

Wages

In 2019, nominal wages are expected to pick up slightly in the market branches: +1.7% as an annual average after +1.5% in 2018 for the basic monthly wage and +2.1% after +1.7% for the average wage per capita. Prices look set to slow, with the result that real wages should pick up more substantially: +1.0% after +0.2% for the average wage per capita.

The one-off tax bonus to boost purchasing power (PEPA), in the context of the economic and social emergency measures adopted in December 2018, is to be continued into H1 2020, but limited to businesses that have put a profit-sharing scheme in place. This should give wages something of a boost once again: in 2020, the annual mid-year growth overhang of the average wage per capita should be +1.4%. Inflation is expected to rise in H1 2020 and the annual mid-year overhang of the average wage per capita in real terms should be +0.4%, against +0.7% one year earlier.

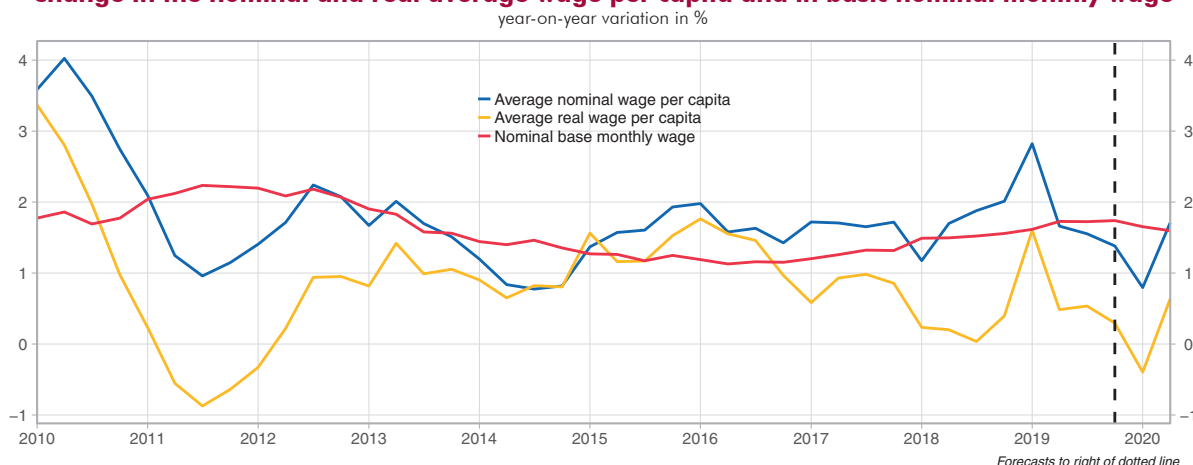
In general government, with the continuing freeze on the index point, the nominal average wage per capita should slow in 2019 (+1.5% as an annual average after +1.9% in 2018), despite the resumption of the Professional Career Paths, Careers and Remunerations (PPCR) protocol. The purchasing power of the average wage per capita is also expected to slow slightly in 2019 (+0.4% after +0.5% in 2018), and should continue to increase at the same pace in 2020: the annual mid-year growth overhang should be +0.2%, the same as the previous year.

In 2019, wages in the market sectors are expected to pick up in real terms

In 2019, the minimum wage was increased by more than the previous year's rate (+1.5% on 1st January after +1.2% one year earlier). Across the whole year, unemployment should fall back slightly. Given this situation, the basic monthly wage in the non-farm market sectors should rise by 1.7% as an annual average in 2019, i.e. a little more than in 2018 (+1.5%, *Graph and Table*). The average wage per capita, which covers a wider range of remunerations (bonuses, profit-sharing, overtime), is expected to pick up slightly (+2.1% on average in 2019 after +1.7% in 2018). At the beginning of the year it was driven by the payment of 2.2 billion euros as a one-off bonus to boost purchasing power (PEPA), as part of the economic and social emergency measures adopted in December 2018.

As an annual average, prices look set to slow in 2019 (+1.1% after +1.5% in 2018), with the result that real wages should gather pace more than nominal wages: +0.6% in 2019 after 0.0% in 2018 for the basic monthly wage and +1.0% after +0.2% for the average wage per capita. The purchasing power of the average wage per capita should rebound in the second half of the year (+0.6% in H2 2019 after +0.2% in H1).

Change in the nominal and real average wage per capita and in basic nominal monthly wage



Scope: non-farm market branches
Source: INSEE, DARES

At the start of 2020, wages look set to pick up slightly

Taking into account annual inflation measured in November 2019 and assuming the absence of any extra boost, since the last dates back to July 2012, the increase in the minimum wage on 1st January 2020 is expected to be +1.2%. At the start of 2020, unemployment should continue to fall slightly and inflation is likely to be stable. In this context, the average nominal monthly wage should increase at a similar pace to that at the end of 2019: +0.8% in H1 2020 (semester-on-semester), the same as in H2 2019. The average wage per capita is expected to slow slightly despite the extension of the PEPA tax bonus into H1 2020: +0.9% in H1 2020 (after +1.1% in H2 2019). The effect of PEPA on the average wage per capita is likely to be less than in 2019, as the extension in 2020 is limited to companies that have put in place a profit-sharing scheme. Thus PEPA should be contributing about +0.1 points to the increase in the average wage per capita in H1 2020.

In H1 2020, real wages are expected to slow slightly. The annual growth overhang of the real average wage per capita should reach +0.4% in mid-2020, after +0.6% one year earlier and +1.0% across the whole of 2019.

In the civil service, wages are expected to slow in 2019

In 2019, the freezing of the index was maintained but the application of the Professional Career Paths, Careers and Remunerations (PPCR) protocol was resumed in general government. The compensation for the rise in the general social security contribution in 2018 sustained the nominal average wage per capita (+1.9%); in 2019 it is therefore likely to slow as a result of a backlash effect to +1.5%. Taking the drop in inflation into account, the real average wage per capita should maintain virtually the same pace as in 2018 (+0.4% in 2019 after +0.5%).

In 2020, it is likely that the terms of the PPCR protocol will continue to be applied, thus contributing +0.1 points to the mid-year growth overhang of the average wage per capita in general government. The freezing of the index point is likely to be renewed once again. All in all, the annual growth overhang of the average wage per capita in general government is expected to be +1.2% by mid-2020, as it was one year earlier; in real terms it should stand at +0.2%, after +0.2% the previous year. ■

Variation in the basic monthly wage and the average wage per capita

in %

	Quarterly growth rates						Half-yearly rates			Annual average		
	2019				2020		2019		2020	2018	2019	2020 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	H1	H2	H1			
Basic monthly wage	0.5	0.5	0.4	0.4	0.4	0.4	0.9	0.8	0.8	1.5	1.7	1.3
Average wage per capita in the non-farm market branches	1.1	-0.2	0.7	0.4	0.5	0.4	0.8	1.1	0.9	1.7	2.1	1.4
Average wage per capita in general government (GG)										1.9	1.5	1.2
Household consumer price index (quarterly national accounts)	0.2	0.4	0.2	0.3	0.4	0.4	0.6	0.4	0.7	1.5	1.1	1.0
Real basic monthly wage	0.3	0.0	0.2	0.1	0.0	0.0	0.3	0.3	0.1	0.0	0.6	0.3
Real average wage per capita (non-farm market branches)	0.9	-0.7	0.5	0.1	0.1	0.0	0.2	0.6	0.2	0.2	1.0	0.4
Real average wage per capita (GC)										0.5	0.4	0.2

■ Forecast
Source: INSEE, Dares