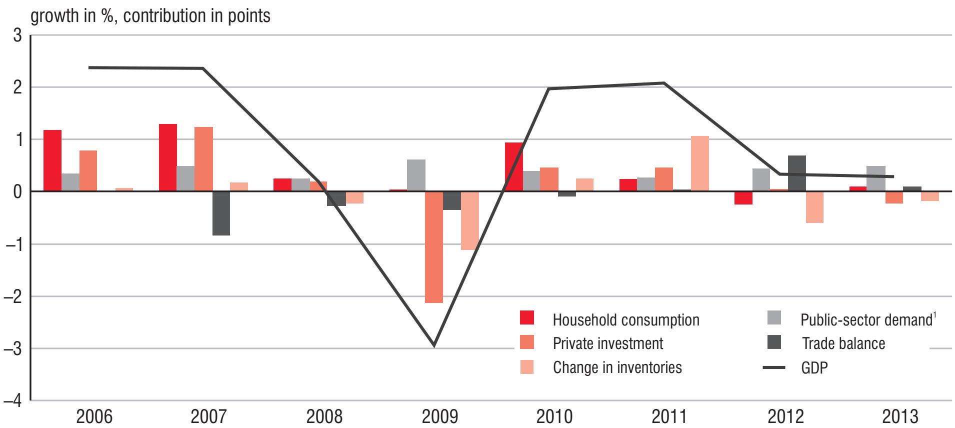
French economy still idling in 2013

*Sylvain Larrieu, Vincent Biausque, Adrien Zakhartchouk**

Contrary to the rest of the Eurozone, the French economy failed to pick up in 2013. GDP showed a slight improvement of +0.3%, as in 2012, after growth of 2.1% in 2011.
Domestic demand excluding inventories once again increased slightly, contributing 0.4 GDP points after 0.3% in 2012 (*figure 1*). Household consumption increased by 0.2% after a decline of 0.5% in 2012, helped by the stabilisation of the purchasing power of households, whereas it had fallen by 0.9% in 2012, and by a slight drop in the saving ratio. Whilst nominal household income barely increased, inflation on the other hand dropped distinctly (0.6% as an annual average after 1.4% in 2012). Moreover, domestic demand was again sustained by the increase in general government consumption expenditure (+2.6% after 2.8% in 2012). General government investment also increased by 1.0% after 1.6% in 2012. On the other hand, investments by non-financial enterprises dropped (–0.9% after +0.1%) and investments by households continued to drop sharply (–3.1% after –2.2%). All in all, investments were down by 1.9% whereas they had increased slightly in 2012 (+0.3%).
Exports showed a distinct increase to +2.2% after +1.1%, contributing to a return to growth for imports via the import content of exports, with an increase of 1.7% after –1.3% in 2012, also sustained by the acceleration of domestic demand. Foreign trade barely contributed to growth in activity with just +0.1 points. Finally, destocking had a negative impact on growth in activity in 2013, contributing –0.2 points.

The slight increase in GDP was driven by market services and to a lesser extent by energy-water-waste, the production of which increased respectively by 0.7% (after 0.9% in 2012) and 1.2% (after 2.1% in 2012). Activity in the manufacturing industry dropped once

1. Contribution of the main aggregates to GDP growth



1. Including non-profit institutions serving households.
Source: INSEE, national accounts - 2010 base.

* Sylvain Larrieu, Vincent Biausque, Adrien Zakhartchouk, Insee.

again in 2013 (–0.8% after –2.2% in 2012). The same was the case for activity in construction, (–1.4% after –1.7% in 2012).

Related to the lasting weakness of activity, employment fell slightly by 0.3% whereas it was stable in 2012 and the level of unemployment stabilised at 9.8% in Q4, as one year previously.

The public deficit fell to 4.2% of GDP after 4.8% in 2012 under the impact of the ongoing fiscal consolidation measures. The total tax burden also increased faster than expenditure whereas its weight in GDP would have decreased by 0.5 points excluding any new measures. The weight of the public debt in GDP increased by 3.1 points to reach 91.8% (*box 1*).

Activity continued to grow at a slow pace

Fall in manufacturing activity

Manufacturing activity decreased in 2012 (–2.2%) after two years of growth in 2010 and 2011. Whilst the decrease continued in 2013 (0.8%), the drop was smaller overall than the previous year. However, manufacturing value added also dropped by 0.8% (*figure 2*), whereas it had increased by 0.5% the previous year. Intermediate consumption of the manufacturing sector had fallen more sharply than production in 2012 whereas it remained parallel to production in 2013.

Household consumption of manufactured goods continued to decline, but less than in the past year (–0.8% after –1.5% in 2012). Moreover, firms in the manufacturing sector restocked in 2013 for the first time since 2007. In contrast, the slowdown in exports (+1.3% after +2.1%) and the drop in investments (–1.4% after 0.8%) impacted manufacturing activity.

Within the manufacturing branches, agrifood production dropped after holding up in 2012 (–2.4% after +0.4%) whereas production in coking and refining, already on a downward slope on average since 2009, dropped once again (–0.9% after –12.0%).

Box 1

Assessing the economic well-being of the Nation: as well as GDP, national disposable income

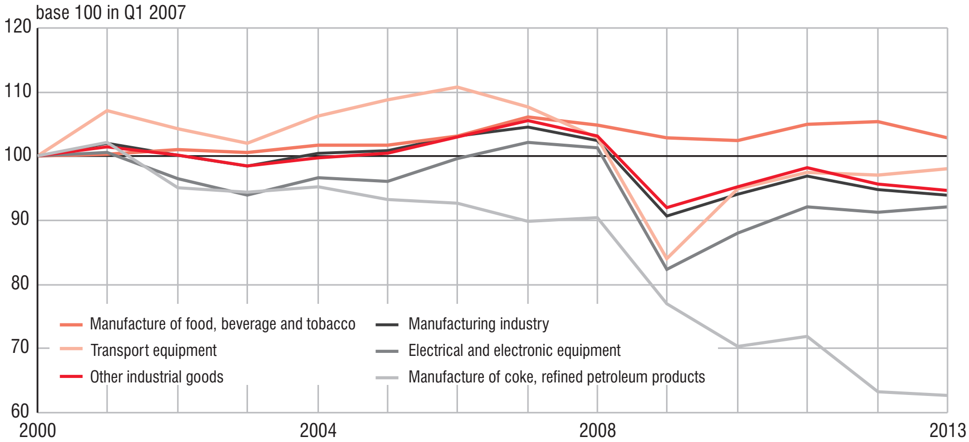
*Anne-Juliette Bessone, Ronan Mahieu**

Gross domestic product (GDP) provides a measure of the productive activity within a country. In that respect, it is given pride of place in the monitoring of economic conditions, but part of that activity is used to remunerate foreign capital and the cross-border work performed in France by non-residents. Inversely, part of the resources of residents in France comes from income derived from overseas investments, as well as wages received by residents working abroad. For those reasons, the "Stiglitz" commission on the measurement of economic performance and social progress recommended focusing on gross national income (GNI) rather than on GDP. This approach can be extended to gross national disposable income (GNDI) which also takes account of other flows of income outside of the country (taxes paid to the European Union, social benefits paid to non-residents or received by residents from abroad).

In 2013, GDP increased by 1.1% in value. The increase in GNI was more dynamic (+1.3%) due to the improvement in the balance of property income (received less paid to the rest of the world). The increase in GNDI (+1.1%) is less than that of the GNI, mainly because of the rise in own-resources payments for the European Union.

* Anne-Juliette Bessone, Ronan Mahieu, Insee.

2. Evolution in output by manufacturing branches



Source: INSEE, national accounts - 2010 base.

Production of other industrial goods also showed a new fall, after that of 2012 (–1.1% after –2.6%). However, the capital goods branch bounced back in 2013 (+1.5% after –0.9%), as did the transport equipment sector (+1.0% after –0.4%).

Energy-water-waste production slowed (+1.2% after +2.1% in 2012); the negative impact of the drop in household consumption of energy was offset by the increase in intermediate consumption of energy products which had dropped in 2012 as a result of the sharp decline in manufacturing production.

Drop in construction activity

Activity dropped once again in construction (–1.4% after –1.7% in 2012). There was a distinct decrease in investment in construction as a result of the sharp drop in investment by non-financial enterprises (–2.7% after –4.0%) despite the rebound recorded in general government investment (+1.3% after –0.1%).

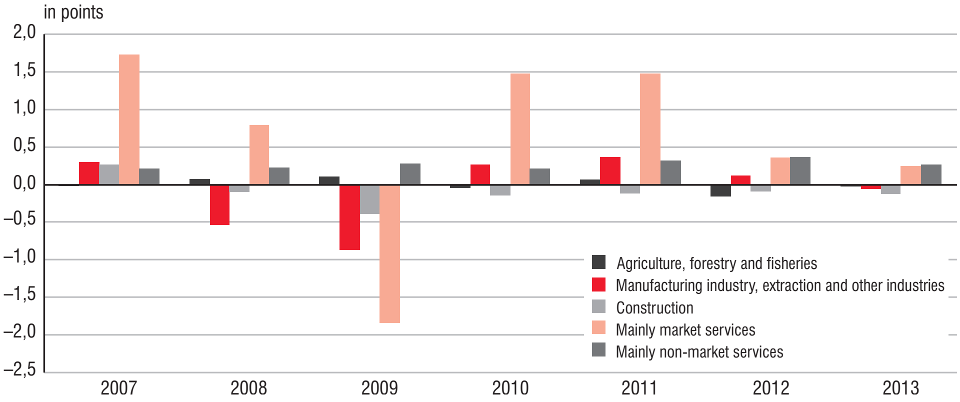
Production of market services picked up

Production of market services slowed very slightly with an increase of 0.7% against +0.9% in 2012. Market services weighed heavily in value added and provided the main contribution to GDP growth (*figure 3*).

Activity in the services sector benefited from the smaller drop in activity in the industrial branches through the demand for services from those branches. The other components of demand remained stable.

Whilst activity continued to drop in accommodation and catering services (–1.8% after –1.1%), it increased in the transport branch (+0.6% after +0.8% in 2012), in trade (+0.3% after +0.0%) and in information-communication services (+1.4% after +3.8%). Furthermore, it increased in services to businesses (+1.2% after +0.8%). Growth in production of the non-market services of general government remained relatively stable at +1.5% after +1.6% in 2012.

3. Contribution of the main sectors to total value added growth



Source: INSEE, national accounts - 2010 base.

Drop in investments and inventory, fall in corporate margins

Faced with a continuing drop in demand, firms ran down their inventories and cut back on their investments. These two factors impacted activity.

A noticeable drop in investments

Investments generally react to trends in activity by amplifying their movements. This is called the "accelerator effect" and it means that a small variation in demand results in a greater variation in investments. Moreover, corporate investments tend to adjust with a time lag to variations in demand to the extent that any recovery in investments occurs later than that of value added. Following the low level of activity in 2012, the investments of non-financial enterprises dropped substantially in 2013 (–0.9% after +0.1%). The investment rate dropped to reach 20.9% of value added after 21.0% in 2012.

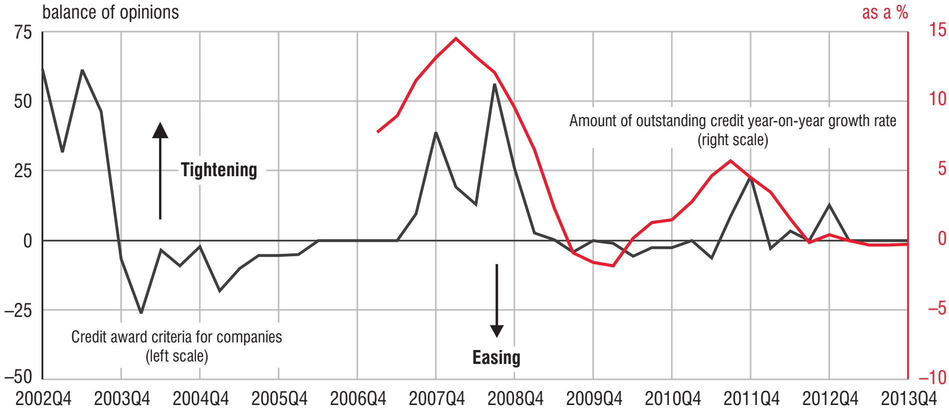
Despite low real borrowing rates, outstanding loans in France also dropped (–0.2%) after having increased in 2011 and 2012 by +4.0% and +1.6% respectively (*figure 4*). Production prospects were at a standstill after a sharp downturn in 2012. Additionally, the production capacity utilisation rate dropped slightly (–0.5 points in industry) having already suffered a drop in 2012 (–1.2 points in industry). It stood at more than 4 points below its long-term average.

Investments by non-financial enterprises (NFE) in manufactured goods dropped by 1.3% after –1.7% in 2012. The reduction in purchases of transport equipment and other industrial products was particularly significant, at –3.5% and –2.0% respectively. Similarly, there was a considerable drop in investment in construction (–2.7% after –4.0% in 2012). However, investments by NFEs in market services increased but at a very slow pace (0.6% after +4.7%), especially due to the slow growth in investments in information and communication (+0.3% after +7.3% in 2012) and in services to businesses (+1.0% after +2.2%).

Change in inventories had a negative impact on growth in activity

During the recession of 2009, firms substantially reduced their inventories, a trend which continued into 2010. After the high level of restocking in 2011, change in inventories declined

4. Corporate lending terms



Field: France.
Note: creditaward criteria for companies tighten on average for positive values. On the contrary, easing occurs when the curve goes under the X-axis.
Source: Banque de France.

in 2012 and 2013 to the point of becoming negative. Firms started destocking again in 2013. The accounting contribution of change in inventories to growth thus stood at –0.2 points after –0.6 points in 2012.

Drop in margins

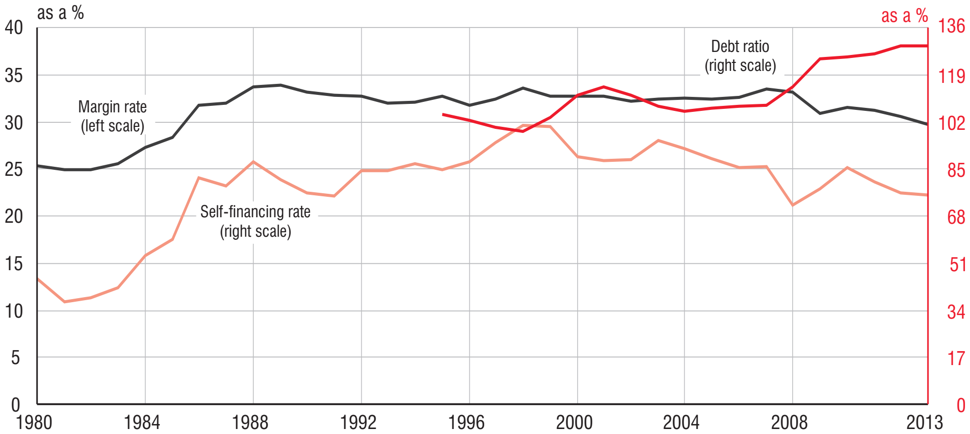
The financial situation of non-financial enterprises (NFE) took a turn for the worse in 2013 with a distinct drop in gross operating surplus (–2.6% after –0.4% in 2012). The value added of NFEs slowed considerably in value (+0.3% in current euros after +1.6% in 2012) whereas remuneration costs, although slowing down due both to the shrinkage in employment and to the slowdown in the average wage per capita, were much more dynamic (+1.1% after +2.2%).

Similarly, the various taxes on production (net of subsidies) were more dynamic than value added (+8.6%) and continued to impact the operating costs of companies. In particular, the taxes on production remained dynamic (+5.6%), driven by the implementation of new measures such as the increase in the fixed social contribution to 20% in August 2012 which counted for the first time in a full year, the addition of a tax bracket and the widening of the base of taxes on wages, all measures which contributed to the increase.

All in all, the margin rate of NFEs dropped sharply to 29.7% after 30.6% in 2012. It fell to a level only just above that of 1984.

However, although it remained structurally negative, the property income balance of NFEs improved by 10.0 Bn Euros. This improvement mainly came from the interest paid in 2013 which dropped as a result of the lowering of rates (–12.3 Bn Euros). Furthermore, sustained by new measures, income tax and property tax of NFEs showed a sharp increase, of +10.1%. In particular, the new corporation tax measures (*box 2*) ultimately took their toll on the saving of enterprises which dropped once again (–1.4% after –3.5%). Mention can be made of the increase from 10% to 12% of the quota share for costs and overheads on long term capital gains, the limitation on deductibility of financial costs and the allocation of deficits, the reform of the fifth progress payment and the new additional contribution on dividends paid out (*figure 5*).

5. Margin rate, self-financing rate and debt ratio of non-financial enterprises



Field: France.
Note: debt ratio is measured by the ratio "average debt of the year / value added of the year".
Sources: INSEE, Banque de France.

Box 2

National accounting treatment of the Tax Credit for Competitiveness and Employment (CICE)

*Ronan Mahieu**

As from 1st January 2013, wages paid by companies give them entitlement to a tax credit for competitiveness and employment, the CICE. The base for the CICE consists of the gross wages subject to social contributions paid in the course of a calendar year up to the ceiling of 2.5 times the minimum legal wage. The tax credit rate is 4% for wages paid in 2013 (the first year of application) and 6% for those paid in the following years. The CICE is deducted from the amounts due in corporation tax.

Generally speaking, the CICE due for a given year is set against the corporation tax due for that year. Thus the CICE calculated on the wages paid in 2013 is to be set against the corporation tax due for 2013. If the CICE cannot be used entirely (because it exceeds the amount due for corporation tax), it can be used to pay the tax due over the next three years. Any fraction that has not been set off at the end of the 3 years is paid back to the company. Exceptionally, an immediate and full reimbursement of the credit may be requested by certain firms (SMEs, start-ups, young innovative companies, companies in difficulty).

Given these characteristics, the CICE due for the year 2013 is recorded in the 2013 accounts of companies but only starts to impact their cash flow as from the payment of the outstanding corporation tax due for the year 2013, i.e. in 2014. In company accounts, it can be shown as a deduction from compensation of employees but also as a deduction from corporation tax.

The CICE treatment in national accounting is very different. In accordance with the provisions of the new European System of Accounts (ESA 2010) concerning tax credits, the CICE must be recorded as a one-off expenditure for the year in which the company presents its claim to the State. Therefore, in national accounting, the CICE does not represent a deduction either from wages or from taxes paid but is recorded as a subsidy on wages (D.391). Furthermore, the CICE due for 2013 is recorded in one single entry in 2014 whereas the impact of the CICE on budgetary income is spread over several years.

This mode of recording the CICE therefore results in a time lag in terms of impact on the State deficit, depending on whether the balance of budget implementation or the deficit in national accounting reported to the European Commission is taken into account. The CICE due for the fiscal year of 2013 is carried entirely

* Ronan Mahieu, Insee.

Box 2 (cont'd)

by the deficit notified for 2014, whereas the impact on the balance of budget implementation is spread over several years as from 2014. Moreover, the CICE improves the accounts published by companies in 2013 whereas the account of non-financial enterprises (NFE) in national accounting is affected only as from 2014. In national accounting, given its recording as a subsidy on wages, the CICE does not modify the total wages paid by the NFE but improves their margin rate and their self-financing ratio.

It should be noted that companies can benefit from the CICE in their cash flow as from 2013. The "pre-financing" of the CICE is based on the divestment to a banking institution of the debt held by the State under the CICE. The banking institution forwards the amount to the company then recovers the debt from the State over the following years. As this pre-financing mechanism does not involve any outlay for the tax authorities in 2013 (nor even the formal recognition of a debt under the CICE), the pre-financed amounts of the CICE do not affect the deficit reported for 2013.

Growth in the activity of financial enterprises continued at a moderate pace in 2013

Despite a pick-up in activity, the saving of financial companies declined

In 2013, there was a slight recovery of the value added of financial enterprises in current Euros after a drop in 2012 (+5.7%, after –0.9% in 2012).

2013 was marked by a sharp drop in interest rates. The base rate of the ECB was lowered by 50 points between January, 1st and December, 31st 2013 to a level of 0.25%. In this context, financial institutions increased their margin on the rates of loans granted to various economic agents whilst their margins on the rates of deposits decreased. As the former effect outperforms the latter, the non-invoiced production of financial institutions, known as FISIM[1], increased by 3.0 Bn Euros (+6.5%). Taking account of the concomitant drop in their intermediate consumption (–0.7%), the value added of financial institutions increased by close on 4.0 Bn Euros (+6.4%).

Furthermore, there was a substantial drop in the wages in the sector (–1.5%), in particular because certain leading banking establishments implemented staff cut-backs. The Gross operating surplus (GOS) of financial institutions therefore showed a substantial increase (+19.8%).

On the other hand, the property income balance in the sector was severely hit by the drop in interest received (–31.8 Bn Euros). The interest paid, also much lower (–20.2 Bn Euros) failed to compensate for the decrease. All in all, the balance of the primary income of financial institutions dropped by –5.8 Bn Euros. The increase in current taxes and investments also contributed to the considerable worsening of the net lending of financial institutions (–6.9 Bn Euros).

After 2012, marked by a sharp drop in the value added of insurance companies (–12.9%) and by the first annual outflows of life insurance funds, the sector showed new signs of life thanks to its various components: life insurance (+5.7%), damage insurance (+2.1%) and reinsurance (+13.9%). Life insurance benefited from a context of low inflation, a drop in the interest rates of regulated saving and a stable fiscal situation which served to restore the attractiveness of this type of investment. With intermediate consumption (+2.0%) growing more slowly than production (+4.0%) the value added of the sector enjoyed a substantial rebound (+9.7%). Nevertheless, the drop in income attributed to holders of investment fund shares (–0.8% Bn Euros) combined with the

1. Financial intermediation services indirectly measured.

carry-over of the exceptional tax on capitalisation reserves impacted the net borrowing of insurance companies which increased by over one Bn Euros.

Employment down

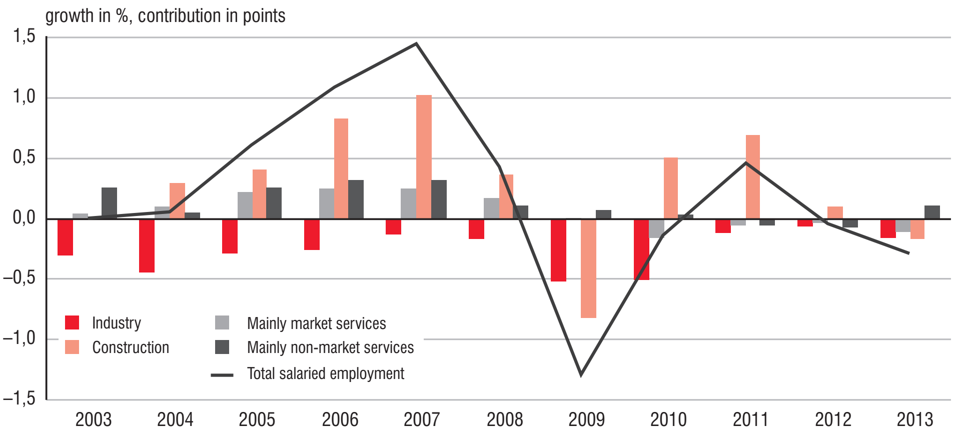
Non-agricultural market employment dropped slightly (–0.7%) due to stagnation in the sector. The drop in total employment was smaller (–0.3%) thanks to the increase in non-market employment (+0.4%) supported by subsidised jobs and by self-employment. The level of unemployment increased as an annual average to +9.9% after +9.4%.

Paid employment down

After the recession of 2009, there was a relatively early pick-up in employment given the accumulated productivity losses (*figure 6*). As from 2011, however, employment once again followed patterns closer to those observed in the past. Faced with stagnation, non-agricultural market employment fell by an annual average of –0.7% in 2013. All in all, paid employment dropped by 0.3%, i.e. a net loss of 71,000 jobs, after a net loss of 9,000 jobs in 2012. Paid employment in the non-agricultural market sector, which accounts for over 60% of total paid employment and which explains the greater part of the variations, lost 109,000 jobs as an annual average[2] after an increase of 2,000 jobs in 2012 (*figure 7*).

This new fall in employment affected industry (–39,000 jobs as an annual average) and market services (–41,000 jobs). In particular, employment in the construction sector continued to decline (–29,000 jobs after –7,000 in 2012). The drop in market employment was partly offset by the increase in non-market employment (+27,000 jobs).

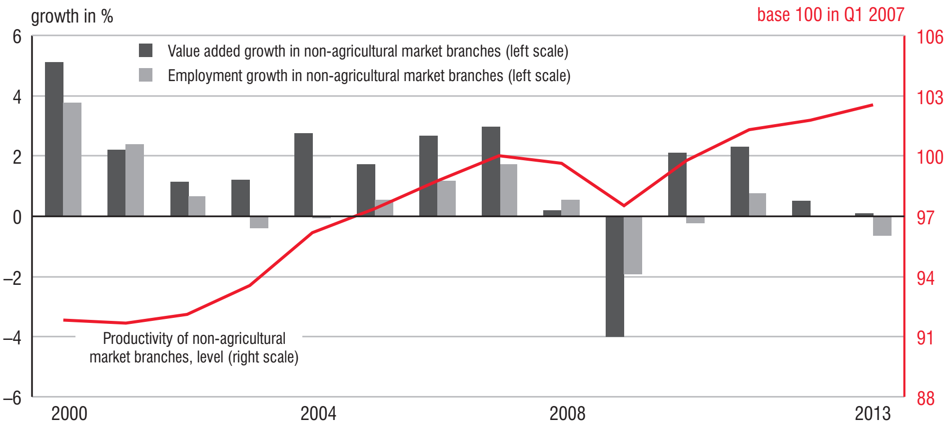
6. Trend in salaried employment



Field: France.
Source: INSEE, national accounts - 2010 base.

2. Employment calculated within the meaning of national accounting differs from employment as usually published by the INSEE, mainly regarding the period concerned. It is calculated as a quarterly (or annual) average whereas employment as usually published by the INSEE is employment at the end of the period (end of the quarter or of the year). Thus employment lost 62,000 jobs between the end of 2012 and the end of 2013 in the mainly market sectors.

7. Growth in productivity, value added and employment in the non-agricultural market branches



Field: France.
Source: INSEE, national accounts - 2010 base.

Unemployment rose as an annual average but levelled off at the end of the year

After a gradual reduction in 2010 and in early 2011 in metropolitan France, unemployment resumed its upward curve in 2012. In Q4 2012, it reached 9.8% of the labour force within the meaning of the International Labour Office (ILO). Since then, following a slight increase in Q1 2013, the unemployment rate returned to the level at the end of 2012, levelling off at 9.8% in Q4 2013.

So whilst the annual average of unemployment increased (9.9% after 9.4%) it remained more or less stable over the four quarters of 2013. The worsening employment situation was counterbalanced by a slight drop in the labour force.

Rise in real wages

In 2013, the average wage per capita in the non-agricultural market sectors increased by 1.3%, slightly down from 2012 (+1.8%). The lower level of inflation (0.7% at the end of 2013 compared to +1.3% at the end of 2012, year on year) was only partially passed on to wages and therefore wages increased only slightly in real terms across the non-agricultural market sectors with 0.7% compared to 0.4% in 2012.

In general government, there was a slight slowdown in the payroll (+1.1% after +1.4%) in particular due to the small increase in the minimum wage in 2013. This should be partly offset by the stabilisation of employment in general government in 2013 driven by the increase in subsidised jobs after two consecutive years of decline in 2011 and 2012.

Stabilisation of purchasing power and slight increase in household consumption expenditure

In 2013, the purchasing power of household income remained stable thanks to low inflation, whereas it had declined in 2012. In such circumstances, consumption grew slightly after a drop in 2012.

The increase in gross disposable household income remained steady in value

In 2013, growth in the gross disposable income of households remained steady at 0.6% after 0.5%. On the one hand, there was a slowdown in earned income: the gross earnings per household increased by 0.8% compared to +1.8% in 2012, a phenomenon which reflected the employment situation. The GOS of sole proprietors remained stagnant (–0.1% after +0.8%) in line with the low level of activity, and that of pure households[3] showed a slowdown (+0.9% after +1.8%).

On the other hand, the property income balance of households picked up in 2013 (+1.0% after 4.4% in 2012, i.e. +1.1 Bn Euros compared to 5.0 Bn Euros in 2012) thanks to income distributed by companies (+1.7 Bn Euros in 2013). This increase is essentially the result of the rise in the purchase of shares by households in 2012 leading to dividends received with a time-lag of one year. However, due to the lower interest rates, interest and investment incomes dropped by 1.1 Bn Euros.

Current tax on income and wealth continued to rise but at a slower pace (+3.9% after +9.0%, i.e. +7.8 Bn Euros compared to +16.5 Bn Euros in 2012). Practically all of this new increase came from the rise in income tax (creation of a new tax bracket at 45%, lowering of the ceiling of the family allowance, end of deductibility of overtime), from the increase in the generalised social contribution and of council tax. In contrast, the solidarity tax on wealth dropped by 0.7 Bn Euros in reaction to the one-off contribution in 2012.

There was a slowdown in the social benefits in cash received by households (+12. billion Euros compared to +16.1 Bn Euros in 2012). After the exceptional increase of 25% of the back-to-school allowance in 2012, this decrease was seen in particular in family allowances where benefits increased by only 1.2% against +3% in 2012. Similarly, unemployment benefits, although continuing to rise at a steady pace given the deterioration in the labour market, also slowed (+4.5% after +5.9%).

A sharp drop in inflation

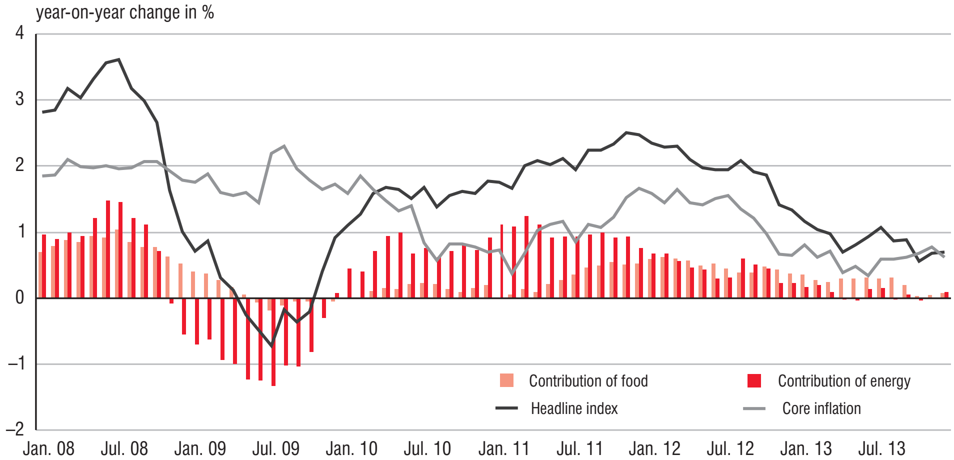
As an annual average, the increase in consumer prices[4] stood at +0.9%, a distinct slowdown compared to 2012 (+2.0%). Year on year, inflation even dropped by 1.8 points between December 2011 and December 2013.

The drop in headline inflation can be partly ascribed to the drop in core inflation which, as an annual average, dropped by 0.7 points from 1.3% to 0.6%. That trend was mainly due to the continuing drop in core inflation in H2 2012. From the end of 2012, year-on-year core inflation remained more or less stable (0.6% in December 2013 against 0.7% in December 2012). Moreover, there was a considerable decrease in energy inflation in 2013, falling from an annual average of +5.2% in 2013 to +0.8%. The slowing of energy prices therefore continued over practically three years, having dropped year on year by 14.3 points between the peak in March 2011 (+15.3%) and December 2013 (+1.0%). *Box 3* looks at this trend in inflation in more detail (*figure 8*).

3. What in national accounting in called the GOS of pure households corresponds to the rent that private owners get from their tenants or that they could get if they rented their property (then called "imputed rents") after deduction of intermediate consumptions and property tax.

4. The consumer price index discussed here differs somewhat from the consumer deflator mainly because of differences in the scopes covered. The deflator increased by 0.6% in 2013 compared to +0.9% for the consumer price index. It is the consumer deflator that is used to calculate purchasing power.

8. Consumer price index and core inflation



Field: France.
Source: Insee.

Box 3

Inflation was down in France, as in the main Eurozone economies

*Kevin Milin**

In 2013, inflation dropped in the main economies of the Eurozone. In France, growth in the harmonised consumer price index (HCPI) stood at +1.0% as an annual average in 2013, after +2.2% in 2012. A similar slowdown was also observed in Germany (where inflation dropped by 0.5 points), in Spain (a drop of 0.9 points) and in Italy (a drop of 2.0 points). The decrease mainly stems from manufactured products, telecommunication services and energy.

In particular, the depreciation of energy contributed in all countries to a drop in inflation, even though that contribution was smaller in France (–0.1 in 2013) than in the main economies of the Eurozone. This decrease is ascribable to the drop in the price of Brent crude (€81.9 in 2013 compared to €86.9 in 2012), linked in particular to the increase in the exchange rate in 2013 ($1.33 in 2013 compared to $1.28 in 2012) which reduces imported inflation.

In the food sector, the curves converge. Inflation slowed in the main economies of the Eurozone. In France, Germany and Italy, the decrease in the price of fresh products in 2013 contributed to the drop in food inflation by 1.0 point, 0.9 points and 0.5 points respectively. In Spain, it was the price of meat which contributed most to the slowdown in food prices.

Prices of manufactured goods also rose less in 2013 than in 2012 in France, Germany and Italy, in particular as a result of the drop in the prices of industrial commodities imported in 2013. Spain proved to be an exception: because of the increase in VAT in September 2012, inflation remained high up until October 2013.

Inflation in the services sector was also lower in 2013 than in 2012 in France, Italy, Spain and Germany, since the prices of telecommunications dropped considerably in 2013.

Just like headline inflation[1], core inflation dropped in 2013 in France (–0.8 points) and in Italy (–0.7 points), was inverted in Spain (–0.2% in 2013, at a constant tax rate, after +0.5% in 2012), and remained stable in Germany (–0.1 points between 2012 and 2013) (see *figure 1*).

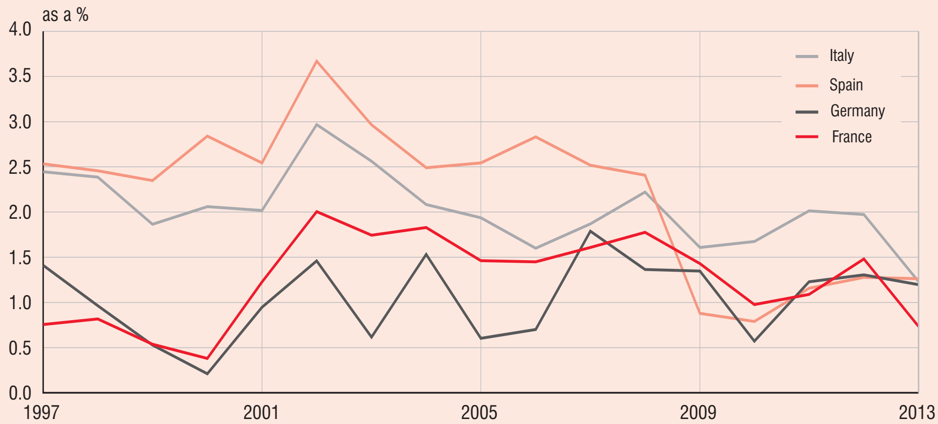
* Kevin Milin, Insee.
1. Core inflation excludes products with volatile prices such as food and energy.

Box 3 (cont'd)

This slowdown can be explained by the slowing of unit wage costs and by the drop in imported inflation. Unit wage costs[2] (*figure 2*), measured as the ratio between the average wage per capita and the productivity of employees, continued to drop in Spain (–3.8% in 2013 after –3.1% in 2012) and slowed in France (+1.7% after +2.1%), in Italy (+1.25% after +2.75%) and in Germany (+2.0% after +3.3%). In Italy, the slowdown can be attributed to a negative contribution of productivity gains, accounting for –2.6 points in the variation observed between 2012 and 2013. In France and Germany, it was the slowdown in the average wage contribution per capita (0.9 points in Germany, 0.3 points in France between 2013 and 2013) which led to the decrease in the unit wage cost. In Spain, the sharp drop in the contribution of productivity was more than offset by an acceleration in the average wage per capita. Moreover, the drop in import prices in 2013 also contributed to the slowing of core inflation in relation to value added prices.

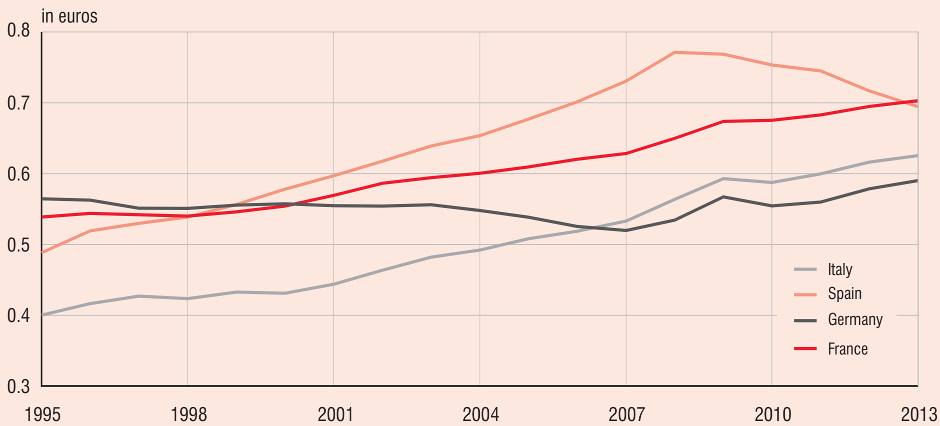
The drop in core inflation was, however, offset in Spain and Italy by the increase in the margins of non-financial enterprises in 2013, whereas they remained stable in Germany and France, hence without any contribution to the variation in core inflation.

1. Annual core Inflation in the meaning of HPI in main eurozone economies



Source: Eurostat.

2. Unit wage costs



Source: Eurostat.

2. To ensure data comparability, the presented data are 2005 base data.

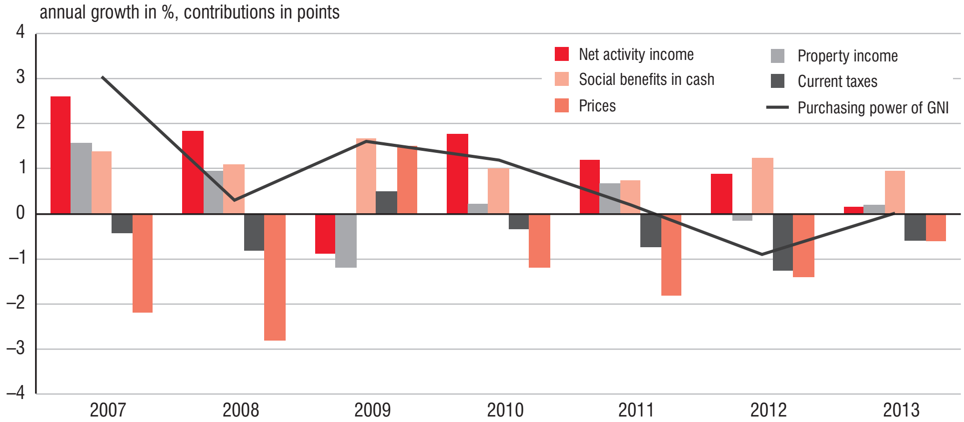
Stability of purchasing power

The increase in nominal household income was equal to that of the household consumption deflator (0.6%). Purchasing power therefore remained stable after a drop of 0.9% in 2012 (*figure 9*).

Comparison of the variations in the components of purchasing power in 2013 to their average variation between 2000 and 2012 (*figure 10*) shows, as in 2012, that real earned and wealth incomes contribute little to any gains in purchasing power, compared to the mean of 2000-2012. Moreover, in real terms, cash benefits grew at a pace similar to that of the years 2000-2012. Inversely, taxes contributed less than in 2012 to bringing about a drop in purchasing power.

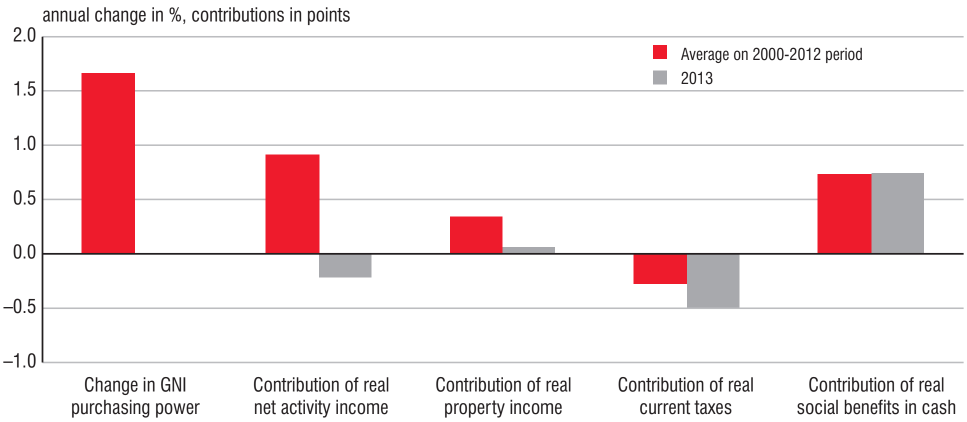
Per consumption unit, i.e. brought to an average individual level, purchasing power dropped once again in 2013 (–0.6%).

9. Contributions to change in households purchasing power of disposable income



Field: France.
Source: Insee, national accounts - 2010 base.

10. Breakdown of GNI change in 2013, compared to the average on 2000-2012 period



Field: France.
Note: purchasing power may be broken down like nominal GNI, when all GNI components are assessed in real terms, i.e. after taking into account consumption price increase. Thus this figure shows, for instance, that the contribution of real net activity income to the purchasing power growth changed by -0,2 point in 2012, whereas it was +0,9 point on average for the 2000-2012 period.
Source: INSEE, national accounts - 2010 base.

A slight increase in consumption but stagnation in purchasing power

The stabilisation of the purchasing power of household incomes brought a slight increase in household consumption, of +0.2% in volume after –0.5% in 2012. The aggregate saving ratio dropped slightly to 15.1% after 15.2% in 2012 (*figure 11*). The level of saving would appear to remain at a ratio close to its average level over the last 20 years (15.4%).

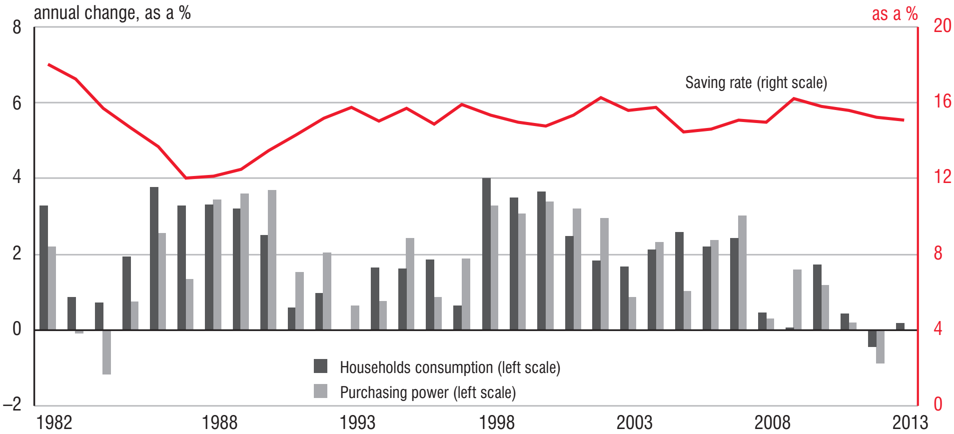
Expenditure on manufactured goods continued to decline (–0.8%) after a sharp drop in 2012 (1.5%). On the one hand, the decrease continued but at a slower pace in transport equipment and particularly cars (–5.7% after –8.0%) and in other industrial goods (–0.7% after –1.5%). On the other hand, consumption of capital goods continued to rise (+4.6% after +4.9%). Coking and refining consumption, which has been falling each year since 2003, once again dropped slightly in 2013 (–0.5%) as was the case of the consumption of agrifood products (–0.3% after 0.0% in 2012).

Energy-water-waste consumption rose by +2.1%. Average temperatures in 2013 were slightly lower than in 2012. Energy consumption had increased even more in 2012 (+6.6%) when temperatures returned to normal after an exceptionally mild year in 2011.

Consumption of market services continued to rise slightly (+0.5% after +0.4%). There was a greater drop in the consumption of other household services[5], which include in particular recreational and artistic activities and domestic services (–1.4% after –0.2%). Consumption of accommodation and catering services also declined (–1.4% after –1.8%). However, consumption of financial services picked up (+1.2% after +0.6% in 2012), together with that of information and communication services (+3.2% after +2.4%) and the consumption of transport services (+0.5% after a period of stability in 2012). The growth rate of the other items of services consumption remained relatively stable between 2012 and 2013.

Finally, the balance of tourist exchanges (the consumption by foreigners in France less the consumption by French people abroad) dipped slightly but remained positive. The territorial correction thus made a positive contribution to total consumption in 2013 (+0.1 points) after a negative contribution in 2012 (–0.4 points).

11. Evolution in households saving rate, consumption and purchasing power



Field: France.
Source: Insee, national accounts, 2010 base.

5. Item RU of the NAF classification, rev. 2.

Household investments dropped substantially (–3.1% after –2.2%). In construction in particular, there was a sharp drop in housing starts for the second year running.

All in all, the financial saving ratio of households showed a slight increase, to 5.8% after 5.6% in 2012, and stood at 0.2 points above its average over the period 2000-2012 (*box 4*).

Foreign trade no longer buoying up activity

Thanks to the upturn in world trade, French exports accelerated

In 2013, world trade in goods accelerated (+2.7% in volume after +1.9%), in line with the slight improvement in activity in the advanced economies. World demand for French products thus accelerated slightly, driven by the geographical orientation of France's trade. This acceleration was mainly due to increased demand for imports in Spain (+0.4% after –5.7% in 2012) and to the slower fall in Italy (–2.9% in 2013 after –7.1% in 2012) while that from other partners held up.

Exports of goods and services from France accelerated in 2013, progressing by 2.2% in volume, after +1.1% in 2012. This growth remained below that in world trade in goods (*figure 12*), but slightly higher than demand for French products, showing slight gains in market share. Exports suffered, however, from the rise in the Euro from mid-2012 and throughout 2013.

12. Change in French exports and world trade of goods

Sources: Insee, Centraal Planbureau.

Exports of manufactured goods slowed down

Exports of manufactured goods, which represent about three-quarters of sales, slowed down (+1.3% after +2.1%). This slowdown was due to weak growth in exports of capital goods (+0.3% after +2.1%), of other industrial products (+1.1% after +1.7%) and transport equipment (+3.4% after +5.4%) as well as the fall in exports of agrifood products, which had progressed in 2012 (–0.5% after +1.1%). Conversely, exports in coking-refining rebounded (+0.7% after –7.1%).

Exports of energy, water and waste continued to fall back (–7.4% after –5.5%). Conversely, exports of agricultural products progressed, when they had fallen in 2012 (+9.1% after –6.9% in 2012). All in all, exports of goods slowed down slightly (+1.3% after +1.6%) while exports of services rebounded strongly (+6.4% after –2.2%).

box 4

From the purchasing power of disposable income to the purchasing power of "arbitrable" income per consumption unit

*Sébastien Durier, Nathalie Morer**

The term purchasing power is widely used, but can encompass a number of very different meanings: the global, consistent framework of the national accounts has the merit of providing a precise definition on an internationally-harmonised basis. It represents the purchasing power of the gross disposable income of all households (or real disposable income). Gross disposable income is taken as being that part of income that remains at the disposal of households for consumption or saving, once the social contribution and tax burden has been deducted [1].

Variations in the purchasing power of disposable income show the relationship between the variation in gross disposable income and that in the price of household consumption expenditure.

However, this macroeconomic measurement may differ from the perception households have of the variations in their standard of living. In particular, the vision households have of their purchasing power may cover a much narrower scope in that they consider that they in fact have little control over some of their consumption expenditure as that expenditure must be made in any case: households may therefore tend to focus on their available room for manoeuvre for making free choices as to what they consume or save. For a better understanding of this perception of purchasing power, we can examine the variation in "arbitrable real" income, meaning disposable income once a whole set of so-called "pre-committed" consumption expenditure has been deducted.

The growing weight of "pre-committed" expenditures in household budgets

"Pre-committed" expenditures are those made within the framework of contracts that are difficult to renegotiate in the short term. This complementary approach, presented notably in the 2007 edition of L'économie française under the term of "forced" expenditure, was taken up, refined and recommended by the "Household Purchasing Power Measurement" Commission in its reports submitted on 6 February 2008 to the Minister for the Economy, Industry and Employment. This expenditure is defined as follows:

- housing-related expenditure (including imputed rents[2]), and spending related to water, gas, electricity and other fuels used in the home;
- telecommunications services;
- school lunch expenditure;
- television services (licence fee, subscriptions to pay TV channels);
- insurance (excluding life insurance);
- financial services (including financial intermediation services indirectly measured[3]).

The share of "pre-committed" expenditure represents a growing fraction of household budgets: it has grown from 12.3% of their disposable income in 1959 to 29.1% in 2013, representing a rise of almost 17 points over some fifty years or so (*figure 1*).

Expenditure relating to housing represents over three-quarters of this rise: its share in household income has risen from 9.3% in 1959 to 22.9% in 2013. The share of insurance and financial services (including FISIM) is more limited. It began by increasing from 1.9% in 1959 to 6.1% in 1989, before dropping back to 3.1% in 2013, driven by increasing competition between banking institutions and the fall in interest rates, accompanied by tighter bank margins on deposits and lending. Television and telecommunications expenditures, meanwhile,

* Sébastien Durier, Nathalie Morer, Insee.

1. Gross disposable income includes earned income (gross wages of households plus the profits of sole proprietors), property income excluding unrealised and realised capital gains (dividends, interests, and rents), transfers (notably insurance benefits net of premiums paid) and social benefits (retirement pensions, unemployment benefits, family allowances, basic income support, etc.). Taxes and social contributions paid are deducted from this income. The four main taxes taken into account are: income tax, the Generalised Social Contribution (CSG) and the Social Debt Repayment Contribution (CRDS). Inheritance tax is not taken into account, however.
2. The national accounts consider that owner-occupier households in fact pay themselves a so-called "imputed" rent which is assessed at private rental market prices. This rent therefore boosts the level of their disposable income and that of their consumption expenditure.
3. FISIM corresponds to the margins made by the banks on interest rates on deposits and loans.

Box 4 (cont'd)

saw their share rise from 0.5% in 1959 to 2.1% in 1999, then progress strongly in the first half of the 2000s to stand at 2.8% in 2009, before falling significantly, notably under the effect of falling prices, to 2.2% in 2013.

The growing weight of "pre-committed" expenditures, notably from 2003 onwards, may have generated a feeling among households of a certain impoverishment, reinforcing their perception of a gap with the effective measurement of purchasing power. However, it should be remembered that over the long term, this rise has gone hand in hand with a decline in the weight of essential goods (food and clothing) in their budget, as the general standard of living has risen.

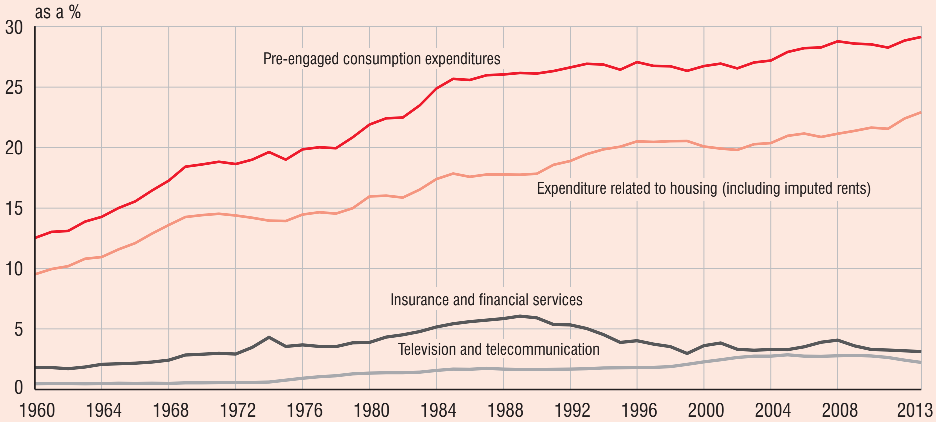
Purchasing power of disposable income and "arbitrable" income per consumption unit falling in 2013

In the same way that household purchasing power can be calculated on the basis of their disposable income, the purchasing power of their "arbitrable" income can also be defined. The latter shows the relationship between variations in disposable income after payment of "pre-committed" expenditures and those in the price of the consumption expenditure that is not "pre- committed".

Disposable income and "arbitrable" income are macroeconomic values. To bring them closer to a more individual notion of purchasing power, their progression can be viewed in relation to demographic growth: in relation to the growth in the population, growth in per-capita purchasing power is partly absorbed, and growth in purchasing power per household even more so, because the progression in the number of households is greater than that in the population (due to ageing of the population and the decoupling trend).Ultimately, however, the best measure of the annual progression in purchasing power from an individual point of view consists in calculating the growth in purchasing power per consumption unit to take account of variations not only in the number, but also in the composition of households[4].

Over the longer term, short-term changes in the purchasing power of disposable income and of "arbitrable" income per consumption unit are very similar. Since 1974, however, gains in "arbitrable" purchasing power per consumption unit have been slightly less due to the growing weight of "pre-committed" expenditure in the household budget: these gains come to +0.9% per year on average, against +1.1% for gains in disposable real income (*figure 2*). In 2013, the gap between the two measures was greater:

1. Pre-engaged households consumption expenditures at current prices



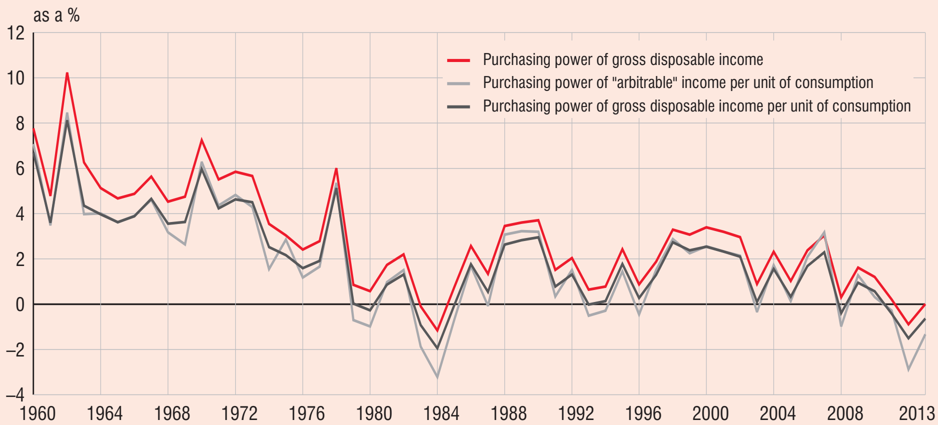
Field: France.
Note: insurance and financial services expenditures do not include life-insurance expenditure.
Source: Insee, national accounts - 2010 base.

4. The needs of a household do not grow strictly proportionally to its size. The size of each household in consumption units is calculated as follows: the first adult counts for 1 consumption unit (CU), while each additional person aged 14 or over counts for 0.5 CU and each child under 14 for 0.3 CU. The variation in purchasing power per consumption unit is therefore a way of taking account of the change in household structure.

Box 4 (cont'd)

the purchasing power per consumption unit of disposable income fell by 0.6% and that in "arbitrable" income by 1.3%. In fact, "pre-committed" expenditure was much more dynamic than gross disposable income of households (+1.7% against +0.6%), notably due to the increase in heating expenditure due partly to the acceleration in electricity prices and to growing rent expenditure.

2. Growth in purchasing power of gross disposable income and of "arbitrable" income per unit of consumption



Field: France.

Source : Insee, national accounts, 2010 base.

Imports progressed

In 2013, French imports progressed by 1.7% in volume, after –1.3% in 2012, driven by the progression in internal demand excluding inventories.

Imports of manufactured goods rebounded (+1.1% after –0.2%). Imports of capital goods (+2.8% after –1.3%) and transport equipment (+2.2% after –0.7%) showed an upturn, while those of agrifood products accelerated (+2.7% after +1.7%). Imports of other manufactured products levelled out (–0.1% after –1.1%) while coking-refining imports fell (–1.5% after +9.0%). Imports of energy-water-waste, including petroleum products, continued to fall (–3.1% after –6.3% in 2012).

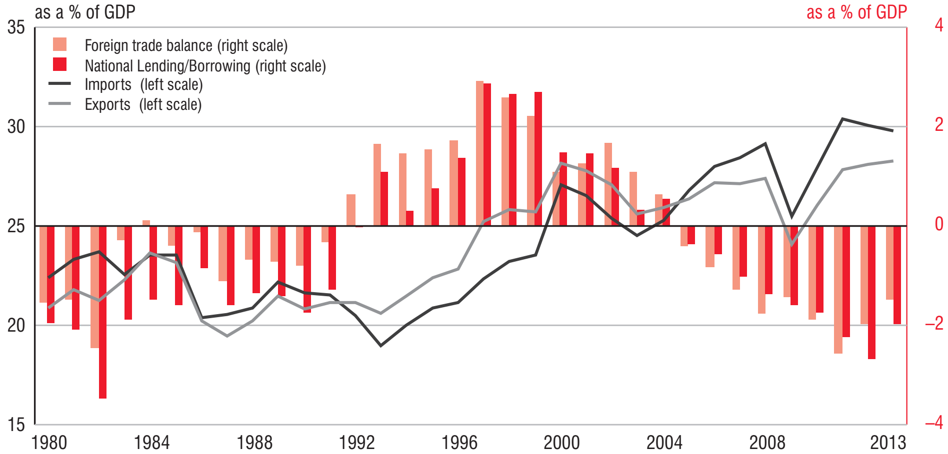
Imports of market services, meanwhile, rebounded strongly (+5.6% after 1.1% in 2012). In particular, imports accelerated sharply in services to business and in information-communication, while progressing in transport services.

All in all, the dynamic of exports and imports in volume were very similar. The contribution of foreign trade to GDP growth was +0.1 points, against +0.7 points in 2012.

Net borrowing of the nation improved

All in all, exports of goods and services grew faster than imports in 2013, in value (+1.8% against +0.7%). Although it remained strongly in deficit, the balance of foreign trade therefore improved by +9.8 Bn Euros to stand at –31.3 Bn Euros. Additionally, after a year 2012 that saw a sharp decline in the balance of property income (–15.4 Bn Euros), the income paid to the rest of the world fell back by –3.7 Bn Euros while the incomes received were virtually stable over the same period. The reduction in debt cancellation granted to foreign states also contributed to the recovery of the balance of distributive transactions, which improved by +4.3 Bn Euros. In all, France's net borrowing improved by +14.1 Bn Euros to 2.0% of GDP against 2.7% the previous year (*figure 13*).

13. External balance



Field: France.
Source: INSEE, national accounts - 2010 base.

The public deficit fell for the fourth consecutive year

In 2013, the public deficit reached 4.2% of GDP

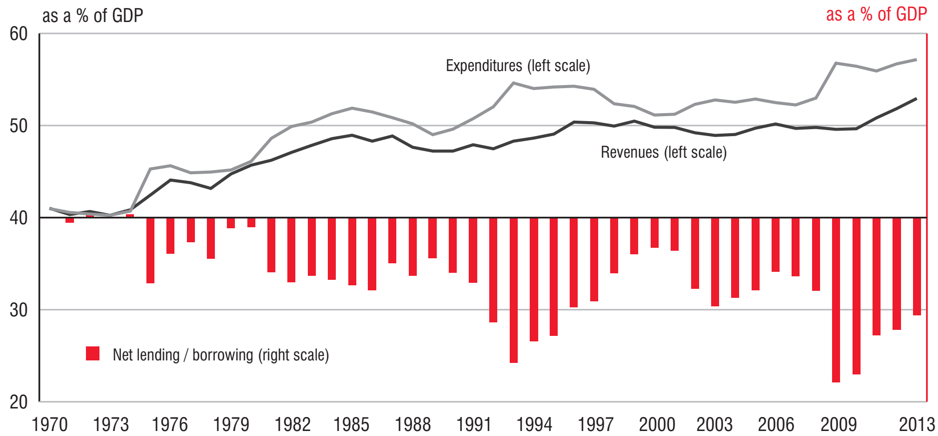
In 2013 the public deficit as defined by the Maastricht Treaty stood at 4.2% of gross domestic product (GDP), after 4.8% in 2012 (*figure 14*). After its sharp deterioration in 2009 following the financial crisis, the public deficit fell for the fourth consecutive year, as revenues increased faster than expenditures. Although government revenue grew more slowly than in 2012 (+3.2% after +3.5% in 2012), it was far more dynamic than GDP (+1.1% in value). The slowdown in government expenditure was more marked (+1.9% after +2.9%). More specifically, in spite of the rise in outstanding debt, interest paid diminished due to the drop in nominal interest rates and in inflation. In parallel, social benefits slowed, growth in operating expenses stabilised, and transfers to the European Union (EU) accelerated.

The reduction of 12.2 Bn Euros in the public deficit can mainly be attributed to central government (–17.2 Bn Euros). At the same time, the local government deficit rose by 5.5 Bn Euros in 2013, a year preceding the municipal elections. That of the social security funds fell slightly (–0.5 Bn Euros).

The tax burden rate increased by 1.0 point

In 2013, taxes and duties levied by general government stood at 44.7% of GDP, a 1.0 point rise over 2012. This increase stemmed from the implementation of new tax and social

14. General Government net lending / borrowing



Field: France.
Source: INSEE, national accounts - 2010 base.

measures (+1.4 GDP points): these were mainly measures voted in for the Initial Finance Law and the Social Security Financing Act for 2013 (+0.9 points) as well as those voted in for the Amending Finance Law of August 2012 (+0.3 points). Without any new measures, the tax burden would have dropped (–0.5 GDP points): spontaneous growth in taxes and duties was slower than that of GDP in value, most notably due to the slowdown in the private payroll as well as the weak results of companies.

Central government brought down its deficit

In 2013, the net borrowing of central government, the State and various central administration bodies came to 67.9 Bn Euros, after 85.2 Bn Euros in 2012. Revenues progressed by 4.7%, while expenditure only rose by 0.3%.

On the expenditure side, intermediate consumptions grew by 3.5%, mainly driven by State spending on military equipment. Staff costs, including the pensions not covered by contributions from agents in activity, slowed down (+0.7%, after +1.3%, with the pension reform delaying the average retirement age). Interest expenditure fell back sharply (–9.9% after –2.4% in 2012), under the effect of the drop in nominal interest rates and in inflation, bringing down the burden on index-linked securities. Social benefits continued to grow, but more moderately (+2.7% after +3.4% in 2012).

Own-resources payments remained very dynamic (+2.2 billion, including a one-off payment of 1.8 billion linked to the end of the 2007-2013 European programme). The State's investment expenditure fell by 9.6% (1.0 Bn Euros), mainly because of the drop in deliveries of military equipment. However, the investment expenditure of central administration bodies rose by 4.5% (+0.7 Bn Euros), due the rise in research and development expenditure.

As regards central government revenue, the strong showing (+4.7%) mainly came from the effect of new measures. Taxes on production and imports increased by 5.6 Bn Euros, of which +2.9 Bn Euros in VAT and +1.5 Bn Euros thanks to the contribution to the public service charges for electricity. The biggest increase recorded was that in income tax (+9.5%, or +12.1 Bn Euros). Almost three-quarters of this increase came from taxes paid by households, most notably income tax on natural persons. Corporation tax saw a rise of

3.3 Bn Euros: the new additional contribution on dividends paid out brought in 1.8 Bn Euros. Other current taxes fell, in particular the solidarity tax on wealth (–0.7 Bn Euros, in reaction to the one-off contribution in 2012). Lastly, capital taxes progressed by almost the same amount as in 2012 (+0.8 Bn Euros after +0.9). After suffering a slump in 2012, property income declined less sharply (4.1%).

Local public finances deteriorated

In 2013, the net borrowing of local government widened to reach 9.2 Bn Euros, after 3.7 billion in 2012. Spending barely slowed (+3.4% after +3.6% in 2012), while revenues slowed more sharply (+1.1% after +2.3% in 2012).

On the expenditure side, local investment remained dynamic in this pre-electoral year (+5.1% in 2013 after +5.8%). Remunerations paid continued to grow at a sustained pace (+3.2% after +3.1% in 2012), despite the decision to once again freeze the civil service index point. Intermediate consumptions decelerated (+2.9% after +3.5% in 2012) due to low inflation. The interest burden excluding FISIM (financial intermediation services indirectly measured) slowed significantly due to the drop in interest rates (+1.6% after +4.0% in 2012). However, local authority spending on social benefits and transfers picked up (+3.9% after +3.2% en 2012), mainly driven by expenditure on the "core" solidarity income (+8.9% after +4.6% in 2012) owing to the deteriorating labour market situation.

Revenues from taxes on products and production slowed significantly (+0.6% for +0.6 Bn Euros, after +4.7% in 2012). The weak level of property market transactions adversely affected transfer duties (0.9 Bn Euros after –0.4 Bn Euros in 2012) while the contribution based on corporate value-added also slipped back (0.6 Bn Euros after +1.0 billion). Conversely, property tax, corporate property contribution and transport tax all progressed (respectively +1.2 Bn Euros, +0.6 Bn Euros and +0.3 Bn Euros in 2013). In parallel, the council tax increased by 0.7 Bn Euros. The freezing of State financial support measures and lower production revenues (+2.2% after +2.8% in 2012) also contributed to the slowdown in revenues.

Social accounts remained in deficit

In 2013 the net borrowing of social security funds fell back very slightly to –12.5 Bn Euros, after –12.8 Bn Euros in 2012, as growth in expenditure was slightly weaker than that in revenues.

The slowdown in the revenues of social security funds continued (+2.6% after +3.4% in 2012). The slowdown in private-sector payroll (+1.1% after +2.1% in 2012) took its toll on growth in social security contributions, and social deductions on income were sluggish. This decline in revenue was nonetheless limited thanks to extensive new measures (*box 5*).

The expenditure of social security funds slowed (+2.4% after +3.3% in 2012). Growth in health insurance expenditure was contained, with national health insurance expenditure 1.4 Bn Euros below the objective voted ab initio, and the 2010 pension reform gathered pace. Family allowances also slowed (+1.2%), after a 3.0% rise in 2012 that was due to the one-off increase in the back-to-school allowance. Conversely, unemployment benefits grew strongly again because of the poor labour market situation (+4.5% after +5.9%).

Box 5

The main fiscal and social measures and their impact on growth in the tax burden in 2013

*Fabien Gonguet, Claire Jolly, Alexis Loublier**

In 2013 fiscal and social measures contributed to a 29.4 billion Euro increase in overall taxes and duties levied by general government.

Households: the tax burden grew by 15.1 Bn Euros due to new measures

In 2013, a number of measures increased the household tax burden. The main ones were the abolition of exemptions from tax and social security contributions on overtime (+2.3 Bn Euros); the two-point rise in social contributions on capital and investment incomes (+1.8 Bn Euros); the de-indexation of the scales for income tax, solidarity wealth tax and transfer duty (+1.6 Bn Euros); the rise in tariffs for the contribution to the public service charge for electricity (+1.5 Bn Euros); taxation of capital income in line with tax scales (+1.3 Bn Euros); the reform of inheritance tax relief (+1.1 Bn Euros); the reform of the solidarity wealth tax (+1.0 Bn Euros); the reform of the social security regime applicable to the self-employed (+1.0 Bn Euros); the lowering of the cap on family fiscal quotient to €2000 (+0.6 Bn Euros); the limitation on attribution of the additional half-part to taxpayers living alone who have had a dependent child for at least five years (+0.5 Bn Euros); the rise in duties on beer (+0.5 Bn Euros); and the liability of pensioners to the solidarity contribution on autonomy (+0.5 Bn Euros). However, the end of the one-off contribution on wealth (–2.3 Bn Euros) brought down the household tax burden.

Enterprises: the tax burden grew by 13.5 Bn Euros due to new measures

In 2013, a number of measures raised the corporate tax burden, most notably the limitation placed on deductibility of financial charges (+3.7 Bn Euros), application of the quota share for expenses and charges on appreciation over the long-term and the increase of this quota from 10% to 12% (+2.7 Bn Euros), the creation of a 3% contribution on dividends paid out (+1.8 Bn Euros), the limitation on social contribution exemptions in employee saving (+1.7 Bn Euros), the set-up of measures to eradicate abuses in corporate taxation (+1.2 Bn Euros), the introduction of a minimum tax by limiting the allocation of deficits (+1.0 Bn Euros), and the implementation of sector-specific measures relating to the taxation of insurance companies (+0.9 Bn Euros).

Lastly, the tax burden on public-sector employers rose by 0.8 Bn Euros due to new measures, in particular the higher rate of contribution to the civil service pension fund (+0.6 Bn Euros).

Measures relating to taxes and social contributions in 2013

in Bn Euros

Measures relating to taxes and social contributions	**29.4**
Incl.: households	*15.1*
Income tax measures	8.0
Measures relating to VAT and other indirect taxes (alcohol, tobacco, tax on energy, etc.)	2.7
Other (wealth, donation and inheritance, social contributions paid by households, etc.)	4.3
Incl.: enterprises	*13.5*
Corporation tax measures	7.8
Contributions paid by enterprises and fixed social contribution	3.4
Other (including one-off insurance contribution)	2.3
Incl.: other	*0.8*
Contributions paid by public-sector employers	0.8

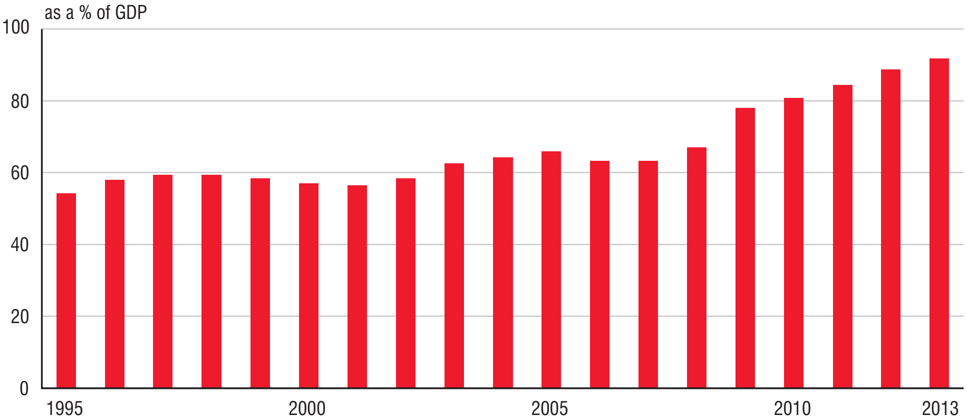
Field: France..
Source : direction générale du Trésor.

* Fabien Gonguet, Claire Jolly, Alexis Loublier, direction générale du Trésor.

Public debt rose by 3.1 points to 91.8%

Public debt within the meaning of Maastricht came to 1,939.7 Bn Euros after 1,855.4 Bn Euros one year earlier. It represented 91.8% of GDP, against 88.7% at end 2012 (*figure 15*).

15. Government debt as defined by the Maastricht Treaty



Field: France.
Source: INSEE, national accounts - 2010 base.

The State contribution to public debt stood at 1,533.2 Bn Euros, a rise of 78.5 billion, a variation which is higher than its net borrowing (–69.2 Bn Euros). Among the elements explaining this difference, the consolidation effect linked to the reduction in State liabilities held by other governments accounted for 6.8 Bn Euros.

The contribution of various central administration bodies to debt stood at 12.4 Bn Euros, 1.3 billion down on 2012. The assumption by the State of the debt of the Public Financing and Restructuring Establishment (EPFR, in charge of the hive-off plan for Crédit Lyonnais) and the amortisation of part of the debt of the Debt Amortisation Service (SAAD) of the SNCF respectively accounted for a decrease of –4.5 Bn Euros and –1.1 Bn Euros. Conversely, the reclassification within debt (as defined by Maastricht) of the liabilities linked to the contribution to the public service charges for electricity (CSPE) and the increase in the debt of the Security Stocks Corporation (SAGESS) respectively accounted for a rise of +3.9 Bn Euros and +0.4 Bn Euros.

The contribution of local government bodies to debt reached 182.3 Bn Euros, a 6.2 Bn Euro rise against 2012 and an amount which was slightly lower than their net borrowing (–9.2 Bn Euros) due to the reduction in their deposits to the revenue fund (–2.6 Bn Euros).

Lastly, the contribution of social security funds to public debt rose by 0.8 Bn Euros to reach 211.7 Bn Euros. Their net borrowing (–12.5 Bn Euros), which was far higher than their debt variation, was financed by a reduction in available funds and major asset sales, particularly by certain pension schemes.

At the end of 2013, net public debt across the whole of general government came to 1,773.0 Bn Euros (83.9% of GDP), a rise of 88.2 Bn Euros against 2012. Gross reported government debt grew by 84.3 Bn Euros over the same period. These similar growth levels mask major variations in assets: the available funds of general government shrank by 11.5 Bn Euros, of which – 8.5 Bn Euros for the State, while the State lent 8.2 Bn Euros to Eurozone countries in the framework of the European financial stability mechanism (*box 6*). ■

Box 6

Main revisions to the national accounts in 2011 and 2012

*Anne-Juliette Bessone, Marie Leclair, Ronan Mahieu**

When the 2013 provisional accounts were published, the 2011 final accounts and the 2012 semi-finalised accounts contained revisions made to the 2011 semi-finalised accounts and the 2012 provisional accounts published in 2013.

Main revisions to the 2011 account

Resources-uses balance

GDP in volume grew by 2.1% in the 2011 final account, against +2.0% in the semi-finalised account published in the 2005 base. However, in value terms, GDP was revised downwards (+3.0% against + 3.3%). The volume / price split of GDP was modified, mainly due to changes relating to consumption of life insurance and telecoms.

On the demand side, the contribution of domestic demand excluding inventory to GDP growth was revised very slightly downwards, to +1.0%: the contribution of GFCF was revised downwards (–0.2 points) because of the revision of the GFCF of households (+1.0% against +2.4%). The GFCF of general government was also revised downwards (–4.4% against +0.2%) due to the new treatment of military equipment in the 2010 base, with these expenditures now being treated as GFCF. As 2011 followed a year in which large military deliveries were made, the military equipment GFCF and hence that of general government declined in 2011. The GFCF of non-financial enterprises was however slightly more dynamic than in the semi-finalised account (+3.9% against +3.1%).

Household consumption expenditure was revised slightly downwards in volume (+0.4% against + 0.5%), but more sharply in value (+2.3% against +2.6%) mainly because of insurance and telecommunications, with this revision principally directed at prices. The contribution of foreign trade to growth in volume was nil, as in the semi-finalised account. Indeed, imports were revised upwards in similar proportions to exports, mainly because of revisions to the balance of payments. After the strong destocking trend in 2009, enterprises rebuilt their inventories in 2011: the contribution of inventory to GDP growth was positive, and identical to that in the semi-finalised account (+1.1 point).

Non-financial corporations (NFC) account

Growth in the value added (VA) of NFCs was revised upwards by +0.4 points (+3.6% instead of +3.2%) and growth in the remuneration paid by them revised downwards by –0.3 points, to +3.4%. Gross operating surplus (GOS) thus progressed (+2.3%) whereas it had previously been estimated as stable. Additionally, the balance of property income was revised upwards. The gross saving of NFCs came out virtually stable (+0.1%), whereas they fell back by 8.5% in the semi-finalised account. GFCF was revised slightly upwards (+0.9 points to +6.7%).

The margin rate, investment rate and self-financing ratio were raised structurally in the 2010 base because of the switch of R&D expenditure to investment. In 2011 they were respectively revised by +2.1, +2.9 and +7.7 points (to 31.2%, 22.7% and 80.3%).

Households account

Growth in the gross disposable income of households slipped back by 0.7 points (to +2.0%), as the momentum of earned income and property income slackened. Due to the revision of the drop in the price of final consumption expenditure, growth in purchasing power was revised by –0.4 points (to +0.2%). The increase in the final consumption expenditure of households in value also slipped back (–0.4 points to +2.3%). The saving ratio therefore fell (–0.4 points to 15.6%). As investment rose, the financial saving ratio was revised further (–0.6 points to 6.1%).

Main revisions to the 2012 account

Resources-uses balance

GDP in volume grew by 0.3% in the 2012 semi-finalised account, against +0.0% in the provisional account which was published with the 2005 base. Progress in GDP in value was not revised (+1.5%) but the volume / price split of GDP was modified, as in the 2011 final account, due to changes in the volume / price split of consumption of life insurance, telecoms and non-market healthcare and education.

On the demand side, the contribution of domestic demand excluding inventory was revised slightly upwards to +0.3 points instead of

* Anne-Juliette Bessone, Marie Leclair, Ronan Mahieu, Insee.

Box 6 (cont'd)

–0.1 points previously: the contribution of GFCF was revised upwards due to the revision of the GFCF of non-financial enterprises (+0.1% against –2.1%). The GFCF of general government was revised upwards (+1.6% against –0.5%) under the effect of the new treatment of military equipment in the 2010 base, as 2012 was a year in which major military deliveries were made. Household consumption expenditure was revised very slightly downwards in volume (–0.5% against –0.4%), but more sharply in value (+1.0% against +1.4%), mainly because of insurance and telecommunications, with this revision being directed at prices. The more marked downward revision of exports than imports is the result of a downward revision of the contribution of foreign trade to GDP in volume (+0.7 points against +1.0 point). Businesses continued to rebuild their stocks in 2012, whereas a slight destocking had been recorded in the provisional account. However, because the rebuilding of stocks was much more intensive in 2011, the contribution of inventory to GDP growth in volume remained negative, at –0.6 points against –0.9 points previously.

Non-financial corporations (NFC) account

In 2012, growth in the VA of NFCs stood at +1.6% instead of +1.2% in the provisional account. In parallel, growth in remunerations was revised upwards (+0.2 points to +2.2%). Therefore the decline in GOS was less marked (–0.4%, against –1.5% previously). Additionally, the balance of property income was raised, causing the drop in gross saving of NFCs to ease: –3.5% instead of –9.7% previously. GFCF was now positive (+1.6%), compared to a slight decline in the provisional account (–0.8%).

In 2012 as in 2011, the switch of R&D expenditure to investment globally raised the ratios of the NFC account; however, the profiles were modified slightly. The deterioration in the margin rate between 2011 and 2012 is less marked in the 2010 base (–0.6 points against –0.8 previously). The investment rate stabilised, whereas in the 2005 base it had dropped slightly (–0.4 points). Lastly, the drop in the self-financing ratio between the two years was less marked (–4.0 points against –6.5 points previously).

Households account

Household GDI progressed by +0.5% in value in 2012, 0.4 points less than in base 2005. The main revision factor concerned property income, which was less dynamic. As the household final consumption price index was also revised by –0.4 points, the fall in the purchasing power of GDI was maintained at –0.9%. As household consumption expenditure in value was less dynamic than in the provisional account, the household saving ratio was lowered by 0.4 points, to 15.2%. Similarly, the financial saving ratio was revised by –0.5 points to 5.6%.

Revisions linked to statistical information availability lead times, and in some cases to innovations in the 2010 base

For a semi-finalised account, revisions to the provisional account come mainly from revisions to information sources on the accounts of general government and financial enterprises, from the availability of detailed information on household consumption and from the availability of annual statistical data on businesses in their semi-finalised version. These annual business statistics include statistical and administrative information on non-financial enterprises (tax returns, annual production surveys and annual sector surveys) that is not available at the time the provisional account is compiled.

For a final account, the main source of revision from the semi-finalised account comes from the availability of annual business statistics data in their final version. In particular, the value added of non-financial enterprises was adjusted to take account of this business data.

In addition to these usual sources of revisions, this year there were also revisions linked with innovations in the 2010 base. Most of these innovations have more effect on levels than on growth rates: the main ratios in the NFE account were revised sharply upwards, for example. However, the variations in some aggregates were also significantly revised: this was particularly true of public investment (due to the impact of military equipment deliveries) and of household consumption due to the modification of certain volume-price breakdown methods (insurance and telecommunication services).

For further information see the note on internet: *www.insee.fr*, National Accounts - Public Finances themes, Annual National Accounts, publications, "the main revisions in the national accounts in 2011, 2012 and 2013".

Box 6 (cont'd)

Table of main revisions

Table A : GDP sheet in volume, gross data (change, in %)

	Old series		New series	
	2011	2012	2011	2012
Gross Domestic Product	**2.0**	**0.0**	**2.1**	**0.3**
Imports	5.1	–1.1	6.3	–1.3
Households consumption expenditure	0.5	–0.4	0.4	–0.5
General government consumption expenditure	0.4	1.4	1.0	1.7
Total gross fixed capital formation (GFCF)	2.9	–1.2	2.1	0.3
including: households	*2.4*	*–0.3*	*1.0*	*–2.2*
non financial corporations (NFC)	*3.1*	*–2.1*	*3.9*	*0.1*
general government	*0.2*	*–0.5*	*–4.4*	*1.6*
Exports	5.4	2.4	6.9	1.1
Inventories (contribution to GDP)	1.1	–0.8	1.1	–0.6

Table B: GDP sheet in value, gross data (change, in %)

	Old series		New series	
	2011	2012	2011	2012
Gross Domestic Product	**3.3**	**1.5**	**3.0**	**1.5**
Imports	11.0	0.8	12.0	0.5
Households consumption expenditure	2.6	1.4	2.3	1.0
General government consumption expenditure	1.7	2.6	2.1	2.4
Total gross fixed capital formation (GFCF)	6.0	0.5	4.6	1.8
including : households	*6.5*	*2.1*	*4.4*	*–0.7*
non financial corporations (NFC)	*5.6*	*–0.8*	*6.1*	*1.5*
general government	*3.8*	*1.7*	*–1.6*	*3.5*
Exports	8.8	3.6	10.0	2.6
Inventories (contribution to GDP)	1.0	–0.7	1.0	–0.6

Table C: GDP sheet in prices, gross data (change and rate, in %)

	Old series		New series	
	2011	2012	2011	2012
Gross Domestic Product	**1.3**	**1.5**	**0.9**	**1.2**
Imports	5.6	1.9	5.4	1.8
Households consumption expenditure	2.1	1.9	1.8	1.4
General government consumption expenditure	1.2	1.2	1.0	0.7
Total gross fixed capital formation (GFCF)	3.0	1.7	2.5	1.5
including : households	*4.0*	*2.3*	*3.4*	*1.6*
non financial corporations (NFC)	*2.5*	*1.3*	*2.1*	*1.4*
general government	*3.6*	*2.2*	*3.0*	*1.8*
Exports	3.3	1.2	2.9	1.5
Inventories (contribution to GDP)	0.1	–0.1	0.1	–0.1

Table D: items of non-financial corporations account (change and rate, in %)

	Old series		New series	
	2011	2012	2011	2012
Value added (VA)	**3.2**	**1.2**	**3.6**	**1.6**
Compensation of employees	3.8	2.0	3.4	2.2
Gross operating surplus (GOS)	0.0	–1.5	2.3	–0.4
Gross saving	–8.5	–9.7	0.1	–3.5
GFCF	5.7	–0.8	6.7	1.6
Margin rate (GOS/VA)	29.1	28.4	31.2	30.6
Investment rate (GFCF/VA)	19.8	19.4	22.7	22.7
Self-financing ratio (saving/GFCF)	72.6	66.0	80.3	76.3

Box 6 (cont'd)

Table E: items of households account (change and rate, in %)

	Old series		New series	
	2011	2012	2011	2012
Gross disposable income (GDI)	**2.7**	**0.9**	**2.0**	**0.5**
Consumption expenditure	2.6	1.4	2.3	1.0
Purchasing power of GDI	0.7	–0.9	0.2	–0.9
Saving rate (saving/GDI)	16.0	15.6	15.6	15.2
Financial saving rate (lending/GDI)	6.7	6.1	6.1	5.6

Field: France.
Note: old series come from annual national accounts published on 2013/05/15 ; new series come from annual national accounts published on 2014/05/15.
Source: Insee, national accounts - 2005 and 2010 bases.