

Household income

In Q4 2021, household gross disposable income (GDI) increased substantially (+1.6% after +0.8% in Q3). Payment of the “inflation allowance”¹ (representing about 1 point of quarterly GDI) resulted in social benefits rebounding significantly (+2.4% after –2.6%). In addition, taxes and social contributions were virtually stable: social contributions and income tax increased in the wake of increased earned income, but this rise was offset by the continuing reform of housing tax relief (first reduction for the 20% most well-off households). As a result of the buoyancy of household GDI, purchasing power per consumption unit rebounded in Q4 (+0.7%).

Across all of 2021, GDI accelerated significantly (+4.0% after +1.0% in 2020), a consequence of the strong rebound in earned income and a moderate decline in social benefits. Taking into account the rise in consumer prices, household purchasing power per consumption unit increased by 1.9%, having been at a standstill in 2020 (0.0%).

In Q1 2022, household GDI looks set to remain stable (0.0%). Earned income is expected to increase by 1.0%, driven by wage increases in the private sector and employment which is again likely to be buoyant as a quarterly average. Benefits are expected to decline (–2.4%), an automatic reaction after the payment of the inflation allowance in the previous quarter. In fact, even without this after-effect, benefits would still increase slightly, supported by old-age allowances (increase in basic old-age pensions from 1st January) and many people absent on sick leave, and for childcare, but with a decline in unemployment benefit (affected by several factors including the fall in the number of jobseekers and the reform of unemployment insurance). Property income, which has been supported for several quarters by the rebound in dividends received, looks set to be particularly dynamic (+3.2%) due to the increase in the Livret A interest rate, from 0.5% to 1% on 1st February. All in all, taking into account the rise in consumer prices (+1.3% after +0.8% as a quarterly variation), the purchasing power of household GDI per consumption unit is expected to fall back sharply (–1.4%).

The overhang at the end of Q1 for annual change in purchasing power per consumption unit is therefore expected to be –0.9% for 2022 (this is the annual change that would be forecast if purchasing power per consumption unit were to remain frozen at its Q1 level for the next three quarters). It is likely that this overhang will be affected by an increase in inflation and by the automatic reaction in Q1 2022 to the inflation allowance, which supported household income in accounting terms in late 2021. Nevertheless, the overhang at the end of Q1 does not anticipate change in purchasing power across the whole of 2022 since, by construction, it does not take into account possible shifts in income and prices after the end of Q1. ●

¹ The “inflation allowance” refers to the payment of €100 to French residents whose earned income or replacement income is less than €2,000 net per month, the aim being mainly to compensate for the impact of the recent increase in fuel prices on purchasing power. This payment concerned about 38 million people. The allowance was paid at the end of 2021 or early 2022, depending on the situation. However, the right to the payment was established at the end of 2021 (eligibility is based on people's situation as of October 2021), and therefore the allowance is recorded for accounting purposes in Q4 2021, in accordance with the principle of recording on accrual basis.

French economic outlook

► 1. Components of household gross disposable income

variations in %

	Quarterly changes								Annual changes					
	2020				2021				2022	2019	2020	2021	2022	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	ovhg				
Gross disposable income (100%)	-0.9	-1.0	2.2	2.2	0.3	0.6	0.8	1.6	0.0		3.4	1.0	4.0	1.7
including:														
Earned income (72%)	-2.7	-9.7	12.3	0.5	0.9	0.4	3.4	0.8	1.0		3.1	-3.7	6.5	3.4
Gross wages and salaries (64%)	-2.8	-10.4	12.9	-0.6	1.0	0.6	4.5	1.2	1.1		3.2	-4.1	7.0	4.4
GOS of sole proprietors* (8%)	-2.4	-4.3	7.9	9.0	0.0	-1.5	-4.4	-2.0	0.0		2.3	-0.6	5.2	-4.1
Social benefits in cash (35%)	3.5	12.9	-9.8	2.7	-0.6	0.1	-2.6	2.4	-2.4		2.9	9.5	-1.4	-1.9
GOS of "pure" households (14%)	0.0	-1.6	2.8	0.4	0.7	0.7	0.7	1.1	0.0		3.2	1.1	3.2	1.3
Property income (6%)	-5.2	-3.6	-1.3	0.6	3.0	2.4	2.0	1.7	3.2		-2.3	-12.6	5.1	6.1
Social contributions and taxes (-27%)	-0.3	-6.0	8.0	-2.7	1.5	-0.2	3.2	0.2	0.3		0.5	-3.2	3.2	2.0
Household consumer prices	0.2	-0.1	0.2	0.0	0.8	0.3	0.8	0.8	1.3		0.8	0.6	1.7	2.4
Purchasing power of gross disposable income	-1.1	-0.9	2.0	2.2	-0.5	0.3	0.0	0.8	-1.3		2.6	0.4	2.3	-0.7
Household purchasing power by consumption	-1.2	-0.9	1.9	2.0	-0.6	0.2	-0.1	0.7	-1.4		2.0	0.0	1.9	-0.9

■ Forecast

How to read it: after an increase of 1.6% in Q4 2021, household gross disposable income is expected to be stable in Q1 2022 (0.0%). The overhang for annual change is then expected to be 1.7%.

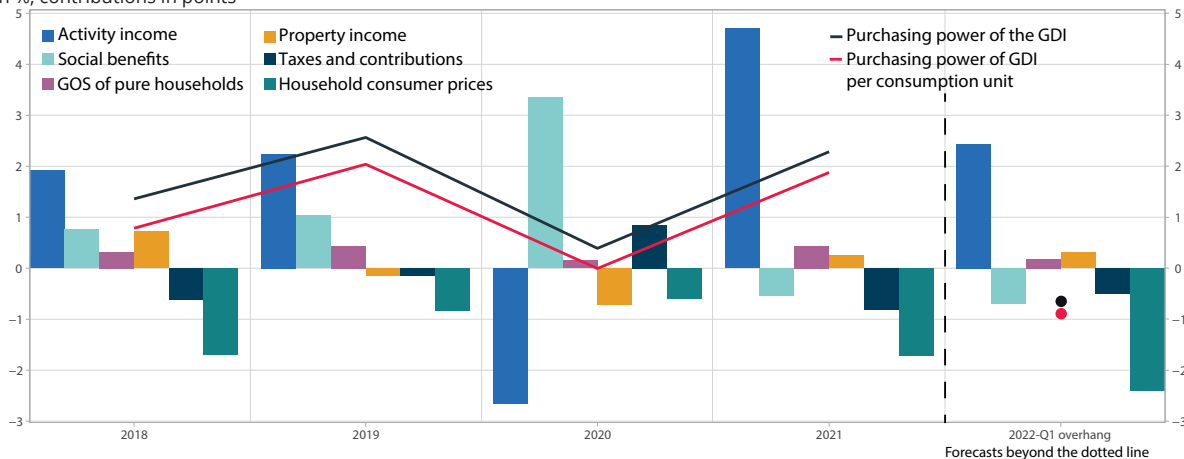
Note: figures in brackets give the structure for 2019.

* the gross operating surplus (GOS) of sole proprietors is the balance of the operating account of sole proprietorships. This is mixed income as it remunerates work carried out by the owner of the sole proprietorship, and possibly members of their family, but it also contains profit made as a sole proprietor.

Source: INSEE

► 2. Annual variation in purchasing power of household gross disposable income (GDI) and its main contributions

changes in %, contributions in points

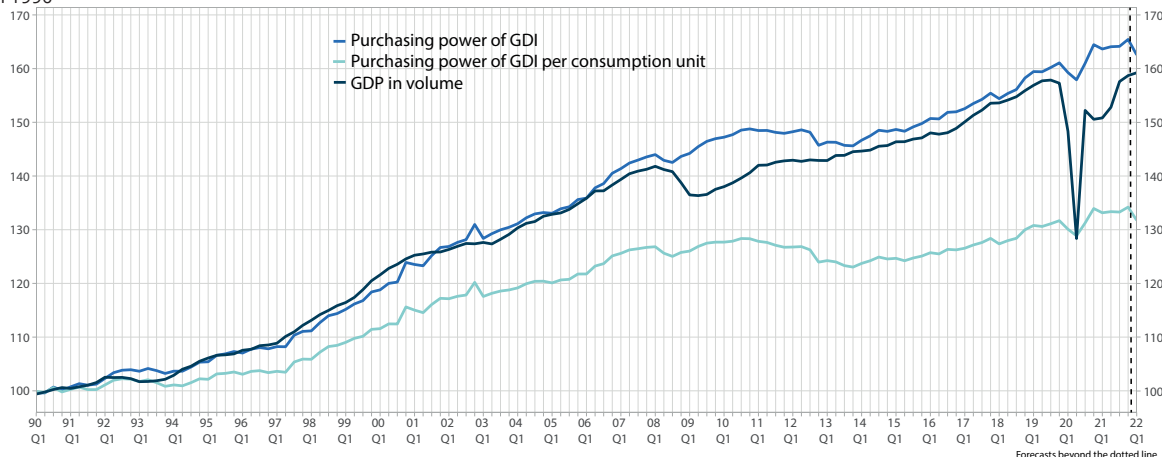


How to read it: the growth overhang of household GDI purchasing power is expected to be -0.7% at the end of Q1 2022. The main contribution to this change is expected to be that of household consumer prices, which is likely to stand at -2.4 points.

Source: INSEE

► 3. Change in purchasing power of household gross disposable income (GDI) and of GDP since 1990

base 100 in 1990



Source: INSEE