

Asda Income Tracker

Report: April 2019

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Making Business Sense

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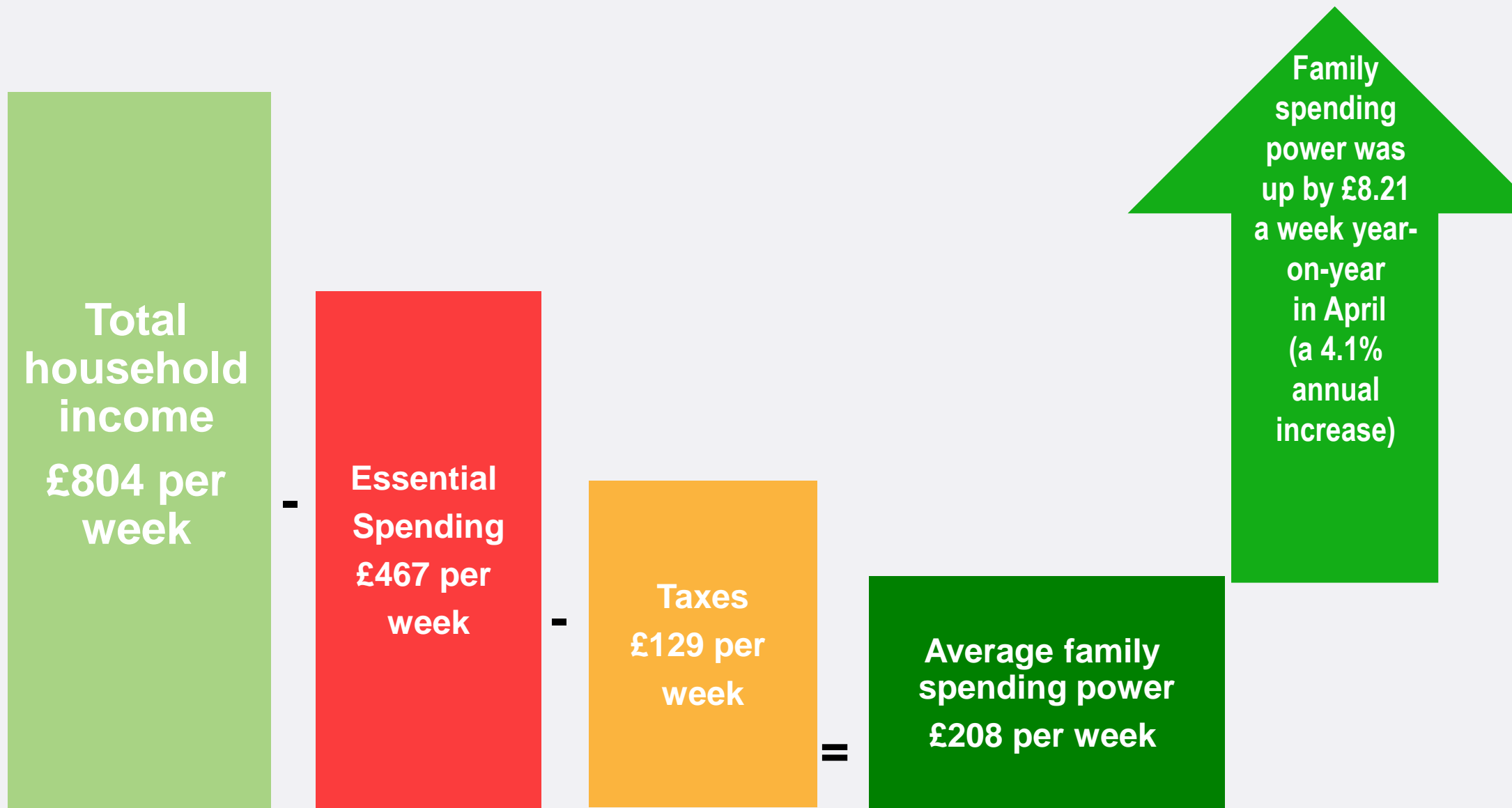
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Asda Income Tracker – Key Figures

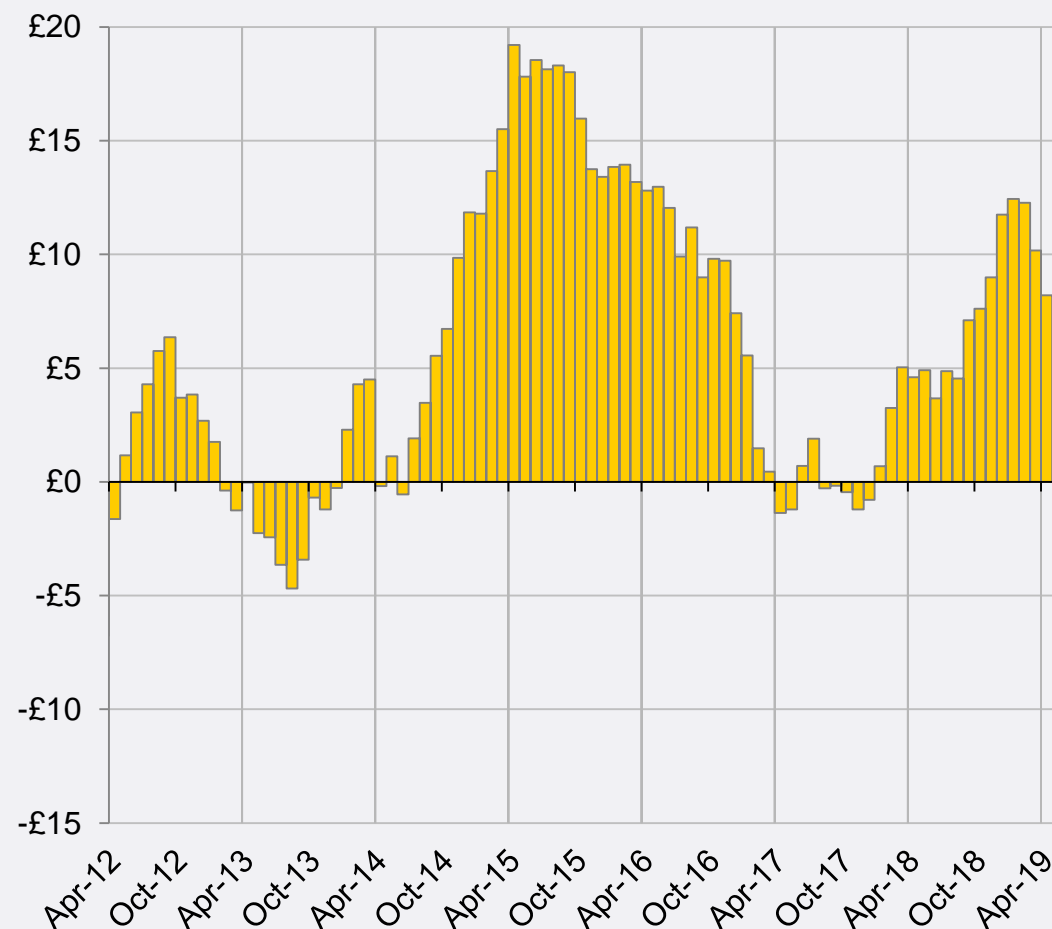


Income Tracker growth slows as employers limit wage increases

The Asda Income Tracker was £8.21 a week higher in April 2019 than a year before

- Family spending power increased by 4.1% compared to April 2018, the slowest growth rate since October 2018. In pound terms, the Income Tracker rose by £8.21 year-on-year, bringing growth back down to the single digits after four months of increases above £10.
- Unemployment edged further down in the latest official data. The Office for National Statistics reported a joblessness rate of 3.8% in the three months to March.
- Despite the tight labour market, wage growth slowed in the past months. Faced with weaker demand, firms have started to curb hiring and are becoming more hesitant in offering pay rises. Wage growth is further limited by the UK's poor productivity performance.
- Meanwhile, inflation accelerated in April putting pressure on the cost of essential spending.

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



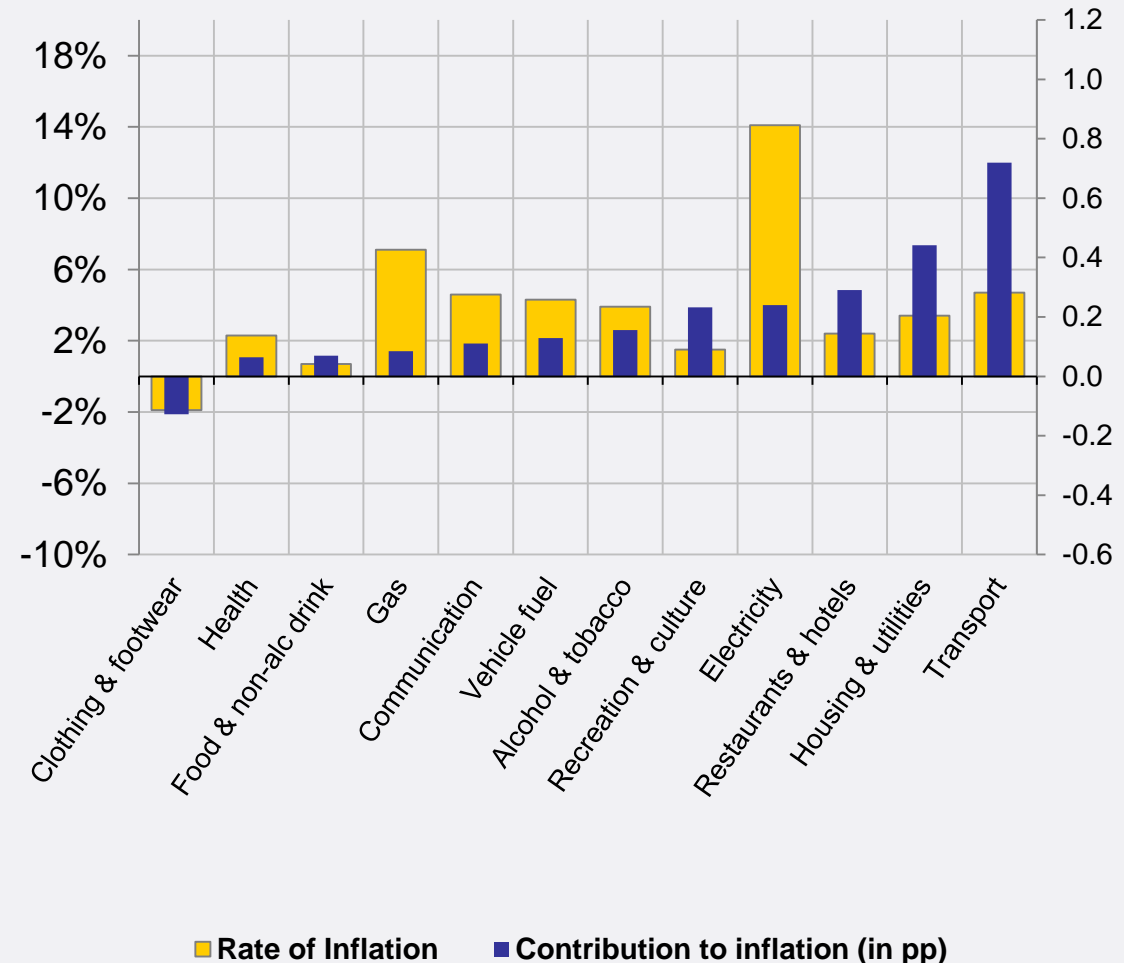
Energy prices and air fares push up inflation in April

The main factors affecting family costs in April were:

- Inflation, as measured by the Consumer Price Index, rose to 2.1% in April, up from 1.9% in March.
- Energy prices and air fares were the main contributors to the increase in the headline rate of inflation.
- Travel costs were affected by the late timing of Easter this year. Year-on-year, air fares rose by more than a quarter reflecting the higher prices for flying during the holiday period. In 2018, April prices were collected after the Easter holidays.
- Furthermore, Ofgem, the energy regulator, lifted a price cap for energy prices in April, which caused most suppliers to hike prices. Electricity inflation jumped from 3.8% in March to 14.1% in April while gas inflation rose from -1.6% to 7.1% in the same period.
- Clothing and footwear are the only category to show negative inflation in April, at -1.9%, down from -1.6% in the previous month.

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

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



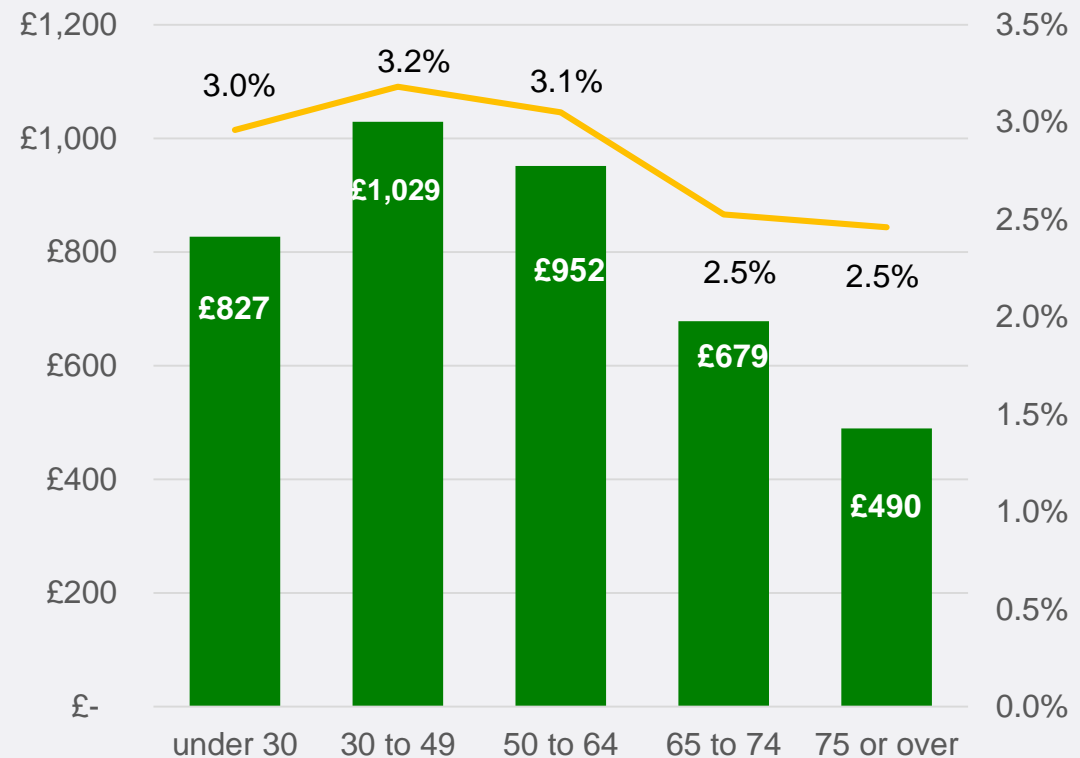
■ Rate of Inflation ■ Contribution to inflation (in pp)

Income growth remains robust albeit at lower levels than in Q1

All working-age households saw incomes increases of 3.0% or higher

- Income growth for working-age households remained strong in the year to April. All three age groups below 65 recorded very similar rates of income increases in April. Incomes of the under 30s increased by 3.0%, while 30 to 49 year-olds saw their gross incomes rise by 3.2%.
- Comparing April's figures to those of Q1 2019, we do note a slight slowdown in income growth rates. There are a number of plausible explanations for this.
- We previously noted that firms' hiring intentions weakened over the first quarter of the year. More restraint in wage growth might similarly be a reflection of a more cautious mood among businesses.
- Moreover, productivity declined for a third consecutive quarter by 0.2% in Q1 2019. This hints at employers hiring large numbers of low-skilled workers without offering them the necessary training or equipment to increase their efficiency, which in turn limits their earnings potential.

Average weekly gross income by age group, April 2019, YoY growth in % (RHS)



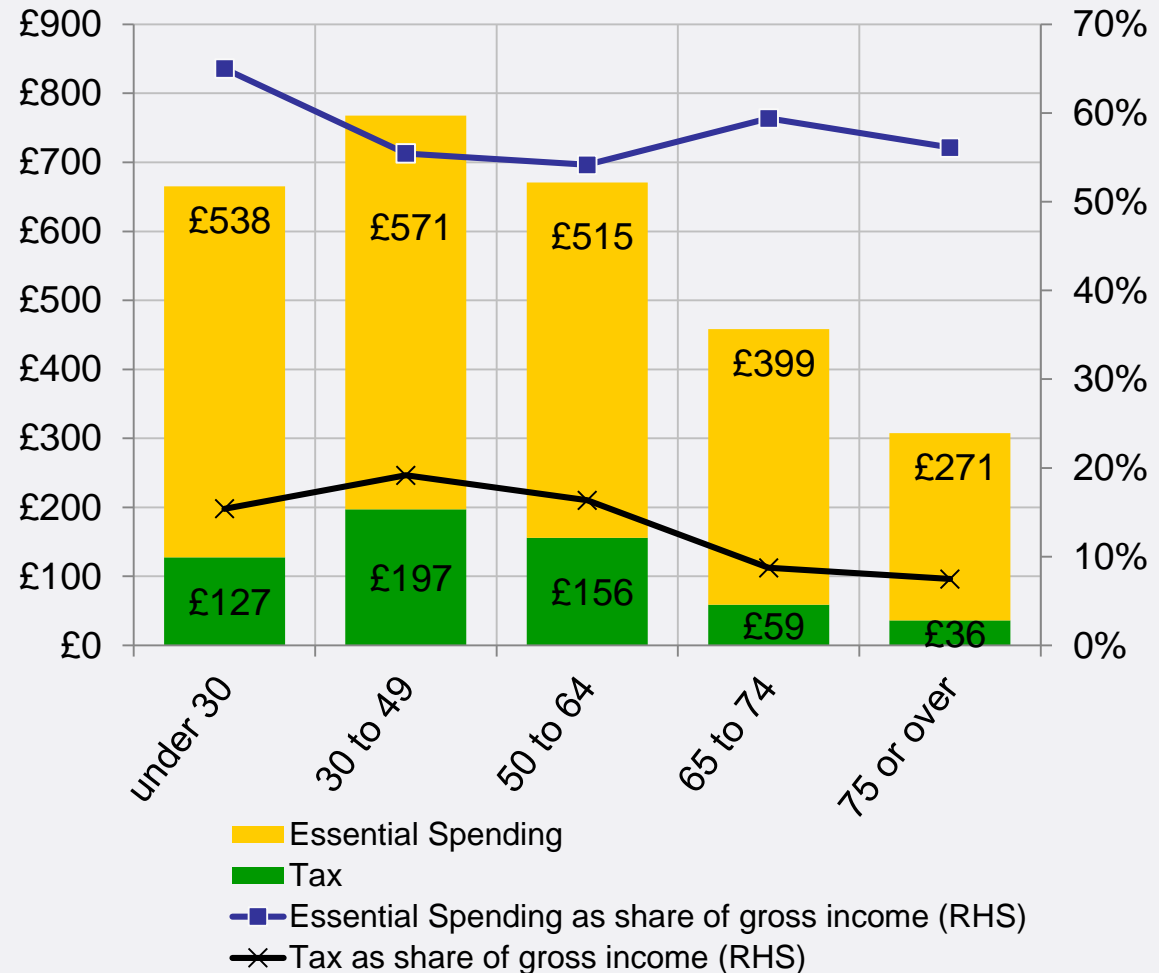
*Age groups determined via age of household representative person / main income earner in household.

Rising prices for fuels and energy increase cost of essentials for all age groups

30 to 49 year olds pay on average 19% of their gross income in tax

- The cost of essential spending rose fastest for under 30s who had to pay 3% more for essential goods and services than a year ago.
- For younger households and pensioners, spending on housing and utilities makes up a particularly large share of their essential spending. Accordingly, they were hit harder by the price increases for gas and energy in April.
- Due to the increase in the global oil prices, fuel prices increased by 4.3% year-on-year in April, the fastest increase since November 2018.
- This increase had a more tangible impact on middle-aged households. A fifth of essential spending of 50 to 64 year-olds for example goes towards transportation.

Average weekly tax burden and essential spending; combine share of gross income by age group, April 2019

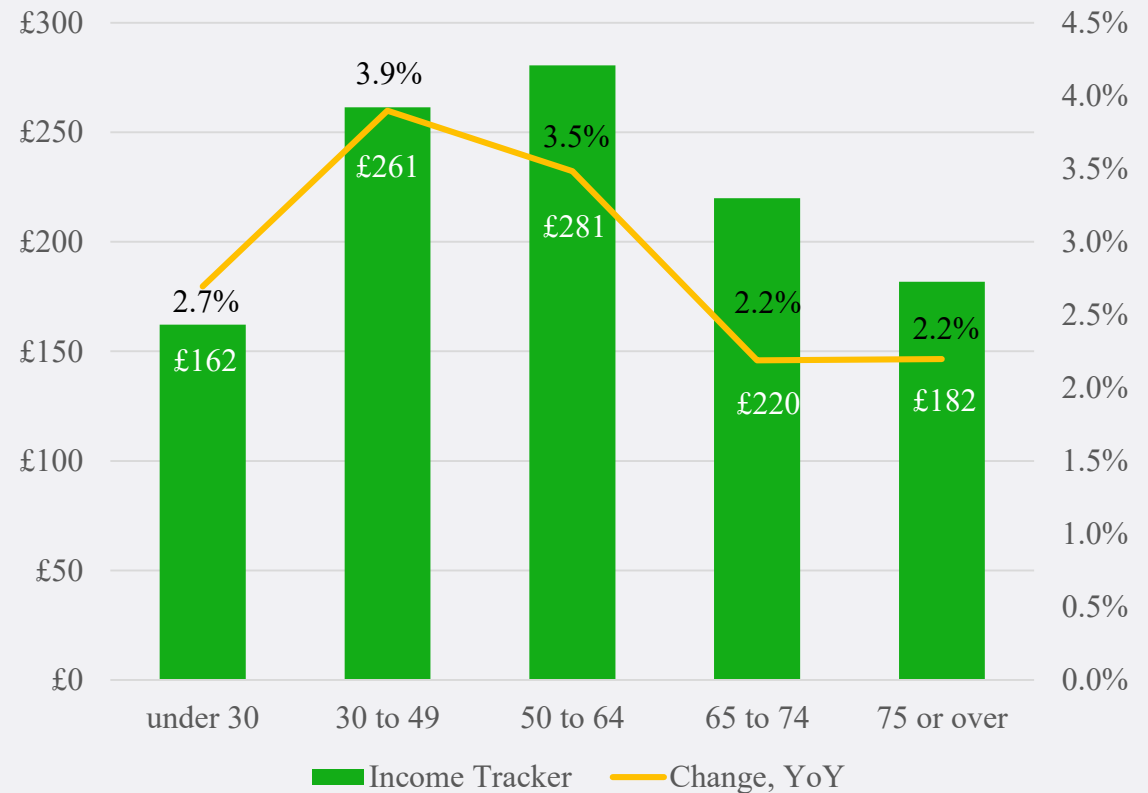


Under 30s see income tracker growth slow by half

Growth in family spending power slows across all age groups

- After months of accelerating income tracker growth, April sees a moderation in the gains of family spending power.
- This is most visible among younger households, who have seen their income tracker growth rate drop from 6.8% in January to 2.7% in April. At £162 per week, their discretionary income remains the lowest among all age groups.
- Households aged 65-74 and 75 and over have seen their discretionary spending power increase by 2.2% compared to the same month in 2018.
- In April this year, the state pension rose by 2.6% due to the pension triple lock. The increase boosted pensioner income this month.
- 30 to 49 year-olds again showed the strongest increase in the Income Tracker at 3.9%, lifting their spending power to £261 per week.

Average weekly discretionary income by age group, April 2019, 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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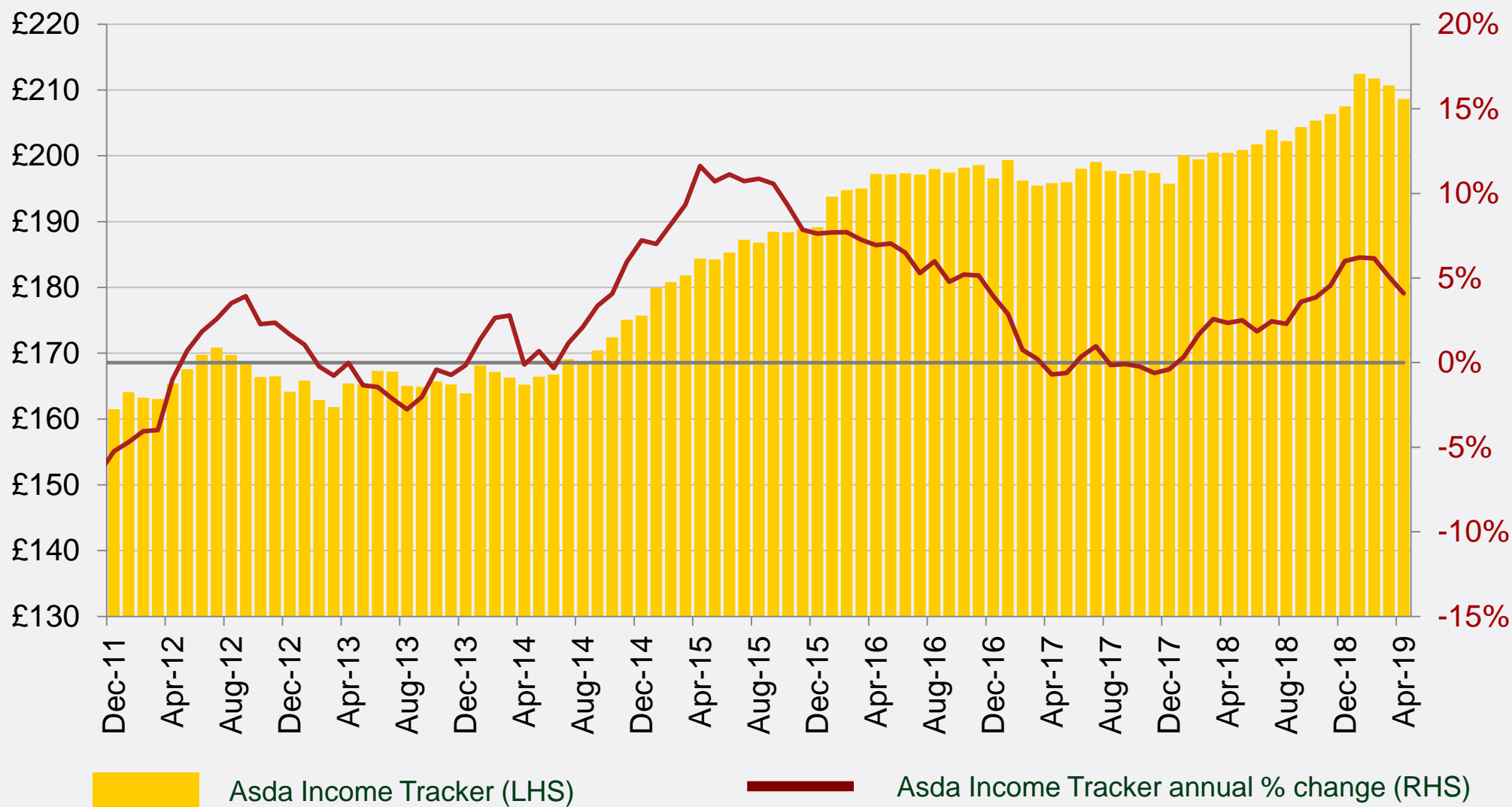
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Appendix

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 2015	£185	January 2016	£195	January 2017	£201	January 2018	£200	January 2019	£213
February 2015	£185	February 2016	£195	February 2017	£197	February 2018	£199	February 2019	£212
March 2015	£186	March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£211
April 2015	£188	April 2016	£198	April 2017	£196	April 2018	£200	April 2019	£208
May 2015	£188	May 2016	£198	May 2017	£196	May 2018	£201		
June 2015	£189	June 2016	£198	June 2017	£198	June 2018	£202		
July 2015	£191	July 2016	£198	July 2017	£199	July 2018	£204		
August 2015	£191	August 2016	£199	August 2017	£198	August 2018	£202		
September 2015	£192	September 2016	£199	September 2017	£197	September 2018	£204		
October 2015	£193	October 2016	£199	October 2017	£198	October 2018	£205		
November 2015	£193	November 2016	£200	November 2017	£197	November 2018	£206		
December 2015	£193	December 2016	£198	December 2017	£196	December 2018	£208		
2015 Average	£190	2016 Average	£198	2017 Average	£197	2018 Average	£203		

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, May 2019