Household income

Since the beginning of the year, households' gross disposable income (GDI) has shrunk as a result of the health crisis and the halt to all "non-essential" activities. The drop in disposable income, combined with the decline in earned income and, to a lesser extent, in property income, was much smaller than the drop in activity. In fact, the introduction of the short-time working scheme, the recourse to sick leave (especially for child care) and various measures to help households and sole proprietors have supported their income.

In H2, in conjunction with the upturn in activity, household earned income is expected to bounce back. However, as households have less recourse to the support mechanisms this will automatically bring down the amount of social benefits they receive. All in all, the GDI is likely to increase by 1.2% in Q3 then by 0.4% in Q4. In a context of sluggish consumer prices, purchasing power is likely to undergo the same trend. On average over the year, GDI is expected to shrink by 0.2% and household purchasing power by 0.6%.

After a strong decline at the beginning of the year, earned income is expected to pick up

In 2020, earned income is expected to fall by 4.9% (*Table*), mainly because in Q1, and even more so in Q2, there were job destructions and a reduction in working time (introduction of the short-time working scheme, absences for sick leave and child care, reduction in overtime). With the upswing in activity, gross payroll is expected to bounce back in H2 (+9.0% then +0.8% in Q3 and Q4). However, over the year, it will probably shrink by almost 5%.

In addition, sole proprietors saw their gross operating surplus (GOS) decline significantly in H1, mainly due to the closure of "non-essential" activities. In all likelihood, their income will continue to decline in H2; the resumption of activity is unlikely to compensate for the gradual fall in operating subsidies. As a result, in 2020 their GOS is likely to decline by 6.4%.

Household gross disposable income

	2019				2020				2019	2020
	T1	T2	T3	T4	T1	T2	T3	T4		
Gross disposable income (100 %)	**0.9**	**0.2**	**0.8**	**0.9**	**–0.3**	**–2.3**	**1.2**	**0.4**	**3.1**	**–0.2**
Earned income (72 %)	1.1	0.4	0.7	0.5	–2.1	–9.7	7.9	0.4	2.6	–4.9
Gross wages and salaries (64 %)	*1.2*	*0.5*	*0.8*	*0.5*	*–2.4*	*–10.0*	*9.0*	*0.8*	*2.9*	*–4.7*
GOS of sale proprietors (8 %)*	*0.3*	*0.0*	*0.4*	*0.6*	*–0.1*	*–7.8*	*–0.4*	*–3.8*	*0.4*	*–6.4*
Social benefits in cash (35 %)	1.4	0.4	0.6	0.3	2.3	7.9	–4.3	–0.7	3.1	6.5
GOS of «pure» households» (14 %)	–0.2	0.0	0.2	0.5	0.0	–1.3	3.1	0.6	0.2	1.2
Property income (6 %)	1.3	0.0	–1.1	–2.2	–3.7	–2.9	–2.2	–1.4	3.9	–9.2
Social contributions and taxes (–27 %)	1.7	0.8	–0.2	–1.8	–2.3	–8.0	10.6	–1.8	0.7	–5.1
Household consumer prices (quaterly national accounts)	**0.1**	**0.3**	**0.2**	**0.3**	**0.2**	**–0.2**	**0.0**	**0.0**	**0.9**	**0.4**
Purchasing power of gross disposable income	**0.8**	**–0.1**	**0.6**	**0.6**	**–0.5**	**–2.1**	**1.2**	**0.4**	**2.1**	**–0.6**
Household purchasing power by consumption	**0.6**	**–0.3**	**0.4**	**0.5**	**–0.6**	**–2.3**	**1.1**	**0.3**	**1.5**	**–1.2**

Forecast

* 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").
Note: the figures in brackets give the structure for 2018
How to read it: after a decrease of 0.3% in Q1 then 2.3% in Q2 2020, households' gross disposable income should increase by 1.2% during Q3 then by 0.4% in Q4. The annual change for 2020 would then be –0.2%.
Source: INSEE

Property income should continue to decline in H2, due to the drop in dividends paid to households. This is likely to represent a drop of 9.2% across the whole of 2020.

Social benefits should provide strong support for GDI in 2020, but are likely to decline towards the end of the year

In 2020, social benefits would appear to have accelerated significantly (+6.5%, after +3.1% in 2019). Across H1, two effects combined: exceptional measures and automatic stabilisers. The introduction of the short-time working scheme as well as the increase in allowances such as sick leave and child care leave, and the ad hoc assistance for those receiving the statutory minimum, have very much limited the decline in household income. To these exceptional measures were added the more obvious consequences of periods of decline in activity, such as the rise in numbers receiving the earned income supplement (RSA) or unemployment benefit. All in all, social benefits increased by 2.3% then 7.9% in Q1 and Q2.

In H2, these benefits are expected to fall back (–4.3% then –0.7%). The sharp decrease in those taking up short-time working schemes and daily allowances is expected to be a backlash to the increase seen in previous quarters. Conversely, unemployment benefits are expected to continue to rise and in Q3 in particular the increase in the back-to-school allowance will also support household income.

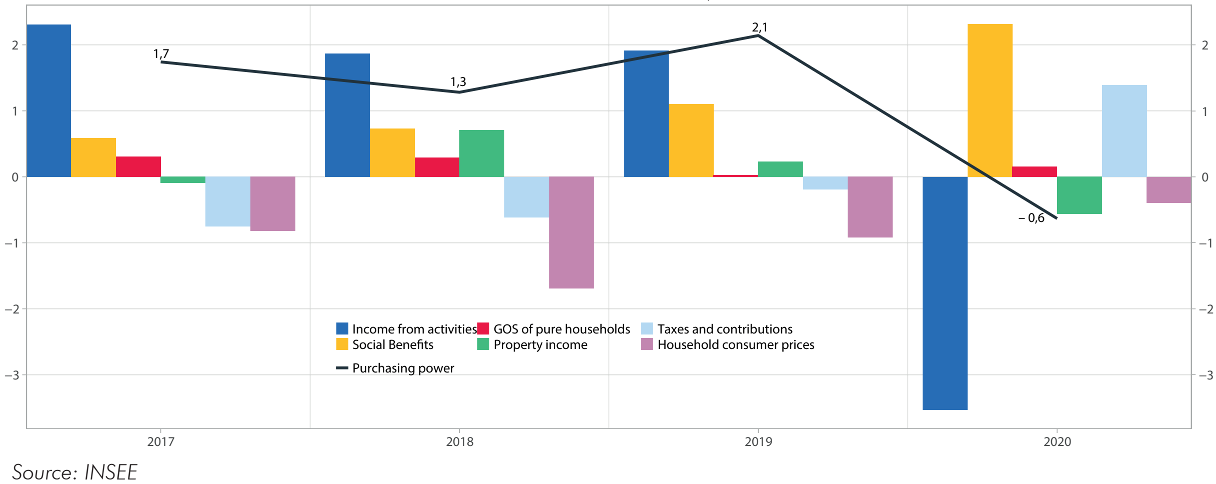
Social and tax contributions picked up in Q3 but are likely to decline sharply in 2020

In Q1, social and tax contributions declined, first as a result of the reform of the income tax scale, which came into force on 1st January 2020, then due to the decline in social contributions, and in the Generalised Social Contribution (CSG), in conjunction with the fall in payroll when lockdown was introduced. In Q2, the decline in social contributions and CSG increased. However, as activity recovered, these contributions bounced back in Q3. By the end of the year, the automatic increase in social and tax contributions is expected to be moderate, like the increase in activity, but ultimately they are likely to decline because of the latest housing tax relief which exempts 80% of households. As a result, across 2020 social and tax contributions overall are expected to decline by 5.1%.

In H2, households' GDI should increase by 1.2% in Q3 then 0.4% in Q4. Over the year, GDI is likely to shrink by 0.2% while consumer prices should slow (+0.4% after +0.9%). As a result, purchasing power is expected to decline 0.6% in 2020 (*Graph*). ■

Purchasing power is expected to fall by 0.6% in 2020

variation in %, contributions in points



Source: INSEE