

30th of september 2022 GNI notification

INSEE has notified the European Commission on the 30th of September the French Gross National Income (GNI) for the years 2021 and earlier.

GNI is a close aggregate of the Gross Domestic Product (GDP), but conceptually different. GDP measures the income generated by all economic activities on French territory during a given period (year or quarter). This income ultimately benefits in most cases to agents residing on the French territory, but sometimes also to agents residing on a foreign territory when they work in France or hold shares in companies active on the French territory. GNI measures the total income of agents residing in France. Thus, we move from GDP to GNI by adding the income flows (business income, property income, subsidies less taxes on production) received from abroad and subtracting the income flows paid abroad.

The level of GDP for 2020 published by INSEE is € 2,500.9 billion and the level of GNI is € 2,574.7 billion (source: National accounts, 2014 base).

GNI has an institutional use: it determines the largest part of the contribution of the various countries of the European Union to its budget. For reasons of budgetary equity between countries, the estimation of GNI is therefore subject to very high comparability requirements and is the subject of a specific regulatory framework (the "own resources directive"). As a result, the notified GNI, used for the purpose of calculating the EU's own resources, may differ from the GNI published.

Table 1.116 thus specifies the corrections to be made to move from the GNI published nationally to the GNI notified. These corrections are as follows:

- **a geographical perimeter correction**

Mayotte, which became the fifth overseas department in 2011, was included in the national accounts (GDP and GNI in particular) during the development of the 2010 base for the entire period covered by national accounts (1949-2013) in order to preserve the significance of annual changes. However, Mayotte only obtained the status of ultra-peripheral region in the EU in 2014 and it is only from 2014 that Mayotte must be taken into account in the calculation of the notified GNI. The adjustment to exclude Mayotte from previous years reduces GNI by € 1.8 billion in 2013;

- **a correction on FISIM (financial intermediation services indirectly measured)**

At the request of Eurostat, a new FISIM estimation method has been developed. It now uses accounting data from the Banque de France, Balance of Payments, and information on interest rates served by French banks. The new method leads to a change in the final consumption and foreign trade of FISIM, from 2010 to 2021; it reduces the GNI by € 0.3 billion in 2021.

- **a correction on imputed rentals**

Rentals imputed to owner-occupiers are estimated through modelling by using housing surveys that are conducted approximatively every 5 years. Taking into account the last housing survey available lead to a revision of imputed rentals impacting the household production and final consumption in housing services, from 2010 to 2021; it raises the GNI by € 12.8 billion in 2021.

- **a reclassification of SNCF-Réseau inside General Government's account**

At the time of the October 2018 notification of public finance ratios, INSEE considered that SNCF-Réseau had become a general government unit since 2016 as SNCF-Réseau, under public control, no longer met the criteria of a market producer, as its sales had become less than 50% of the sum of its production costs and its net interest expense. However, this decision did not result in a complete reclassification of SNCF-Réseau in the general government account, which was considered too complicated and likely to introduce breaks in the series. The treatment adopted results in the integration of SNCF-Réseau in the public finance ratios, without however tracing SNCF-Réseau's

activities within the general government sector, which are still described in the non-financial corporations sector. From a GNI point of view, this treatment is not adequate, because reclassifying SNCF-Réseau as a government implies a change in the measurement of value added. Indeed, since SNCF-Réseau is considered a non-market producer with its reclassification as a Government unit, its value added must be measured as the sum of production costs (wages, consumption of fixed capital and other taxes on production net of subsidies), whereas for SNCF-Réseau classified as a non-financial corporation, value added is measured as the difference between sales (excluding subsidies on products) and intermediate consumption. A correction in the GNI notification is therefore made for this reason; the notified GNI is thus increased by €5.2 billion in 2021.

- **updating of the adjustment rates of non-observed activity in the national accounts for fraud**

Eurostat made a specific reservation on the accounts of France concerning the fraud rates used by national accountants to adjust the value added from the tax files. Eurostat considered that the estimate of fraud rates was too old (2006) and asked that a new estimate be made and that its impact be measured and integrated into the GNI notification in September 2022. Adjustment rates for non-observed activity were estimated based on the results of tax audits carried out by the DGFiP. The work made it possible to estimate adjustment rates for production on the one hand and intermediate consumption on the other for non-financial corporations by sector of activity for the year 2014. These rates applied to the national accounts data lead to a revision of GNI from 2010 to 2021; it decreases GNI by €7.6bn in 2021.

Corrections on FISIM, imputed rentals, reclassification of SNCF-Réseau, and updating of adjustment rates of non-observed economy will be taken into account in the GNI nationally published in the next benchmark revision; those corrections do not impact the growth rates of transactions on goods and services currently published at national level by Insee.

In the end, taking into account all these corrections, the GNI reported the 30th of September 2022, according to the ESA 2010 concepts, amounted to € 2,584.8 billion for 2021.