.9	0.8	1.1	0.9	0.9	0.6	0.7	1.0	0.7	3.5	3.5	2.6

Forecast

How to read it: the figures in parentheses give the structure of the year 2017.
Source: INSEE

end of the shift in the legal retirement age. Indeed, 2018 is expected to be the first year since 2011 in which those retiring represent an entire generation. In the same way, "other social assistance benefits" are expected to accelerate sharply in 2018 (+2.3% after +1.7%). On the other hand, social assistance benefits are expected to slow in 2018 (+1.8% after +3.3%). After relatively flat growth at the beginning of 2018, due to the reduction in the tax relief on earned income in the calculation of the activity premium, the exceptional increase in this premium which occurred in Q4 2018 is set to sustain the growth of social assistance benefits at the end of the year.

At the beginning of 2019, the change in social benefits in cash will partly depend on the terms for the implementation of the purchasing power support measures announced in December (for example, if the €100 increase in the income of minimum-wage-earning employees were to be in the form of an activity premium, social benefits in cash would gather pace). In addition, retirement pensions, family allowances, invalidity pensions and allowances for occupational accidents and diseases are expected to be increased by 0.3% at the beginning of 2019.

Taxes and social contributions should slow down in 2018 and 2019

Across 2018 as a whole, taxes and social contributions borne by households are expected to slow down (+2.0% after +2.7%). Social contributions borne by households are set to fall sharply (–7.8% after +3.2%), whilst taxes on income and wealth are expected to accelerate (+8.9% after +2.3%). Indeed, 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 points for the self-employed. The contribution rate dropped again (–0.95 points) in October 2018 with the elimination of the remaining unemployment insurance contributions for employees. Certain households have benefited from tax cuts with the introduction of the single flat-rate tax (PFU) and the transformation of the wealth tax (ISF) into a property tax. In Q3, the generalisation of the tax credit for the employment of domestic workers reduced the taxes paid by households whilst the effects of the reduction in housing tax will be mainly felt in Q4 2018.

After the reductions implemented at the end of 2018, income and wealth taxes are likely to pick up in Q1 2019 (+1.4% after –1.7%), before slowing Q2 (+0.8%). This rise could be largely due to a backlash effect after the housing tax reduction and the extension of the tax credit for Private Individuals' Employees: two measures primarily accounted for in Q4 2018 (*Focus: The treatment of housing tax reductions in the quarterly national accounts*). However, the purchasing power support measures are likely to exert downward pressure (tax exemption for overtime and an exceptional end-of-year bonus). Lastly, the impact of changes to the calendar for collecting income tax (tax at source) could be neutralised, from an accounting standpoint, by seasonal adjustments, including the liquidity effects linked to the tax credit payment calendar (*Focus: The accounting treatment of tax at source*). Contributions paid by households are expected to decline in Q1 as a result of the new measures (–0.5%). All in all, the annual carry-over effect of taxes and social contributions is likely to stand at –1.4% by mid-2019.

The annual carry-over effect of purchasing power should be +2.0% by mid-2019.

In 2018, nominal household gross disposable income (GDI) looks set to gather pace (+3.1% after +2.7%), buoyed up by the momentum of earned income. At the same time, consumer prices are also likely to accelerate on average over the year (+1.7% after +1.3%), with the result that the purchasing power of GDI in 2018 is likely to grow at the same rate as in 2017 (+1.4%). When adjusted to the individual level in order to take demographic changes into account, purchasing power per consumption unit is set to increase by +1.0% in 2018, as in 2017. In 2019, taking account of the expected drop in inflation and incorporating an initial estimate of the effect of the support measures announced on 10 December, the purchasing power of GDI is expected to rise by +0.5% in Q1, and then to slow down as an after-effect in Q2 (+0.2%). The momentum built up at the end of 2018, combined with the effects of these measures, should see the annual carry-over effect of the purchasing power of GDI reaching +2.0% by mid-2019, which would outstrip the growth of purchasing power forecast for the whole of 2018. ■