Entreprises' earnings

In H1 2023, the margin rate of non-financial corporations (NFCs) increased due to the decline in the real cost of labour per capita and the improvement in domestic terms of trade, with the price of value added having increased more quickly than consumer prices. In contrast, productivity hampered any increase in the margin rate, especially at the beginning of 2023. In Q3 2023, the margin rate remained virtually stable, at 33.0%: the effects of the drop in productivity and the decline in the real cost of labour offset each other.

In Q4 2023, the NFC margin rate is expected to lose 0.8 points, settling at 32.2% of value added. This reduction is likely to be due mainly to the rise in the real cost of labour, with some sizeable value sharing bonus payouts, and to the rise in production taxes, *via* the increase in property tax on professional buildings.

As an average for 2023, the NFC margin rate is expected to be 32.5% of value added, up from the 2022 level (31.7%), and higher than the average before the health crisis (31.5% in 2018[1]).

In H1 2024, the NFC margin rate is expected to bounce back to 32.8%, in the wake of the rebound forecast in economic activity and as a result of the reduction in the corporate value added contribution rate. The real cost of labour is expected to remain stable in H1 2024, and the contribution of change in productivity to change in margin rate should be slightly positive. ●

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1 2018 can be considered as a suitable reference year for margin rate. From 2019 to 2021, margin rate experienced some simul-taneous accounting of the Competitiveness and Employment Tax Credit (CICE) and the reduction in social contributions in 2019, and then to the health crisis.

▶1. Decomposition of margin rate of non-financial corporations (NFC)
(margin rate in %, variation and contributions in points)

| | Quarterly average | | | | | | | | | | Annual average | | |
| | 2022 | | | | 2023 | | | | 2024 | | 2022 | 2023 | 2024 ovhg |
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Margin rate	**31.3**	**31.8**	**32.3**	**31.4**	**31.6**	**33.1**	**33.0**	**32.2**	**32.8**	**32.8**	**31.7**	**32.5**	**32.8**
Variation in margin rate*	**-0.4**	**0.5**	**0.6**	**-0.9**	**0.1**	**1.5**	**-0.1**	**-0.8**	**0.6**	**0.1**	**-2.2**	**0.7**	**0.4**
Productivity (+)	-0.1	0.0	0.1	-0.5	-0.5	0.3	-0.1	-0.1	0.2	0.1	-0.1	-0.6	0.2
Real per capita labour cost (-)	-0.2	0.7	0.8	-0.2	0.3	0.4	0.5	-0.3	0.0	0.0	-0.2	1.1	0.0
Of which real wages per head(-)	*-0.1*	*0.4*	*0.2*	*0.1*	*0.4*	*0.3*	*0.3*	*-0.5*	*0.0*	*-0.1*	*-0.7*	*1.0*	*-0.2*
Of which Employer's contribution rate(-)	*-0.1*	*0.3*	*0.5*	*-0.3*	*-0.1*	*0.0*	*0.2*	*0.2*	*-0.1*	*0.0*	*0.5*	*0.2*	*0.2*
VA price/consumer price ratio (+)	0.3	0.2	-0.2	-0.3	0.2	1.0	-0.5	0.0	0.1	0.1	0.0	0.4	0.1
Other items	-0.4	-0.4	-0.1	0.0	0.1	-0.2	-0.1	-0.4	0.4	-0.1	-1.9	-0.2	0.0

▨ 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.
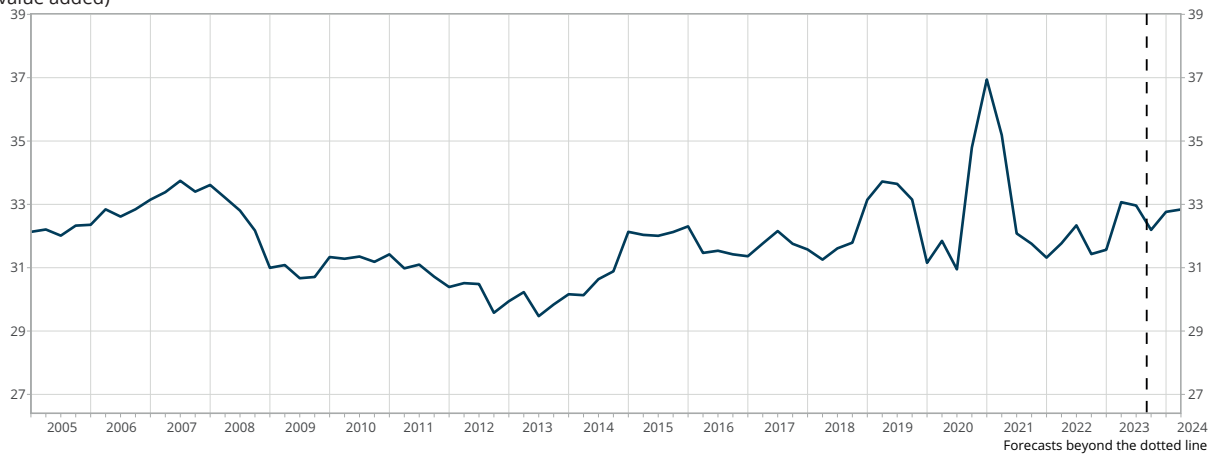This breakdown can be synthesised in the equation:

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

Source: INSEE.

French economic outlook

►2. Margin rate of non-financial corporations (NFC)
(in % of value added)

Forecasts beyond the dotted line

Source: INSEE.