Enterprises' earnings

At the end of 2018, the margin rate of non-financial corporations (NFCs) would appear to have returned to its 2017 level, 32.0%. It had slipped back to 31.6% in Q2 2018. In H2 2018, thanks to the improvement in the terms of trade, the margin rate is expected to have returned to a higher level. Productivity gains are also thought to have contributed to this increase.

At the beginning of 2019, the margin rate is expected to see a temporary rise due to the transformation of the CICE (competitiveness and employment tax credit) into an exemption from employer contributions. It should therefore reach 33.3% by mid-2019.

At end 2018, the margin rate would appear to have progressively returned to its 2017 level

Virtually stable in 2017 as in Q1 2018, at 32.0% on average (*Table*), the margin rate fell by 0.4 points in 2018, to 31.6%. This drop can be attributed to consumer prices, which were more buoyant than those of value added, in particular via the rise in oil prices, and to the increase in real wages, whilst productivity gains remained flat. In Q3, the margin rate increased by 0.2 points, due in particular to productivity gains and an improvement in the terms of trade, before increasing again in Q4. At the end of 2018, it is therefore expected to have reached 32.0% (*Graph 1*). Since 2009, it has remained higher on average in industry than in services (*Graph 2*). In industry, since 2015 it has even returned to its pre-crisis level.

On average in 2018, the margin rate of NFCs would appear to have fallen slightly (–0.1 points) due to slower productivity gains and the increase in the oil prices.

The transformation of the CICE into a reduction in employer contributions is expected to boost the margin rate in H1 2019

On 1 January 2019, the CICE (competitiveness and employment tax credit) was transformed into an exemption from employer contributions. Since 1 January 2019, a 6-point reduction in sickness contributions has replaced the CICE (the rate of which was also 6 points on the payroll in 2018),

Breakdown of the margin rate of non-financial corporations (NFCs)

in % and in points

	2017				2018				2019		2017	2018	2019 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Margin rate (in level)	**31.7**	**32.0**	**32.0**	**32.0**	**32.0**	**31.6**	**31.7**	**32.0**	**33.0**	**33.3**	**32.0**	**31.8**	**33.3**
Variation in margin rate	**0.2**	**0.3**	**0.0**	**0.0**	**0.0**	**–0.4**	**0.2**	**0.3**	**1.0**	**0.3**	**0.1**	**–0.1**	**1.4**
Contributions to the variation margin rate													
Productivity gains	0.6	0.3	0.3	0.4	–0.1	–0.1	0.1	0.1	0.2	0.2	1.2	0.5	0.5
Real wage per capita	–0.1	–0.1	–0.1	0.0	0.1	–0.1	–0.1	–0.2	–0.6	0.1	–0.2	–0.1	–0.7
Employer contribution ratio	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.6	0.0	–0.1	–0.1	1.6
Ratio of the value-added price to the consumer price	–0.4	0.1	–0.1	–0.3	–0.3	–0.2	0.1	0.2	0.1	0.0	–0.8	–0.6	0.4
Other factors	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	–0.3	0.0	0.0	0.1	–0.3

Forecast

Note: The margin rate (TM) measures the share of value-added which remunerates capital. Its variation is broken down in accounting terms between:
- productivity changes (Y/L), with Y value-added and L employment, and the ratio of the value-added price to the consumer price, or terms of trade (Pva/Pc), which play a positive role;
- changes to the real average wage per head (SMPT/Pc) and the employer contribution ratio (W/SMPT, where W represents all compensation), which play a negative role.
- others factors: taxes on production net of operating subsidies, including CICE and the emergency plan for employment:[1]

$$TM=\frac{EBE}{VA}\approx 1-\frac{W.L}{Y.P_{va}}+\text{other factors}=1-\frac{L}{Y}\frac{W}{SMPT}\frac{SMPT}{P_c}\frac{P_c}{P_{va}}+\text{other factors}$$

1. The CICE reduces companies' corporation tax, but in the national accounts it is recorded as a subsidy to companies, as recommended in the latest version of the European System of Account (ESA 2010).

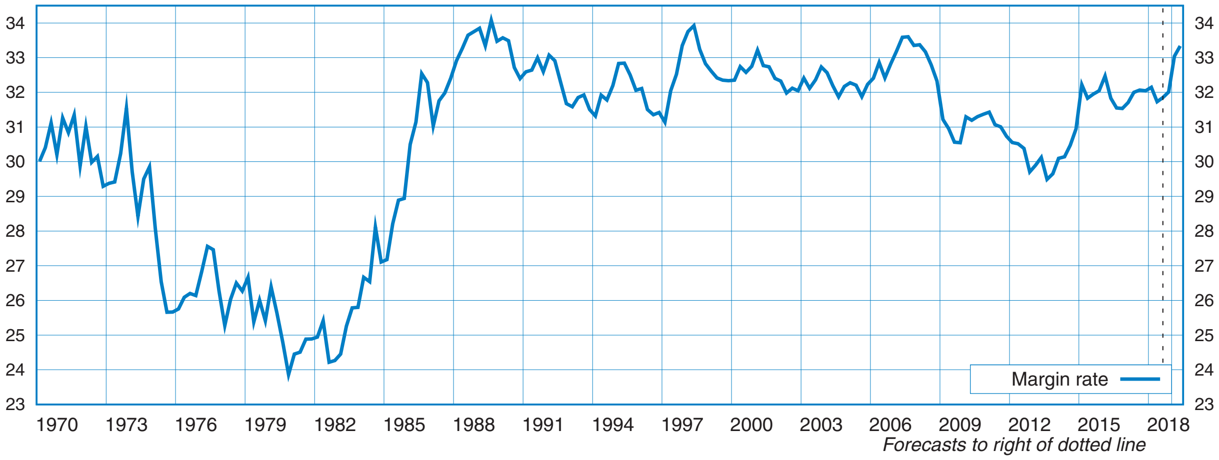
Source: INSEE

whilst companies are also benefiting from the CICE paid in 2019 on the wages of 2018. In Q1, this temporary double payment is expected to give a one-off boost to the margin rate[1], which is also expected, once again, to benefit from productivity gains.

However, the contribution of real wages is expected to be negative (–0.6 points in Q1 2019). Indeed, the emergency economic and social measures taken at the end of 2018 are expected to contribute to driving up wage costs, in particular via the partly tax-exempt exceptional bonuses and the probable increase in overtime following the removal of associated taxes and contributions.

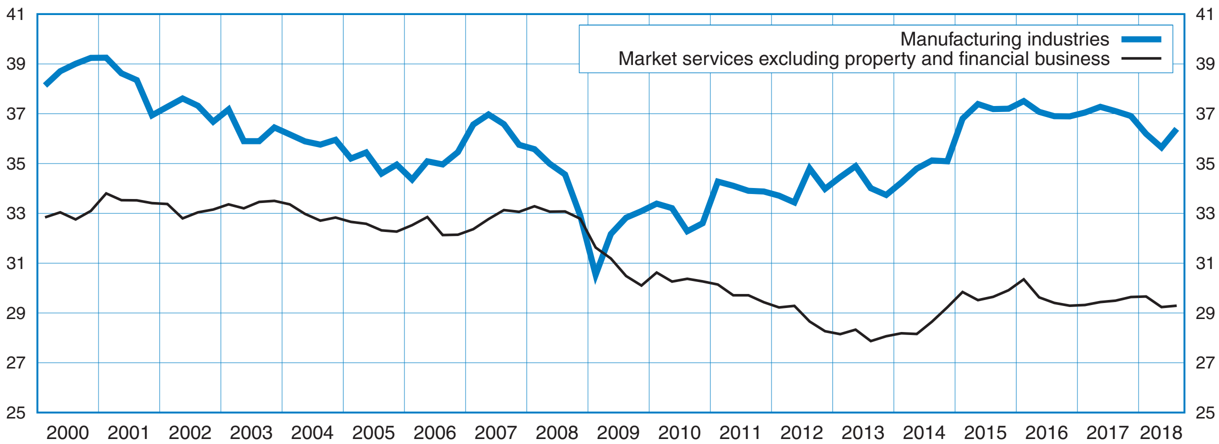
Overall, NFCs' margin rate is expected to increase substantially, to 33.3% by mid-2019. ■

1 - Margin rate of non-financial corporations (NFCs)



Source: INSEE, quarterly national accounts

2 - Margin rate in industry and services



Source: INSEE, quarterly national accounts

1, Furthermore, this removal of the CICE paid on 2019 wages will be reflected in an equivalent sudden drop in the NFCs' margin rate in Q1 2020.