

## Entreprises' earnings

In Q1 2025, the margin rate of non-financial corporations (NFCs) fell slightly, by 0.2 points quarter on quarter, to 31.8% of their value added (► [Figure 1](#)). The effect of the productivity gains generated by the fall in private payroll employment was offset by the rise in the real cost of labour, due to the dynamism of the average wage per capita at the start of the year (► [Sheet Wages](#)). The reduction in net taxes on production gave a slight boost to the margin rate, following an increase in the property tax on business premises at the end of the year, but production subsidies decreased. Lastly, the deterioration in the terms of trade contributed -0.3 points to the change in the margin rate, due to the fall in the sale price of electricity in the domestic market. While the export price of electricity once again benefited from rising wholesale prices in European markets at the start of the year, its sale price in the domestic market fell in the wake of the cut in regulated tariffs in February, while the price paid by consumers fell to a lesser extent because of the tax hike introduced at the same time (► [Focus](#) from the March 2025 *Economic outlook* on fluctuations corporate margin rates). In Q1 2025, therefore, the margin rate fell for the energy and transport services branches (► [Focus](#) from the March 2025 *Economic outlook* on fluctuations corporate margin rates), it fell slightly in market services (excluding transport, finance and real estate), while it recovered in manufacturing due to relatively dynamic production prices.

Overall in Q1 2025, the NFC margin rate was 0.9 points above its average level before the health crisis (30.9% in 2019). However, excluding energy and transport services, and excluding financial and real estate activities, the margin rate of the market-sector branches was very close to its pre-crisis level (► [Figure 2](#)).

Furthermore, corporate financing costs continued to rise in Q1 2025, as a result of the past rise in interest rates. As a consequence, corporate savings (which take into account corporation tax and financial earnings) stood at 19.3% of their value added at the start of 2025, down by more than a point on their average level between 2015 and 2019. According to the Banque de France, the net debt of French NFCs is significantly higher than that of European companies, making them more vulnerable to interest rate movements (around 40% of GDP compared with 27% for the eurozone).

In Q2 2025, the NFC margin is likely to fall by a further 0.4 percentage points to 31.4% of value added. Despite the fall in the price of oil in April, which reduced the price of intermediate consumption by companies, the value-added price of the energy branch was adversely affected by the sharp fall in wholesale prices on European electricity markets in the

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

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

	2024				2025				2023	2024	2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
<b>Margin rate</b>	<b>32.4</b>	<b>31.6</b>	<b>32.8</b>	<b>32.0</b>	<b>31.8</b>	<b>31.4</b>	<b>31.5</b>	<b>31.2</b>	<b>32.9</b>	<b>32.2</b>	<b>31.4</b>
<b>Variation in margin rate</b>	<b>-0.7</b>	<b>-0.9</b>	<b>1.2</b>	<b>-0.8</b>	<b>-0.2</b>	<b>-0.4</b>	<b>0.1</b>	<b>-0.2</b>	<b>2.2</b>	<b>-0.7</b>	<b>-0.8</b>
Productivity (+)	-0.1	0.0	0.4	-0.2	0.3	0.2	0.3	0.2	1.6	0.9	0.7
Real per capita labour cost* (-)	-0.4	-0.2	-0.1	-0.3	-0.4	-0.2	0.0	-0.3	0.5	-0.7	-0.9
Of which real wages per head(-)	-0.2	-0.1	-0.1	-0.3	-0.3	0.0	0.1	-0.2	0.4	-0.3	-0.7
Of which Employer's contribution rate(-)	-0.2	-0.1	0.0	0.0	-0.1	-0.2	-0.1	-0.1	0.1	-0.4	-0.2
VA price/consumer price ratio* (+)	-0.7	-0.6	0.8	0.2	-0.3	-0.4	-0.1	0.0	0.1	-1.1	-0.3
Other items	0.5	0.0	0.1	-0.5	0.1	-0.1	0.0	-0.2	0.0	0.2	-0.3

■ 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 and terms of trade ( $P_{VA}/IPC$ ), which have a positive effect;
- changes in the real cost of labour ( $W/IPC$  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:

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

**How to read it:** in Q1 2025, the productivity contributed +0.3 point to the change in the NFC margin rate (-0.2 points).

**Source:** INSEE.

spring, and that of transport services by the fall in the price of sea freight, due to the trade war. As a result, the terms of trade are set to deteriorate again in Q2, contributing -0.4 points to the change in the NFC margin rate. The positive contribution of labour productivity will probably be offset by the increase in the real cost of labour: real wages are likely to be at a standstill, but the cuts to the general relief measures on employers' social security contributions in the spring, decided as part of the Finance Laws for 2025, will probably increase the average rate of employer contributions.

The profit margin of NFCs is set to fall slightly further over H2 2025 as a whole, reaching 31.2% of value added at the end of the year, 0.1 point less than in the spring. Labour productivity is still expected to make a positive contribution to the margin rate as private employment falls, but these gains should be partly offset by the rise in real labour costs at the end of the year. Terms of trade should contribute little to the change in the NFC margin rate in H2. Lastly, the increase in taxes on production, in particular the revaluation of property tax on business buildings, indexed to past inflation, is set to weigh on the margin rate of NFCs at the end of the year.

For 2025 as a whole, the NFC margin rate is likely to stand at 31.4% of value added (► **Figure 3**), down by 0.8 points on last year, as productivity and real wage gains should offset one other. The increase in employers' contributions is likely to reduce the margin rate by 0.2 points, with half of this effect due to the measure to reduce general tax relief as part of the 2025 Finance Laws, and half to expansion of the wage scale, meaning that the spontaneous effect of general tax relief is slower than the effect of payroll. Finally, the terms of trade and taxes and subsidies should also contribute to the fall in the margin rate (-0.3 points each). On average over the year, the beneficial effects of the fall in oil prices on domestic terms of trade are therefore likely to be more than offset by the losses incurred by electricity and sea freight exporters, and by the increase in indirect taxes.

The NFC savings rate, meanwhile, is set to fall even more sharply, to 18.6% on average over 2025 (after 20.3% in 2024). This is because the various tax increase measures affecting companies adopted as part of the Finance Law (► **Focus** from the March 2025 *Economic outlook* on the effects of fiscal consolidation 2025 on growth) should materialise at the end of 2025, in particular the payment of the corporation tax surcharge scheduled for the final quarter. Investment is likely to decline slightly less than savings, so that the self-financing ratio<sup>1</sup> should continue to fall, averaging around 86% for 2025 as a whole, the lowest since 2008. ●

<sup>1</sup> The self-financing rate measures the proportion of NFC investment that could be financed by their gross savings. It is equal to the ratio of gross savings to gross fixed capital formation (GFCF).

## ► 2. Changes in the margin rate of NFCs compared with the approximate corporate margin rate excluding energy and transport services<sup>2</sup>

(in percentage points of value added, compared with the 2015-2019 average)



<sup>2</sup> The approximate corporate margin rate corresponds to the margin rate of market branches excluding real estate and financial activities. For more details, ► **Focus** from the March 2025 *Economic outlook* on fluctuations corporate margin rates.

**Las point:** Q1 2025

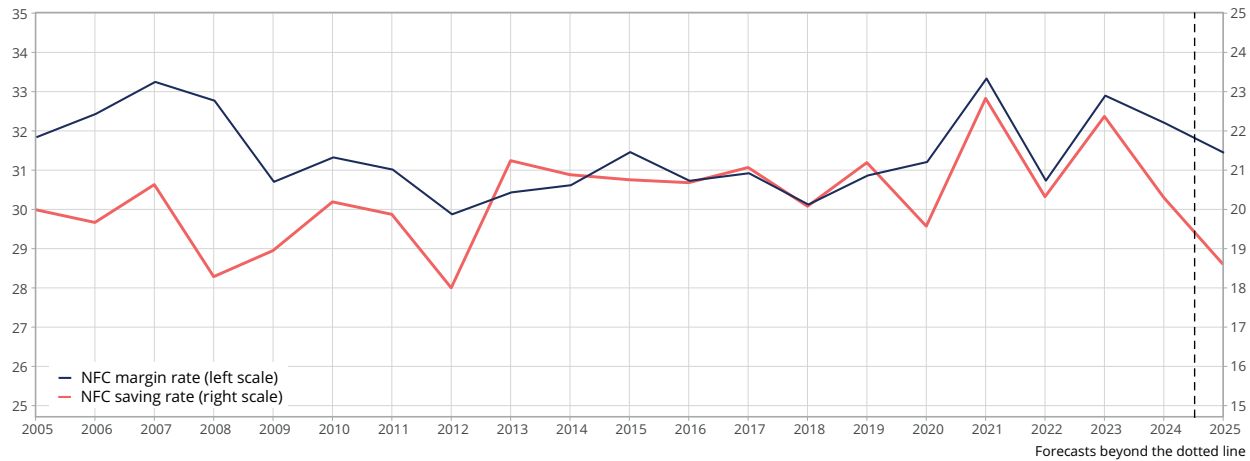
**How to read it:** in Q1 2025, the NFC margin rate is 0.9 points above its average between 2015 and 2019, 0.2 points lower than at the end of 2024. The approximate corporate margin rate, excluding energy and transport services, is 0.2 points below its average between 2015 and 2019, and 0.2 points higher than at the end of 2024.

**Source:** INSEE.

# French economic outlook

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

(in % of value added)



**How to read it:** in 2024, the NFC margin rate will be 32.1% and the savings rate 19.4% of value added.  
**Source:** INSEE.