Enterprises' earnings

At the start of 2021, the margin rate of non-financial corporations (NFC) stood at a particularly high level as a result of the combined effect of support measures, which had been strengthened since Q4 2020 (especially the Solidarity Fund), and the decrease in taxes on production. Thus in the latest version of the national accounts, it reached a historic high of 35.9% of the value added of NFCs in Q1 2021, then declined slightly in Q2, to 35.4%.

In H2, the margin rate of NFCs is expected to decline significantly, down to 32.0% by year's end: the rebound in activity is likely to be accompanied by a decrease in the level of subsidies paid, especially through the Solidarity Fund, which was replaced on 1st October by an extension of fixed cost coverage, a more selective scheme. The gradual decline in the take-up of short-time working, and the higher contributions required from those companies that use it, are expected to automatically increase the real cost of labour per capita, more so than productivity. Finally, the terms of trade (ratio of price of value added to consumer price) are generally expected to be unfavourable across the half-year.

In Q4 2021, the margin rate is expected to be 0.6 points above its 2018 average (2019 having been affected by the double payment related to the CICE tax credit). The reasons for this difference compared to 2018 are the slightly higher subsidies and the buoyancy of the value added of NFCs: this would appear to have increased more over three years than remunerations paid. As an annual average, the margin rate should stand at 34.0% in 2021, given the very high values reached in H1. ●

► 1. Breakdown of margin rate of non-financial corporations (NFC)

Margin rate and variation in %, contributions in points

	Quarterly changes								Annual changes		
	2020				2021				2019	2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Margin rate	**30.2**	**31.5**	**30.7**	**34.2**	**35.9**	**35.4**	**32.7**	**32.0**	**33.4**	**31.7**	**34.0**
Variation in margin rate	**–2.8**	**1.3**	**–0.8**	**3.5**	**1.7**	**–0.5**	**–2.6**	**–0.7**	**1.8**	**–1.7**	**2.3**
Contributions to variation in margin rate:											
productivity gains	–4.3	–8.6	12.1	–1.0	0.4	0.8	0.8	0.0	0.7	–6.1	3.8
real cost of labour per capita	2.4	8.6	–12.7	1.5	0.3	–0.3	–1.7	–0.2	0.9	3.6	–3.2
ratio of price of value added to consumer prices	0.3	1.0	–0.4	0.7	–0.1	–0.2	–0.6	0.0	0.6	1.1	0.0
other factors (including subsidies and taxes on production)	–1.2	0.3	0.2	2.3	1.2	–0.7	–1.1	–0.5	–0.4	–0.3	1.7

Forecast

Note: the margin rate (*MR*) measures the share of value added that remunerates the capital.

This variation can be broken down additionally into:
- changes in productivity (*Y/L*), where *Y* is value added and *L* is employment, and in the ratio of the price of value added to consumer prices, or terms of trade *(Pva/Pc)*, which have a positive effect;
- changes in the real cost of labour (*W/Pc*, where *W* represents the cost of labour per capita), which have a negative effect on the margin rate.
- other factors: these are mainly taxes on production net of subsidies, including the Solidarity Fund.

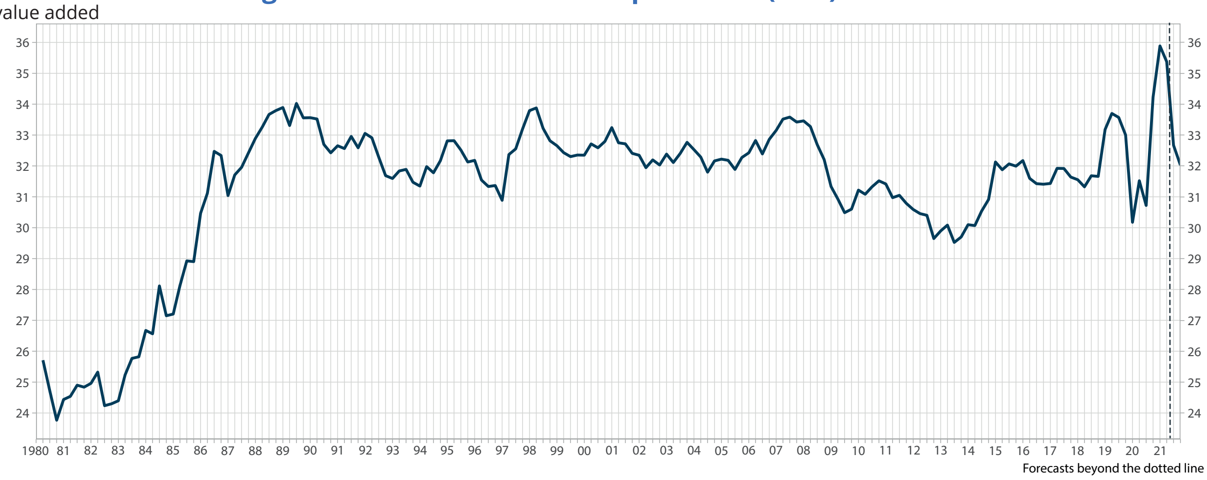
This breakdown can be synthesised in the equation:

$$MR=\frac{EBE}{VA}\approx 1-\frac{WL}{Y\,P_{va}}+other\ factors=1-\frac{L}{Y}\frac{W}{P_c}\frac{P_c}{P_{va}}+other\ factors$$

Source: INSEE

► 2. Overview of the margin rate of non-financial corporations (NFC)

in % of value added



Source: INSEE