Entreprises' earnings

In Q3 2024, the margin rate of non-financial corporations (NFCs) increased significantly, reaching 32.4% of their value added, or +1.1 points compared to the previous quarter (▶ **Figure 1**), driven by the improvement in terms of trade: the price of oil fell and energy companies and transport services benefitted from the rise in electricity and maritime freight prices. The effect of the Olympic and Paralympic Games on growth also led to accounting gains in productivity and thus supported margins (as the Organising Committee of Olympic and Paralympic Games is considered an NFC in national accounting), while real labour costs and taxes on production contributed almost nothing to the change (▶ **Figure 2**). The margin rate of NFCs is more than one point above its pre-health crisis average (30.9% in 2019) but this comes mainly from the energy and transport services sectors. In the manufacturing industry and market services excluding transport, it is only scarcely above its 2019 level.

In the last quarter of 2024, the margin rate of NFCs is expected to fall by 0.4 points, to 31.9% of value added. The real cost of labour is likely to rise again in a context of low inflation, without this being offset by gains in productivity, which will probably be sluggish, as a reaction to the one-off increase in the previous quarter.

All in all, across the whole of 2024, corporate margin rates are expected to stand at 31.9% of value added, down 1.0 point compared to its average in 2023 and slightly above its average in the 2010s. The deterioration in the terms of trade (linked to the return to normal of European electricity prices after the surge in 2022) is expected to have a significant effect on corporate margin rates, especially in the energy sector, whereas the increase in the real cost of labour is expected to be offset by gains in productivity. In 2024, the margin rate of the energy branch is therefore likely to fall back, as will that of manufacturing industry, whereas it is expected to pick up in market services as they gradually pass on past wage increases to their selling prices (▶ **Focus** "The margin rate of companies in France has withstood the rise in import prices well, due to their increased selling prices and wage moderation", *Economic outlook*, July 2024). In addition, corporate financing costs should continue to increase as a result of the earlier rise in interest rates and, ultimately, in corporate savings (which take corporate tax and financial earnings into account) and are expected to represent 18.8% of their value added in 2024, or almost two points less than the average observed between 2015 and 2019 (▶ **Figure 3**).

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

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

	2023				2024				2025		2023	2024	2025 ovgh
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2			
Margin rate	**32.1**	**33.3**	**33.0**	**33.1**	**32.1**	**31.2**	**32.4**	**31.9**	**31.6**	**31.6**	**32.9**	**31.9**	**31.6**
Variation in margin rate	**1.2**	**1.3**	**-0.3**	**0.2**	**-1.1**	**-0.8**	**1.1**	**-0.4**	**-0.3**	**0.0**	**1.9**	**-1.0**	**-0.3**
Productivity (+)	0.0	0.9	0.1	0.5	0.0	-0.1	0.4	-0.1	0.0	0.3	0.9	0.7	0.3
Real per capita labour cost* (-)	0.2	0.1	0.1	0.0	-0.4	-0.3	-0.1	-0.3	-0.2	-0.1	0.4	-0.7	-0.5
Of which real wages per head(-)	*0.3*	*0.1*	*0.2*	*-0.1*	*-0.2*	*-0.2*	*0.0*	*-0.3*	*-0.1*	*0.0*	*0.4*	*-0.4*	*-0.4*
Of which Employer's contribution rate(-)	*-0.1*	*-0.1*	*-0.2*	*0.1*	*-0.2*	*-0.1*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*-0.3*	*-0.1*
VA price/consumer price ratio* (+)	0.5	-0.1	-0.4	-0.1	-0.8	-0.5	0.7	0.0	-0.3	-0.2	0.3	-1.2	-0.2
Other items	0.4	0.5	-0.1	-0.2	0.2	0.0	0.1	-0.1	0.2	0.0	0.2	0.2	0.2

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/IPC*). 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:

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

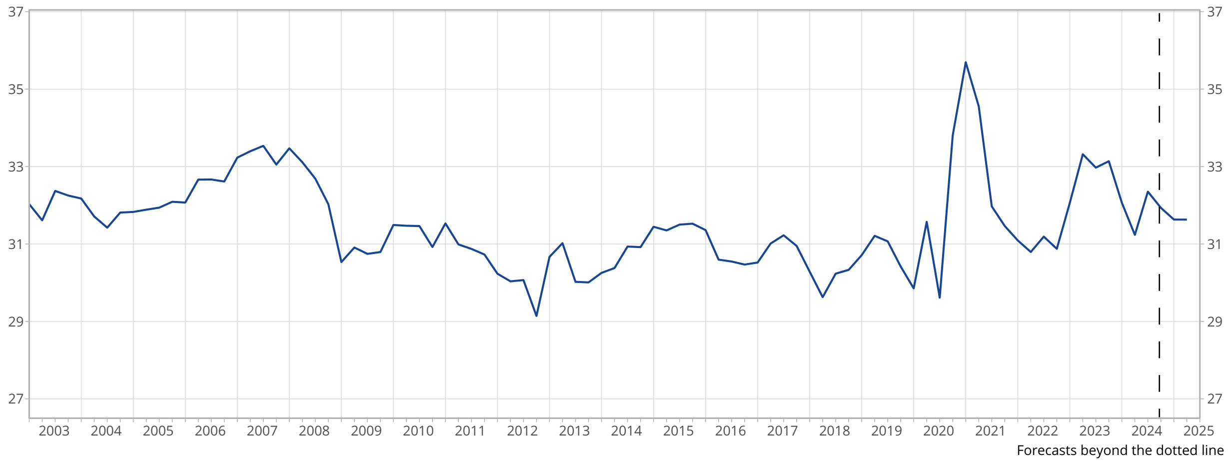
How to read it: in Q3 2024. productivity contributed 0.4 points to the increase in the NFC margin (+1.1 points).
Source: INSEE.

In Q1 2025, the margin rate of NFCs is expected to fall further (-0.3 points), then stabilise in the spring at 31.6% of value added. Terms of trade are likely to deteriorate in the winter due to the expected drop in the selling price of electricity for producers which looks set to be greater than that in household consumer prices, given the rise in excise duty (► **Consumer prices sheet**). Over the half-year, NFCs are expected to record productivity gains, with activity slightly more dynamic than employment, but these are likely to be offset by the increase in the real cost of labour. Finally, with no finance law for 2025, the NFC margin rate is likely to benefit from the further reduction in the business value-added contribution (CVAE) in 2025, which was voted in the finance law for 2024.

The 2025 mid-year overhang of the NFC margin rate is expected to fall slightly, to 31.6% of value added: the terms of trade are still likely to affect change in the margin rate a little, whereas productivity gains are expected to only partially offset the increase in the real cost of labour. The savings ratio looks set to fall again, slightly, to 18.3% of value added carried over by mid-2025, in the wake of the margin rate.

► 2. Quarterly margin rate of non-financial corporations (NFC)

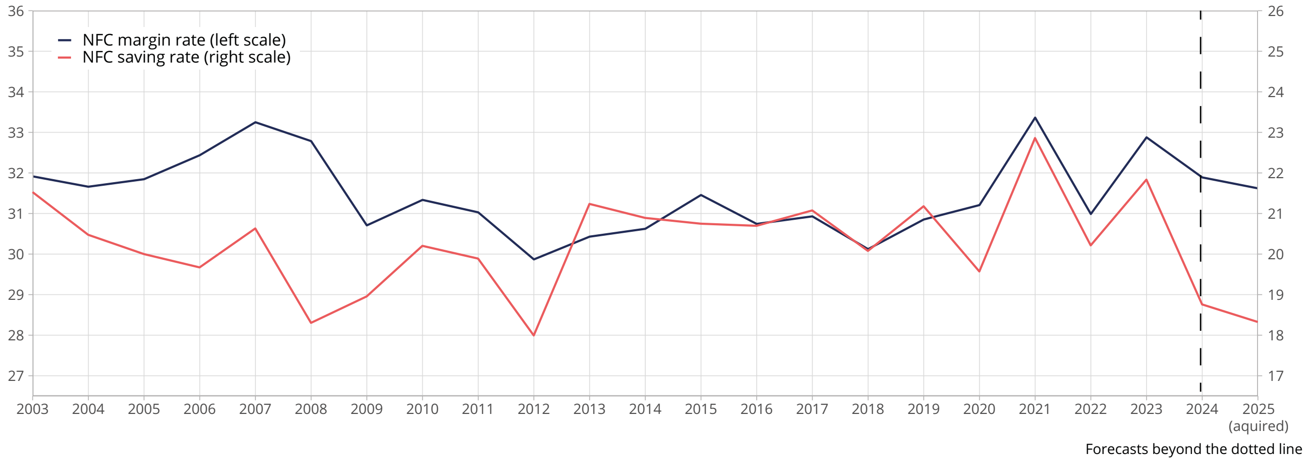
(in % of value added)



Last point: Q2 2025.
How to read it: in Q3 2024, the margin rate for NFCs increased to 32.4% of their value added.
Source: INSEE.

► 3. Margin rate and annual savings ratio of non-financial corporations (NFCs)

(in % of value added)



Note: the last point is the mid-year growth overhang for 2025.
How to read it : in 2024, the margin rate of NFCs is expected to be 31.9% and the savings ratio 18.8% of their value added.
Source: INSEE.