Household income

Household income should pick up in 2019 (+3.4% after +2.7% in 2018), sustained by both a reduction in tax and social contributions and the buoyancy of social benefits. Particularly buoyant at the end of 2018 and then at the beginning of 2019 under the effect of the urgent economic and social measures taken, the purchasing power of households' gross disposable income (GDI) is expected to fall back temporarily as an after-effect of that, before starting to gather pace again during H2. Altogether on average over the year it should accelerate sharply in 2019 to reach +2.3% (i.e. +1.8% per consumption unit, or CU) after +1.2% in 2018 (or +0.7% per CU). It would seem to have been sustained in particular by the increase in incomes in Q1 and by the slowing of consumer prices over the entire year (+1.1% after +1.5%).

Earned income is expected to slow slightly in 2019

In 2019, households' earned income is expected to slow slightly (+2.3% after +2.5% in 2018; Table 1) in line with the wage bill (+2.5% after +2.9%). In the non-farm market sectors, the slightly faster increase in the average wage per capita in 2019 (+1.9% after +1.7% in 2018; *Graph*) is expected to be counteracted by a slowdown in salaried employment (+1.2% after +1.7%in 2018). The operating income of sole proprietors is expected to bounce back (+0.8% after –0.3%). At the beginning of 2019, as a result of the payment by certain companies of a tax and social contribution-exempt exceptional bonus, wages paid to households accelerated sharply (+1.1% in Q1 after +0.6%, *Table 2*). They are expected to be sluggish in Q2 (+0.1%) before returning to something closer to their trend growth rate (+0.6% per quarter).

1 - Household gross disposable income

in %

	Quarterly changes												Annual changes		
	2017				2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Gross disposable income (100%)	0.7	0.6	0.5	1.0	–0.1	1.3	0.7	1.3	1.0	0.2	0.5	1.0	2.2	2.7	3.4
including:															
Earned income (72%)	1.1	0.7	0.7	0.7	0.7	0.6	0.5	0.5	1.0	0.1	0.6	0.6	2.9	2.5	2.3
Gross wages and salaries (64%)	1.1	0.7	0.7	0.8	0.8	0.7	0.5	0.6	1.1	0.1	0.6	0.6	3.1	2.9	2.5
GOS of sale proprietors (8%)*	0.9	0.6	0.6	0.2	–0.4	–0.4	–0.2	0.0	0.7	0.3	0.2	0.1	1.4	–0.3	0.8
Social benefits in cash (36%)	0.4	0.3	0.5	0.6	0.4	0.8	0.5	0.7	0.9	0.5	0.5	0.7	1.5	2.3	2.7
GOS of "pure" households (14%)	0.8	0.7	0.7	0.7	0.4	0.6	0.5	0.8	0.7	0.8	0.4	0.3	2.5	2.3	2.6
Property income (6%)	–1.5	0.1	1.2	2.1	3.1	2.3	1.5	0.8	0.1	1.5	0.5	0.2	–2.4	8.3	3.5
Social contributions and taxes (–28%)	1.0	0.7	1.5	0.0	3.3	–1.5	0.0	–2.0	0.5	0.6	0.6	–1.2	2.7	2.5	–0.9
Contributions of households (–11%)	1.0	0.7	0.9	0.7	–7.6	–0.9	0.4	–2.9	–0.5	0.4	0.6	0.6	3.2	–7.7	–2.0
Income and wealth tax (including CSG and CRDS) (–16%)	1.1	0.6	1.9	–0.6	10.9	–1.8	–0.2	–1.5	1.2	0.7	0.6	–2.2	2.4	9.6	–0.3
Household consumer prices (quarterly national accounts)	**0.5**	**–0.1**	**0.0**	**0.4**	**0.6**	**0.5**	**0.3**	**0.2**	**0.2**	**0.4**	**0.3**	**0.2**	**0.9**	**1.5**	**1.1**
Purchasing power of gross disposable income	**0.2**	**0.6**	**0.5**	**0.6**	**–0.7**	**0.9**	**0.3**	**1.1**	**0.9**	**–0.2**	**0.2**	**0.8**	**1.4**	**1.2**	**2.3**
Household purchasing power by consumption	**0.0**	**0.5**	**0.3**	**0.4**	**–0.8**	**0.7**	**0.2**	**1.0**	**0.7**	**–0.3**	**0.1**	**0.7**	**0.8**	**0.7**	**1.8**

Forecast

How to read it: the figures in parentheses give the structure of the year 2017.

* The gross operating surplus of "pure households" corresponds to the output of housing services, less the intemediate consumption required to generate this output (particularly financial services related to loans) and taxes (land tax). This output corresponds to the rents which properly awners receive from their tenants, or could receive if their property was rented ("imputed rents").

Source: INSEE

The gross operating surplus of pure households[1] 1 is expected to accelerate a little in 2019 (+2.6% after +2.3%). Net property income, however, is likely to slow markedly in 2019 (+3.5% after +8.3% in 2018), after the introduction in 2018 of the single flat-rate withholding tax and particularly buoyant dividend payments. Nevertheless, it is probably still being sustained by the good results of 2018, which should encourage companies to increase their distribution of dividends (*Focus: Forecast of dividends paid to households*). In Q4, income is expected to slow due to a fall in income from life insurance.

Social benefits are expected to be up in 2019

In 2019, social benefits in cash are expected to increase sharply (+2.7% after +2.3%). They are thought to be sustained by the sharp acceleration in social assistance benefits (7.9% in 2019 after +1.0%). In Q1, they increased by +5.4%, under the effect of the increase in the individual activity premium bonus and the redefinition of eligibility for this bonus; they are expected to slow mid-year (+0.2% per quarter), before accelerating slightly in Q4 due to the increase in the amount of adult disability allowance due on 1st November 2019 (there was already an increase at the end of 2018). Social Security benefits are expected to maintain their momentum (+2.2% as in 2018; *Table 3*), in spite of the smaller increase in most such benefits (+0.3% rather than in line with inflation excluding tobacco). The rise in "Other social insurance benefits" is also expected to slow (+2.1% after +2.8%).

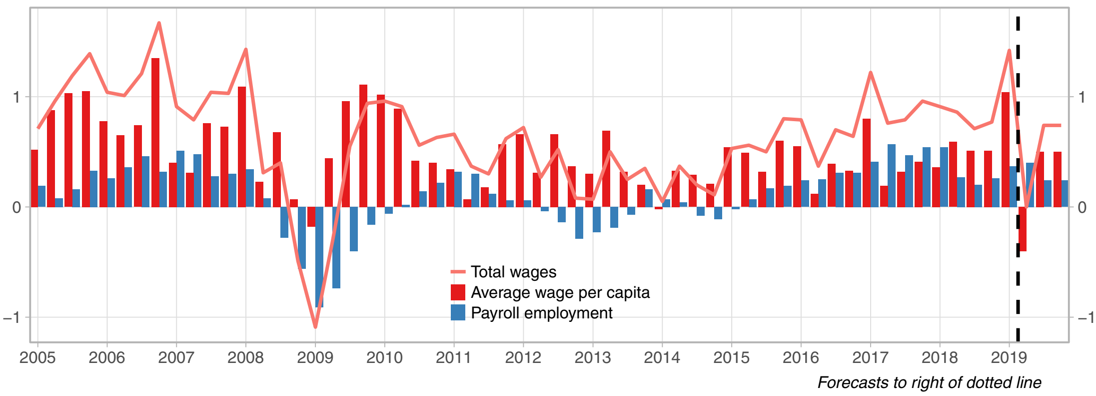
Tax and social contributions are likely to see a slight downturn in 2019

Over 2019 as a whole, households' tax and social contributions are expected to fall (−0.9% after +2.5%): after a weak rebound at the beginning of the year, they are expected to keep rising at a moderate pace in Q2 and Q3, before stalling at the end of the year. In

1. The GOS of pure households corresponds to output of housing services minus the intermediate consumption required for that output (in particular financial services related to borrowing) and taxes (land tax). Output corresponds to the rents private property owners receive from their tenants or could receive if they rented out their property ("imputed rents").

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

quarterly variations in %



Source: INSEE

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

Quarterly changes (T/T−1)

	Quarterly changes												Annual changes		
	2017				2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Non-financial enterprises (64%)	1.2	0.8	0.8	1.0	1.0	0.9	0.7	0.89	1.4	–0.1	0.7	0.7	3.4	3.6	3.2
Financial corporations (4%)	0.7	0.9	0.1	0.3	0.1	0.3	0.8	–1.1	1.3	0.0	0.8	0.8	3.2	1.0	1.6
General government (22%)	1.0	0.6	0.4	0.3	0.7	0.2	0.1	0.2	0.2	0.4	0.4	0.4	2.7	1.6	1.1
Households excluding sole proprietors (2%)	0.3	–0.4	–0.5	–0.2	0.8	0.3	–0.9	–0.4	0.4	0.2	0.2	0.1	–0.5	–0.1	–0.1
Total gross wages received by households (100%)	**1.1**	**0.7**	**0.7**	**0.8**	**0.8**	**0.7**	**0.5**	**0.6**	**1.1**	**0.1**	**0.6**	**0.6**	**3.1**	**2.9**	**2.5**
including: Non-agricultural market sectors (71%)	1.2	0.8	0.8	1.0	0.9	0.9	0.7	0.8	1.4	0.0	0.7	0.7	3.4	3.4	3.2

Forecast
How to read it: the figures in parentheses give the structure of the year 2017
Source: INSEE

2019, social contributions paid by households are expected to continue their downward trend: −2.0% after −7.7%. At the beginning of 2019, they continued to fall due to the exemption of employees from social contributions on overtime pay, which came into force on 1st January 2019; they are expected to resume a pace closer to their trend over the rest of the year. Meanwhile, taxes on income and wealth (including the general social contribution (CSG)) are set to be virtually stable in 2019 (–0.3% after +9.6%). The slight increase seen in Q1 was a result of the accounting after-effect of the reduction in local residence tax at the end of 2018 (*Focus in the 2018 issue of Conjoncture in France: the accounting treatment of the reductions in residence tax in the quarterly national accounts*), although this was countered to some extent by the reinstatement of the old CSG rate for some pensioners (this reinstatement was recorded, in accordance with national accounting standards, at the date when this measure came into effect – namely at the beginning of January and not at the time of the retroactive adjustment carried out in the spring). Taxes on income and wealth are expected to return to a growth rate closer to their trend[2]2 in Q2 and Q3, before falling back in Q4 under the effect of the ongoing gradual reduction of local residence tax.

The purchasing power of GDI should accelerate sharply in 2019: +2.3% (i.e. +1.8% per consumption unit)

In 2019, households' nominal gross disposable income (GDI) is expected to increase much faster (+3.4% after +2.7%), under the effect, among other things, of the fall in tax and social contributions and the increase in social benefits. Boosted at the beginning of 2019 by the granting of exceptional bonuses, earned income is nonetheless likely to slow a little over the year. At the same time, consumer prices are also likely to slow on average over the year (+1.1% after +1.5%), with the result that the increase in the purchasing power of GDI is expected to accelerate markedly: +2.3% after +1.2%. Adjusted to an individual level to take account of demographic changes, purchasing power per consumption unit is expected to rise by +1.8% in 2019, after +0.7% in 2018.

The sub-annual profile of purchasing power is expected to track that of gross disposable income and prices: purchasing power increased sharply in Q1 2019 along with GDI; it is expected to fall back temporarily as an after-effect of that in Q2, prices being sustained, furthermore, by the increase in the price of tobacco in March. Purchasing power is then expected to be more vigorous in Q4 due to the continued reduction of local residence tax. ■

2. The introduction of the pay-as-you-earn system on 1st January 2019 remains neutral over the year after correction for seasonal variations (see Focus in the December 2018 issue of *Conjoncture in France*).

3 - Social transfers received and paid by houshold

	Quarterly variations												Annual variations		
	2017				2018				2019				2017	2018	2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Social cash benefits received by households (100%)	**0.4**	**0.3**	**0.5**	**0.6**	**0.4**	**0.8**	**0.5**	**0.7**	**0.9**	**0.5**	**0.5**	**0.7**	**1.5**	**2.3**	**2.7**
Social Security benefits in cash (72%)	0.3	0.4	0.4	0.6	0.4	0.9	0.6	0.5	0.5	0.5	0.5	0.8	1.4	2.2	2.2
Other social insurance benefits (19%)	0.4	0.2	1.0	0.8	0.6	0.8	0.6	0.6	0.5	0.3	0.4	0.5	1.5	2.8	2.1
Social assistance benefits in cash (9%)	0.5	0.2	0.2	0.0	0.0	0.3	0.1	2.4	5.4	0.2	0.2	0.7	2.1	1.0	7.9
Total social contribution burden by households (100%)	**1.0**	**0.7**	**0.9**	**0.7**	**–7.6**	**–0.9**	**0.4**	**–2.9**	**–0.5**	**0.4**	**0.6**	**0.6**	**3.2**	**–7.7**	**–2.0**
Employers contributions[1](79%)	1.3	0.8	1.0	0.8	–9.3	0.6	0.5	–3.9	–0.9	0.4	0.6	0.6	3.9	–8.3	–2.6
Contributions of households (21%)	–0.6	0.2	0.4	0.1	–0.4	–7.1	0.2	1.0	0.9	0.4	0.4	0.4	–0.1	–5.0	0.5

forecast
How to read it: the figures in parentheses give the structure of the year 2018
1. Employer contributions are both received and paid by households in the national accounts: they therefore have no effect on gross disposable income.
Source: INSEE