

Asda Income Tracker

Report: August 2018

Released: September 2018



Making Business Sense

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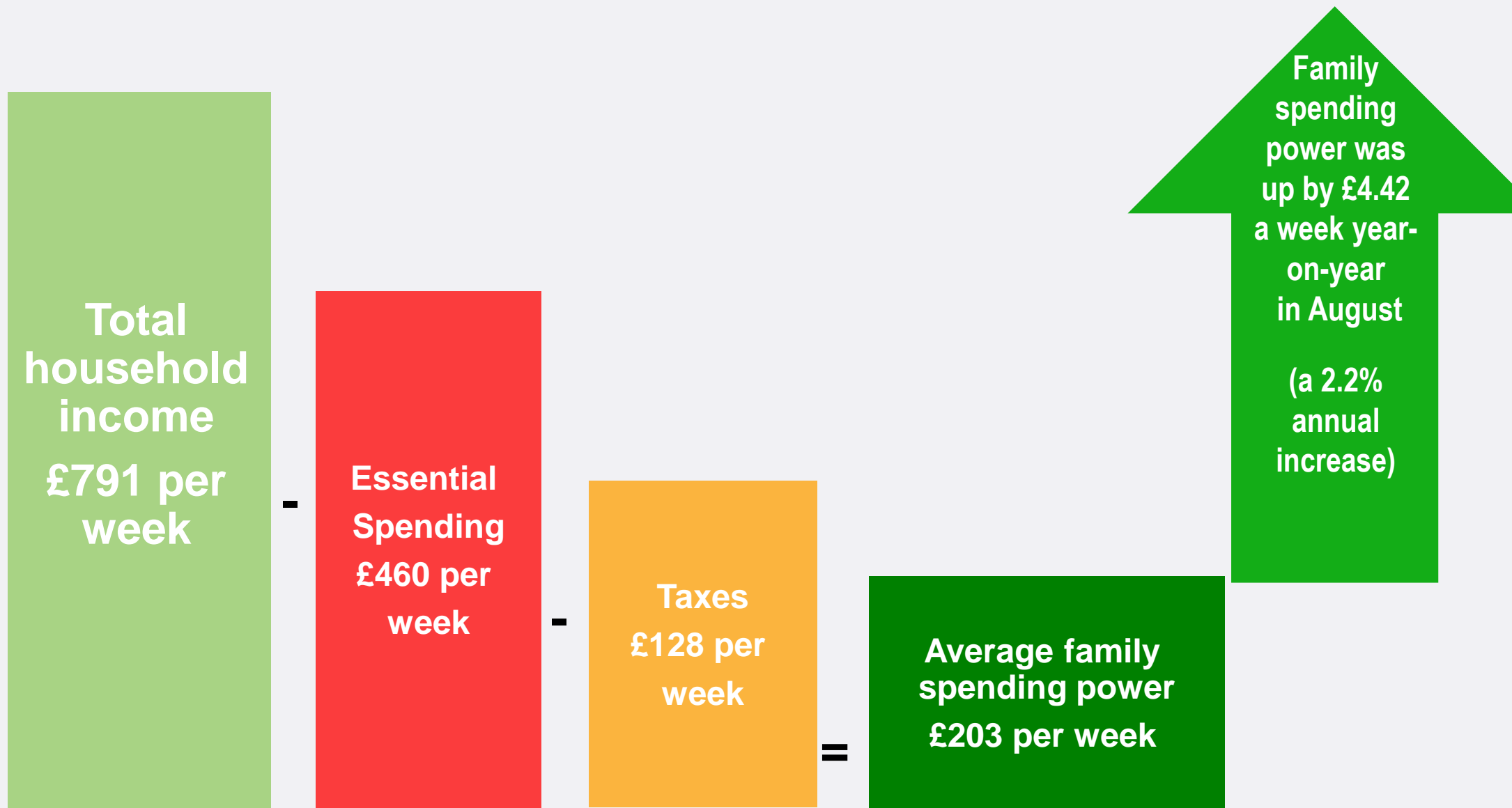
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Asda Income Tracker – Key Figures

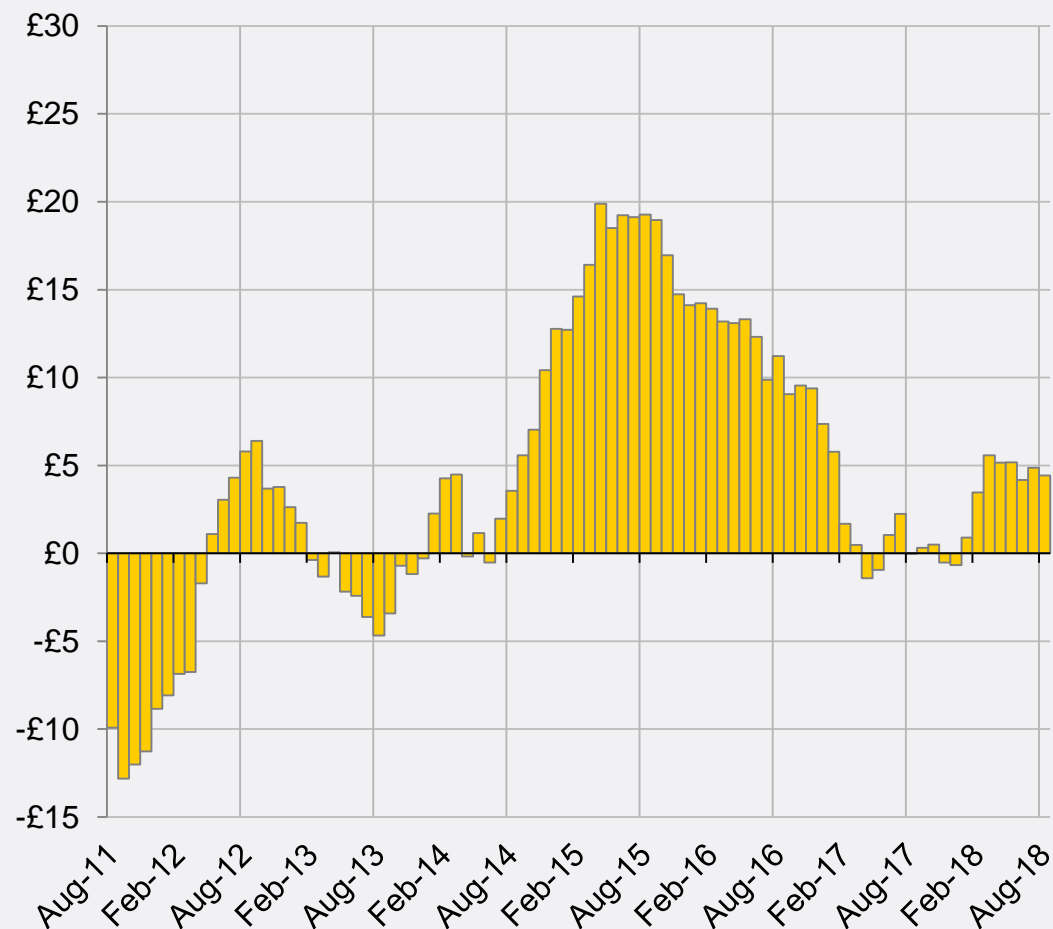


Asda Income Tracker rises as wage growth strengthens

The Asda Income Tracker was £4.42 a week higher in August 2018 than a year before

- Family spending power increased by 2.2% compared to August 2017. Gains in spending power have declined gradually over the past six months, but remain fairly stable.
- The latest labour market data show that the unemployment rate remained at 4.0% in the three months to July.
- The figures also reveal that emerging labour shortages are beginning to generate noticeable wage pressures, with year-on-year pay growth, both including and excluding bonuses, increasing 0.2 percentage points in the three months to July compared to the three months to June. Regular pay growth (excluding bonuses) now stands at 2.9% year-on-year.
- Retail sales volumes increased by 3.3% year-on-year in August. This was primarily driven by strong growth in sales online and in household goods stores, while clothing and footwear stores saw sales decline.

Year-on-year change in Asda Income Tracker, £

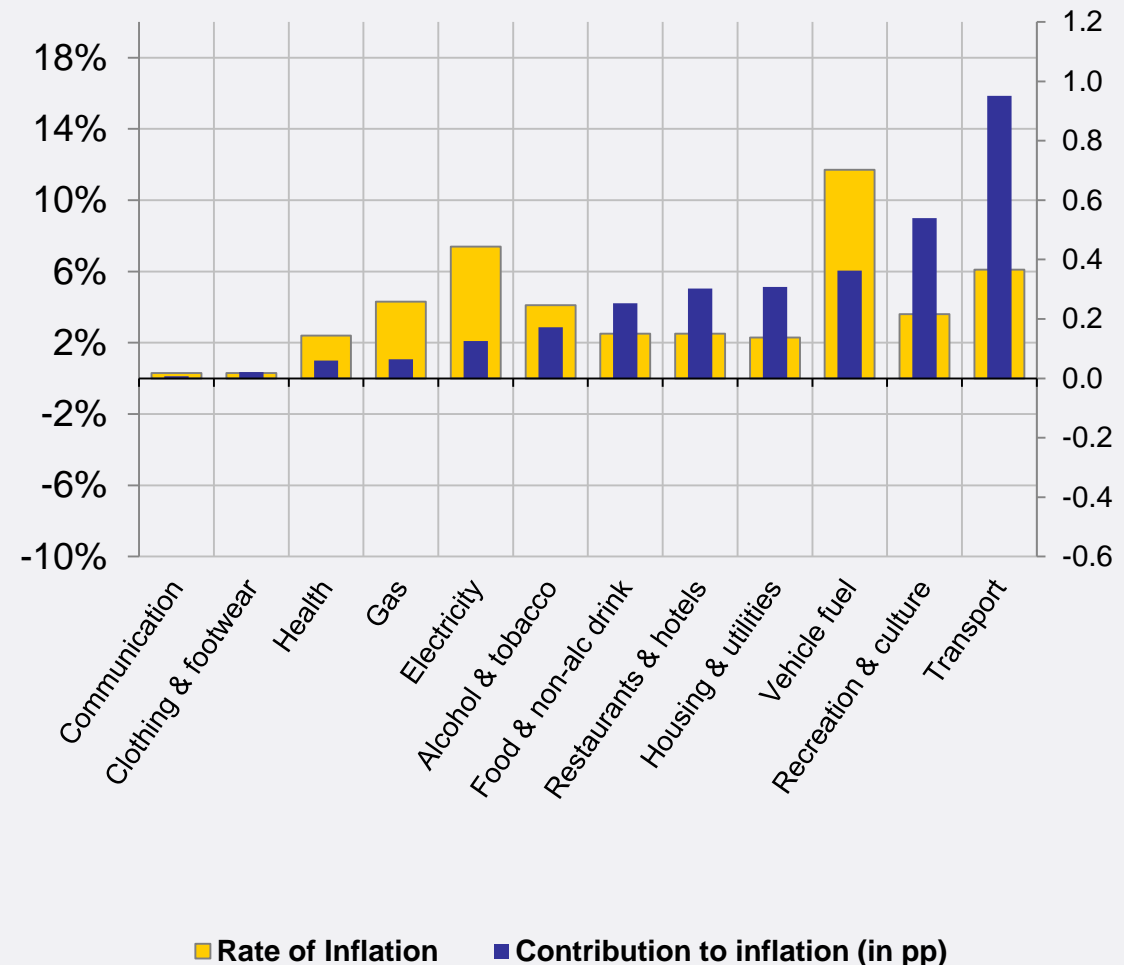


Inflation jumps to 6 month high as recreation costs climb

The main factors affecting family costs in July were transport and recreation

- Inflation as measured by the Consumer Price Index rose from 2.5% in July to 2.7% in August, its highest rate since February 2018. The CPIH measure of inflation increased 0.1 percentage points to 2.4%.
- Transport costs were again the largest single contributor to inflation, driven by high global oil prices. Within this, fuel for vehicles rose at an annual rate of 11.7%.
- Recreational goods and services were the second highest contributor to inflation in August, with prices rising at their fastest since January 2010. Strong price rises for package holidays contributed to this.
- Prices rose across all major types of spending in August, but the weakest inflation rate was in communication and clothing & footwear categories.

Inflation of selected goods, annual rate (LHS) and contribution to headline inflation (RHS)



Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

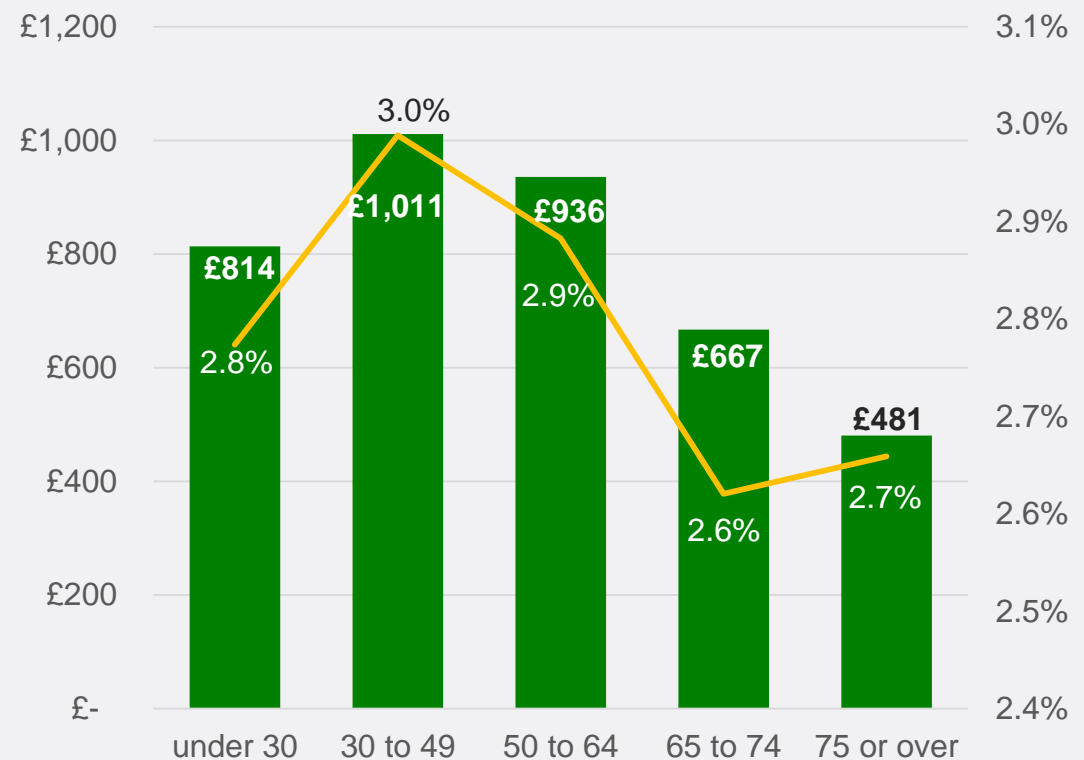
■ Rate of Inflation ■ Contribution to inflation (in pp)

Those aged 65 to 74 saw the slowest income growth in August

But the average income growth of older age groups caught up with 30 to 49 year-olds

- In August 2018, households where the main income earner is aged 30 to 49 saw the biggest increase in gross incomes, at 3.0% year-on-year. This is slightly up on the 2.9% annual growth seen in July 2018.
- Weekly gross incomes for 30 to 49 year-olds stood at £1,011 in August 2018.
- Though the pace of growth in weekly gross income has picked up for the under 30s since January 2018, when it stood at 2.5%, it continues to lag behind those aged 30 to 49.
- In recent months gross income growth has improved most for those in older age groups.
- Year-on-year income growth accelerated from 2.0% in March to 2.7% in August for those aged 75 or older, and from 2.1% to 2.6% for 65 to 74 year olds.
- Until April this year, those aged 75 or over had experienced the slowest income growth of all age groups since 2013.

Average weekly gross income by age group, August 2018, YoY growth in % (RHS)



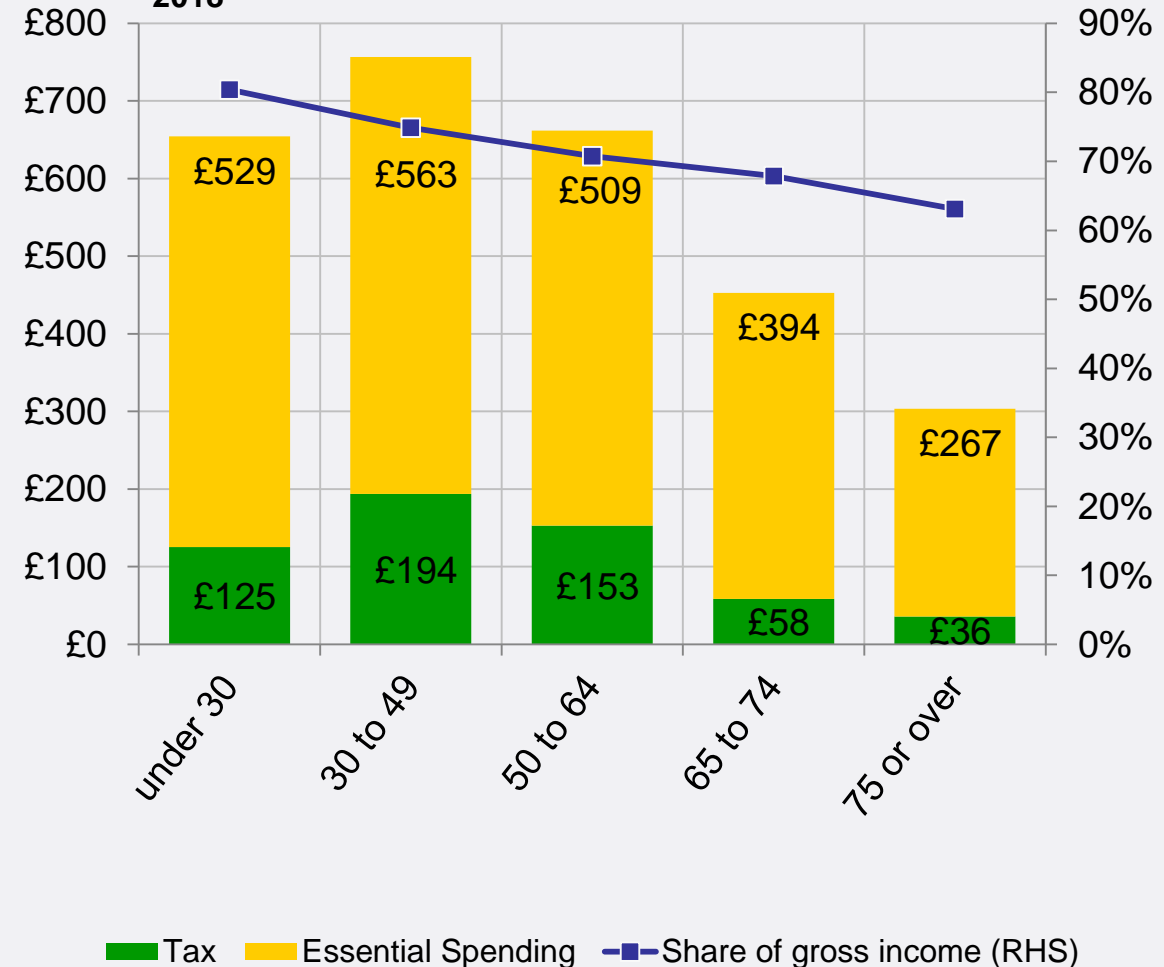
*Age groups determined via age of household representative person / main income earner in household.

Housing and education costs are highest for those aged under 30

Essential spending peaks at £563 for 30 to 49 year-olds

- The under 30s continue to spend the largest share of their gross income on taxes and essential goods and services (80%), while those aged over 75 spend the lowest share (63%).
- Looking at essential spending in isolation shows that those aged under 30 spend the most on education and housing as a proportion of their income.
- Average spending on food increases steadily with age, from 9% of incomes for the under 30s to 17% for those aged 75 or older.
- Those aged 30 to 49 spend more of their incomes on clothing & footwear and mortgage payments than other age group, with each category accounting for 6% of their gross weekly incomes.

Average weekly tax burden and essential spending; combine share of gross income by age group, August 2018

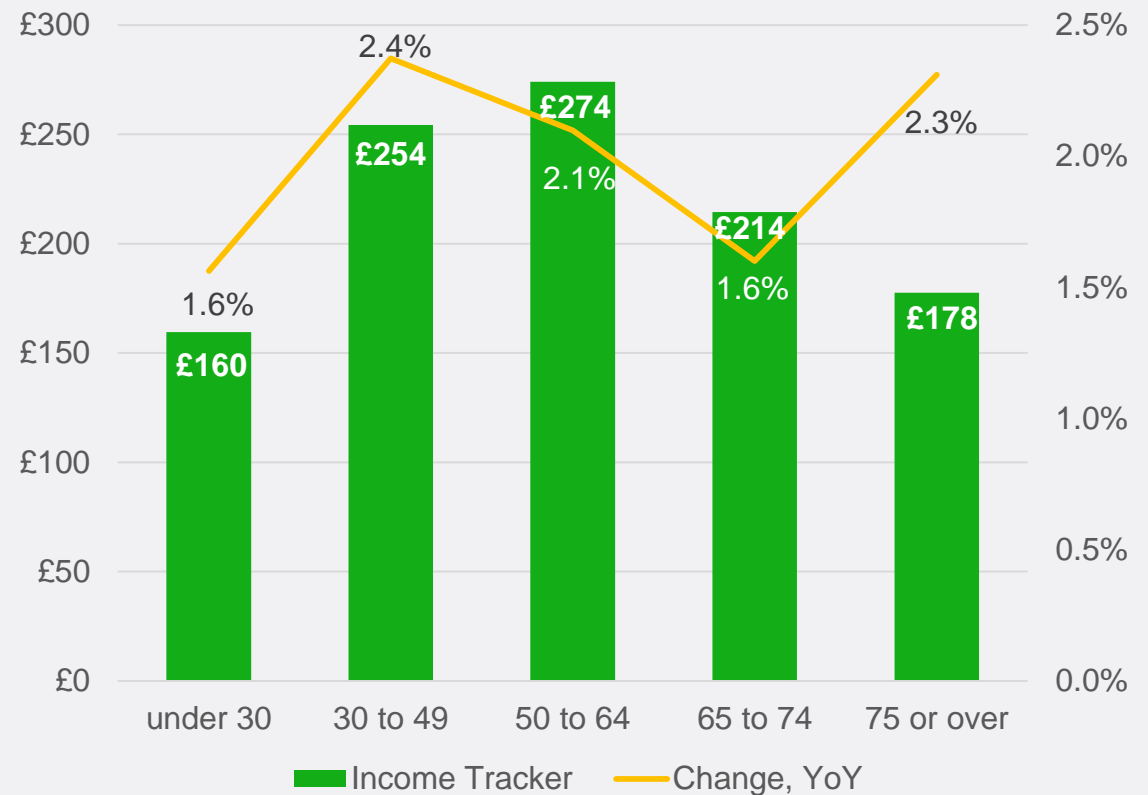


The Income Tracker declines for all age groups over August

Still, in annual terms the income tracker improved across the board

- In March 2018, disposable income growth peaked for those under 65, while those aged 65 and over saw it reach its 2018 peak in July and August. This is in line with the acceleration in gross income growth that these households have seen.
- 30 to 49 year-olds saw the fastest increase in the Income Tracker this month - an increase of 2.4% year-on-year.
- Despite having lower gross incomes than those aged 30 to 49, substantially lower taxes and essential spending means those aged 50 to 64 had the greatest disposable income in August, at £274 per week.
- Month-on-month growth in the income tracker was negative for all age groups in August.

Average weekly discretionary income by age group, Q2 2018, YoY growth in %



Contact

Please find attached method notes and the tabulated data. Asda produces a monthly income tracker report with a more comprehensive report every quarter.

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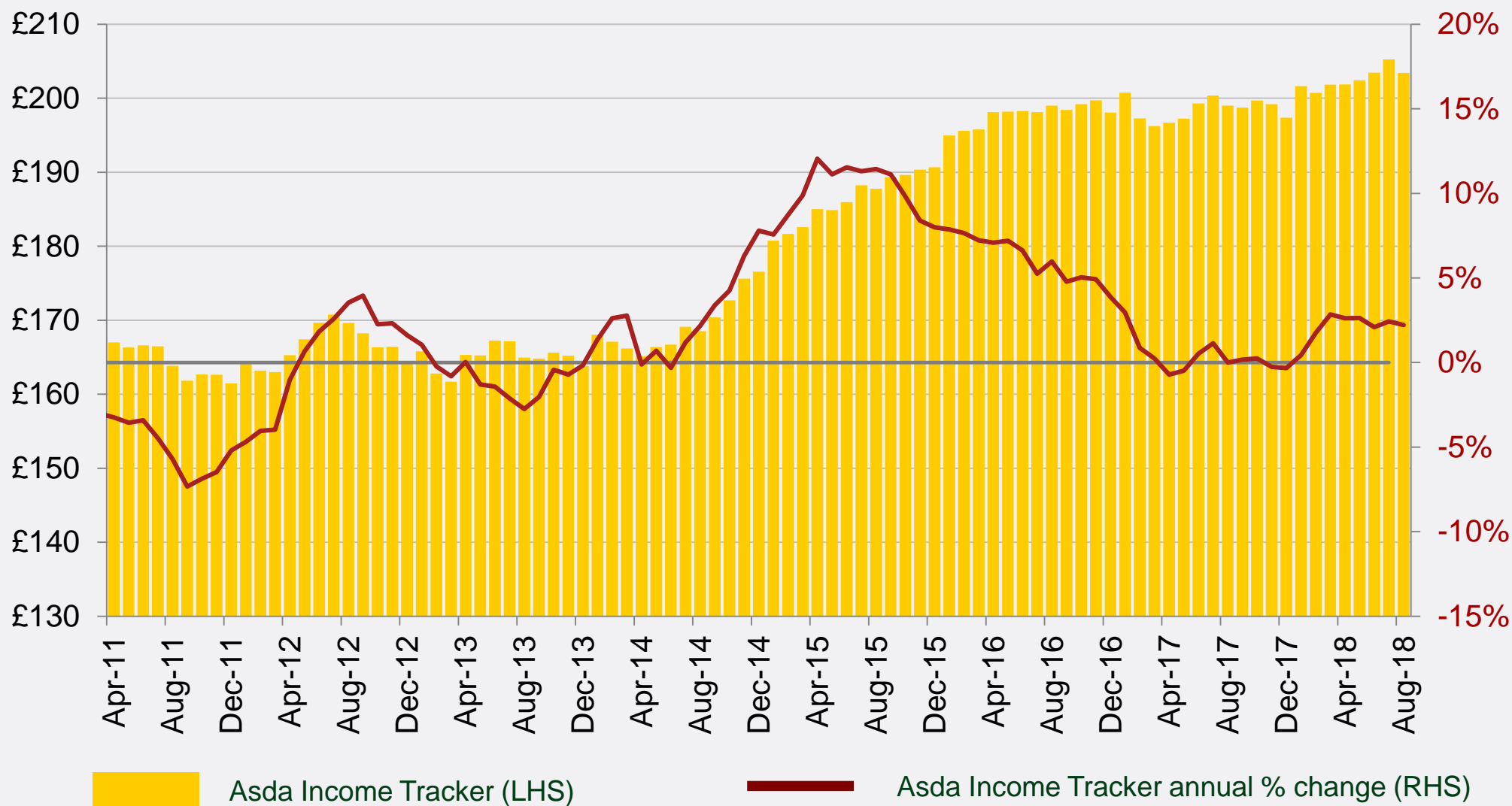
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Appendix

Monthly Asda Income Tracker

Figure 1: Asda Income Tracker and year-on-year change (excluding bonuses)



Monthly Asda Income Tracker

Table 1: Average UK household Income Tracker, £ per week, current prices, excluding bonuses

Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker	Month	Income tracker
January 2014	£170	January 2015	£185	January 2016	£195	January 2017	£201	January 2018	£202
February 2014	£169	February 2015	£185	February 2016	£195	February 2017	£197	February 2018	£201
March 2014	£168	March 2015	£186	March 2016	£195	March 2017	£196	March 2018	£202
April 2014	£170	April 2015	£188	April 2016	£198	April 2017	£196	April 2018	£202
May 2014	£171	May 2015	£188	May 2016	£198	May 2017	£196	May 2018	£202
June 2014	£171	June 2015	£189	June 2016	£198	June 2017	£198	June 2018	£204
July 2014	£173	July 2015	£191	July 2016	£198	July 2017	£199	July 2018	£205
August 2014	£173	August 2015	£191	August 2016	£199	August 2017	£199	August 2018	£203
September 2014	£174	September 2015	£192	September 2016	£199	September 2017	£198		
October 2014	£176	October 2015	£193	October 2016	£199	October 2017	£199		
November 2014	£179	November 2015	£193	November 2016	£200	November 2017	£198		
December 2014	£181	December 2015	£193	December 2016	£198	December 2017	£197		
2014 Average	£173	2015 Average	£190	2016 Average	£198	2017 Average	£198		

NB: In June 2017, the ONS published revisions to the time series of its average weekly earnings data, one of the inputs of the ASDA Income Tracker. The values for the Income Tracker have been adjusted accordingly

Method notes

The Asda income tracker is calculated from the following equations:

- **Total household income minus taxes equals net income**
- **Net income minus basic spend equals Asda income tracker**

Total household income for the United Kingdom is derived from the Living Costs and Food Survey 2012 (released December 2013). This is updated on a monthly basis using official statistics on average earnings, unemployment, social security payments, interest rates and pension income. Earnings data from the Office for National Statistics that is released in the month of the report refers to the previous month. We forecast earnings data for the month of the report.

Taxes are subtracted from total household income to estimate the actual amount that can be spent on goods and services, i.e. net income or disposable income. The average amount of tax paid is calculated using the latest version of the Living Costs and Food Survey. This is updated on a monthly basis using Office for National Statistics data and Cebr modelling.

Method notes

These components are based on official statistics and Cebr calculations.

Net income is calculated by deducting our tax estimate from our total household income estimate.

Basic spend (cost of living) figures are updated using monthly consumer price data and the trend growth rate in the volume of essential goods and services purchased over the most recent ten year period. A full list of items constituting basic (or 'essential') spending was created in collaboration between Asda and Cebr when the income tracker concept was originally formed in 2008. This list is available on request.

The ***Asda income tracker*** is a measure of 'discretionary income', reflecting the amount remaining after the average UK household has had taxes subtracted from their income and bought essential items such as: groceries, electricity, gas, transport costs and mortgage interest payments or rent. The income tracker measures the amount left over to spend on discretionary purchases such as leisure and recreation goods and services.

Disclaimer

This report was produced by the Centre for Economics and Business Research (Cebr), an independent economics and business research consultancy established in 1993 providing forecasts and advice to City institutions, government departments, local authorities and numerous blue-chip companies throughout Europe. The main contributors to this report are Cebr economists Kay Neufeld and Nina Skero.

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London, September 2018