Household income

In 2019, household income picked up sharply (+3.2% in current euros after +2.7% in 2018), bolstered both by the drop in social and tax contributions and the buoyancy of wages and social benefits. Thus the purchasing power of households' gross disposable income (GDI) is expected to increase vigorously in 2019, by 2.1% after +1.2% in 2018. Per consumption unit (CU), the annual increase should reach 1.6% after 0.7% in 2018. GDI is likely to be buoyant at the end of the year, related to the second tranche of the reduction in the local residence tax. In H1 2020, the pace of growth of GDI is expected to slow (+0.3% per quarter), mainly related to the deceleration in earned income and property income. GDI should be bolstered by the reduction in income tax, despite the accounting after-effect of the reduction in the local residence tax. With a relatively dynamic carry-over price (+1.0%), the annual carry-over effect of GDI purchasing power should stand at +0.8% by mid-2020.

Earned income is expected to remain buoyant in 2019 then slow at the beginning of 2020

In 2019, households' earned income is expected to maintain its upward trend (+2.6% current euros after 2.5% in 2018; *Table 1*) in line with the increase in total payroll (+3.0% after +2.9%). In the non-farm market sectors, the slight acceleration in the average wage per capita in 2019 (+2.1% after +1.7% in 2018; *Graph*) should be offset by the slowdown in payroll employment (+1.5% after +1.7% in 2018). The operating income of sole proprietors is expected to fall back again (–0.3% as in 2018). Over the forecasting period, gross wages received by households should return to their trend pace (around +0.6% per quarter) after the backlash in Q2 2019 due toto the payment of the one-off tax- and social contribution-exempt bonus (*Table 2*).

1 - Household gross disposable income

in %

	Quarterly changes										Annual changes		
	2018				2019				2020		2018	2019	2020 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Gross disposable income (100%)	**0.0**	**1.3**	**0.6**	**1.3**	**0.8**	**0.2**	**0.8**	**1.0**	**0.3**	**0.3**	**2.7**	**3.2**	**1.8**
including:													
Earned income (72%)	0.7	0.6	0.4	0.6	1.1	0.2	0.7	0.5	0.4	0.4	2.5	2.6	1.6
Gross wages and salaries (64%)	*0.8*	*0.7*	*0.5*	*0.7*	*1.2*	*0.3*	*0.8*	*0.6*	*0.6*	*0.5*	*2.9*	*3.0*	*1.9*
GOS of sale proprietors (8%)*	*–0.4*	*–0.5*	*–0.3*	*–0.2*	*0.3*	*–0.2*	*–0.3*	*0.1*	*–1.1*	*0.0*	*–0.3*	*–0.3*	*–1.2*
Social benefits in cash (36%)	0.5	0.7	0.5	0.7	1.0	0.2	0.7	0.7	0.5	0.5	2.3	2.6	1.8
GOS of "pure" households (14%)	0.4	0.6	0.5	0.9	0.6	1.0	0.5	0.4	0.2	0.4	2.3	2.8	1.3
Property income (6%)	3.2	2.3	1.4	0.5	–0.5	–0.3	–0.1	0.3	–0.2	0.2	8.3	1.0	0.0
Social contributions and taxes (–28%)	3.0	–1.4	0.1	–1.8	1.5	0.6	0.2	–1.2	0.6	0.7	2.5	0.1	0.5
Contributions of households (–11%)	*–7.6*	*–0.9*	*0.4*	*–2.9*	*0.5*	*0.5*	*0.5*	*0.5*	*0.4*	*0.5*	*–7.7*	*–1.0*	*1.6*
Income and wealth tax (including CSG and CRDS) (–16%)	*10.5*	*–1.7*	*–0.1*	*–1.2*	*2.1*	*0.7*	*0.1*	*–2.3*	*0.7*	*0.8*	*9.6*	*0.8*	*–0.2*
Household consumer prices (quarterly national accounts)	**0.6**	**0.5**	**0.3**	**0.2**	**0.2**	**0.4**	**0.2**	**0.3**	**0.4**	**0.4**	**1.5**	**1.1**	**1.0**
Purchasing power of gross disposable income	**–0.6**	**0.8**	**0.2**	**1.1**	**0.6**	**–0.2**	**0.6**	**0.8**	**0.0**	**0.0**	**1.2**	**2.1**	**0.8**
Household purchasing power by consumption	**–0.7**	**0.7**	**0.1**	**1.0**	**0.5**	**–0.4**	**0.5**	**0.7**	**–0.2**	**–0.1**	**0.7**	**1.6**	**0.3**

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] is expected to gather pace in 2019 (+2.8% after +2.3%). The dynamism of net property income is likely to ease off considerably in 2019 (+1.0% after +8.3% in 2018, a year with some significant dividend payments which were particularly buoyant in the context of the introduction of the single flat-rate withholding tax). It should still nevertheless be driven by businesses' 2018 results which could encourage them to distribute more dividends. At the start of 2020, property income is expected to be less vigorous.

At the start of 2020, social benefits are likely to be less buoyant than in 2019

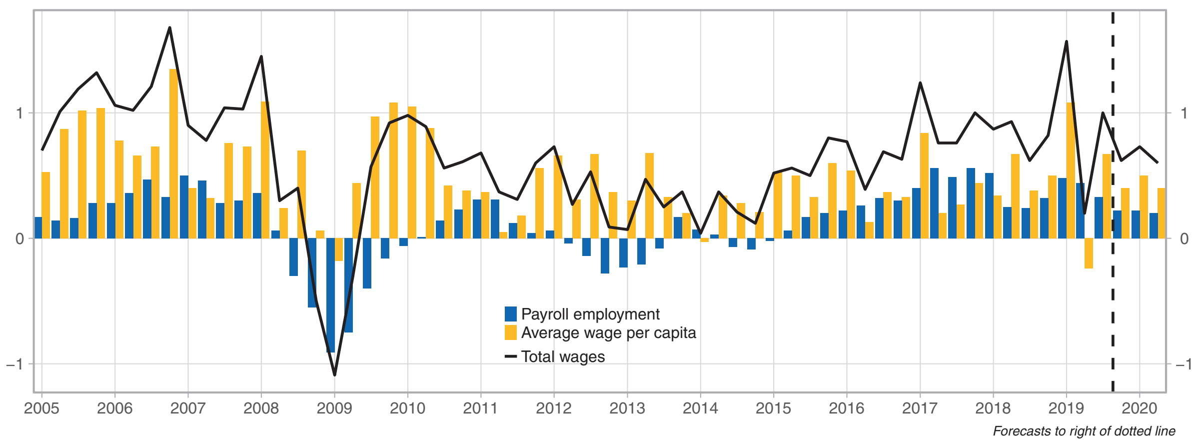
In 2019, social benefits in cash should pick up sharply (+2.6% after +2.3%; *Table 3*). They are likely to be sustained by the strong acceleration in social assistance benefits (+8.9% in 2019 after +1.0%). After a significant increase in Q1, due to measures relating to the activity bonus, these benefits should continue to grow at a rate of 0.6% in Q4 2019. This growth is the result mainly of the increase in the amount of adult disability allowance in November and a rise in the rate of eligibility for the activity bonus. The increase in social security benefits should maintain a steady pace in 2019 (+2.0% after +2.2% in 2018) despite the smaller increase in most benefits (+0.3%) and the slight slowdown in "other social assistance benefits" (+2.1% after +2.9%).

At the beginning of 2020, social benefits in cash are expected to increase by +0.5% per quarter, driving the carry-over effect to +1.8% by mid-2020. This pace is likely to be less dynamic than in 2019 when the activity bonus was increased; the reform of unemployment insurance is also likely to contribute to this slowdown as there will be changes to the conditions of eligibility and calculation of the reference wage. However, this negative contribution to changes in social security benefits could be offset by the increase in other social benefits.

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

1 - 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

in %

	Quarterly changes										Annual changes		
	2018				2019				2020		2018	2019	2020 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Non-financial enterprises (64%)	0.9	1.0	0.6	0.9	1.5	0.1	1.0	0.6	0.7	0.6	3.6	3.6	2.2
Financial corporations (4%)	0.0	–0.2	1.1	–0.8	2.1	1.4	–0.1	0.7	0.8	0.7	1.0	3.2	2.1
General government (22%)	0.7	0.2	0.2	0.2	0.4	0.5	0.5	0.6	0.2	0.2	1.6	1.5	1.2
Households excluding sole proprietors (2%)	0.6	0.3	–1.0	–0.2	0.6	0.0	–0.2	0.1	0.1	0.1	–0.1	–0.1	0.2
Total gross wages received by households (100%)	**0.8**	**0.7**	**0.5**	**0.7**	**1.2**	**0.3**	**0.8**	**0.6**	**0.6**	**0.5**	**2.9**	**3.0**	**1.9**
including: Non-agricultural market sectors (71%)	*0.9*	*0.9*	*0.6*	*0.8*	*1.6*	*0.2*	*1.0*	*0.6*	*0.7*	*0.6*	*3.4*	*3.6*	*2.2*

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

At the beginning of 2020 households should benefit from the change in the income tax scale

Households' social and tax contributions are expected to remain relatively stable in 2019 (+0.1% after +2.5%). The drop in social contributions paid by households is likely to continue, but less forcefully than in 2018: −1.0% after –7.7%. Employee exemption from social contributions on overtime in January 2019 accounts for this new reduction. Taxes on income and wealth (including the general social contribution, CSG) are likely to slow significantly in 2019 (+0.8% after +9.6%), due to the reduction in CSG on replacement income in retired households and the reduction in the residence tax (progressive tax relief for 80% of households). However, because of better collection of income tax since the introduction of the pay-as-you-earn system and better revenue from the tax on real estate assets, revenue from income tax is expected to be greater than expected in the previous issue of Conjoncture in France.

At the beginning of 2020, social and tax contributions should increase at a moderate pace (+0.6% in Q1 then +0.7% in Q2). There is expected to be an accounting backlash linked to the local residence tax which will contribute to an increase in Q1[2] (*Focus "Treatment of the reduction of local residence tax in the quarterly national accounts"*, Household income sheet in the December 2018 issue of Conjoncture in France), and meanwhile the introduction in 2020 of the change to the income tax scale should benefit households to the sum of around 5 billion euros. Contributions are expected to return to their trend pace (carry-over of +1.6% in 2020), while the tax paid by households is expected to decrease (–0.2% carry-over).

The annual carry-over effect of purchasing power should be +0.8% by mid-2020

All in all, in 2019, nominal household gross disposable income (GDI) is expected to pick up (+3.2% after +2.7%), as a result of the slowdown in social and tax contributions and the buoyancy of social benefits, related to the different support measures for purchasing power. The payment of a one-off activity bonus at the beginning of the year has enabled earned income to grow at the same pace as in 2018. Meanwhile, consumer prices as an annual average are expected to slow (+1.1% after +1.5%), related to the drop in energy prices. As a result, the purchasing power of the GDI looks set to take on a brisk pace: +2.1% after +1.2%. When reduced to an individual level to take demographic changes into account, purchasing power per consumption unit looks set to increase by+1.6% in 2019, after +0.7% in 2018. This is the highest increase since 2007.

In H1 2020, earned income is expected to slow and GDI purchasing power should remain stable: it is likely to be sustained by the planned reduction in income tax, the effect of which would certainly be offset in the accounts by the backlash of the reduction in the local residence tax in Q4 2019. Consequently, the annual carry-over effect of GDI purchasing power looks set to stand at +0.8% by mid-2020, suggesting a slowdown compared with 2019. ■

2. For the year in which it is introduced, a permanent reduction in the residence tax is mainly taken into account in the quarter in which it takes effect, or in Q4. For the following years, this reduction will be incorporated directly into the seasonal profile of the series and will therefore be smoothed over four quarters.

3 - Social transfers received and paid by houshold

in %

	Quarterly variations										Annual variations		
	2018				2019				2020		2018	2019	2020 ovhg
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Social cash benefits received by households (100%)	**0.5**	**0.7**	**0.5**	**0.7**	**1.0**	**0.2**	**0.7**	**0.7**	**0.5**	**0.5**	**2.3**	**2.6**	**1.8**
Social Security benefits in cash (72%)	0.5	0.7	0.5	0.5	0.6	0.1	0.7	0.8	0.5	0.5	2.2	2.0	1.8
Other social insurance benefits (19%)	0.6	0.8	0.5	0.6	0.4	0.5	0.6	0.4	0.5	0.4	2.9	2.1	1.5
Social assistance benefits in cash (9%)	0.0	0.3	0.0	2.4	5.8	0.6	0.8	0.6	0.6	0.5	1.0	8.9	1.9
Total social contribution burden by households (100%)	**–7.6**	**–0.9**	**0.4**	**–2.9**	**0.5**	**0.5**	**0.5**	**0.5**	**0.4**	**0.5**	**–7.7**	**–1.0**	**1.6**
Employers contributions[1] (79%)	–9.3	0.5	0.6	–3.8	0.6	0.7	0.4	0.6	0.4	0.5	–8.3	–1.0	1.6
Contributions of households (21%)	–0.6	–6.6	–0.1	0.9	0.1	–0.4	0.7	0.3	0.5	0.5	–5.0	–0.9	1.3

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