Household income

In 2018, household income in current Euros appears to have remained buoyant: +2.9% after +2.7% in 2017. It seems to have been sustained by vigorous earned income, dynamic social benefits in cash and a sharp acceleration in property income. The purchasing power of the gross disposable income of households, meanwhile, appears to have slowed slightly (+1.2% in 2018 after +1.4% in 2017), impacted by the acceleration of consumer prices (+1.7% after +1.3%). In light of demographic growth and developments in the structure of French households, the purchasing power of the basic monthly wage per consumption unit looks to have increased by +0.5% (after +0.7% in 2017).

In Q1 2019, earned income should pick up pace, as should social benefits. Taxes and social contributions, after falling in late 2018 due to the reduction in employees' contributions and the local residence tax, should bounce back mechanically before slowing in Q2. Overall, the purchasing power of household gross disposable income should benefit during Q1 2019 (+0.7%) from the measures announced in December 2018, before stabilising (+0.0%) in reaction. The vigorous growth of late 2018, combined with these new measures, should lead to an annual carry-over effect for the purchasing power of household gross disposable income of +1.8% in mid-2019 (equivalent to +1.2% per consumption unit).

Earned income should remain vigorous

In 2018, household earned income seems to have continued to grow at a steady rate (+2.7% after +2.8% in 2017; *Table 1*) in keeping with the growth in gross wages (+3.0% after +3.1%). In the non-farm market branches, the average wage per capita is likely to have picked up pace (+2.0% in 2018 after +1.7% in 2017; *Graph*), while payroll employment looks to have slowed (+1.5% after +1.8% in 2017). Meanwhile, the operating income of sole proprietors is likely to have slowed slightly (+0.1% after +0.3%). At the beginning of 2019, boosted by the fact that certain enterprises paid out an exceptional bonus exempt from social

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**	**0.9**	**0.1**	**1.2**	**0.7**	**1.3**	**0.7**	**0.3**	**2.7**	**2.9**	**2.6**
including:													
Earned income (71%)	1.0	0.7	0.7	0.8	0.8	0.6	0.5	0.5	0.9	0.3	2.8	2.7	1.8
Gross wages and salaries (63%)	*1.1*	*0.7*	*0.7*	*0.9*	*0.9*	*0.7*	*0.5*	*0.6*	*1.0*	*0.3*	*3.1*	*3.0*	*2.1*
GOS of sole proprietors[1] (8%)	*0.2*	*0.2*	*0.5*	*0.2*	*–0.1*	*–0.3*	*–0.2*	*0.0*	*0.0*	*0.1*	*0.3*	*0.1*	*0.0*
Social benefits in cash (35%)	0.5	0.4	0.6	0.6	0.6	0.5	0.5	0.8	1.1	0.4	1.9	2.2	2.4
GOS of "pure" households (13%)	1.3	1.0	0.8	0.7	0.3	0.2	0.1	0.7	0.1	0.2	3.7	1.8	0.9
Property income (8%)	1.5	2.4	2.5	2.5	2.6	2.3	1.6	1.1	–0.7	1.2	4.9	9.3	2.4
Social contributions and taxes (–27%)	0.7	0.6	1.4	0.5	2.9	–1.5	–0.2	–1.9	0.8	0.6	2.7	2.4	–0.6
Contributions of households (–11%)	*1.0*	*0.7*	*0.9*	*0.7*	*–7.5*	*–0.9*	*0.5*	*–3.0*	*–0.7*	*0.5*	*3.2*	*–7.6*	*–2.5*
Income and wealth tax (including CSG and CRDS) (–16%)	*0.5*	*0.6*	*1.8*	*0.4*	*10.2*	*–1.9*	*–0.5*	*–1.2*	*1.7*	*0.6*	*2.3*	*9.5*	*0.5*
Household consumer prices (quarterly national accounts)	**0.7**	**0.1**	**0.1**	**0.5**	**0.6**	**0.5**	**0.4**	**0.2**	**0.0**	**0.3**	**1.3**	**1.7**	**0.7**
Purchasing power of gross disposable income	**0.2**	**0.6**	**0.4**	**0.4**	**–0.5**	**0.8**	**0.3**	**1.1**	**0.7**	**0.0**	**1.4**	**1.2**	**1.8**
Household purchasing power by consumption	**0.0**	**0.5**	**0.3**	**0.2**	**–0.7**	**0.6**	**0.1**	**0.9**	**0.5**	**–0.2**	**0.7**	**0.5**	**1.2**

Forecast

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

1. The gross operating surplus of «pure households» corresponds to the output of housing services, less the intermediate consumption required to generate this output (particularly financial services related to loans) and taxes (land tax). This output corresponds to the rents which property owners receive from their tenants, or could receive if their property was rented («imputed rents»).
Source: INSEE

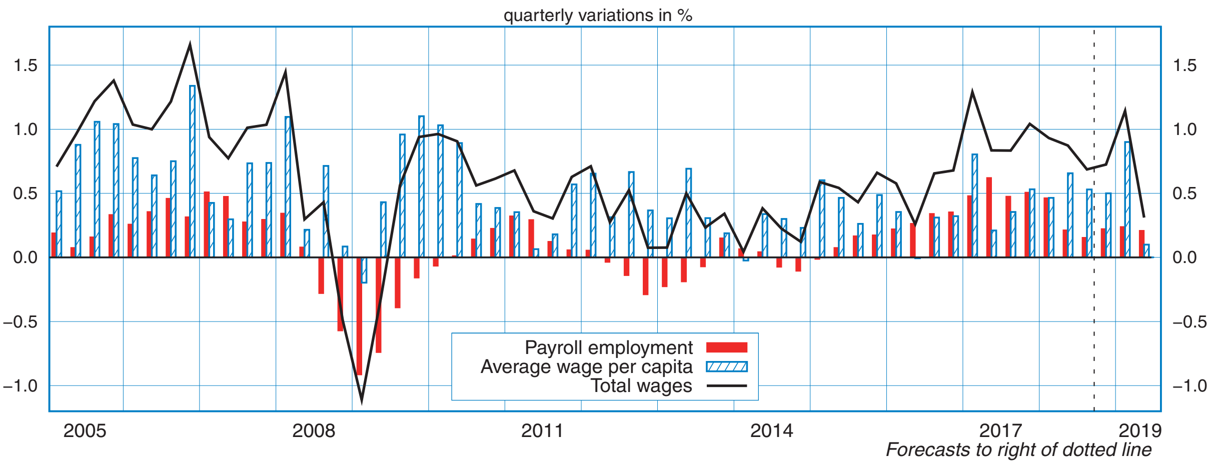
contributions and income tax, the gross wages received by households should see a temporary spike (+1.0% in Q1 after +0.6%, *Table 2*) before falling back in reaction in Q2 (+0.3%, see *Wages focus*).

The gross operating surplus of pure households[1] appears to have slowed in 2018 (+1.8% after +3.7%). It should continue to increase very slightly over the first two quarters of 2019. Net property income looks to have accelerated strongly in 2018 (+9.3% after +4.9% in 2017): 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 their distribution of dividends. In Q1 2019, net property income should decline (–0.7%) due to the ongoing decline in income from life insurance policies. It should return to a more vigorous rate of growth in Q2 (+1.2%).

Social benefits should increase sharply in early 2019

In 2018, social benefits in cash appear to have picked up (+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 (which account for one third of these benefits) seem to have returned to a level of growth close to their trend level due to the end of the switch 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 have accelerated sharply in 2018 (+2.3% after +1.7%), largely due to the vigorous performance of civil service pensions. On the other hand, social assistance benefits are expected to have slowed in 2018 (+1.4% after +3.3%), in spite of the recalculation of the activity premium and the adult disability allowance toward the end of the year.

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



Source: INSEE

Table 2

	Quarterly changes in %										Annual changes in %		
	2017				2018				2019		2017	2018	2019 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Non-financial enterprises (64%)	1.3	0.9	0.8	1.1	0.9	0.9	0.7	0.7	1.1	0.3	3.6	3.6	2.5
Financial corporations (4%)	–0.1	0.5	0.1	0.7	0.8	0.8	1.1	0.1	1.2	0.3	1.5	2.7	2.3
General government (22%)	0.9	0.6	0.4	0.4	0.9	0.3	0.2	0.1 2	0.5	0.2	2.5	1.9	0.8
Households excluding sole proprietors (2%)	0.1	–0.5	–0.4	–0.3	1.1	0.3	–0.6	–0.2	0.2	0.1	–1.2	0.5	–0.1
Total gross wages received by households (100%)	**1.1**	**0.7**	**0.7**	**0.9**	**0.9**	**0.7**	**0.5**	**0.6**	**1.0**	**0.3**	**3.1**	**3.0**	**2.1**
including: Non-agricultural market sectors (71%)	*1.3*	*0.8*	*0.8*	*1.0*	*0.9*	*0.9*	*0.7*	*0.7*	*1.1*	*0.3*	*3.5*	*3.6*	*2.5*

Forecast

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

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.

In early 2019, social benefits in cash should increase more rapidly (+1.1% in Q1 after +0.8%) before returning to their trend level (+0.4%). Social assistance benefits should accelerate sharply in Q1 (+7.3%), due to the recalculation of the individual allowance for the activity premium and the redefinition of the eligibility criteria, before returning to their trend level thereafter (+0.3%). Furthermore, social security benefits should remain vigorous (+0.5% in Q1, then +0.4%). The postponement from 1st October 2018 to 1st January 2019 of the increase in pensions subject to the general pension scheme should make a positive contribution to the level of benefit payments in Q1, but growth should remain limited due to the lower increase in the majority of social security benefits (+0.3% rather than aligned with inflation excluding tobacco).

The carry-over effect of taxes and social contributions should be negative by mid-2019

Over the year 2018 as a whole, the taxes and social contributions borne by households appear to have slowed (+2.4% after +2.7%). The make-up of these contributions has evolved as a result of changes in general social security contributions. Social contributions borne by households are expected to have shrunk considerably (–7.6% after +3.2%), while taxes on income and wealth (including the general social security contribution) are expected to have increased (+9.5% after +2.3%). On 1st January 2018 the rate of the generalised social contribution (CSG) was increased by 1.7 points. At the same time, 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 in late 2018 with the removal of the remaining unemployment insurance contributions for employees (–0.95 points). Taxes are expected to have decreased between Q2 and Q4 2018, with the introduction of the single flat-rate tax (PFU), the transformation of the wealth tax (ISF) into a property tax (IFI) and the generalisation, in Q3, of the tax credit for the employment of domestic workers as well as the reduction in local residence tax, felt mainly in Q4 2018 by the households affected.

In early 2019, taxes and social contributions should bounce back (+0.8% then +0.6% in Q2). An accounting reaction effect is expected in early 2019, from the reduction in local residence tax which took effect in late 2018 (*Focus in the December 2018 Conjoncture in France: The treatment of housing tax reductions in the quarterly national accounts*). However, this reaction effect should be attenuated by the exemption of overtime from tax and social contributions. The generalised social contribution should fall in Q1 as the rate is cut back to 6.6% for certain pensioners (in accordance with the national accounting standards, this change is recorded as of the date on which it takes effect, i.e. the start of January, discounting the retroactive settlement scheduled for the end of H1). Overall, in light of the implementation schedule for the measures adopted in 2018 and 2019, the carry-over effect for taxes and social contributions should be negative in mid-2019 (–0.6%, after +2.4% for 2018 as a whole).

However, the impact of the switch to taxation at source (change of collection method and dates for income tax), including liquidity effects linked to the tax credit payment calendar, should be neutralised,

Table 3

Social transfers received and paid by households

	Quarterly changes in %										Annual changes in %		
	2017				2018				2019		2017	2018	2019 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Social cash benefits received by households (100%)	**0.5**	**0.4**	**0.6**	**0.6**	**0.6**	**0.5**	**0.5**	**0.8**	**1.1**	**0.4**	**1.9**	**2.2**	**2.4**
Social Security benefits in cash (72%)	0.4	0.5	0.5	0.7	0.6	0.4	0.5	0.6	0.5	0.4	1.8	2.3	1.7
Other social insurance benefits (19%)	0.5	0.3	0.9	0.5	0.4	0.7	0.5	0.6	0.5	0.5	1.7	2.3	1.8
Social assistance benefits in cash (9%)	1.0	0.5	0.4	0.1	0.1	0.2	0.1	2.4	7.3	0.3	3.3	1.4	9.5
Total social contribution burden by households (100%)	**1.0**	**0.7**	**0.9**	**0.7**	**–7.5**	**–0.9**	**0.5**	**–3.0**	**–0.7**	**0.5**	**3.2**	**–7.6**	**–2.5**
Employers contributions[1] (79%)	1.2	0.8	1.0	0.8	–9.0	0.8	0.6	–4.0	–1.0	0.6	3.7	–8.0	–3.1
Contributions of households (21%)	0.4	0.2	0.5	0.1	–1.0	–7.3	0.1	1.0	0.8	0.4	1.2	–5.8	–0.1

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.

Source: INSEE

from an accounting standpoint, by seasonal adjustments (*Focus in the December 2018 Conjoncture in France: The accounting treatment of tax at source*).

The annual carry-over effect of the purchasing power of household gross disposable income should be +1.8% by mid-2019 (or +1.2% per consumption unit)

In 2018, nominal household gross disposable income (GDI) looks to have gathered pace (+2.9% after +2.7%), buoyed by the momentum of earned income. At the same time, consumer prices are also likely to have accelerated on average over the year (+1.7% after +1.3%), with the result that the purchasing power of GDI is likely to have slowed slightly (+1.2% after +1.4%). When adjusted to the individual level in order to take demographic changes into account, purchasing power per consumption unit looks to have increased by 0.5% in 2018 (after +0.7% in 2017).

In early 2019, in spite of the backlash effects, the purchasing power of GDI should benefit from the economic and social support measures as well as the slowdown in consumer prices: it is expected to grow by +0.7% in Q1 (after +1.1% in late 2018). It should then stabilise in Q2 (+0.0%). The overall effect of these measures and their implementation schedule should sustain purchasing power in late 2018 and early 2019, with the annual carry-over effect of the purchasing power of GDI reaching +1.8% by mid-2019 (or +1.2% per consumption unit), outstripping the growth in purchasing power forecast for the whole of 2018. ■