

Wages

In 2018 the basic monthly wage in the market branches grew by 1.5% as an annual average, a slight increase on the rate seen in 2017 (+1.3%). The average wage per capita also seems to have been slightly more dynamic in 2018 (+2.0% after +1.7%). In real terms, in light of the acceleration of price increases, growth of the average wage per capita seems likely to have slowed in 2018 (+0.3% after +0.4% in 2017).

In Q1 2019, the economic and social emergency measures passed in December 2018 - including exemptions from income tax and social security contributions for special bonuses and overtime pay - should be reflected in an upturn in the nominal average wage per capita in the market branches. Nevertheless, the trajectory for H1 2019 should be similar to that seen in H2 2018. Due to a slight slowdown in inflation at the start of the year, the purchasing power of wages should perk up somewhat: the annual growth overhang should stand at +1.1% in mid-2019, compared with +0.3% for 2018 as a whole.

In general government, the trajectory of the average wage per capita is likely to be distorted by the allowance to offset the rise in the general social security contribution put in place in 2018. By mid-2019 the annual carry-over effect for the average wage per capita should be +0.2% in real terms.

In 2018, growth in the average wage per capita accelerated slightly

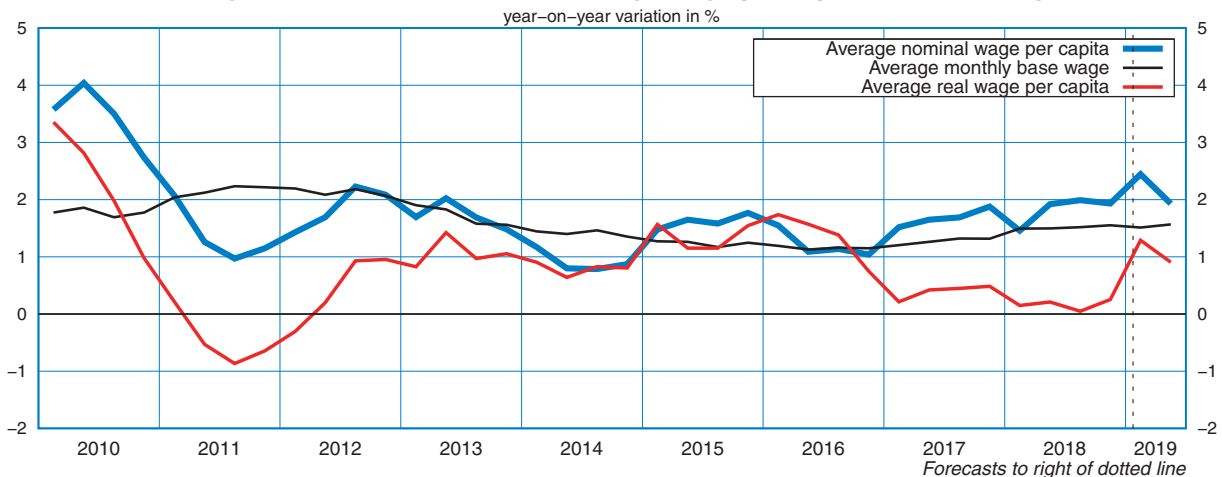
In 2018, the increase in the minimum wage was slightly higher than in the previous year (+1.2% after +0.9%), unemployment fell back slightly and inflation picked up pace under the influence of rising oil prices. The basic monthly wage¹ grew by 1.5% as an annual average, i.e. slightly more than in 2017 (+1.3%, *Graph* and *Table*). The average wage per capita, which covers a broader range of remunerations (bonuses, profit-sharing and overtime) also picked up slightly, with growth of 2.0% in 2018, after +1.7% in 2017. In H2 2018, the increase in the average wage per capita should be comparable to that observed in H1 (+1.0% half-year on half-year, after +1.1%).

On an annual average basis, prices² grew more rapidly than nominal wages in 2018 (+1.7% after +1.3% in 2017), to the extent that, in real terms, wages slowed slightly: the real basic monthly wage shrank by 0.1% in 2018 after remaining stable in the previous year, and the real average wage per capita appears to have grown by 0.3% (after +0.4% in 2017). However, with prices slackening in H2 2018 (+0.6%, after +1.1% in H1), the real average wage per capita is likely to have bounced back during the second half of the year (+0.4% after +0.1%).

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

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



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

French developments

In early 2019, the real average wage per capita should see a clear acceleration

The minimum wage was increased by 1.5% on 1st January 2019, the biggest single increase since July 2012. By the end of 2018 the unemployment rate was at its lowest level since early 2009, and recruitment difficulties remain high in early 2019. Thus, in spite of the slowdown in prices observed in late 2018, nominal wages should continue to grow at the same rate in early 2019: in H1 2019, the basic monthly wage should increase by 0.8% half-year on half-year (as in H2 2018). The average wage per capita should be more dynamic in Q1, propelled by the economic and social emergency measures adopted by the French parliament in December. These include the exemption from tax and social contributions of overtime and of the payment of an exceptional bonus by certain enterprises, up to a total of 1000 Euros and subject to certain conditions (*Focus*). The average wage per capita should thus increase by 0.9% in Q1, before slowing down in Q2 in reaction (+0.1%). In the market branches, the average wage per capita should increase by 1.0% in H1 (after +1.1% in H2 2018). The decline in inflation looks set to enable another rise in purchasing power: the annual mid-year carry-over effect for the average wage per capita in real terms is expected to be +1.1% in 2019, after +0.3% for the year 2018.

In the civil service, nominal gross wages continued to rise strongly in 2018 but should weaken in 2019

In 2018, the terms of compensation for the rise in the general social security contribution in general government were different from those which prevailed in the private sector. They took the form of an allowance, which superficially increased gross wages so that net wages remained unchanged. This allowance 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 was as buoyant as in 2017 (+2.2%). Taking rising inflation into account, the real average wage per capita slowed down in 2018: it looks to have grown by +0.5% after +0.9% in 2017.

In 2019, the nominal average wage per capita should slow down. The terms of the PPCR should be implemented again after being frozen in 2018, but the value of the index point remains the same and the superficial effect of the compensation for the rise in the general social security contribution will no longer apply. All in all, the annual mid-year carry-over effect is likely to be +0.9% in 2019, against +2.2% on average in 2018. In real terms, the slowdown should continue with a mid-year carry-over effect of +0.2% in 2019, compared with +0.5% in 2018. ■

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 | 2018 | 2019 | 2017 | 2018 | 2019 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | H1 | H2 | H1 | | | ovhg |
| Basic monthly wage | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.8 | 0.8 | 0.8 | 1.3 | 1.5 | 1.3 |
| Average wage per capita in the non-farm market branches | 0.5 | 0.7 | 0.5 | 0.5 | 0.9 | 0.1 | 1.1 | 1.1 | 1.0 | 1.7 | 2.0 | 1.8 |
| 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 | 0.2 | 0.0 | 0.3 | 1.1 | 0.6 | 0.3 | 1.3 | 1.7 | 0.7 |
| Real basic monthly wage | -0.2 | -0.1 | 0.0 | 0.2 | 0.4 | 0.1 | -0.3 | 0.2 | 0.5 | 0.0 | -0.1 | 0.5 |
| Real average wage per capita (non-farm market branches) | -0.1 | 0.2 | 0.2 | 0.3 | 0.9 | -0.2 | 0.1 | 0.4 | 0.7 | 0.4 | 0.3 | 1.1 |
| Real average wage per capita (GG) | | | | | | | | | | 0.9 | 0.5 | 0.2 |

Forecast

Sources: INSEE, Dares