Enterprises' earnings

The downturn in the margin rate of non-financial corporations (NFC) that began in mid-2021 continued into Q1 2022. Productivity affected margin rate, as employment had been more dynamic than the value added of NFCs. In addition, subsidies brought in during the health crisis, which sustained companies' gross operating surplus, continued to decline. As a result, the margin rate of NFCs stood at 31.6% of value added.

In Q2 and Q3 2022, the margin rate is expected to increase very slightly (31.8%). It is likely that the terms of trade will increase their pressure on the margin rate, as the rise in inflation is still mainly due to imports, while subsidies paid to NFCs should support them, especially with the economic and social resilience plan put in place to cope with the consequences of the war in Ukraine (sectoral aid and support for energy-intensive businesses).

By the end of the year, the NFC margin rate is expected to decline slightly. Despite a further increase in the subsidies paid out, it is likely to be penalised by the buoyancy of real wages (stimulated by the possible reintroduction of the PEPA bonus with the ceiling tripled and by the probable increase in the minimum wage (SMIC) during the summer or at the beginning of autumn) and penalised to a lesser extent by a further decline in the terms of trade.

Across the whole of 2022, the margin rate is expected to be 31.7% on average, a similar level to 2018 (31.5%) and 2.5 points lower than 2021. The reason for such a sharp drop is the deterioration in the terms of trade, but also the end of the emergency aid associated with the health crisis: in fact, the reduction in the take-up of short-time working is likely to lead automatically to a rise in the real cost of labour per capita, while the phasing out of other specific support schemes is likely to result in a significant reduction in subsidies compared to 2021. ●

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

margin rate and variation in %, contributions in points

	2021				2022				2019	2020	2021	2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Margin rate	**36.3**	**35.9**	**32.7**	**32.0**	**31.6**	**31.8**	**31.8**	**31.6**	**33.4**	**31.8**	**34.2**	**31.7**
Variation in margin rate	**1.9**	**–0.4**	**–3.2**	**–0.7**	**–0.5**	**0.2**	**0.0**	**–0.2**	**1.9**	**–1.6**	**2.4**	**–2.5**
Contributions to variation in margin rate:												
productivity gains	–0.1	0.2	1.3	–0.3	–0.4	0.0	0.1	0.1	0.8	–5.4	2.8	0.2
real cost of labour per capita	0.2	0.1	–2.4	–0.1	0.1	0.3	0.1	–0.4	0.9	3.3	–2.9	–0.9
ratio of price of value added to consumer prices	–0.2	0.3	0.0	–0.3	0.0	–0.3	–0.6	–0.1	0.7	0.7	0.5	–0.6
other factors (including subsidies and taxes on production)	2.0	–1.0	–2.1	–0.1	–0.2	0.2	0.4	0.1	–0.4	–0.3	2.0	–1.2

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.

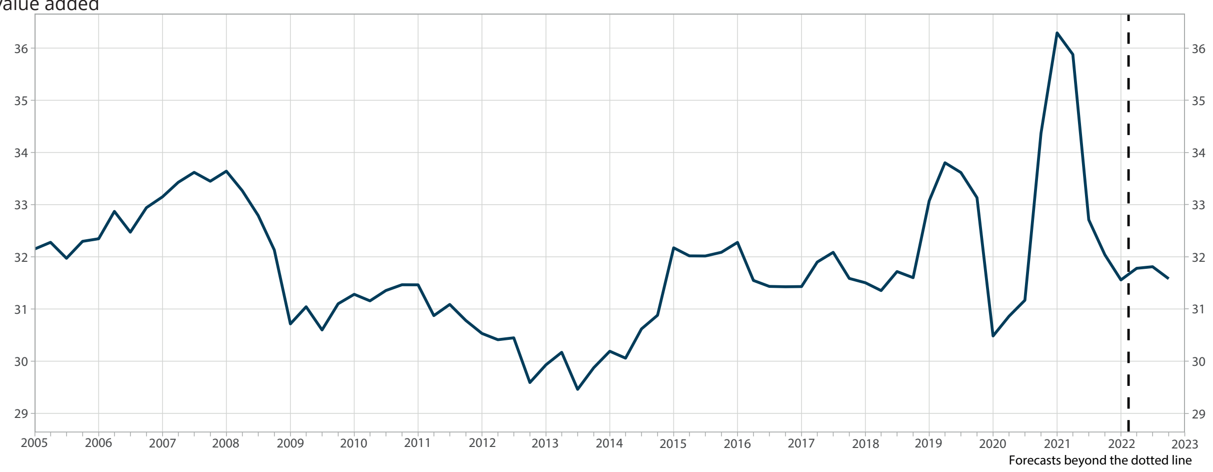
This breakdown can be synthesised in the equation:

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

Source: INSEE

►2. Margin rate of non-financial corporations (NFC)

in % of value added



Source: INSEE