

What is the reason for recent changes in production prices in the non-agricultural market branches?

In the non-agricultural market branches, unit margins boosted the momentum of production prices in Q1 2023, a little less than unit input costs, but more than unit wage costs.

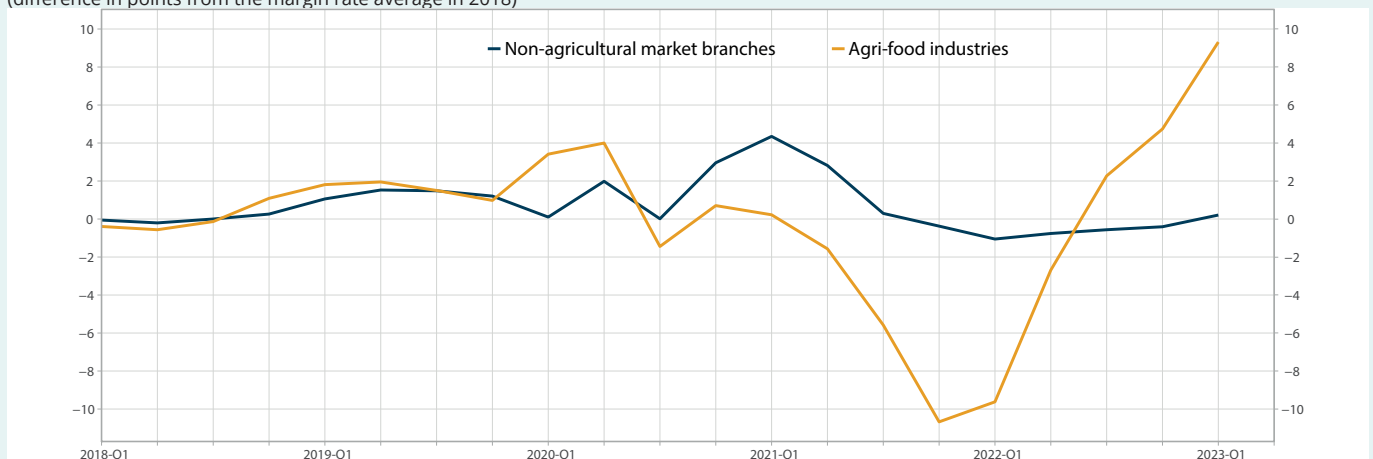
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In Q1 2023, the margin rate in the non-agricultural market branches (BMNA) increased slightly (+0.6 points), just exceeding its 2018 level (► **Figure 1**). This momentum can be analysed in relation to the dynamics of the production price in these branches and the accounting contributions of its determinants. At the start of 2023, the production price of BMNAs accelerated, bolstered by the increased cost of inputs, whose unit price had been at a standstill in 2022, and by a further significant increase in unit margins (gross operating surplus per unit produced, ► **Figure 2**). The unit wage cost, on the other hand, contributed only moderately to the dynamics of the BMNA production price: the momentum of wages at the beginning of 2023 was less vigorous than in Q4 2022, when it was affected by the massive payouts from the value sharing bonus. In this context, the substantial rise in unit margins resulted in the increase in BMNA margin rates observed in Q1. This increase in unit margins is an extension of that observed in recent quarters and follows on from a phase in the opposite direction of margin compression during 2021.

This overall observation for BMNAs of course masks differences that can exist between branches. In the agrifood industries (IAA), the margin rate increased sharply in Q1 2023, continuing an upward momentum that began at the start of 2022: thus the margin rate of IAAs at the beginning of 2023 was almost 10 points above its 2018 level (conversely, at the end of 2021, it was 11 points below its 2018 average). In fact, although it has slowed since mid-2022, the production price of IAAs remains very dynamic: in Q1 2022, it increased by 3%, as it had done the previous quarter (► **Figure 3**). The increase in the cost of inputs has significantly supported this dynamic, and has done so since the start of 2021: however, their contribution has been decreasing since mid-2022 and at the start of 2023 represented about a third of the overall dynamic of the IAA production price. Conversely, unit margins accounted for more than two thirds, and were thus the main factor in the rise in IAA production prices in Q1 2023. ●

► 1. Margin rate in all non-agricultural market branches and in the agrifood industries

(difference in points from the margin rate average in 2018)



Note: the margin rates shown here cover all institutional sectors of the branches concerned (non-financial corporations, sole proprietors, financial corporations, etc.) and not only the scope of non-financial corporations.

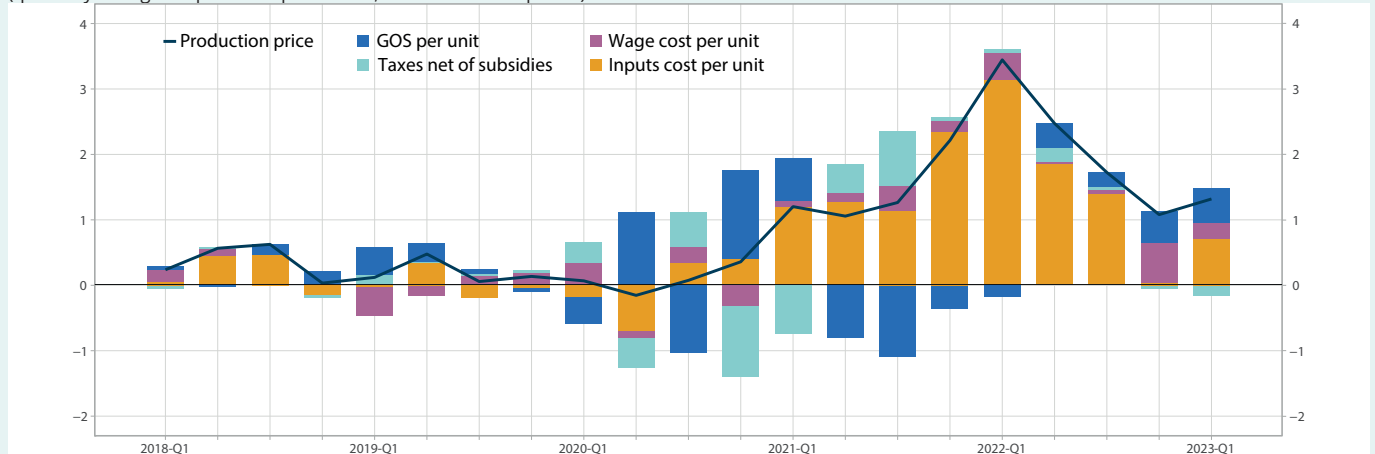
How to read it: in Q1 2023, the margin rate in the non-agricultural market branches was 0.2 points above its 2018 average. In the agrifood industries, it was 9.3 points above its 2018 average.

Source: quarterly national accounts, INSEE.

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► 2. Change in production price in the non-agricultural market branches by contributions of its components

(quarterly changes in producer prices in %, contributions in points)

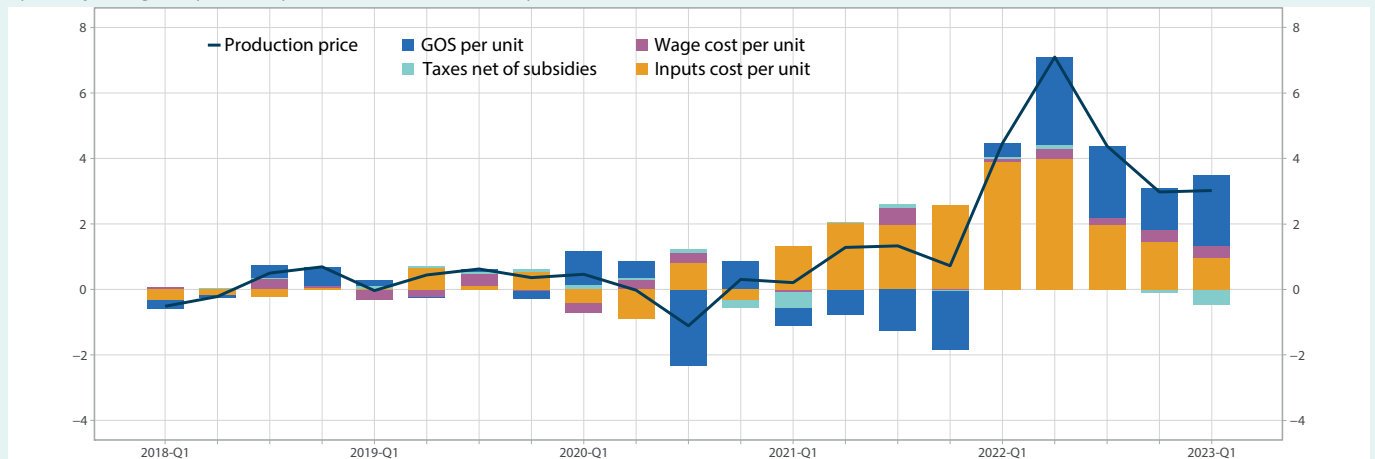


How to read it: in Q1 2023, the production price in the non-agricultural market branches increased by 1.3% compared to the previous quarter. The rise in the unit cost of inputs (amount of inter-mediate consumptions per unit produced) contributed 0.7 points to this change, while the rise in unit margins (gross operating surplus per unit produced) contributed 0.5 points.

Source: quarterly national accounts, INSEE calculations.

► 3. Change in production price in agrifood industries by contributions of its components

(quarterly changes in producer prices in %, contributions in points)



How to read it: in Q1 2023, the production price in the non-agricultural market branches increased by 3.0% compared to the previous quarter. The rise in the unit cost of inputs (amount of inter-mediate consumptions per unit produced) contributed 1.0 point to this change, while the rise in unit margins (gross operating surplus per unit produced) contributed 2.2 points.

Source: quarterly national accounts, INSEE calculations.