

Household income

In Q3 2021, household gross disposable income (GDI) picked up (+0.8% after +0.6%). Earned income accelerated strongly as health restrictions were eased, while at the same time, support measures for households were reduced (short-time working benefits, subsidies paid out of the Solidarity Fund to self-employed workers, etc.). Given the acceleration of consumer prices, household purchasing power per consumption unit stabilised (0.0% after +0.2%).

In Q4 2021, household GDI is expected to increase considerably (+1.7%). Payment of the “inflation allowance”¹ should cause social benefits to rebound substantially (+2.5% after -2.8%). In addition, taxes and social contributions are expected to be nearly stable: social contributions and income tax are set to increase, following on from earned income, but this rise will probably be offset by the continuing reform of housing tax relief (first reduction for the 20% most well-off households). Given the buoyancy of household GDI, purchasing power per consumption unit is expected to bounce back in Q4 (+0.5%).

Across the whole of 2021, GDI is expected to accelerate sharply (+3.9% after +1.0% in 2020), a consequence of the strong rebound in earned income combined with a moderate decline in social benefits. Taking into account the rise in consumer prices, household purchasing power per consumption unit is likely to increase by 1.8%, after coming to a standstill in 2020 (0.0%).

In Q1 2022, household GDI is expected to decline slightly (-0.3%). This would be the result of the drop in social benefits (-2.4%) as an automatic reaction to the payment of the inflation allowance the previous quarter. In fact, even without the effect of this reaction, benefits are likely to increase slightly, boosted by old-age allowances (increase in the basic old age pension from 1st January) but with a reduction in unemployment benefits (due to several factors, including the drop in the number of jobseekers and the reform of unemployment insurance). Meanwhile, earned income is set to pick up by 0.8%, driven mainly by wage increases in the private sector. These are likely to be less dynamic than at the end of 2021, as a result of the slowdown in payroll employment in Q1 2022. Given the rise in consumer prices (+0.6% after +1.1% as a quarterly variation), the purchasing power of household GDI per consumption unit is likely to fall back more sharply (-1.0%).

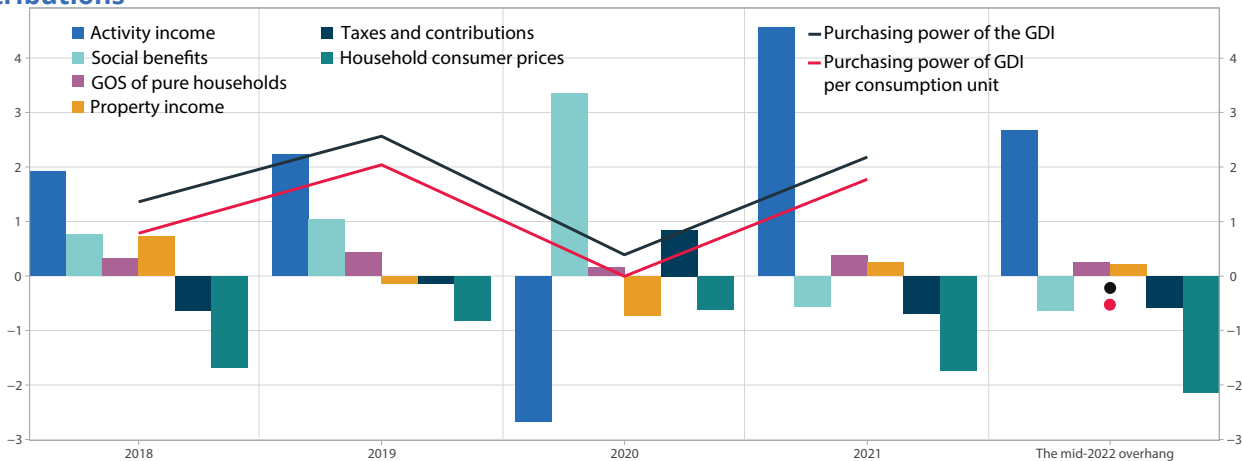
In Q2 2022, earned income is expected to increase at virtually the same pace as in the previous quarter (+0.7%), whereas social benefits are likely to rise slightly (+0.3%). GDI should then pick up (+0.5%) with purchasing power per consumption unit expected to rebound slightly (+0.1%).

The mid-year overhang for annual change in purchasing power per consumption unit is therefore expected to be -0.05% for 2022 (this is the annual change that would be forecast if purchasing power per consumption unit remained frozen in Q3 and Q4 at its Q2 level). In fact, this mid-year overhang is likely to be affected by the automatic reaction in Q2 2022 to the inflation allowance, which, in accounting terms, is expected to support household income at the end of 2021. In addition, the mid-year overhang does not anticipate change in purchasing power for the whole of 2022. By construction, it does not take into account possible movements in purchasing power in H2 2022, affected by the increase in earned income and the impact of tax or social measures, such as the ongoing reform of the housing tax. ●

¹ The “inflation allowance” refers to the payment of €100 to French residents whose earned income or replacement income is less than €2,000 net per month, the aim being mainly to compensate for the impact of the recent increase in fuel prices on purchasing power. This payment is expected to concern about 38 million people. The allowance will be paid at the end of 2021 or early 2022, depending on the situation. However, the right to the payment is established at the end of 2021 (eligibility is established according to information available as of October 2021), so that, in accordance with the principle of recording on an accrual basis and subject to confirmation of this payment in the national accounts, the entire allowance is recorded for accounting purposes in Q4 2021.

French economic outlook

► 1. Annual variation in purchasing power of household gross disposable income (GDI) and its main contributions

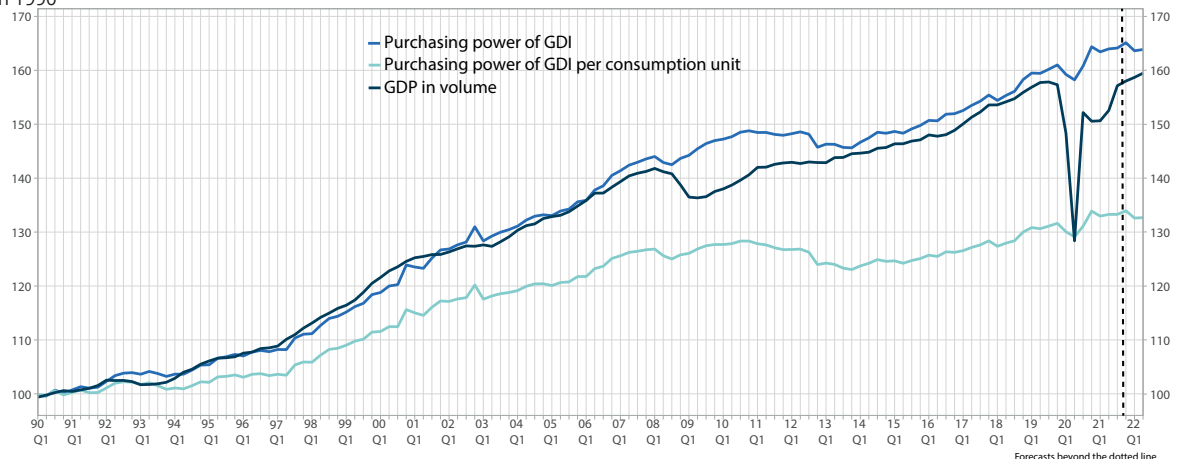


How to read it: in 2022, the growth overhang of the purchasing power of household gross disposable income is expected to reach -0.2% by the end of June. The main contribution to this decline is likely to be household consumer prices, at -2.1 points.

Source: INSEE

► 3. Change in purchasing power of household gross disposable income (GDI) and of GDP since 1990

base 100 in 1990



Source: INSEE

► 3. Components of household gross disposable income

variations in %

	2020				Quarterly changes				2022		Annual changes			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	2019	2020	2021	2022 ovhg
Gross disposable income (100%)	-0.9	-0.8	1.8	2.3	0.2	0.6	0.8	1.7	-0.3	0.5	3.4	1.0	3.9	1.9
including:														
Earned income (72%)	-2.8	-9.6	12.0	0.7	0.7	0.4	3.2	1.0	0.8	0.7	3.1	-3.7	6.6	3.8
Gross wages and salaries (64%)	-2.8	-10.3	12.6	-0.4	0.9	0.7	4.4	1.2	0.8	0.7	3.2	-4.1	6.9	4.7
GOS of sole proprietors* (8%)	-2.3	-4.3	7.6	8.8	-0.4	-1.8	-5.4	-0.6	0.6	0.4	2.3	-0.6	4.1	-2.9
Social benefits in cash (35%)	3.5	12.9	-9.8	2.8	-0.6	0.2	-2.8	2.5	-2.4	0.3	2.9	9.5	-1.5	-1.7
GOS of "pure" households (14%)	-0.2	-1.6	2.8	0.5	0.3	0.7	0.8	0.8	0.4	0.4	3.2	1.1	2.8	1.8
Property income (6%)	-5.2	-3.6	-1.3	0.6	3.0	2.4	2.0	1.3	1.1	0.8	-2.3	-12.6	5.0	4.2
Social contributions and taxes (-27%)	-0.7	-6.4	8.7	-2.6	1.0	-0.2	2.3	0.2	0.6	0.6	0.5	-3.2	2.7	2.3
Household consumer prices	0.2	-0.1	0.1	0.1	0.8	0.3	0.7	1.1	0.6	0.4	0.8	0.6	1.7	2.1
Purchasing power of gross disposable income	-1.1	-0.6	1.6	2.2	-0.6	0.3	0.1	0.6	-0.9	0.2	2.6	0.4	2.2	-0.2
Household purchasing power by consumption	-1.2	-0.7	1.5	2.1	-0.7	0.2	0.0	0.5	-1.0	0.1	2.0	0.0	1.8	-0.5

■ Forecast

How to read it: after a rise of 0.8% in Q3 2021, household gross disposable income is expected to accelerate in Q4, with +1.7%. Annual change is expected to be +3.9% in 2021.

Note: figures in brackets give the structure for 2019.

* the gross operating surplus (GOS) of sole proprietors is the balance of the operating account of sole proprietorships. This is mixed income as it remunerates work carried out by the owner of the sole proprietorship, and possibly members of their family, but it also contains profit made as a sole proprietor.

Source: INSEE