Household income

In Q1 2022, household gross disposable income (GDI) decreased (–0.5% after +1.9% in the previous quarter), mainly as an automatic reaction to the payment of the "inflation allowance" at the end of 2021.[1] In addition, given the acceleration in consumer prices, the purchasing power of GDI per consumption unit declined sharply (–1.9%). In Q2, household GDI is expected to pick up, boosted by the dynamism of payroll and especially wages, despite the accompanying decrease in social benefits paid for short-time working and sick leave.

For H2, the forecast for household income was prepared on the basis of available public announcements on purchasing power support measures. This is not a prediction of any specific measures that will ultimately be introduced, the terms and conditions of which are likely to change before they are actually implemented. Rather, the aim is to show how overall household income could change in the light of the assumptions listed in the **Box**.

Given these assumptions, household GDI is expected to be very dynamic, both in Q3 and Q4, driven by wages in the market and public sectors and by support measures that take the form of payments of allowances and reductions in contributions. All in all, household GDI looks set to increase by 4.1% in current euros in 2022, with about one percentage point of this due to the support measures included in this scenario.

In Q3 in particular, earned income is expected to benefit from the dynamism of wages after the reintroduction of the PEPA bonus (with the ceiling tripled), the review of the index point value for civil service personnel (assumed to be +3% in July in our scenario) and probably a further increase in the minimum wage (SMIC) (which could happen over the summer). In addition, social benefits are likely to rise as a result of the anticipated increase in retirement pensions, social minima, the activity bonus and family allowances (+4% increase assumed, effective from 1st July). Property income is expected to be supported by a further increase in the Livret A interest rate (which should rise to about 2% on 1st August in the scenario chosen here).

In Q4, household GDI should continue to be driven by earned income but also by a drop in taxes and social contributions. This reduction would be the result of the abolition of the television and radio licence fee, assumed to be applied in 2022, to which should probably be added the continuation of housing tax relief for the 20% most well-off households (as this tax has already been abolished for other households).

Due to the trend in consumer prices, which are expected to remain very dynamic before slowing at the end of the year, the purchasing power of household GDI is likely to decline in Q2 (–1.0%) then pick up sharply in H2 (by around +1% each quarter). Across the whole of 2022, it is expected to decrease by 0.6% (i.e. –1.0% per consumption unit). ●

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 offset the impact of the recent increase in fuel prices on purchasing power. This payment concerned about 38 million people. The allowance was paid at the end of 2021 or the beginning of 2022, depending on the situation. However, as the right to the payment was established at the end of 2021 (eligibility based on people's situation as of October 2021), the full allowance is therefore recorded for accounting purposes in Q4 2021, in accordance with the principle of recording on accrual basis.

►1. Components of household gross disposable income

variations in %

	Quarterly changes								Annual changes			
	2021				2022				2019	2020	2021	2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Gross disposable income (100%)	**–0.2**	**0.6**	**1.4**	**1.9**	**–0.5**	**0.6**	**2.6**	**2.2**	**3.4**	**1.1**	**4.0**	**4.1**
including:												
Earned income (72%)	0.8	0.9	3.8	1.1	0.9	1.1	2.0	1.4	3.1	–3.8	7.2	6.2
Gross wages and salaries (64%)	0.9	1.0	4.6	1.3	1.0	1.2	2.2	1.5	3.2	–3.9	7.4	7.1
GOS of sole proprietors* (8%)	–0.1	0.1	–2.1	–0.7	0.0	0.3	0.5	0.2	2.4	–2.9	6.0	–1.1
Social benefits in cash (35%)	–0.3	0.1	–2.7	2.7	–1.5	–0.8	3.1	0.7	2.9	9.3	–1.5	0.2
GOS of “pure” households (14%)	–0.1	0.5	0.8	1.0	–0.7	1.1	1.8	0.9	3.2	0.8	2.2	2.6
Property income (6%)	2.3	0.3	1.0	1.8	3.9	2.3	2.1	1.3	–2.3	–7.8	6.9	9.2
Social contributions and taxes (–27%)	3.2	0.6	1.9	0.4	2.8	0.7	1.0	–2.8	0.5	–3.5	4.6	4.6
Household consumer prices	**0.7**	**0.2**	**0.7**	**0.8**	**1.3**	**1.6**	**1.7**	**1.1**	**0.8**	**0.9**	**1.6**	**4.7**
Purchasing power of gross disposable income	**–0.9**	**0.4**	**0.6**	**1.1**	**–1.8**	**–1.0**	**0.9**	**1.1**	**2.6**	**0.2**	**2.3**	**–0.6**
Household purchasing power by consumption	**–1.0**	**0.3**	**0.5**	**1.0**	**–1.9**	**–1.1**	**0.8**	**0.9**	**2.0**	**–0.2**	**1.9**	**–1.0**

Forecast

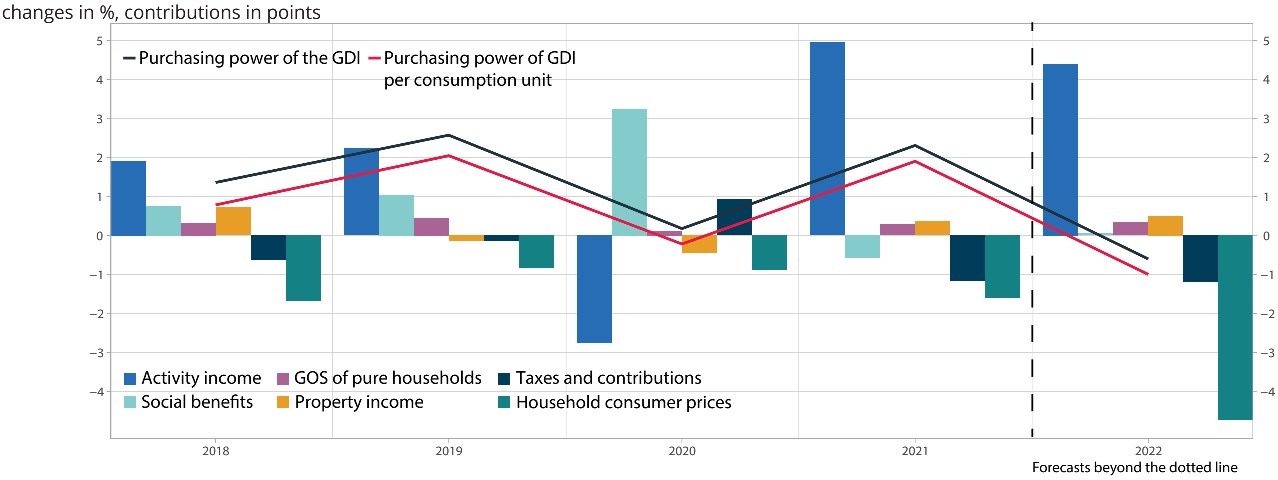
Note: figures in brackets give the structure for 2019.

* 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

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

changes in %, contributions in points

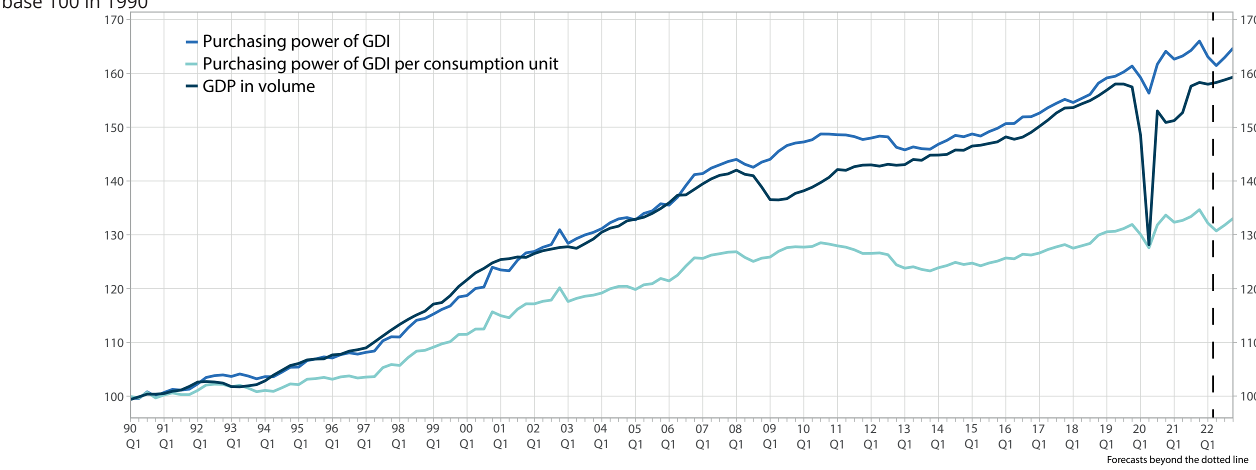


How to read it: the purchasing power of household GDI is expected to decline by 0.6% in 2022. The main contribution to this change is likely to be household consumer prices, which are expected to account for –4.7 points.

Source: INSEE

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

base 100 in 1990



Source: INSEE

Assumptions made to forecast the purchasing power of household GDI in 2022

Support measures for household purchasing power can take several forms, contributing either to increasing income, or to limiting price rises.

Concerning prices, the forecast presented in this *Economic Outlook* (►**Sheet** Consumer prices) includes measures already in force, which contributed to limiting the rise in inflation in H1, and which it has been announced publicly are to be extended until the end of 2022: this is notably the case for the tariff shield on regulated gas and electricity sales. For the fuel reduction at the pump by €15 centimes excluding VAT, in force since 1st April, our forecast assumes that this will be extended until the end of August, then reduced gradually until the end of the year.

Concerning income, several support measures have already been announced publicly and are therefore incorporated into our scenario. However, not all details of how they will operate are known at the time of making this forecast. The following assumptions are therefore included in the forecast, as an illustration, without drawing any conclusions as to what will ultimately be adopted by the authorities:

-**Wages:** our scenario assumes that the extraordinary purchasing power bonus (PEPA) will be continued into H2 2022 and that its ceiling will be tripled (Sheet Wages). In addition, concerning the civil service, a 3% increase in index point value from 1st July is incorporated into the forecast. Overall, these two measures are expected to contribute to increasing household gross disposable income by 0.3 points in 2022 (+0.1 points for the extension of the PEPA, +0.15 points for the revision to the civil service index point value);

-Social benefits: a 4% increase in pensions and social benefits (including social minima, family allowances and the activity bonus) is included in the forecast (estimated effect is +0.4 points on household GDI in 2022). Other one-off measures to assist with spending on fuel and food may also be introduced to bolster household GDI. As an illustration, the assumption used here is an inclusive effect of +0.1 points on GDI in 2022;

-**Taxes and social contributions:** our scenario assumes that the television and radio licence fee is abolished in Q4 2022. It also includes a drop in social contributions to the level of the minimum wage (SMIC) for self-employed workers. These two measures are expected to support household GDI by +0.2 points, mainly the result of abolishing the television licence.

These different income support measures should help to raise household GDI by around one point in 2022 (►**Table**). GDI is also expected to be supported by some automatic increases (indexing of the SMIC, probable increase in the Livret A interest rate). Change in purchasing power, calculated as the difference between change in GDI and change in household consumer prices, is also likely to benefit from measures to limit price rises, as listed at the beginning of this Box.

►Support measures for household income (excluding limiting prices) included in the forecast scenario and estimated impact on gross disposable income in 2022

Measures included in the forecast scenario	Impact on household gross disposable income in 2022 (in points)
Wages	
Reintroduction and tripling of PEPA bonus	+0.3
3% increase in index point value for civil service personnel	
Social benefits	
4% increase in pensions, social minima, activity bonus and family allowances	+0.5
One-off measures to assist with spending on fuel and food	
Taxes and social contributions	
Abolition of television and radio licence fee	+0.2
Reduction in contributions by self-employed workers	
All household income support measures included in the forecast scenario	**+1.0**

How to read it: this table proposes figures for the assumptions selected in the forecast scenario, regarding household income support measures planned in 2022.
Source: INSEE calculations