Entreprises' earnings

In Q1 2024, the margin rate of non-financial corporations (NFCs) fell significantly, to 32.1% of their value added, or -1.2 points compared to the end of 2023 (►**Figure 1**). The downturn in the value added price of NFCs[1] weighed heavily on their margin rate: this was particularly the case for companies in the agrifood industry sector, due to the decline in their producer prices. In addition, the real cost of labour per capita increased at the beginning of the year, bolstered by the automatic increase in the minimum wage on 1st January and wage adjustments based on past inflation. Conversely, the reduction in taxes on production boosted the margin rate slightly in Q1, as a result of the new measure to reduce the business value-added contribution (CVAE), and as a reaction to the large increase in the property tax on professional buildings at the end of the year. The NFC margin rate is nevertheless still more than one point above its pre-health crisis average value (30.9% in 2019): it is significantly higher in energy and, to a lesser extent, in the manufacturing industry, but it remains below this value in services, where businesses are slow to pass on any increase in their costs (►**Focus** on the effect of the imported price shock on the margin rate of companies). In addition, corporate finance costs increase as interest rates rise and ultimately companies' savings (which take corporate tax and operating result into account) are at a level equivalent to that of 2019.

In Q2, the NFC margin rate is expected to be virtually stable (-0.1 point), at 32.0% of value added. Companies in the energy sector are likely to suffer as a result of the downturn in electricity prices. Nevertheless, this effect is expected to be partially offset for all companies by improvements in productivity, since employment is expected to grow at a more moderate pace than activity.

In H2 2024, the profile of the NFC margin rate is likely to be very striking, due to the one-off impact of the Olympic and Paralympic Games on national activity in the summer (►**Figure 2**): after this disruption, the NFC margin rate is expected to settle at 32.0% at the end of the year, virtually stable if compared to its level in the spring.

All in all, throughout 2024 as a whole, the margin rate of companies is expected to stand at 32.2% of value added, down -0.7 points compared to its 2023 average: value added prices are expected to increase much less quickly than consumer prices due to the drop in electricity prices and agrifood producer prices. Conversely, it is likely that gains in productivity will largely exceed real wage increases, which should contribute positively to the margin rate.

1 The price of the value added of non-financial corporations (NFCs) is approached like the price of the value added of market branches excluding financial and real estate services.

►1. Decomposition of margin rate of non-financial corporations (NFC)

(margin rate in %, variation and contributions in points)

	2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Margin rate	**32.0**	**33.2**	**33.0**	**33.3**	**32.1**	**32.0**	**32.7**	**32.0**	**31.0**	**32.9**	**32.2**
Variation in margin rate	**1.4**	**1.2**	**-0.2**	**0.3**	**-1.2**	**-0.1**	**0.8**	**-0.8**	**-2.4**	**1.9**	**-0.7**
Productivity (+)	0.3	1.0	0.2	0.4	0.1	0.2	0.6	0.0	-0.4	0.9	1.2
Real per capita labour cost* (-)	0.1	-0.1	0.2	0.0	-0.5	0.0	0.2	-0.3	0.1	0.4	-0.4
Of which real wages per head(-)	*0.2*	*0.1*	*0.3*	*-0.1*	*-0.4*	*0.0*	*0.2*	*-0.3*	*-0.4*	*0.4*	*-0.3*
Of which Employer's contribution rate(-)	*-0.1*	*-0.1*	*-0.1*	*0.1*	*-0.2*	*0.0*	*0.0*	*0.0*	*0.5*	*0.0*	*-0.2*
VA price/consumer price ratio* (+)	0.7	-0.2	-0.5	0.0	-1.0	-0.3	0.0	0.1	0.3	0.3	-1.5
Other items	0.4	0.4	-0.1	-0.1	0.2	0.0	0.0	-0.4	-2.4	0.2	0.1

Forecast

***** in the sense of the consumption price index (CPI).

Note: the margin rate (*MR*) measures the share of value added that remunerates the capital.
This variation can be broken down additionally into:

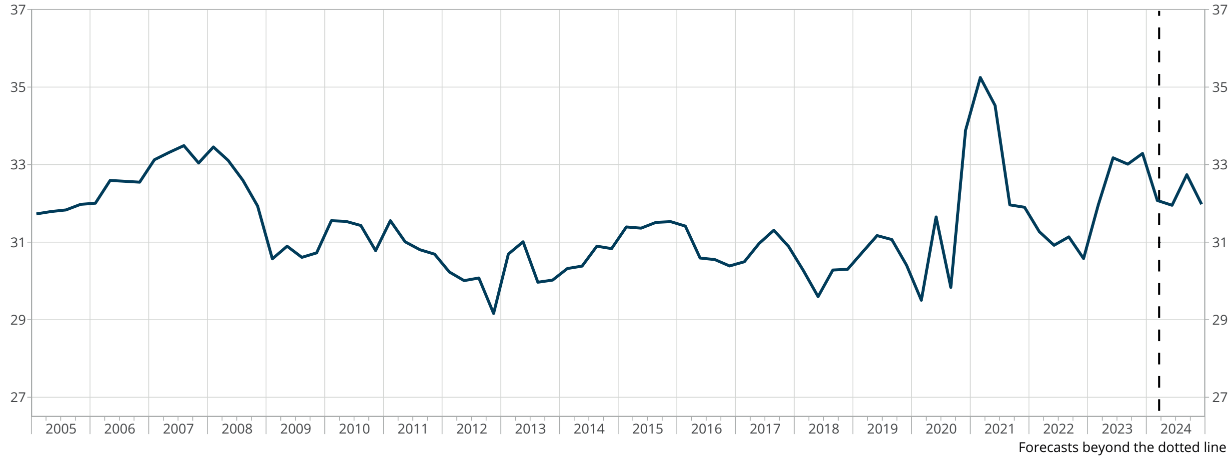
- changes in productivity (*Y/L*), where *Y* is value added and *L* is employment, and in the ratio of the price of value added to consumer prices, or terms of trade *(Pva/Pc)*, which have a positive effect;
- changes in the real cost of labour (*W/Pc*, where *W* represents the cost of labour per capita), which have a negative effect on the margin rate;
- other factors: these are mainly taxes on production net of subsidies.

This breakdown can be synthesised in the equation:

$$TM = \frac{GOS}{VA} \approx 1 - \frac{WL}{Y\,P_{VA}} + other\ factors = 1 - \frac{L}{Y}\frac{W}{P_C}\frac{P_C}{P_{VA}} + other\ factors$$

Source: INSEE.

►2. Margin rate of non-financial corporations (NFC)
(in % of value added)



Source: INSEE.