Entreprises’ earnings

In Q4 2023, the margin rate of non-financial corporations (NFCs) remained stable at 32.9%. On the one hand, it was adversely affected by increases in the real cost of labour per capita and the property tax on professional buildings, and by a slight drop in productivity. On the other hand, domestic terms of trade improved for resident companies, mainly as a result of the decline in oil and gas prices. Across 2023 as a whole, despite a drop in productivity, the margin rate of non-financial corporations (NFCs) increased by 1.0 point, due to the decline in real wages and, to a lesser extent, the improvement in domestic terms of trade. It is therefore above its pre-health crisis average (31.5% in 2018[1]): it is well above in the case of energy but below in services, where companies are slow to pass on any increase in their costs (►**Focus** on consummer prices for services, *Economic outlook*, December 2023). Corporate finance costs are going up and ultimately companies’ savings (which take into account corporate tax and operating result) represented 22.2% of their value added in 2023, very close to the 2018 level.

The NFC margin rate is expected to increase slightly in Q1 2024 to 33.1%, mainly as a result of the new measure to reduce the business value-added contribution (CVAE) and to decrease property tax payments on professional buildings compared to the end of 2023. Real wages are again expected to hamper the margin rate a little but this small increase should be offset by slight gains in productivity. In Q2, the margin rate will probably continue to increase, in the wake of the upturn in productivity. ●

1 2018 can be considered as a suitable reference year for margin rate. From 2019 to 2021, margin rate experienced some upheavals due to the simultaneous accounting of the Competitiveness and Employment Tax Credit (CICE) and the reduction in social contributions in 2019. The following years were affected by the health crisis.

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

(margin rate in %, variation and contributions in points)

	2023				2024		2022	2023	2024 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2			
Margin rate	**31.8**	**33.3**	**32.9**	**32.9**	**33.1**	**33.3**	**31.7**	**32.7**	**33.3**
Variation in margin rate*	**0.2**	**1.4**	**-0.3**	**0.0**	**0.2**	**0.2**	**-2.2**	**1.0**	**0.5**
Productivity (+)	-0.5	0.4	-0.1	-0.1	0.1	0.2	-0.1	-0.8	0.2
Real per capita labour cost (-)	0.4	0.3	0.3	-0.1	-0.1	0.0	-0.2	1.4	0.1
Of which real wages per head(-)	*0.5*	*0.3*	*0.4*	*-0.2*	*-0.1*	*0.0*	*-0.7*	*1.2*	*0.1*
Of which Employer’s contribution rate(-)	*-0.1*	*0.0*	*-0.1*	*0.1*	*0.0*	*0.0*	*0.5*	*0.1*	*0.0*
VA price/consumer price ratio (+)	0.1	0.8	-0.5	0.4	0.0	0.0	0.0	0.5	0.3
Other items	0.3	0.0	-0.1	-0.1	0.2	0.0	-1.9	-0.1	0.0

■ Forecast.
* The variation shown here is a difference calculated before rounding.
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.

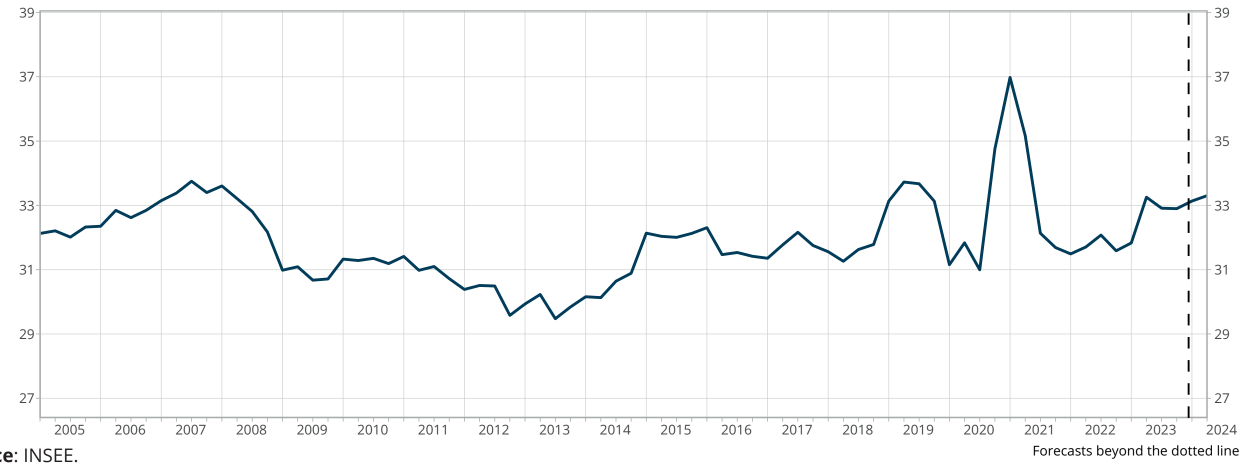
This breakdown can be synthesised in the equation:

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

Source: INSEE.

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

(in % of value added)



Source: INSEE.