Household income

In 2017, the purchasing power of household income appeared to have slowed down slightly: +1.6% after +1.8% in 2016. This slight downturn would be primarily caused by a significant recovery in consumer prices (+0.9% after –0.1%), which did not fully follow the acceleration in earned income (+3.0% after +2.0%).

In H1 2018, the purchasing power of households is likely to slow down significantly (+0.2% half-year on half-year after +0.7% in H2 2017), primarily due to a rise in inflation related to the increase in indirect taxes.

Earned income is expected to accelerate in 2017

In 2017, the earned income of households should increase again (+3.0% after +2.0% in 2016 and +1.5% in 2015; *Table 1*), particularly in the wages received by households (+3.3% after +2.0%). In the non-farm market sectors, the strong acceleration in the average wage per capita (+2.1% in 2017 after +1.2% in 2016; *Graph*) and that of payroll employment (+1.5% after +1.1% in 2016) should both contribute to this. In early 2018, the payroll received by households should remain buoyant (+1.6% half-year on half-year after +1.4%, *Table 2*).

Property income should pick up slightly in 2017 (+0.5% after –3.2% in 2016): the increase in distributed dividends would appear to have offset the drop in life insurance income, which was related to the decline in interest rates paid to policyholders. In H1 2018, property income is likely to accelerate (+1.8% for the half-year, after +1.0% during the previous half-year): the planned reduction in taxes and social contributions on investment income (introduction of a single flat-rate tax) should encourage companies to increase the distribution of dividends.

Table 1

Household gross disposable income

	Quarterly changes in %										Annual changes in %		
	2016				2017				2018		2016	2017	2018 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Gross disposable income (100%)	**0.3**	**0.3**	**0.8**	**0.5**	**0.7**	**0.6**	**0.7**	**0.7**	**0.3**	**0.9**	**1.7**	**2.5**	**1.9**
including:													
Earned income (71%)	0.5	0.3	0.6	0.7	1.0	0.7	0.7	0.6	0.8	0.7	2.0	3.0	2.3
Gross wages and salaries (63%)	*0.5*	*0.3*	*0.7*	*0.8*	*1.1*	*0.7*	*0.7*	*0.7*	*0.9*	*0.7*	*2.0*	*3.3*	*2.5*
GOS of sole proprietors[1] (8%)	*0.7*	*–0.2*	*0.2*	*0.0*	*–0.1*	*0.3*	*0.4*	*0.5*	*0.4*	*0.3*	*1.6*	*0.5*	*1.3*
Social benefits in cash (35%)	0.4	0.5	0.5	0.3	0.4	0.3	0.5	0.5	0.5	0.6	1.8	1.6	1.6
GOS of "pure" households (13%)	0.3	0.6	0.6	0.8	0.4	0.7	0.4	0.9	0.5	0.3	2.2	2.4	1.8
Property income (8%)	–1.0	–0.9	–0.5	–0.2	0.0	0.9	1.0	0.0	0.9	0.9	–3.2	0.5	2.3
Social contributions and taxes (–27%)	1.0	0.4	–0.6	0.9	0.6	0.7	1.0	0.4	1.8	–0.2	1.5	2.3	2.7
Contributions of households (–11%)	*0.7*	*0.6*	*0.5*	*0.8*	*0.6*	*0.6*	*0.7*	*0.6*	*–8.5*	*0.8*	*2.2*	*2.5*	*–7.1*
Income and wealth tax (including CSG and CRDS) (–16%)	*1.2*	*0.3*	*–1.3*	*1.0*	*0.7*	*0.7*	*1.3*	*0.3*	*9.1*	*–0.9*	*1.1*	*2.2*	*9.6*
Household consumer prices (quarterly national accounts)	**–0.2**	**0.1**	**0.1**	**0.3**	**0.6**	**–0.1**	**0.1**	**0.5**	**0.6**	**0.4**	**–0.1**	**0.9**	**1.3**
Purchasing power of gross disposable income	**0.5**	**0.2**	**0.7**	**0.2**	**0.2**	**0.7**	**0.5**	**0.1**	**–0.3**	**0.4**	**1.8**	**1.6**	**0.6**
Household purchasing power by consumption	**0.4**	**0.1**	**0.6**	**0.1**	**0.1**	**0.6**	**0.4**	**0.0**	**–0.4**	**0.3**	**1.4**	**1.2**	**0.2**

Forecast

How to read it: the figures in parentheses give the structure of the year 2016.

1. The gross operating surplus (GOS) of sole proprietors is the balance of the operating accounts of sole proprietorships. It is mixed income, because it remunerates the work performed by the sole proprietor, and possibly the members of his family, but also contains the profit achieved as an enterpreneur.
Source: INSEE

The gross operating surplus of pure households[1] should slow down at the beginning of 2018, dropping from +1.3% in H2 2017 to +0.8% in H1 2018, as the effects of lower interest rates fade after an exceptional wave of loan renegotiations in 2016 and 2017.

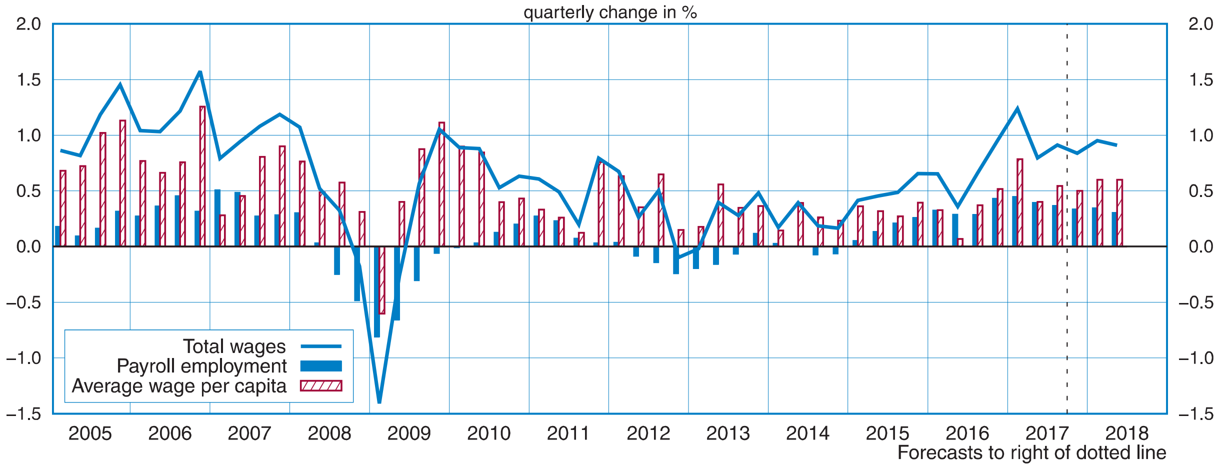
Social benefits are expected to slow down slightly in 2017

In 2017, social benefits should slow down very slightly (+1.6% after +1.8%; *Table 3*). Social security benefits should weaken (+1.3% after +1.8% in 2016). Unemployment benefits are expected to drop in particular, in line with the drop in unemployment in 2017. Social assistance benefits are also expected to slow down in 2017 (+1.9% after +2.8%) with the end of the ramp-up phase of the activity bonus. Conversely, "other social insurance benefits" should accelerate in 2017 (+2.4% after +1.6%).

In H1 2018, social security benefits are expected to accelerate a little: +1.1% half-year on half-year after +0.9%. Pension benefits should return to growth rates similar to previous trends, under the effect of the end of the shift of the legal retirement age. 2018 is expected to be the first year since 2011 in which those retiring represent an entire generation. Conversely, family benefits are expected to suffer from the projected reduction in the early childhood benefit beginning on 1st April 2018 and the past decline in the birth rate. Social assistance benefits should remain dynamic. All in all, social benefits in cash are expected to accelerate a little in H1 2018 compared to H2 2017 (+1.1% after +1.0% half-year on half-year).

1. In the national accounts, the gross operating surplus of pure households takes account, among other things, of housing services: the added value is the difference between the rent (actually paid by tenants or imputed for home owners) and the intermediate consumption of the owners, notably banking margins on real-estate loans.

Breakdown of the total gross wages received by households in the non-agricultural market sector



Source: INSEE

Table 2

From the payroll of non-financial enterprises to that received by households

	Quarterly changes in %										Annual changes in %		
	2016				2017				2018		2016	2017	2018 ovhg
	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2			
Non-financial enterprises (67%)	0.7	0.4	0.6	0.9	1.2	0.8	0.9	0.8	1.0	0.9	2.5	3.7	2.9
Financial corporations (4%)	0.0	–0.1	1.0	1.0	0.6	0.4	0.6	0.9	1.0	1.0	1.5	2.6	2.8
General government (22%)	0.0	0.2	0.8	0.5	0.9	0.6	0.3	0.2	0.7	0.2	0.8	2.5	1.4
Households excluding sole proprietors (2%)	–1.2	0.0	–0.7	–0.4	1.0	–0.5	0.2	0.0	0.0	0.0	–1.8	0.1	0.0
Total gross wages received by households (100%)	**0.5**	**0.3**	**0.7**	**0.8**	**1.1**	**0.7**	**0.7**	**0.7**	**0.9**	**0.7**	**2.0**	**3.3**	**2.5**
including: Non-agricultural market sectors	*0.7*	*0.4*	*0.7*	*1.0*	*1.2*	*0.8*	*0.9*	*0.8*	*1.0*	*0.9*	*2.4*	*3.7*	*2.9*

Forecast

How to read it: the figures in parentheses give the structure of the year 2016.
Source: INSEE

Taxes and social contributions are expected to pick up in 2017 and should remain dynamic in H1 2018

Over 2017 as a whole, taxes and social contributions borne by households are expected to accelerate (+2.3% after +1.5%). Social contributions borne by households should grow at a more sustained pace than in 2016 (+2.5% after +2.2%). Those paid by employees should increase, in line with payroll, whereas contributions from the self-employed should decrease. Taxes on income and wealth should accelerate more significantly in 2017 (+2.2% after +1.1%), with a lesser effect of tax cut measures (20% reduction in income tax for modest households in particular) than in 2016. In addition, the wealth tax (ISF) was more dynamic than in 2016, driven by the recovery in property prices and the introduction of a mechanism aiming to restrict tax base optimisation possibilities.

At the beginning of 2018, social contributions and taxes should remain dynamic (+1.6% in H1 2018 after +1.5%). Numerous measures will be implemented in 2018, with a significant calendar effect (*Focus*). The increase in the general social security contribution (CSG) by 1.7 points on 1st January 2018 should be only partially offset by the reduced contribution rate (by 2.2.points for private sector employees and 2.15 points for the self-employed) and the end to the exceptional solidarity contribution of civil servants. The contribution rate should again be reduced at the end of 2018.

Furthermore, households should benefit from tax cuts, with the introduction of the single flat-rate tax and the adjustments to the wealth tax (ISF). The effects of the housing tax are expected to be felt primarily in H2 2018. All in all, due to this tax calendar, the mid-2018 growth overhang from taxes and social contributions should reach a high level (+2.7%).

Purchasing power is expected to slow down significantly at the beginning of 2018

In 2017, nominal gross disposable household income should accelerate significantly (+2.5% after +1.7%) with earned income. However, inflation[2] should have increased significantly as an annual average (+0.9% after –0.1%), causing the purchasing power of gross disposable income to slow down a little (+1.6% after +1.8%). Reduced to an individual level in order to take account of demographic changes, purchasing power per consumption unit appears to have slowed down in a similar proportion in 2017 (+1.2% after +1.4%).

In H1 2018, despite dynamic earned income, the purchasing power of gross disposable income is expected to stall, due to the tax calendar and especially the increase in indirect taxes on energy products and tobacco. Its growth overhang is expected to be +0.6% at the end of H1 2018, compared to +1.3% one year before. ■

2. Inflation is measured here by the variation in household consumer prices, provided by the quarterly national accounts.

Table 3

Social transfers received and paid by households

	Quarterly changes in %										Annual changes in %		
	2016				2017				2018		2016	2017	2018 ovhg
	T1	T2	T3	T4	T1	T2	T3	T4	T1	T2			
Social cash benefits received by households (100%)	**0.4**	**0.5**	**0.5**	**0.3**	**0.4**	**0.3**	**0.5**	**0.5**	**0.5**	**0.6**	**1.8**	**1.6**	**1.6**
Social Security benefits in cash (72%)	0.5	0.3	0.4	0.3	0.3	0.2	0.4	0.5	0.5	0.6	1.8	1.3	1.6
Other social insurance benefits (19%)	0.7	0.3	0.5	0.4	0.6	0.6	0.9	0.4	0.5	0.5	1.6	2.4	1.9
Social assistance benefits in cash (8%)	–1.0	3.3	0.6	0.0	0.3	0.2	0.2	0.5	0.1	0.4	2.8	1.9	0.9
Total social contribution burden by households (100%)	**0.6**	**–0.1**	**0.4**	**0.8**	**0.7**	**0.8**	**0.7**	**0.7**	**–2.3**	**0.7**	**1.5**	**2.6**	**–0.7**
Actual social contributions paid	0.7	–0.1	0.4	0.9	0.7	0.8	0.7	0.8	–2.7	0.8	1.6	2.7	–1.0
including: Employers contributions[1] (63%)	*0.6*	*–0.6*	*0.4*	*0.9*	*0.9*	*0.9*	*0.7*	*0.9*	*0.8*	*0.7*	*1.2*	*2.9*	*2.6*
Contributions of households (37%)	*0.7*	*0.6*	*0.5*	*0.8*	*0.6*	*0.6*	*0.7*	*0.6*	*–8.5*	*0.8*	*2.2*	*2.5*	*–7.1*

Forecast

How to read it: The figures in parentheses give the structure of the year 2016.
1. Employer contributions are both received and paid by households in the national accounts: they therefore have no effect on gross disposable income.