

Household income

On average during 2022, the purchasing power of household gross disposable income was at a standstill (+0.2% after +2.3%, -0.2% per consumption unit) in an unprecedented inflationary context, not seen since the mid-1980s. Thus the buoyancy of household gross disposable income (GDI) was similar to that seen in consumer prices (+5.5% against +5.3%), due to the support measures put in place during H2 2022 and also to the dynamism of property income. However, the average change in purchasing power may cover very different situations from one household to another.

In Q1 2023, in the wake of earned income (+0.8% forecast after +1.5%), gross disposable income is also expected to slow (+1.3% after +2.9%), due to the slowdown in payroll employment and fewer payouts under the value sharing bonus (PPV) scheme after very large sums in late 2022. It is likely that social benefits will be maintained by the payment of a fuel allowance of €100 to low-income households who use their vehicle for work or for getting to work, despite a potentially high non-take-up rate, and also by a review of basic pensions on 1st January. In a context of rising interbank rates and buoyancy of dividends, households' property income (including the gross operating surplus of pure households¹) is expected to remain very dynamic (+5.1% after +5.6%); however, the rise in interest rates is also likely to be reflected in the prices of financial intermediation services provided to households, thus increasing the already brisk rise in household consumer prices (► **Box**²). The increase in interbank rates would therefore have a neutral impact on household purchasing power. In Q1 2023, household consumer prices are expected to increase significantly (+2.1% after +2.0%) and substantially reduce GDI purchasing power per consumption unit (-0.8% forecast in Q1 2023).

In Q2 2023, household GDI is expected to slow once again (+1.0% after +1.3%). Earned income is likely to accelerate, driven mainly by a probable review of the SMIC at mid-year. However, social benefits look set to fall back with the end of the fuel allowance on 31 March. Given the momentum in consumer prices (+1.7% after +2.1%), purchasing power per consumption unit is expected to fall again (-0.8% forecast).

For 2023, the mid-year overhang for change in purchasing power per consumption unit (i.e. the annual change forecast if purchasing power per consumption unit were to remain frozen in H2 at its Q2 level) is expected to be -0.7%. However, this mid-year overhang does not anticipate variation in purchasing power over the whole of 2023 as, by definition, it does not include possible shifts in GDI and consumer prices in H2. ●

¹ The gross operating surplus (GOS) of "pure households" corresponds to the rents that individual homeowners receive from their tenants or would receive if they rented out their property (then called "imputed rents"), minus intermediate consumptions and property tax.

² See also the Box "Accounting effect of the rise in interbank rates on household income consumer prices", *Economic Outlook*, December 2022.

► 1. Components of household gross disposable income

(variations in %)

	2021				Quarterly changes				2023		Annual changes			
	Q1	Q2	Q3	Q4	2022				Q1	Q2	2020	2021	2022	2023 ovhg
					Q1	Q2	Q3	Q4						
Gross disposable income (100%)	-0,6	0,6	1,8	2,1	-0,1	1,3	2,5	2,9	1,3	1,0	1,1	4,0	5,5	5,9
including:														
Earned income (72%)	0,6	0,7	4,3	1,2	1,8	1,2	1,8	1,5	0,8	1,1	-3,8	7,2	7,4	4,0
Gross wages and salaries (64%)	0,7	0,8	5,1	1,4	1,8	1,4	1,7	1,7	0,8	1,2	-3,9	7,4	8,1	4,2
GOS of sole proprietors* (8%)	-0,2	-0,2	-2,0	0,0	2,1	-0,7	2,3	0,4	0,8	0,3	-2,9	6,0	1,7	2,3
Social benefits in cash (35%)	-0,4	0,3	-2,8	2,6	-1,8	0,4	3,2	0,7	1,0	-0,1	9,3	-1,5	0,8	3,1
Property income, of which GOS of pure households (20%)	0,4	0,5	1,3	2,1	0,9	2,3	4,1	5,6	5,1	2,2	-1,6	3,5	8,8	14,2
Social contributions and taxes (-27%)	3,8	0,3	1,8	0,6	3,8	0,5	2,7	-1,7	2,5	0,5	-3,5	4,6	6,6	3,1
Household consumer prices	0,6	0,3	0,7	0,8	1,3	2,0	1,7	2,0	2,1	1,7	0,9	1,6	5,3	6,3
Purchasing power of gross disposable income	-1,2	0,3	1,1	1,2	-1,4	-0,7	0,8	0,9	-0,8	-0,7	0,2	2,3	0,2	-0,4
Purchasing power per consumption unit	-1,3	0,2	1,0	1,1	-1,5	-0,8	0,7	0,8	-0,8	-0,8	-0,3	1,9	-0,2	-0,7

■ Forecast.

* 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.

Note: figures in brackets give the structure for 2019.

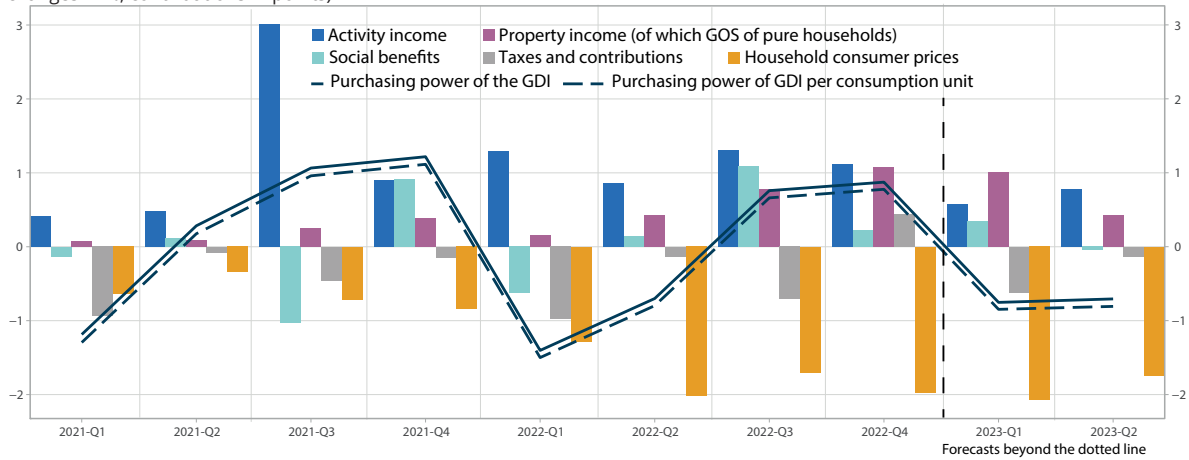
How to read it: after an increase of 2.9% in Q4 2022, household gross disposable income would continue to rise in Q1 2023 (+1.3%).

Source: INSEE.

French economic outlook

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

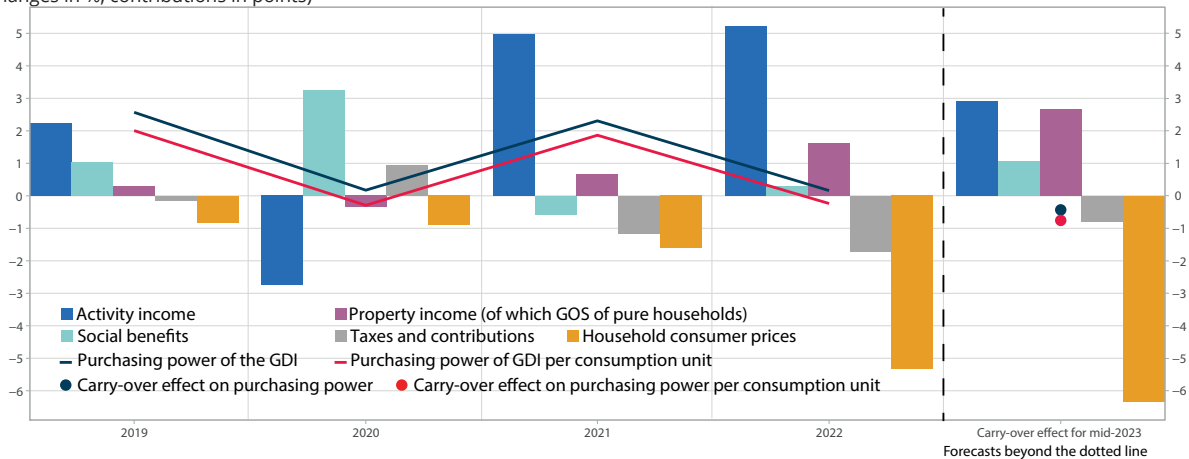
(quarterly changes in %, contributions in points)



Source: INSEE.

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

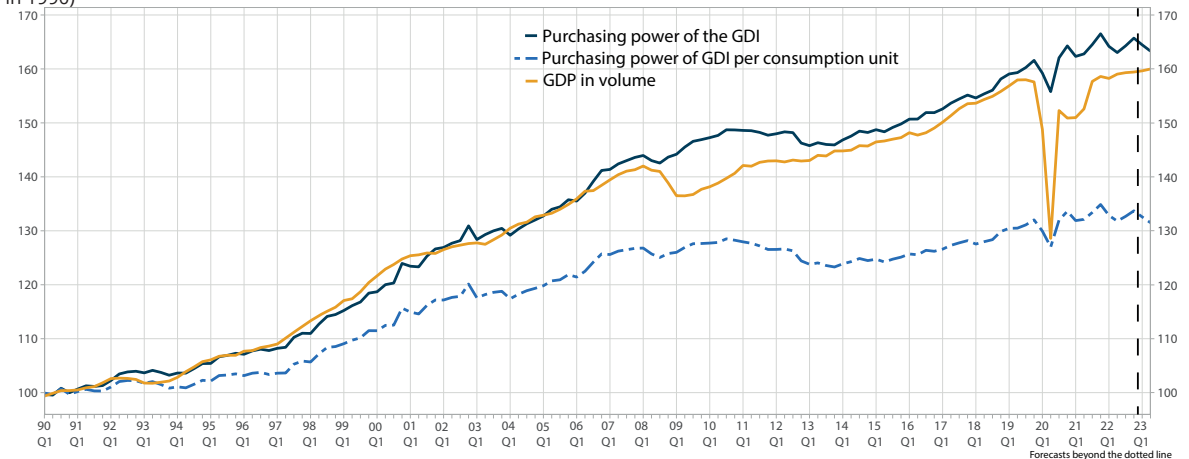
(annual changes in %, contributions in points)



Source: INSEE.

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

(base 100 in 1990)



Source: INSEE.

At the end of 2022, the household consumption deflator was more buoyant than the consumer price index

“Household consumer prices” within the meaning of national accounting, as used in the definition of purchasing power, are not exactly the same as the consumer price index (CPI) used to measure inflation. In particular, household consumer prices are linked to the conceptual framework of the national accounts, where household consumption covers a broader scope than the CPI: for example, it includes imputed rents, which are not present in the CPI, and which represent rents that homeownership households would pay for their dwelling if they were tenants.

Changes in household consumer prices and the CPI (seasonally adjusted, SA) are generally similar quarter by quarter. However, differences may appear when there are sizeable shifts in specific prices: thus in Q1 2022, consumer prices increased less quickly than the CPI (SA) but more quickly in the quarters that followed.

Thus in Q1 2022, the rise in energy prices resulted in a sharp acceleration in the CPI (SA) (+1.7% after +0.9% in Q4 2021). This acceleration appeared to be weaker for household consumer prices because of their broader scope, with energy given a lower weighting than in the CPI.

In H2 2022, the stronger momentum in household consumer prices was the result of the strong movement in Financial Intermediation Service Indirectly Measured (FISIM) prices, which are included in the scope of household consumer prices but not in the CPI. FISIMs represent services provided by financial intermediaries but not invoiced as such, because they are paid via margin interest rates on their clients’ deposits or loans they are granted: as they are not invoiced, strictly speaking, these services are not included in the CPI, but they are counted in household consumption within the terms of national accounting, where the margin interest rates represent the price of the service provided. Because of the monetary tightening operated by the European Central Bank since summer 2022, the rise in the interbank refinancing rate has led to an increase in margin interest on households’ deposits. In fact, the rise in the interbank refinancing rate was much faster than the rise in the rates on deposits, which are regulated for the most part (especially the Livret A) or very inert regarding any increase in the interbank rate. The result was a rise in the price of FISIMs, which are included in household consumer prices but not in the CPI.

For the forecast, household consumer prices are expected to become more dynamic than the CPI again in H1 2023, once more due to the increase in the price of FISIMs in the context of continuing monetary tightening. ●

► Consumer price index (SA) and household consumer prices (quarterly accounts)

(quarterly changes in %)

	2021				2022				2023		2021	2022	2023 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Consumer price index (SA)	0.5	0.4	0.8	0.9	1.7	1.9	1.2	1.2	1.3	1.5	1.6	5.3	4.4
Household consumption prices (quarterly accounts)	0.7	0.3	0.7	0.8	1.3	2.0	1.7	2.0	2.1	1.7	1.6	5.3	6.3

■ Forecast.
Source: INSEE.