Flash Economics

N° 85
July 16, 2025

France: only the Government has been penalised by the fall in productivity

Labour productivity per capita fell by 2.2% between Q1 2019 and Q1 2025 in the French economy as a whole, and by 3.1% in the private sector between Q1 2019 and Q4 2024.

An important question is the distribution of this loss of income between households, corporates and the Government.

One can see that:

- The purchasing power of household disposable income increased by 8.3% between Q1 2019 and Q1 2025;
- The profit margin for businesses has risen from 36.0% in Q1 2019 to 37.5% in Q4 2024;
- The public deficit has risen from 2.5% of GDP in 2018 to 3.0% of GDP in 2019 and 5.8% of GDP in 2024.

We can therefore see that only the Government has been penalised by the fall in productivity, with a distortion in the distribution of income to the detriment of the Government and to the advantage of households and businesses.

Reducing the public deficit will necessarily involve a change in the opposite direction in the distribution of income, to the detriment of households and businesses.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Marketing communication: this document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Decline in labour productivity in France

Charts 1A/B show the level of labour productivity in the French economy as a whole, while Charts 2A/B show the level of labour productivity in the private sector (excluding public administration) in France.

Chart 1A
France: Productivity per head (2018.Q1 = 100)

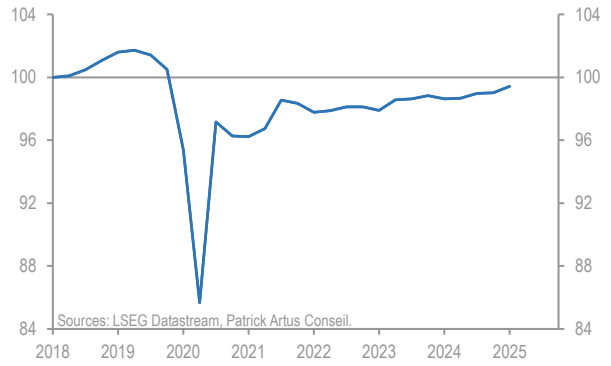


Chart 1B
France: Productivity per hour (1998.Q1 = 100)

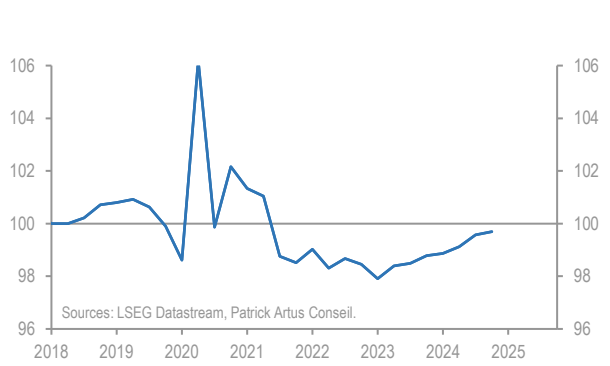


Chart 2A
France: Productivity per head
(business sector, 2018.Q1 = 100)

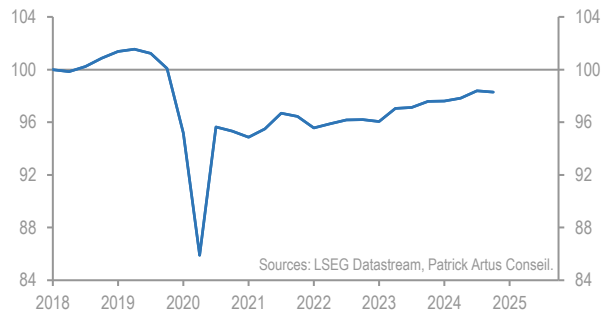
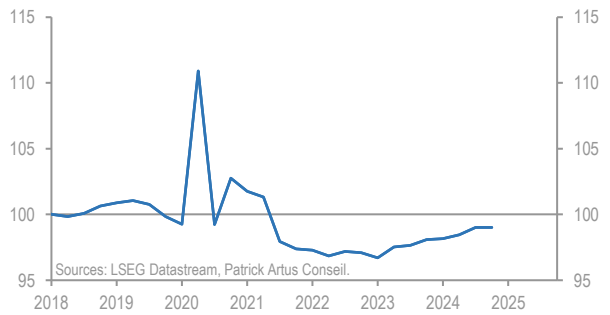


Chart 2B
France: Productivity per hour
(business sector, 1998.Q1 = 100)



One can see that overall productivity fell by 2.2% between Q1 2019 and Q1 2025, and that private sector productivity fell by 3.1% between Q1 2019 and Q4 2024.

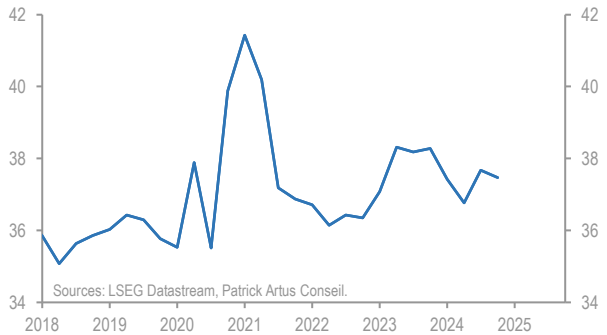
An important question is the distribution of the loss of income linked to the decline in productivity across the incomes of businesses, households and the Government.

Distribution of the loss linked to the decline in productivity

We look at:

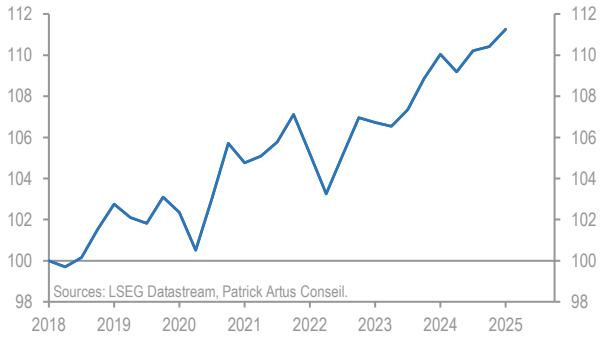
- The profit margin of French non-financial companies (Chart 3);

Chart 3
France: Margin rate of non-financial entreprises (as %)



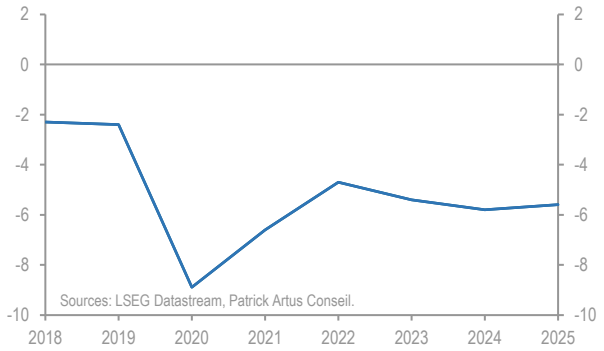
- The purchasing power of household disposable income (Chart 4);

Chart 4
France : Real gross disposable income (2018.Q1 = 100).



- The public deficit (Chart 5);

Chart 5
France: Fiscal deficit (as % of nominal GDP)



One can see:

- That the corporate profit margin has increased by 1.5 points from 2019 to the end of 2024;
- The purchasing power of household disposable income has increased by 8.3% between the 1st quarter of 2019 and the 1st quarter of 2025;
- That the public deficit increased from 2.5% of GDP in 2018 to 3.0% of GDP in 2019 and 5.8% of GDP in 2024.

We can see that only the Government has suffered from the decline in productivity in France; companies have increased their profit margins and household purchasing power has continued to rise.

Summary: what will happen if the public deficit has to be reduced?

We have seen that only the Government has suffered from the decline in productivity, with a distortion in the distribution of income to the detriment of the Government and in favour of households and businesses.

The Government now needs to stabilise the public debt ratio, which will mean reducing the public deficit by almost 4 points of GDP. This will require deforming the distribution of income in the opposite direction to the imbalance observed since 2018, i.e. to the detriment of households and businesses and to the benefit of the Government.

Disclaimer

Ossiam, a subsidiary of Natixis Investment Managers, is a French asset manager authorized by the Autorité des Marchés Financiers (Agreement No. GP-10000016). Although information contained herein is from sources believed to be reliable, Ossiam makes no representation or warranty regarding the accuracy of any information of which it is not the source. The information presented in this document is based on market data at a given moment and may change from time to time. This material has been prepared solely for informational purposes only and it is not intended to be and should not be considered as an offer, or a solicitation of an offer, or an invitation or a personal recommendation to buy or sell participating shares in any Ossiam Fund, or any security or financial instrument, or to participate in any investment strategy, directly or indirectly. It is intended for use only by those recipients to whom it is made directly available by Ossiam. Ossiam will not treat recipients of this material as its clients by virtue of their receiving this material. All performance information set forth herein is based on historical data and, in some cases, hypothetical data, and may reflect certain assumptions with respect to fees, expenses, taxes, capital charges, allocations and other factors that affect the computation of the returns. Past performance does not predict future returns. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Ossiam assume no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from, an investment in any security or financial instrument described herein or in any other security, or from the implementation of any investment strategy. This information contained herein is not intended for distribution to, or use by, any person or entity in any country or jurisdiction where to do so would be contrary to law or regulation or which would subject Ossiam to any registration requirements in these jurisdictions. This material may not be distributed, published, or reproduced, in whole or in part.