Household income

Households' gross disposable income (GDI) shrank in H1 2020 with the decline in activity, then rebounded in H2. On average for 2020, GDI and its purchasing power increased a little (+1.1% after +3.1% in 2019 for GDI and +0.6% after +2.1% in 2019 for purchasing power), despite the significant decline in activity. Government support, like the enhanced short-time working schemes and other support measures for households and sole proprietors, certainly helped to preserve incomes overall in the face of the crisis, even though this average change covers a wide and varied range of household situations.

At the start of 2021, GDI looks set to continue to increase (+1.0% in Q1, after +1.5% in Q4 2020): assuming that the health situation remains stable, activity and the income that it generates are expected to pick up slightly, while emergency aid is likely to continue to be substantial. Taking into account the rise in consumer prices (+0.6%), purchasing power is expected to slow in Q1, increasing by +0.4% after +1.5% in the previous quarter (or +0.3% per consumption unit, after +1.3%).

After the slowdown in Q4 2020, earned income is expected to increase slightly

In 2020, earned income declined by 3.5% (► **figure 1**), mainly as a result of job destructions and the reduction in working time (introduction of the short-time working scheme, absences for sick leave and child care, reduction in overtime) especially in H1. Gross payroll in particular decreased by 3.7%. More specifically, in Q4 and with the introduction of the second lockdown on 30 October, it contracted slightly (−0.5% after a rebound of +12.2% in Q3).

In addition, sole proprietors saw their gross operating surplus (GOS) fall by 1.9% overall in 2020 although it bounced back significantly in H2. The upturn in activity in Q3 and the support mechanisms put in place, especially Solidarity Fund payments in Q4, contributed to this.

In Q1 2021, earned income is expected to increase a little (+1.0%). Gross payroll (+0.7% forecast) is likely to be driven by the increase in the average wage per capita (► **Box**).

► 1. Household gross disposable income

	Quaterly changes									Annual changes	
	2019				2020				2021	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
Gross disposable income (100%)	**0.7**	**0.2**	**0.7**	**0.9**	**−0.5**	**−1.7**	**2.8**	**1.5**	**1.0**	**3.1**	**1.1**
including:											
Earned income (73%)	1.0	0.4	0.8	0.6	−2.4	−9.9	12.0	0.1	1.0	2.6	−3.5
Gross wages and salaries (64%)	1.1	0.4	0.9	0.6	−2.3	−10.2	12.2	−0.5	0.7	2.9	−3.7
GOS of sole proprietors* (8%)	0.3	−0.1	0.3	0.5	−3.0	−7.3	10.7	4.7	2.8	0.4	−1.9
Social benefits in cash (35%)	1.3	0.4	0.6	0.5	2.8	10.0	−7.1	2.3	−0.3	3.1	8.0
GOS of "pure" households (14%)	−0.2	0.0	0.3	0.5	0.0	−1.6	3.3	0.5	0.5	0.2	1.1
Property income (6%)	2.0	−0.2	−2.3	−4.4	−7.1	−4.8	−1.7	1.0	2.0	3.9	−15.0
Social contributions and taxes (−28%)	2.1	0.8	−0.1	−2.0	−2.5	−8.1	10.2	−1.9	−1.0	0.7	−5.6
Household consumer prices	**0.1**	**0.3**	**0.2**	**0.3**	**0.2**	**−0.2**	**0.2**	**0.0**	**0.6**	**0.9**	**0.5**
Purchasing power of gross disposable income	**0.6**	**−0.2**	**0.5**	**0.7**	**−0.7**	**−1.6**	**2.7**	**1.5**	**0.4**	**2.1**	**0.6**
Household purchasing power by consumption	**0.5**	**−0.3**	**0.4**	**0.5**	**−0.8**	**−1.7**	**2.5**	**1.3**	**0.3**	**1.5**	**0.0**

■ Forecast
How to read it: after a rebound of 2.8% in the Q3 of 2020, household gross disposable income would increase strongly in the Q4, with +1.5%. The annual change would then be 1.1% in 2020.
Note: he figures in parentheses give the structure of the year 2018.
* 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

The GOS of sole proprietorships is expected to increase further in Q1 2021, from 2.8%: their value added should be more or less stable, while operating subsidies should increase with the effect of the Solidarity Fund.

Property income increased slightly in Q4 2020 (+1.0% after −1.7%). Across the whole of 2020, it fell dramatically by 15.0%, mainly due to the decline in dividends paid. It should bounce back in early 2021, by +2.0% in Q1, driven by the upturn in the payment of dividends.

Social benefits provided very strong support for GDI in 2020

In 2020, social benefits accelerated very sharply (+8.0%, after +3.1% in 2019). The very large number of businesses that turned to the short-time working scheme, the increase in daily allowances (for sick leave or childcare leave), and ad-hoc aid packages (one for those receiving the statutory minimum in Q2 and Q4 2020, and the other an award of €900 for workers in precarious employment and young people from November 2020) contributed greatly to limiting the decline in household income. Also contributing were the more "automatic" effects in periods when activity declines, such as a rise in the amount of social benefits (earned income supplement (RSA), specific solidarity allowance (ASS)) or unemployment benefit paid by Unédic.

In Q4 notably, social benefits increased by +2.3%, after an automatic decline in Q3 (−7.1%) mainly as a result of fewer businesses taking up the short-time working scheme. Social benefits are expected to suffer a slight backlash in Q1 2021 (−0.3%), but should nevertheless remain high: the extension of the ad-hoc assistance for young people and precarious workers, and the stability in the numbers using the short-time working scheme (which is expected to concern all three months in the quarter, whereas it was only November and December in the previous quarter), should almost entirely offset the reaction associated with the end of assistance for beneficiaries of the statutory minimum and the reform of housing allowances.

Social and tax contributions were more dynamic in H2 2020 than in H1, but are expected to fall back slightly in early 2021

All social and tax contributions fell back in 2020 (–5.6%). Meanwhile, the decline in payroll contributed to the reduction in social contributions and part of income tax, which also decreased as a result of the reform of the income tax scale. In addition, the last housing tax relief was effective in Q4. Across the whole year, household contributions and taxes fell by 4.0% and 6.6 % respectively.

In Q4, social and tax contributions decreased by 1.9%, after the +10.2% rebound in Q3. This decline is mainly due to the last housing tax relief and, to a lesser extent, to the slight drop in payroll, which resulted in fewer social contributions and a decrease in the activity part of the Generalised Social Contribution (CSG). Social and tax contributions are expected to fall back by 1.0% in Q1 2021, as a result of a technical backlash associated with regularising the tax at source system.

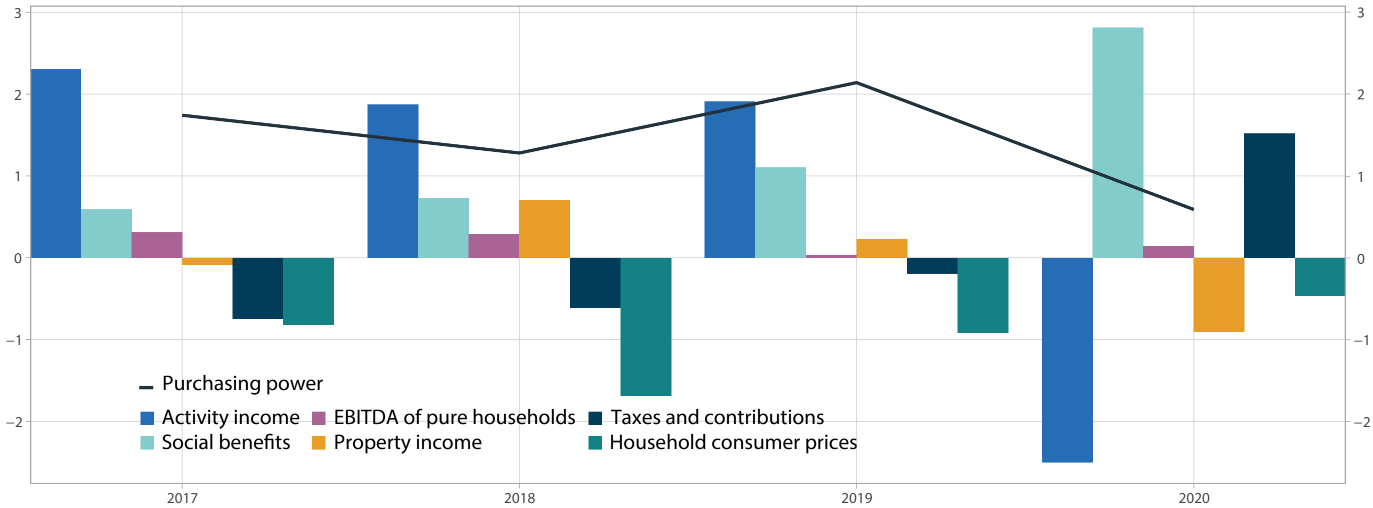
Purchasing power of household gross disposable income is likely to slow in Q1 2021

Across the whole of 2020, despite the collapse in activity, GDI increased (+1.1%), although less than in 2019 (+3.1%). Taking into account the change in consumer prices (+0.5% after +0.9%), purchasing power slowed considerably, although without slipping back (+0.6%, after +2.1% in 2019) (► **figure 2**). However, when correlated to consumption units (or CUs, to take demographic changes into account), it remained stable.

In Q1 2021, households' GDI is expected to grow by +1.0%. Taking into account the rise in consumer prices (+0.6%), purchasing power (including per consumption unit) should increase (figure3) by +0.4% (and +0.3%). ●

► 2.Purchasing power of household GDI slowed substantially in 2020

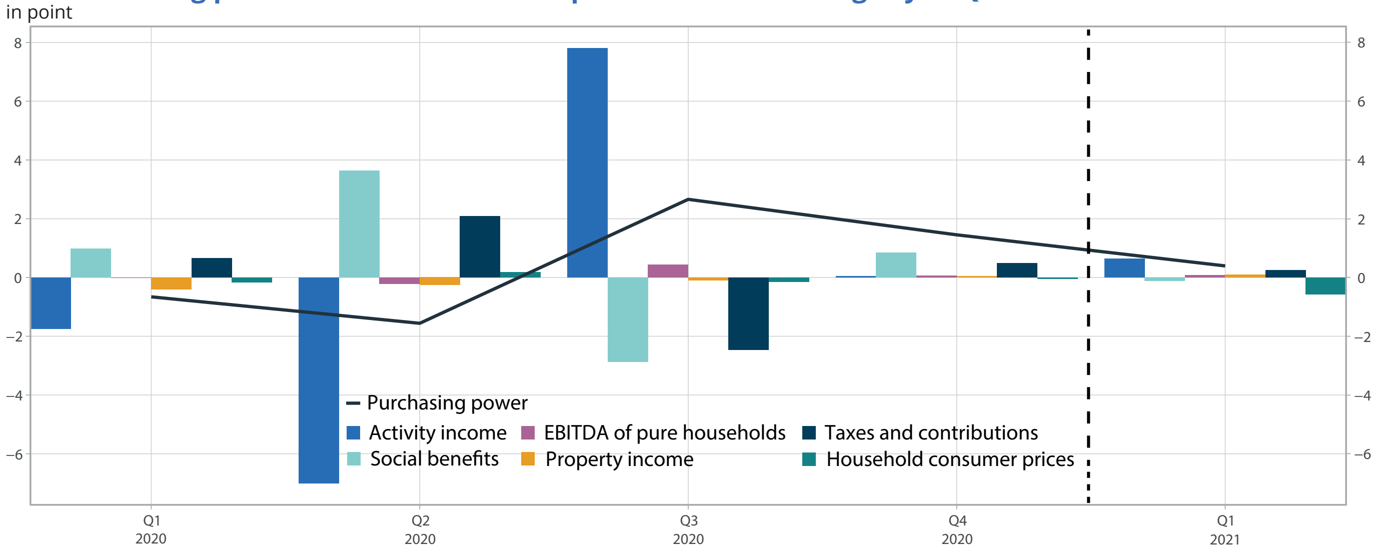
in point



How to read it: in 2020, household purchasing power increased by 0.6%. The main contribution to this small rise was social benefits, which stood at 2.8 points.
Source: INSEE

► 3.Purchasing power of household GDI expected to increase slightly in Q1 2021

in point



How to read it: in Q1 2021, household purchasing power is expected to increase by 0.4%. The contribution of household consumer prices is expected to be −0.6 points.
Source: INSEE

At the start of 2021, the average wage per capita is expected to be close to its pre-crisis level

In Q4 2020, the average wage per capita (SMPT) in the non-agricultural market branches declined by 1.5% compared to Q3. It stood at 1.3% below its level of one year earlier. These changes brought 2020 to an end, a year notable for some unprecedented variations, all attributable to the health crisis: –3.1% as a quarterly variation in Q1, –10.5% in Q2, +15.6% in Q3. These fluctuations were mainly due to the uptake of the short-time working scheme, which was adopted on a very large scale during the spring lockdown then significantly less in the summer. This scheme involved substituting compensations, which are not considered as wages, for part of wages. In Q4 2020, the curfew and the second lockdown resulted in people turning once again to short-time working, but to a much lesser extent than during the first lockdown.

In Q1 2021, the SMPT is expected to increase slightly, by a little less than 1% as a quarterly variation. This increase is likely to be part of the gradual upturn in economic activity, although the use of short-time working is likely to be maintained, at least in the sectors most concerned by the administrative closures in place (especially accommodation-catering). However, the rise in SMPT is expected to be limited by the ending of the extraordinary purchasing power bonus (PEPA), which was put in place for Q1 2019 then renewed and extended in 2020 in the light of the health crisis. PEPA represented 0.4% of payroll in Q4 2020. The fact that this measure is not to be renewed is likely to have an effect of −0.4 points on quarterly change in SMPT in Q1 2021. This quarter looks close to reaching its pre-health crisis level of late 2019, although it would still be slightly below (−0.4%).

The change in SMPT mainly reflects the movements of the most short-term components of pay, affected first of all by the health crisis (response to the use of short-time working, overtime, bonuses). The basic monthly wage (SMB) reflects the underlying trend of wages and does not include these effects. Thus, fluctuations in SMB were much more moderate in 2020: +0.7% to +0.8% per half-year. In Q1 2021, SMB is expected to slow very slightly (+0.3%), in a context of increasing unemployment and a rise in the minimum wage on 1st January that is less than that of the previous three years (+1.0%). ●

Changes in average wage per capita (SMPT) and basic monthly wage (SMB)

Nominal wages, changes in %, data SA

	Quarterly growth rates					Change since Q4 2019					Average annual change	
	2020				2021	2020				2021	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q1	Q2	Q3	Q4	Q1		
Average wage per capita (SMPT) in the non-agricultural sector (SMNA)	−3.1	−10.5	15.6	−1.5	0.9	−3.1	−13.3	0.2	−1.3	−0.4	1.9	−4.0
Basic monthly wage (SMB)	0.4	0.4	0.4	0.4	0.3	0.4	0.7	1.1	1.5	1.8	1.7	1.5

Forecast

Note: the ACEMO quarterly survey by DARES was suspended in Q2 2020 (data for Q1 2020). The quarterly growth rates of SMB in Q1 and Q2 2020 presented here are the result of estimates, consistent with the half-yearly variation in SMB observed between Q4 2019 and Q2 2020.

Sources: DARES, INSEE