Household income

Households' gross disposable income (GDI) was particularly dynamic towards the end of 2020, in Q3 with a strong rebound in activity, then in Q4 with many budget support measures in place. After slipping back slightly in Q1 2021, households' GDI would seem to have picked up in Q2, boosted by the resumption of activity. Then, in H2 it is expected to slow as support measures are gradually withdrawn.

On average over 2021, household GDI is expected to accelerate sharply (+3.2% after +1.0% in 2020) as a result of the rebound in earned income, which had fallen back last year. Given the acceleration in household consumer prices, the purchasing power of GDI should rise by +1.8% in 2021, after +0.4%. Per consumption unit, it is expected to increase.

Earned income looks set to bounce back strongly in 2021

In 2021, earned income should increase by 6.1% after falling back sharply in 2020 (–3.7%, ► **Figure 1**). In fact, gross payroll is expected to rebound under the effect of the upswing in employment and the increase in working time (decline in the use of short-time working schemes and absences for sick leave and child care), but also due to the buoyancy of the average wage per capita (► **Box**).

In addition, the gross operating surplus (GOS) of sole proprietors should increase markedly over the year (+8.3% after −0.6% in 2020). This rebound would mainly reflect the growth overhang recorded at the end of 2020: after falling dramatically in H1 2020, the GOS of sole proprietors was very dynamic in H2, taking advantage of the rebound in activity in Q3 and more generally of support mechanisms put in place, including the Solidarity Fund which was ramped up in Q4. By the end of 2021, the upturn in economic activity is expected to support the value added of sole proprietors, while the amounts allocated under the Solidarity Fund gradually decline.

Property income, meanwhile, should pick up by +2.5% in 2021 after a substantial decline in 2020 (–12.6%): income distributed by companies in particular is expected to increase by 12.2% due to the rebound in dividends paid. In addition, the financial savings accumulated in the course of 2020 should produce interest, although this will be reduced as a result of slightly lower rates.

► 1. Household gross disposable income

variations in %

	Quaterly changes								Annual changes		
	2020				2021				2019	2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross disposable income (100%)	**–0.8**	**–1.7**	**3.2**	**1.9**	**–0.2**	**0.7**	**–0.3**	**–0.2**	**3.4**	**1.0**	**2.6**
including:											
Earned income (72%)	–2.5	–10.1	12.7	0.6	0.0	0.6	1.6	0.2	3.1	–3.7	5.0
Gross wages and salaries (64%)	–2.4	–10.9	13.3	–0.7	0.5	0.3	1.6	0.7	3.2	–4.1	4.5
GOS of sole proprietors* (8%)	–3.2	–4.0	8.0	10.5	–3.4	2.1	1.4	–3.0	2.3	–0.6	8.5
Social benefits in cash (35%)	3.4	10.4	–6.9	2.6	–0.5	0.0	–3.1	–1.8	2.9	9.5	–1.8
GOS of “pure” households (14%)	–0.3	–1.7	3.1	0.6	0.6	1.0	1.1	0.7	3.2	1.1	3.7
Property income (6%)	–4.5	–3.8	–2.4	–1.5	0.0	5.8	2.5	2.8	–2.3	–12.6	2.5
Social contributions and taxes (–27%)	–0.3	–7.8	10.1	–1.9	0.6	0.3	1.9	–0.3	0.5	–3.2	2.9
Household consumer prices	**0.2**	**–0.1**	**0.2**	**0.0**	**0.8**	**0.4**	**0.2**	**0.2**	**0.8**	**0.6**	**1.3**
Purchasing power of gross disposable income	**–1.0**	**–1.6**	**3.0**	**1.9**	**–1.0**	**0.3**	**–0.5**	**–0.4**	**2.6**	**0.4**	**1.3**
Household purchasing power by consumption	**–1.1**	**–1.7**	**2.9**	**1.8**	**–1.1**	**0.0**	**–0.6**	**–0.5**	**2.0**	**0.0**	**0.7**

■ Forecast

How to read it: after a decline of 0.2% in Q1 2021, household gross disposable income would appear to have increased in Q2, with +1.0%. Annual change is expected to be +3.2% in 2021.

Note: figures in brackets give the structure for 2019.

* 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

Social benefits are likely to slip back in 2021

Social benefits should fall back in 2021 (–1.6% after +9.5% in 2020) due to the gradual reduction in several support mechanisms for households, assuming that health restrictions are eased. In fact, payments via the short-time working scheme, which were still very high in Q1 (although slightly down compared to the end of 2020), should remain at more or less the same level in Q2 then decrease sharply by the end of the year as earned income picks up (► **Figure 2**).In addition, automatic stabilisers (unemployment benefits, housing benefits, earned income supplement (RSA), etc.) should play a declining role, as employment and the economic situation improve. Also, the various forms of exceptional aid paid out since Q3 2020 (increase in adult disabled allowance (AAH), exceptional aid targeting the most vulnerable populations) are expected to decline or even stop from Q3 onwards. Provided there is no new wave of the epidemic before the end of the year, health expenditure reimbursements are expected to decline (decrease in the number of tests, then of vaccines administered, etc.) as well as the daily allowances paid.

All in all, social benefits would appear to have remained relatively stable in Q2 2021 (–0.2%) after the slight drop at the beginning of the year (–0.5%), and they are then expected to fall back by another 2.8% and 1.4% in Q3 and Q4 respectively.

Social and tax contributions are expected to be up in 2021, with the recovery in economic activity

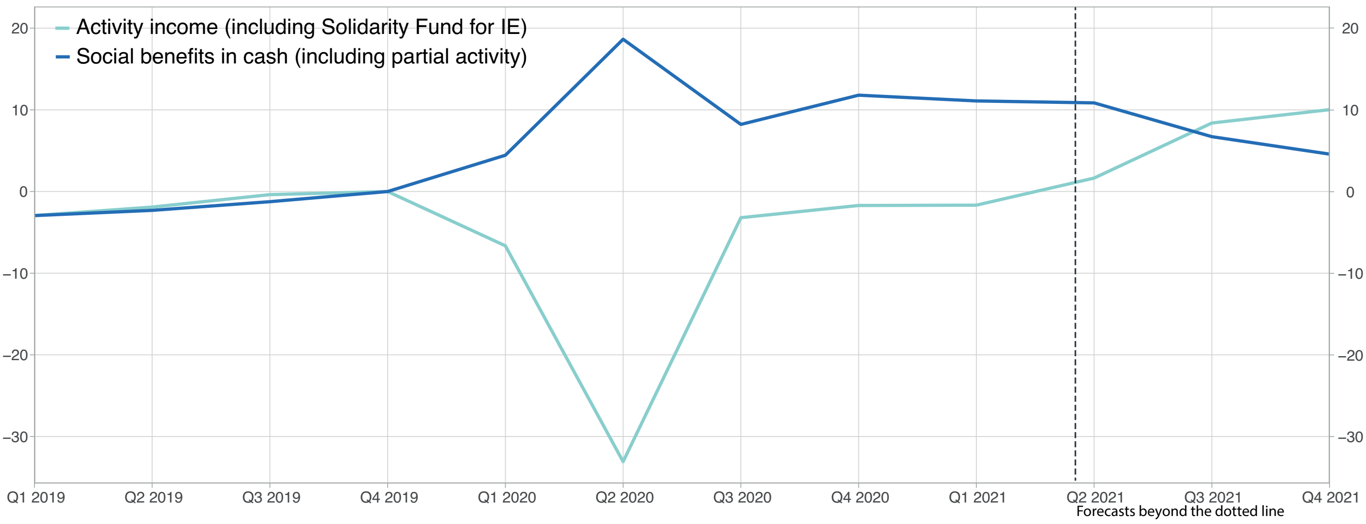
Social and tax contributions are expected to increase by 3.7% over the year in 2021. In 2020, contributions payable by households and taxes fell back by 2.5% and 3.6% respectively due to the decline in economic activity, the reform of the income tax scale and the last housing tax relief for the first 8 deciles.

In 2021, these contributions are likely to grow, with the resumption of economic activity (social contributions and the Generalised Social Contribution (CSG)), with net income tax a little higher than in 2020, but also because contributions on wealth (CSG capital and flat tax on capital income (PFU)) are more dynamic than in 2020 because of the increase forecast in property income. Thus social and tax contributions are expected to rise during 2021, except in Q4 because of the first housing tax relief for the 20% most well-off households.

Purchasing power per consumption unit is likely to rise in 2021

Across 2021, household GDI is expected to rise substantially: +3.2% after +1.0% in 2020. In infra-annual terms, GDI would appear to have been on the rise in Q2, and is then likely to slow at the end of the year. However,

► 2. After a year of support, social benefits look set to decrease as earned income picks up
difference to Q4 T4 2019 (Md€)



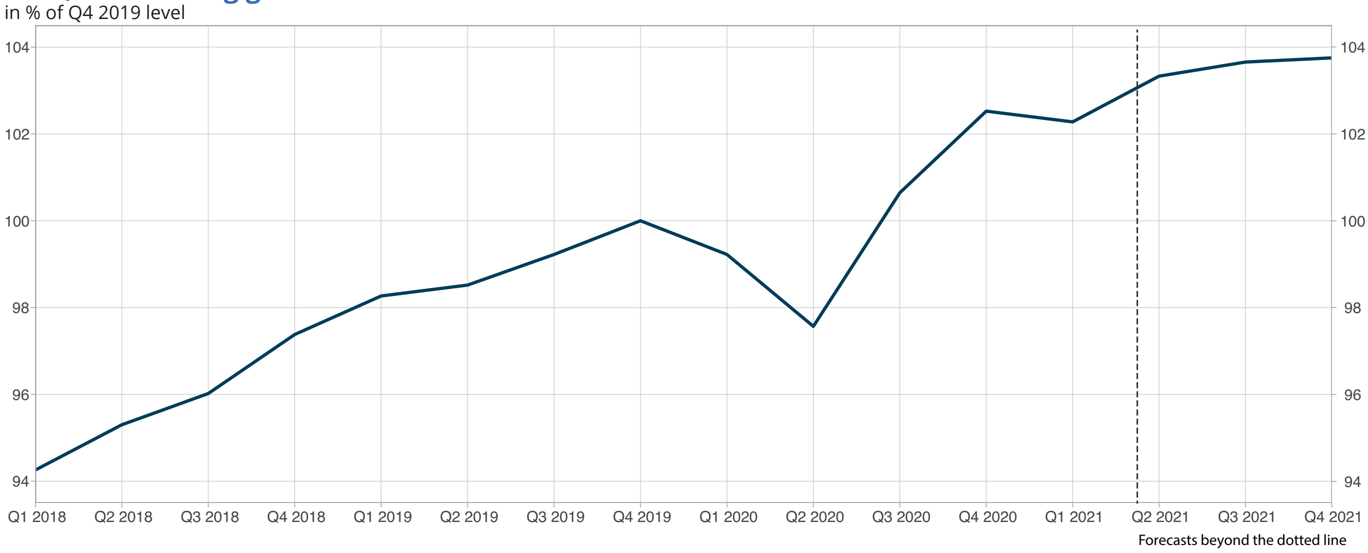
Source: INSEE

it should be noted that it was particularly dynamic at the end of 2020, so started 2021 at a relatively high level, as a result of the various forms of aid (► **Figure 3**). Despite the decline forecast in many measures that benefit households, with a more favourable health context, the improvement in economic activity and the effect of gains at the end of 2020 mean that overall, as an annual average, GDI will accelerate in 2021 compared to 2020.

Due to the acceleration in household consumer prices, purchasing power is likely to be less vigorous than GDI and is expected to increase by 1.8% in 2021, after +0.4% (► **Figure 4**). When compared to a consumption unit to take demographic changes into account, it looks set to increase by +1.4% after being stable in 2020. ●

► 3. Households' gross disposable income is expected to benefit notably from an "acquired effect" in 2021, after strong growth in late 2020

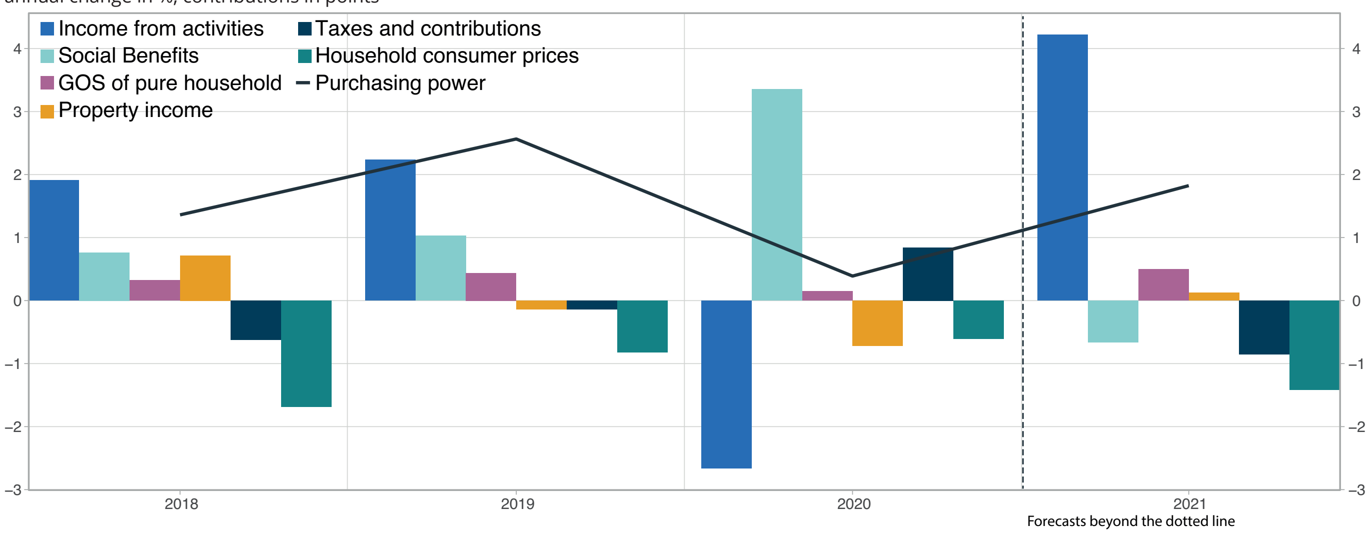
in % of Q4 2019 level



Source: INSEE

► 4. Purchasing power is likely to accelerate in 2021, despite the rise in inflation

annual change in %, contributions in points



Source: INSEE

At the end of 2021, the average wage per capita is expected to return almost to its trend level

In Q1 2021, the average wage per capita (SMPT) in the non-agricultural market branches increased by 0.7% compared to Q4 2020, in a context where restrictions on activity were still maintained in certain sectors. This rise followed on from 2020, a year that was notable for some unprecedented variations of scale: –3.1% as a quarterly variation in Q1 2020, –11.9% in Q2, +17.0% in Q3 then –2.3% in Q4 (► **Table**). 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. The scheme involved substituting compensations, which were not considered as wages, for part of the wage. Its impact brought down the level of the SMPT but this was mitigated by a composition effect: workers and employees were more often on short-time working, whereas managers, who are better paid, tended to be more often teleworking, and the sectors worst affected by the shrinking activity were often the least remunerative. In Q4 2020, the curfew and another lockdown resulted in people turning once again to short-time working, although to a much lesser extent than during the first lockdown. All in all, with many still resorting to short-time working in Q1 2021, the average wage per capita remained below its pre-crisis level (–1.7% compared to its level in Q4 2019).

For the rest of 2021, the SMPT should continue to pick up substantially: +1.4% forecast in Q2, then +2.6% in Q3 and +0.9% in Q4. These increases are likely to be part of the recovery of economic activity which would ensure that the take-up of short-time working could be gradually eased. With the lifting of most restrictions on activity in late spring 2021, the SMPT is likely to increase most markedly in Q3. This increase is also likely to be boosted by the renewal, decided in March 2021, of the extraordinary purchasing power bonus (PEPA). This scheme was put in place in Q1 2019, then renewed and extended once in 2020, because of the health crisis. Finally, in Q4 2021, the SMPT looks set to exceed its Q4 2019 level by 3.2%, almost back to the level it would have reached had it followed its long-term trend observed from the end of the 2000s (+1.8% per year on average between 2009 and 2019).

Changes in SMPT are made up of two components: the most short-term elements, affected first of all by the health crisis (response to the use of short-time working, overtime, bonuses), then the trend movements of wages. The basic monthly wage (SMB) reflects this trend or underlying component more, while the short-term component is much weaker. Fluctuations in SMB were therefore much more moderate in 2020: +0.8% per half-year. These changes are expected to continue at the same pace in 2021, in a context where there is a slight upturn in inflation, stabilisation of unemployment and an increase in the minimum wage on 1st January, which will be smaller than the increases of the last three years (+1.0%, given the low inflation in 2020). ●

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

nominal wages, evolution in %; CVS data

	Quarterly growth rates								Evolution since Q4 2019								Average annual evolution		
	2020				2021				2020				2021				2019	2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
SMPT in the non-agricultural market sector	–3.1%	–11.9%	17.0%	–2.3%	0.7%	1.4%	2.6%	0.9%	–3.1%	–14.6%	0.0%	–2.4%	–1.7%	–0.3%	2.3%	3.2%	2.3%	–4.9%	6.2%
SMB	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.4%	0.7%	1.1%	1.5%	1.9%	2.3%	2.8%	3.3%	1.7%	1.5%	1.6%

Prévisions

Note: the ACEMO quarterly survey by DARES was suspended in Q2 2020 (data covering 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.

Source: DARES, INSEE