

Asda Income Tracker

Report: May 2019

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Making Business Sense

Centre for Economics and
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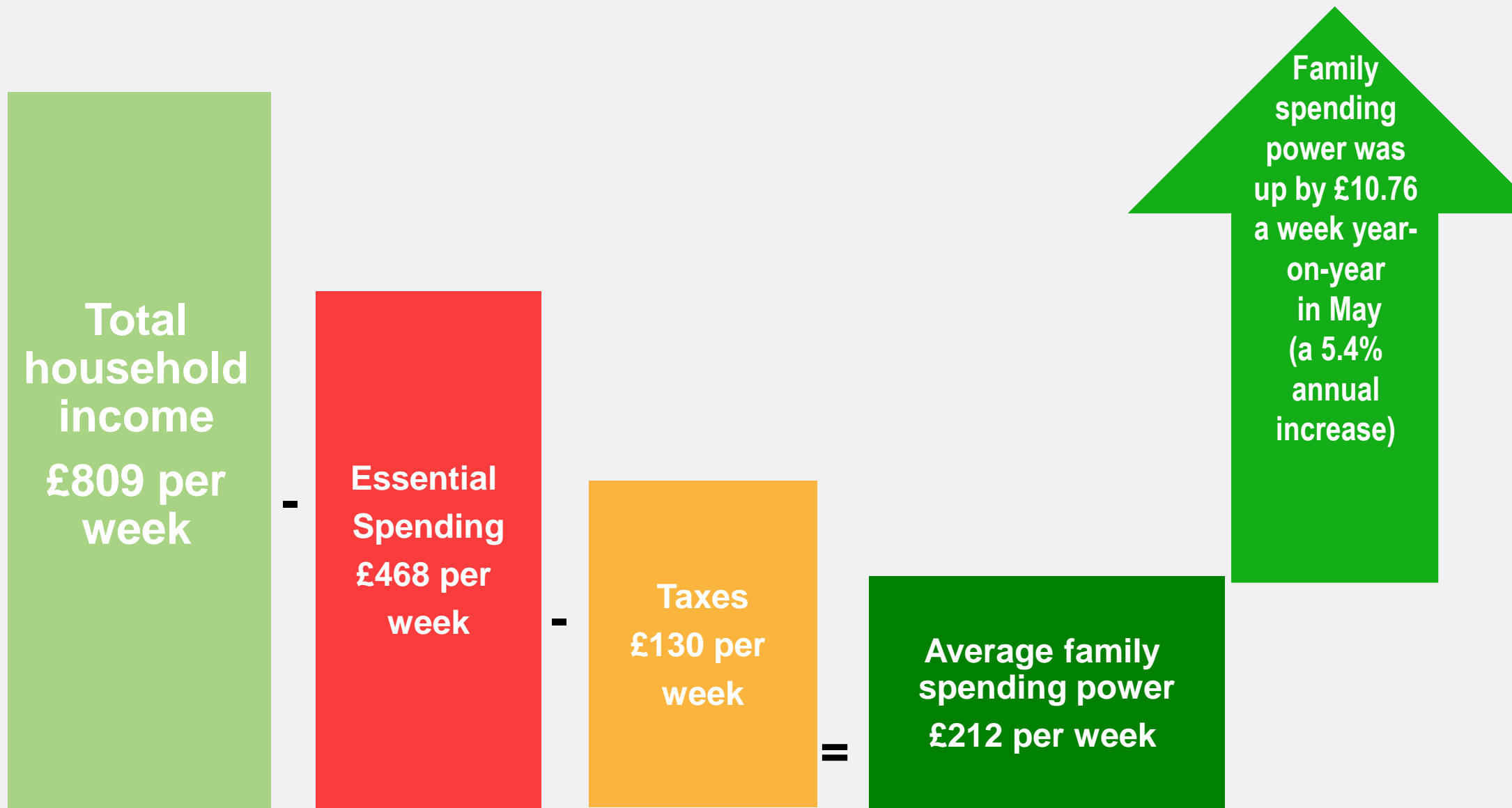
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Asda Income Tracker – Key Figures

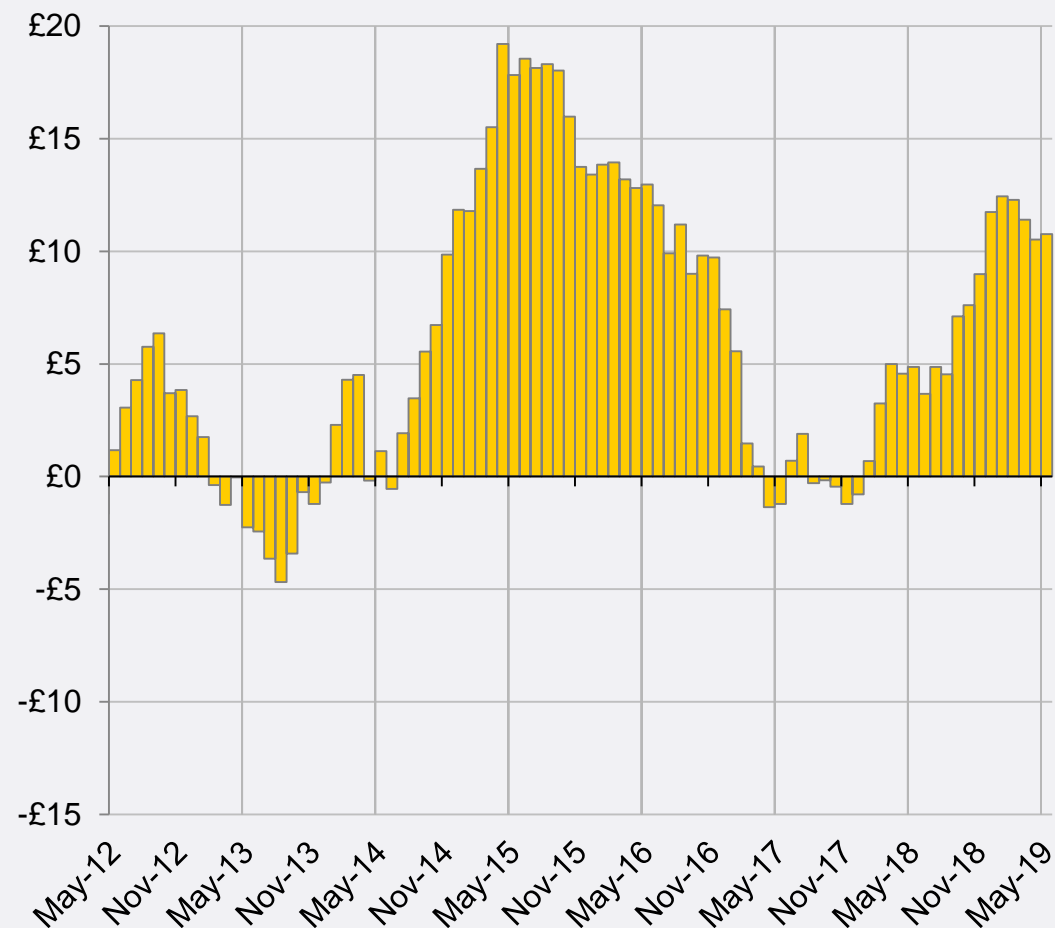


Rise in minimum wage boosts Income Tracker growth in May

The Asda Income Tracker was £10.76 a week higher in May 2019 than a year before

- Family spending power increased by 5.4% compared to May 2018, a notch above the 5.3% growth seen in the previous month. In pound terms, the Income Tracker rose by £10.76 year-on-year, halting a three-month long deceleration in family spending power growth.
- The labour market held steady according to the latest official data. Unemployment remained unchanged at 3.8% in the three months to April, while the employment rate remained at a joint-record high of 76.1%.
- The increase in the national living wage by 4.9% has led to an uptick in regular earnings growth. Indeed, up to 2 million people will have received a pay increase due to the increases in the minimum wage.
- Meanwhile, CPI inflation decreased in May, falling back to the Bank of England target of 2.0%.

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

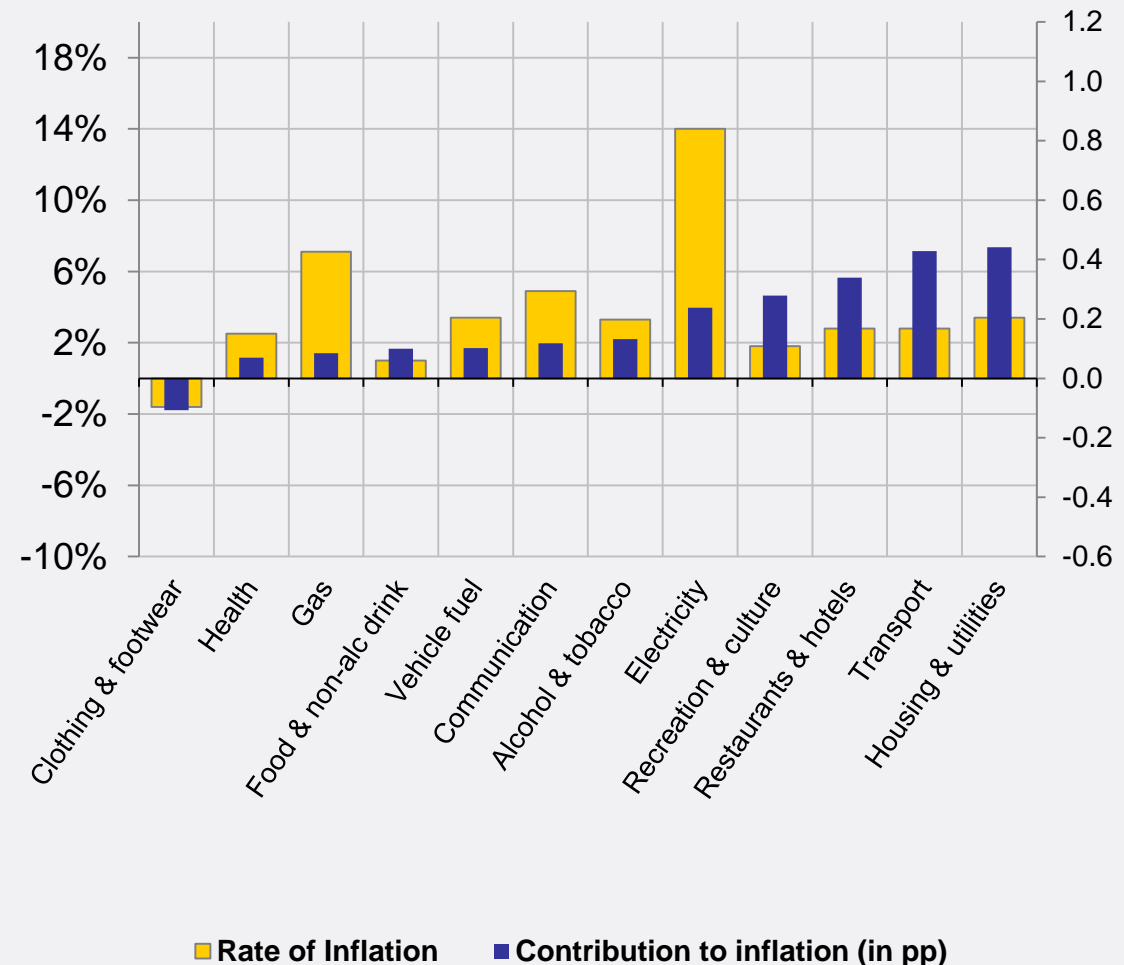


Inflation falls back as transport price growth moderates

The main factors affecting family costs in May were:

- Inflation, as measured by the Consumer Price Index, slowed to 2.0% in May, down from 2.1% in April.
- The main reason for the slowdown was a moderation in transport inflation, caused by lower fuel price inflation, slower price growth for new cars and a reduction in air fares following the Easter holiday season.
- These effects were only partially offset by an uptick in the rate of price growth for furniture and household equipment and higher inflation for recreation & culture and restaurants & hotels.
- Clothing and footwear continued to show negative inflation for a ninth consecutive month.
- Gas and electricity inflation remained nearly unchanged and at clearly elevated levels compared to the previous year, following the lifting of Ofgem’s price cap.

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

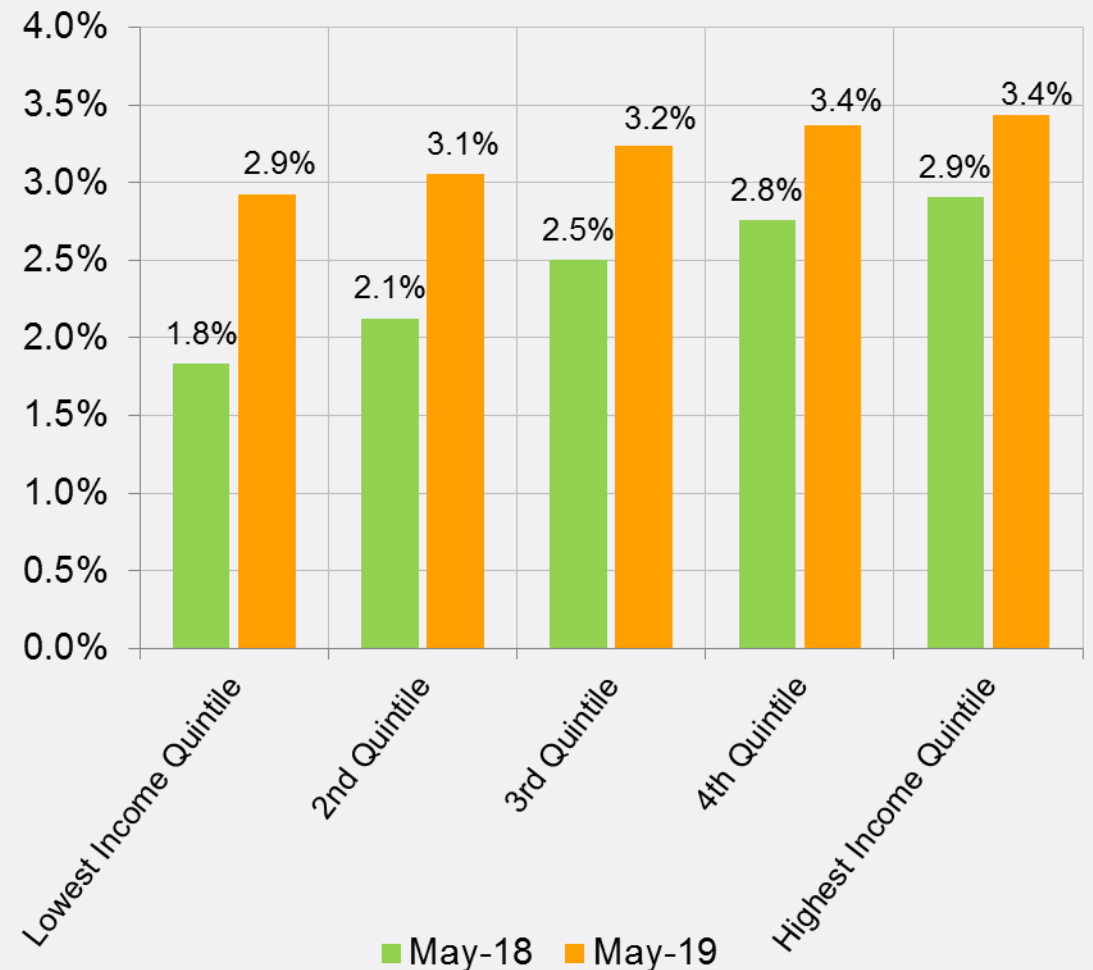
■ Rate of Inflation ■ Contribution to inflation (in pp)

Income growth gap between low and high earners narrows in 2019

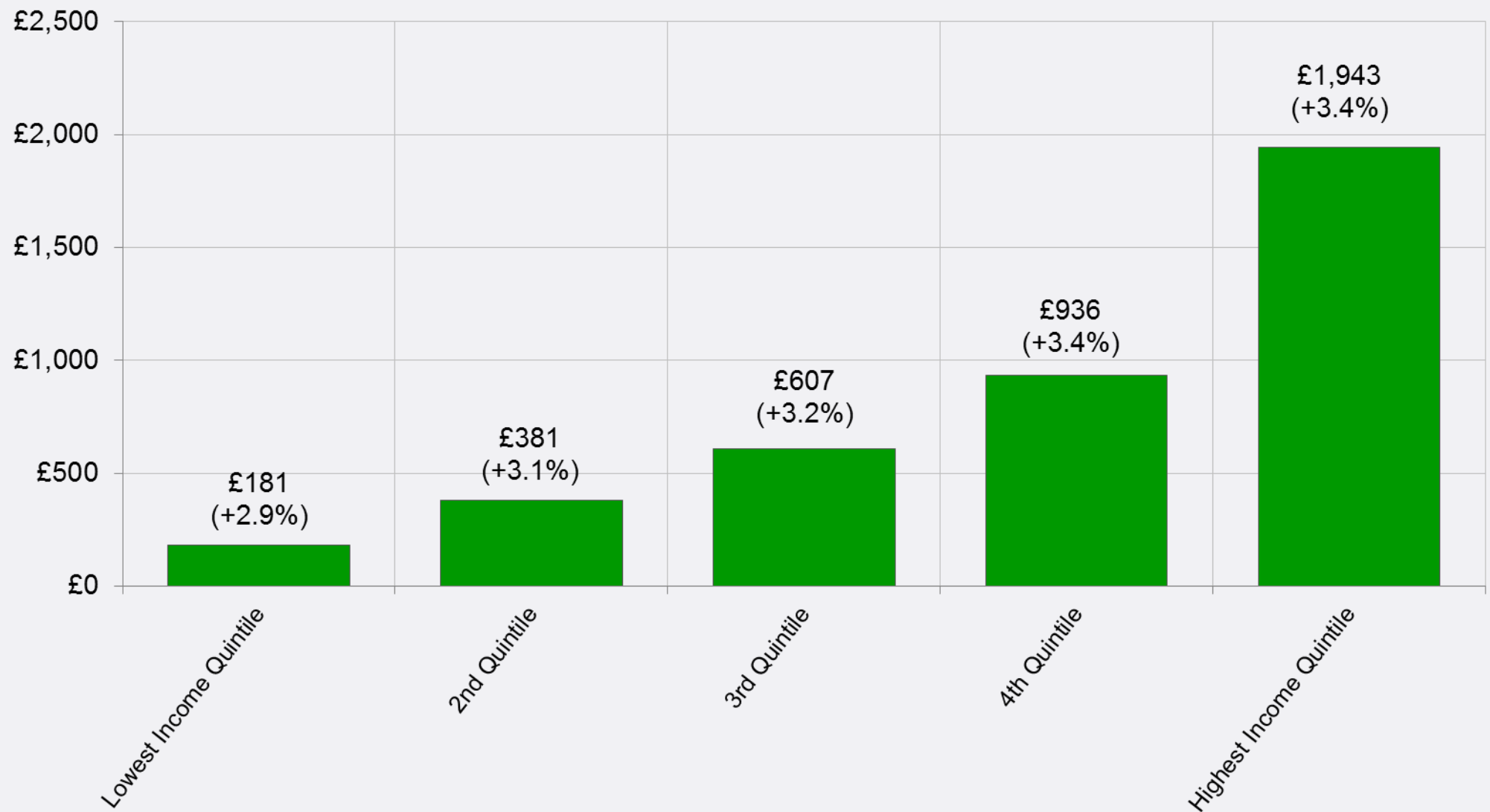
The top 40% of earners see their annual income growth rate accelerate to 3.4%

- The graph to the right compares the annual gross income growth rates for different household income groups for May 2019 and the same month a year earlier. Gross income includes income from wages, self-employment, investment, pensions and social security.
- Across all groups, gross income growth in May 2019 stands higher than in the same month in 2018. Low unemployment and high employment rates have put employers under pressure to raise wages to attract and retain workers.
- Moreover, the increase in the National Minimum Wage as well as the National Living Wage for those aged 25 and over has been higher in 2019 than it was in 2018.
- Overall, lower earners have benefitted noticeably from the income increases over the past year. While the spread between the lowest and the highest income quintile was 1.1 percentage points in May 2018, this fell back to 0.5 percentage points in May of this year.

Annual gross income growth (excl. bonuses)



Gross weekly income excluding bonuses by income quintile, May 2019, annual growth rates in brackets

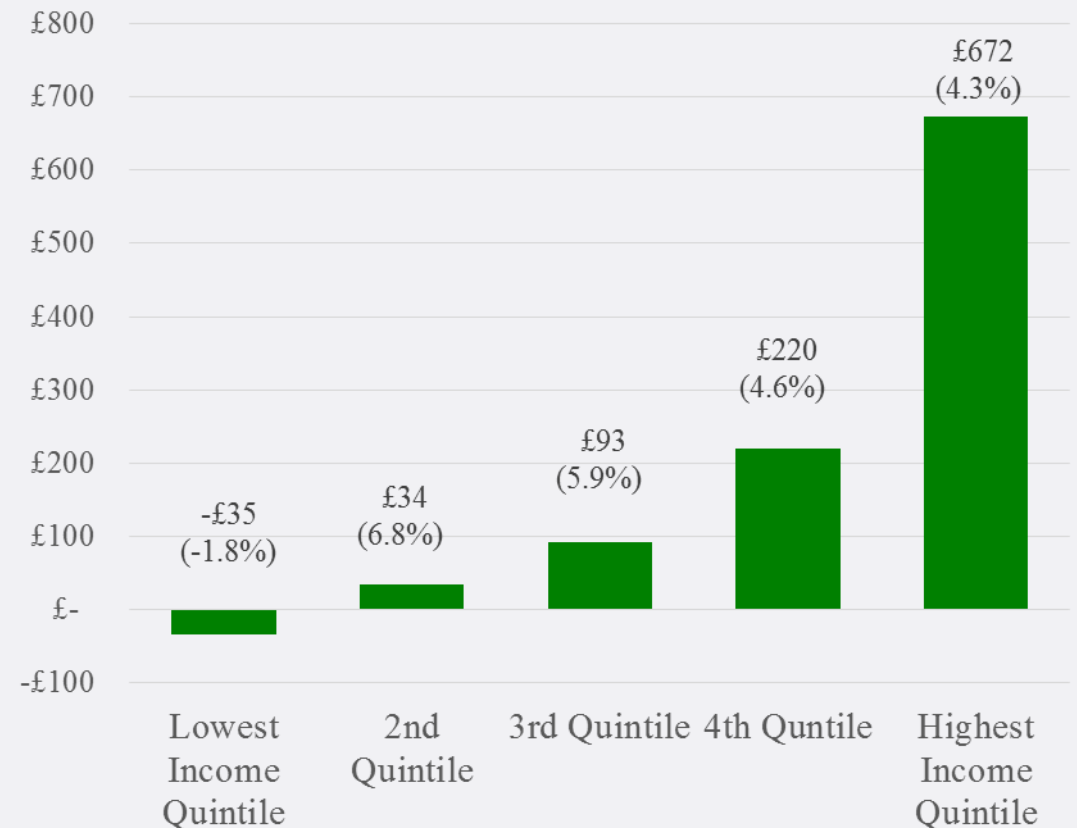


Family spending power among lower income households falls as cost of gas and electricity rises

ASDA Income Tracker rises fastest for second income quintile

- The majority of households have seen their family spending power increase over the past year, benefitting from a strong labour market and moderate inflation rates.
- The highest income tracker growth rates have been recorded in the second income quintile at 6.8%, followed by the third and fourth quintile at 5.9% and 4.6%, respectively.
- The bottom 20% of households in the income distribution have seen a mild decrease in family spending power.
- Despite decent wage increases, households of the lowest income quintile benefit less from this than richer households due to the lower employment rates among this group. Moreover, higher inflation rates for gas and electricity hurt lower income households disproportionately as they spend a larger share of their incomes on utilities.

Average weekly discretionary income by household income group, May 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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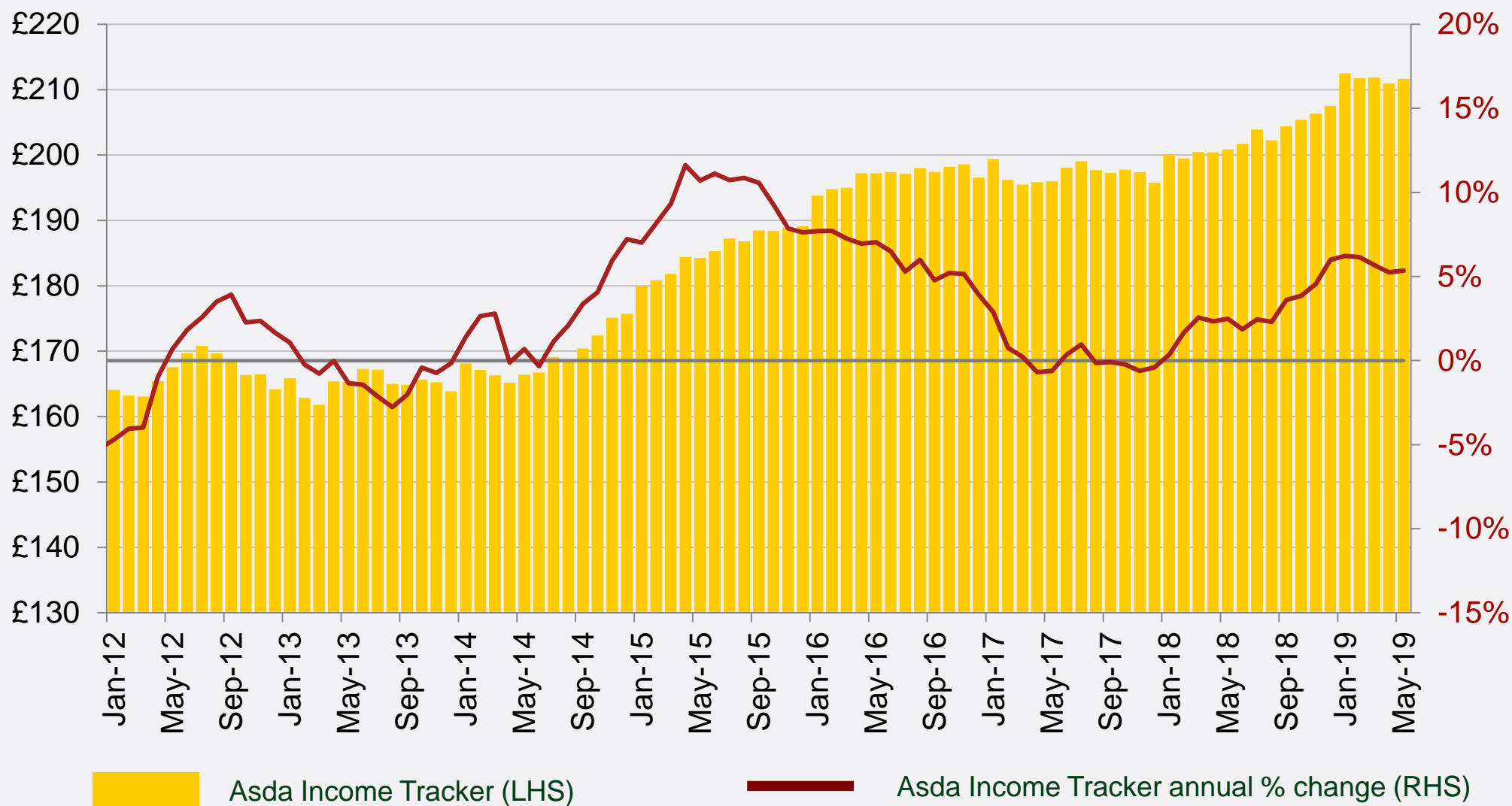
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Appendix

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	£212
April 2015	£188	April 2016	£198	April 2017	£196	April 2018	£200	April 2019	£211
May 2015	£188	May 2016	£198	May 2017	£196	May 2018	£201	May 2019	£212
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, June 2019