

Asda Income Tracker

Report: September 2018

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Making Business Sense

Centre for Economics and
Business Research Ltd

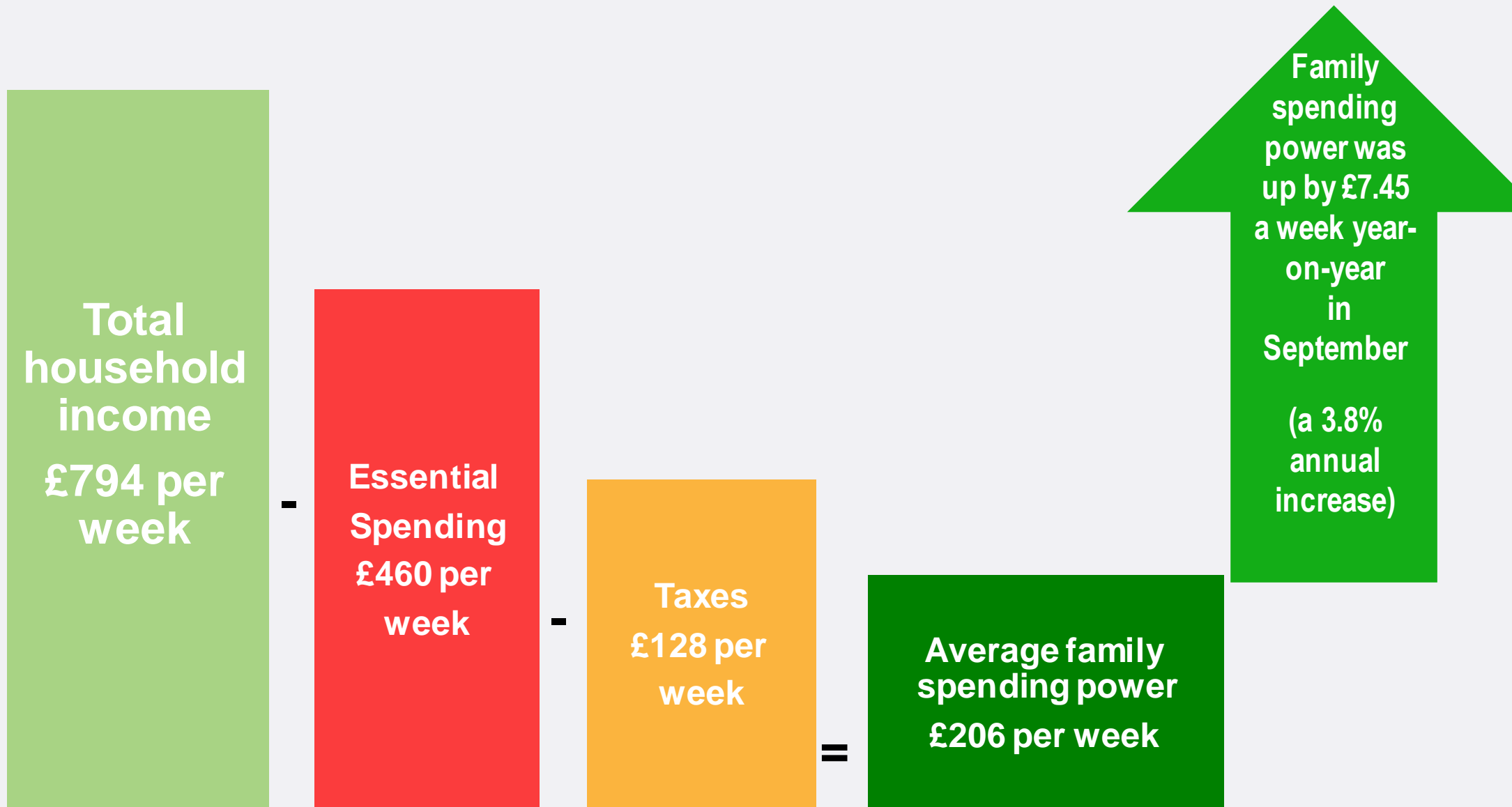
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Asda Income Tracker – Key Figures

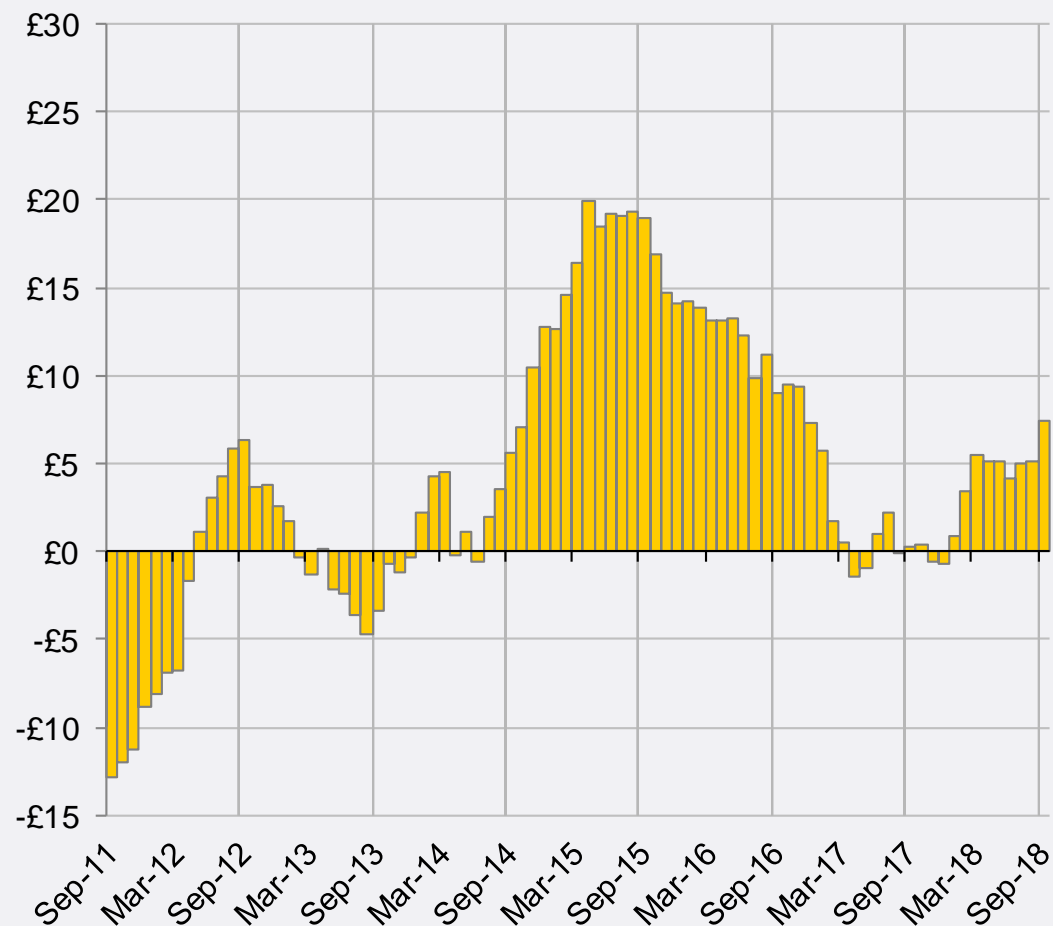


Asda Income Tracker rises at the fastest pace since December 2016

The Asda Income Tracker was £7.45 a week higher in September 2018 than a year before

- Family spending power increased by 3.8% compared to September 2017, marking the fastest annual increase in the Income Tracker since December 2016.
- The latest official labour market data show that the rate of unemployment remained unchanged at 4.0% in the three months to August while regular pay growth increased to 3.1% over the same period.
- This means that consumers are benefitting from the fastest nominal pay growth since the end of 2008. The sustained low rate of unemployment and the reduction of slack in the labour market have been exerting upwards pressure on wages for some months now.
- A downtick in inflation in the latest reading further helped families to keep the cost of essential spending down.

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

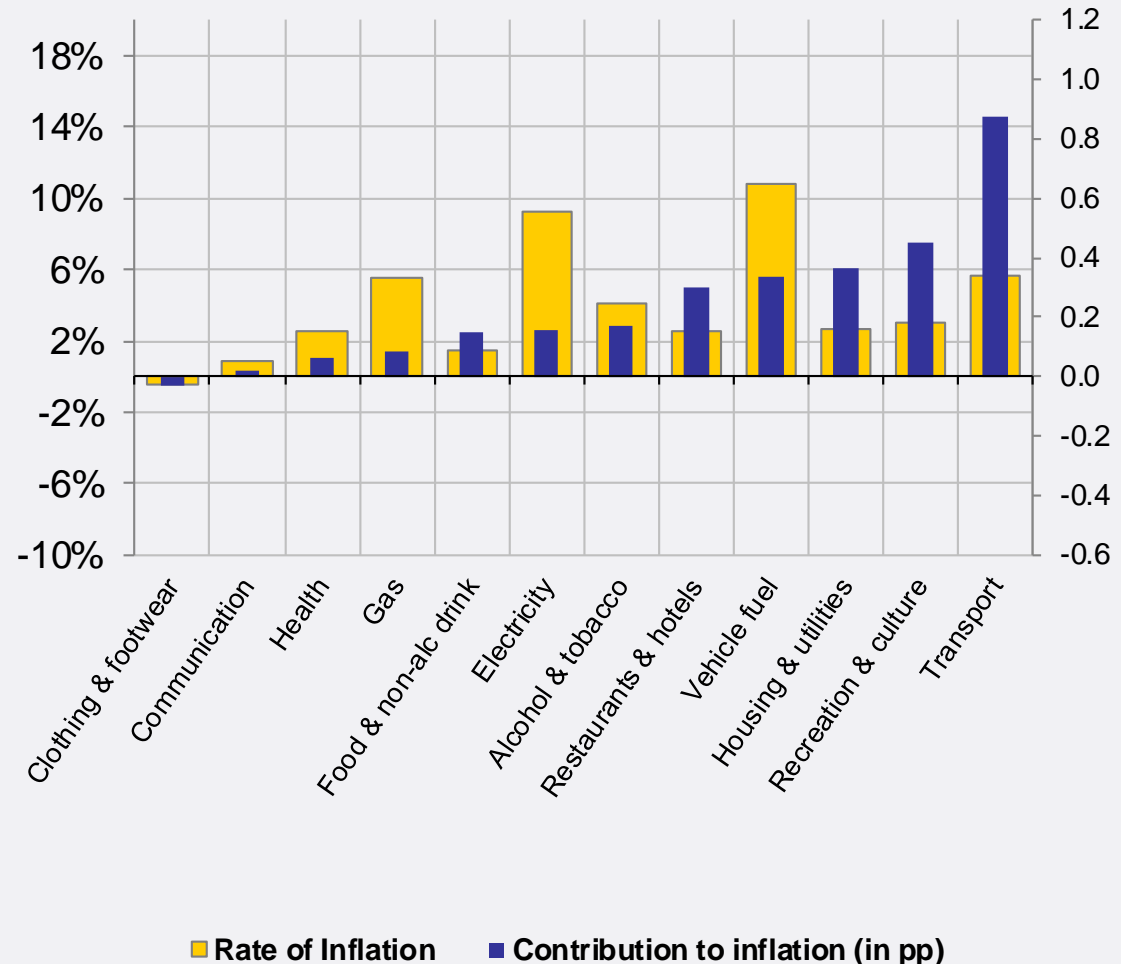


Inflation falls on the back of cheaper clothes and recreational goods

The main factors affecting family costs in September were:

- Inflation as measured by the Consumer Price Index fell to 2.4% in September, down from 2.7% in the previous month.
- Lower prices for clothing and footwear were one of the main contributors to the fall in inflation last month. Prices for recreation and culture, which includes items such as video games or package holidays, also exerted downward pressure on the inflation rate this month.
- Transport cost remain the single largest contributor to inflation with fuel costs rising by 1.3% on the month. However, the contribution of transport to headline inflation was smaller this September compared to the same month last year, explaining some of the fall in the headline index between August and September.
- Electricity and gas prices both increased in September adding to the cost of essential spending for consumers.

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

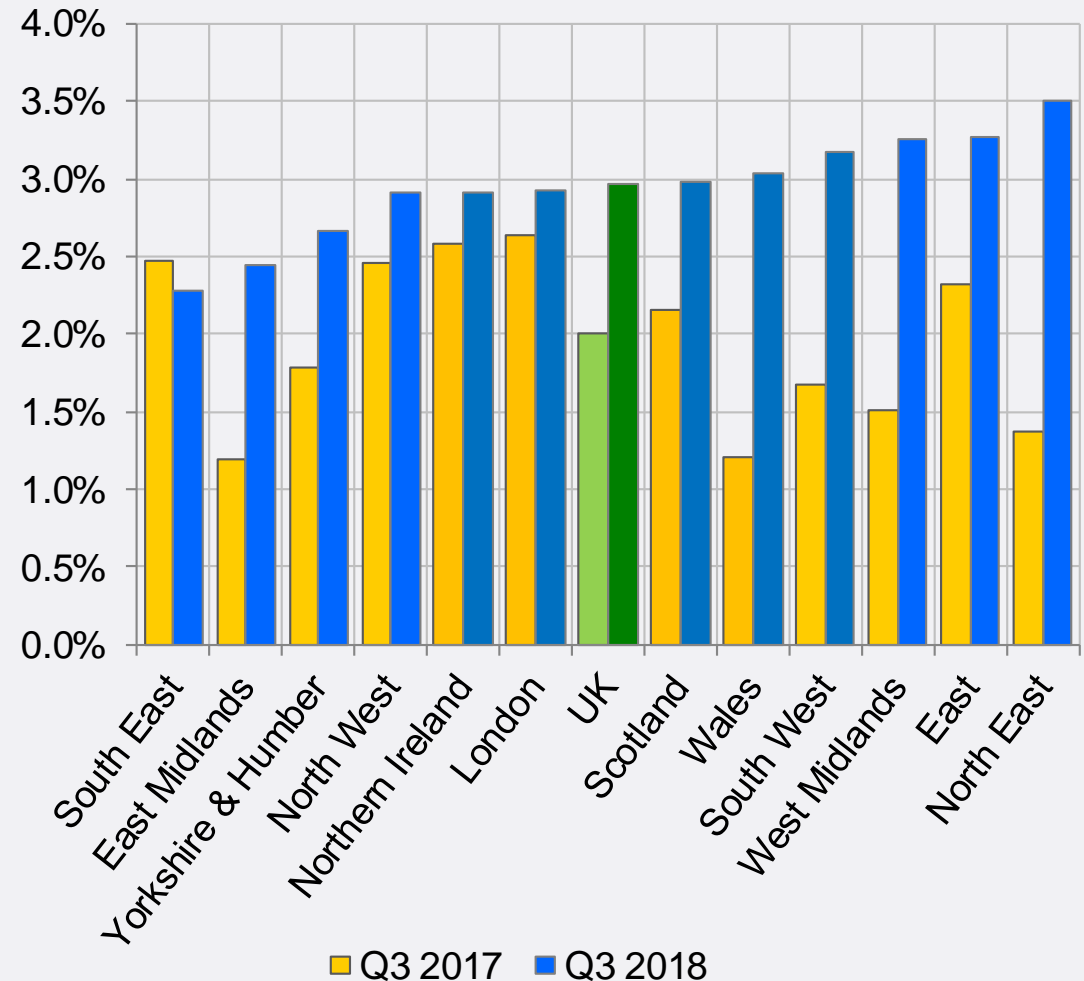
■ Rate of Inflation ■ Contribution to inflation (in pp)

Strong labour market boosts income growth across most regions

Gross income growth accelerates in most regions over the year

- Gross income growth has accelerated significantly across almost all regions and countries between Q3 2017 and Q3 2018.
- Across the UK, gross income has increased by 3.0% in the year to Q3 2018. This is up from 2.0% a year earlier. The ongoing strong performance of the labour market with record high employment rates and the gradual uptick in wage growth over the past year has helped support income growth.
- The highest annual income growth was recorded in the North East with 3.5% in Q3, followed by the East of England, the West Midlands and the South West. In London, income growth remained just below the UK average at 2.9%.
- The South East was the only region to have seen a fall in income growth, from 2.5% in Q3 2017 to 2.3% in the same quarter this year.

Regional gross income, annual change to quarter indicated

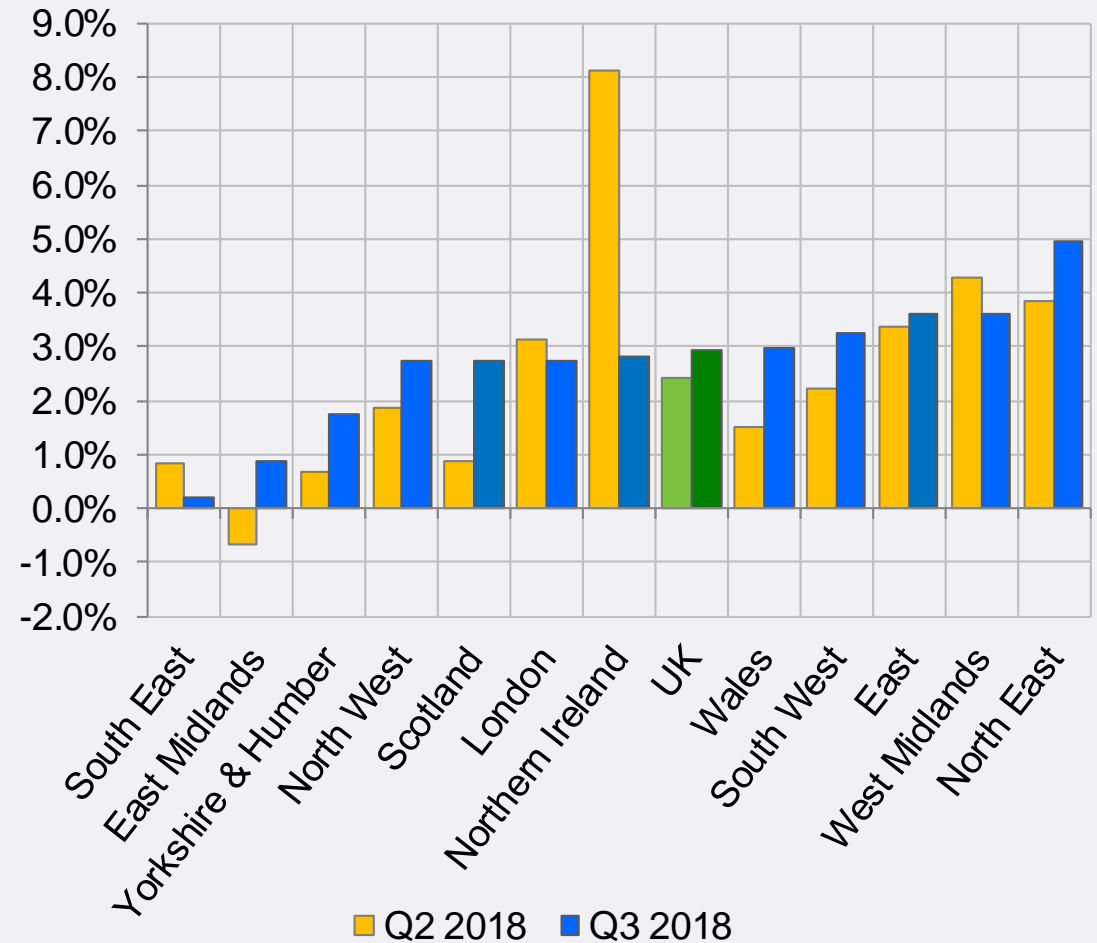


North East leads with fastest family spending power growth in Q3 2018

ASDA Income Tracker growth in Northern Ireland falls back to national average

- Most regions have seen an uptake in family spending power growth in Q3 2018 compared to the previous three-month period.
- The North East has experienced the fastest rate of growth, followed by the West Midlands and the East of England, mirroring closely the trends observed in gross incomes.
- Northern Ireland has seen a noticeable drop in family spending power growth from over 8% in Q2 to 2.8% in Q3. The main driver behind this was a sharp uptick in the unemployment rate over this time, from 3.5% in Q1 2018 to 4.3% in the third quarter, weighing on families' incomes.
- The South East, London and the West Midlands have also seen a decline in family spending power growth compared to the previous quarter.
- Growth in the income tracker has nearly stalled in the South East at only 0.2% in the year to Q3 2018.

Asda Income Trackers by region, annual % change to quarter indicated

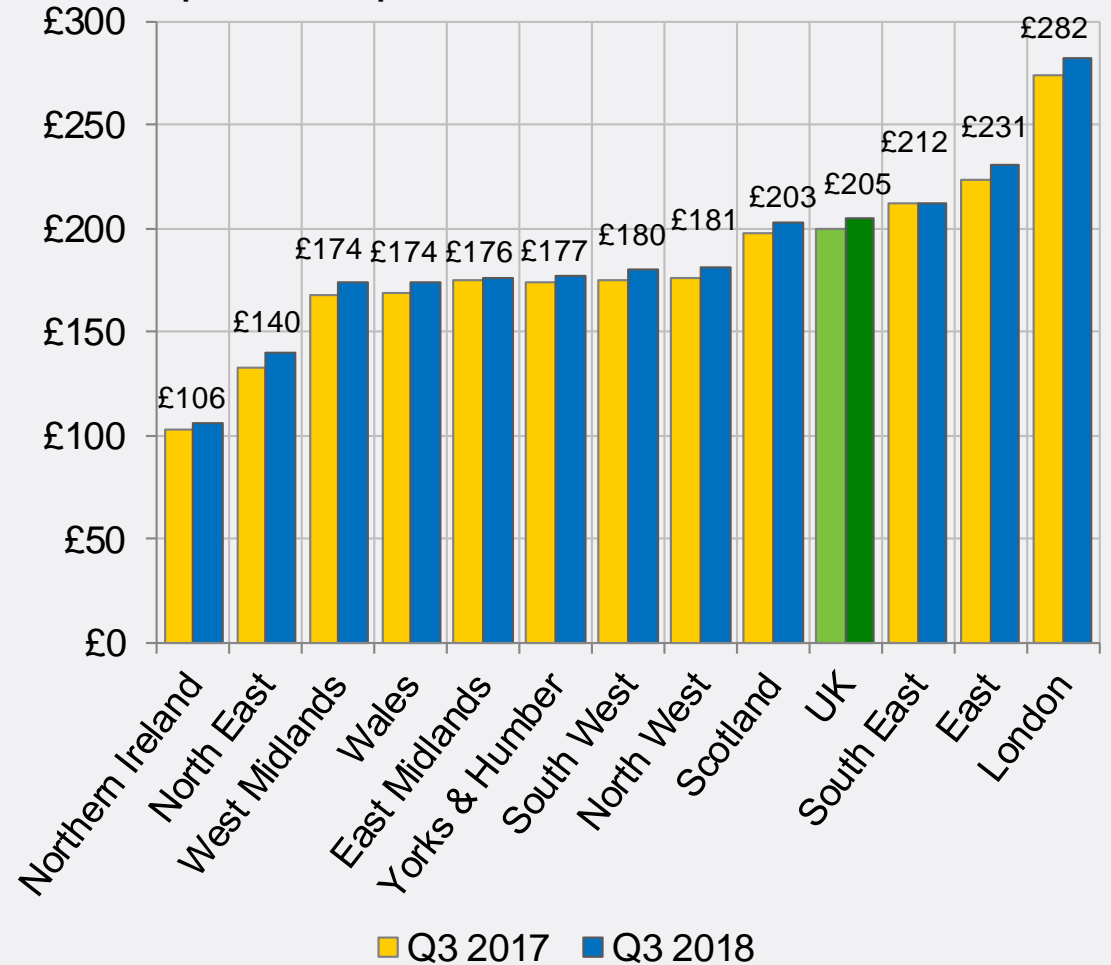


London remains the region with the highest discretionary income

UK-wide average family spending power stood at £205 in Q3 2018

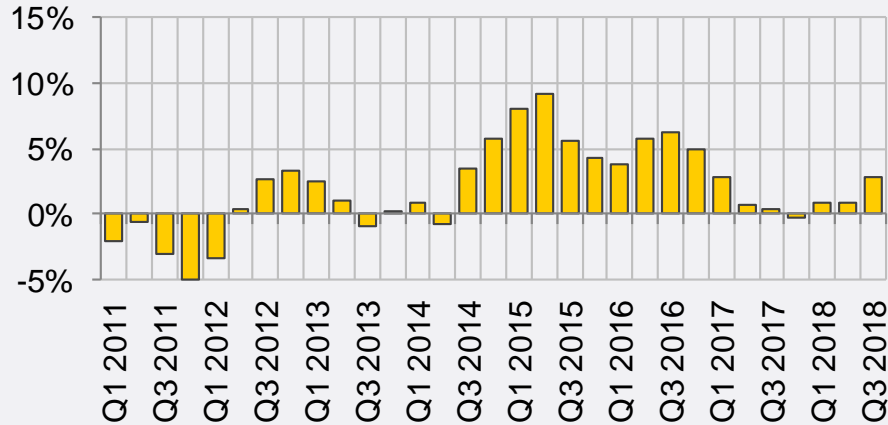
- Average household discretionary spending power has increased in all regions between the third quarter of 2017 and the same period this year.
- The largest annual increases in pound-terms have been recorded in the East of England (£8.02), London (£7.56) and the North East (£6.60).
- In the case of the North East, the strong income gains - especially in the public sector - translated into healthy gains in the Income Tracker leading the region to close in on the West Midlands. Nevertheless, with just £140 of discretionary income per week, households in the North East have less than half the family spending power compared to those living in the capital.
- Families in work benefitted from relatively strong income gains in the South East. But as unemployment has increased from its lows in late 2017, the overall Income Tracker for the region has hardly risen in the year to Q3 2017.

Average household discretionary income by region, £ per week in quarter indicated



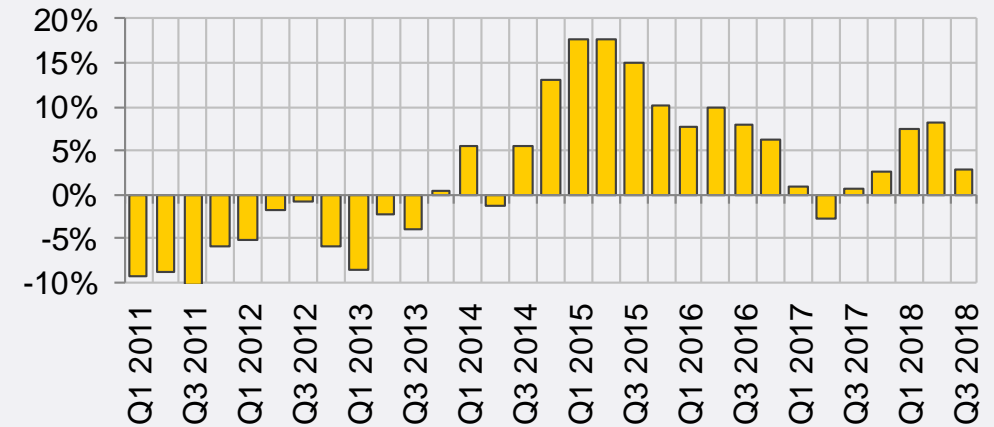
Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- Scottish discretionary income growth rebounded strongly in the third quarter after a period of moderate gains.
- In Q3 2018, annual family spending power growth rose to 2.7%, up from 0.9% in the previous quarter.
- This is the highest growth rate in the Scottish Income Tracker since Q1 2017.
- Although the Scottish economy is performing worse than the UK as a whole on most metrics, a fall in unemployment over recent months has helped to support family spending power.

Annual % change in discretionary incomes, Northern Ireland



- The impressive growth spurt in the Northern Irish Income Tracker has come to an end in the third quarter. Annual growth in family spending power has slowed to a more modest 2.8%, down from 8.1% in the second quarter.
- The Northern Irish labour market was performing better than the UK average for most of the year. However, in recent months the unemployment rate has surpassed the national average, rising to 4.3% according to the latest data.
- Decent economic growth in the second quarter, fueled by the services sector, gives reason to expect that Northern Irish family spending power growth will remain positive.

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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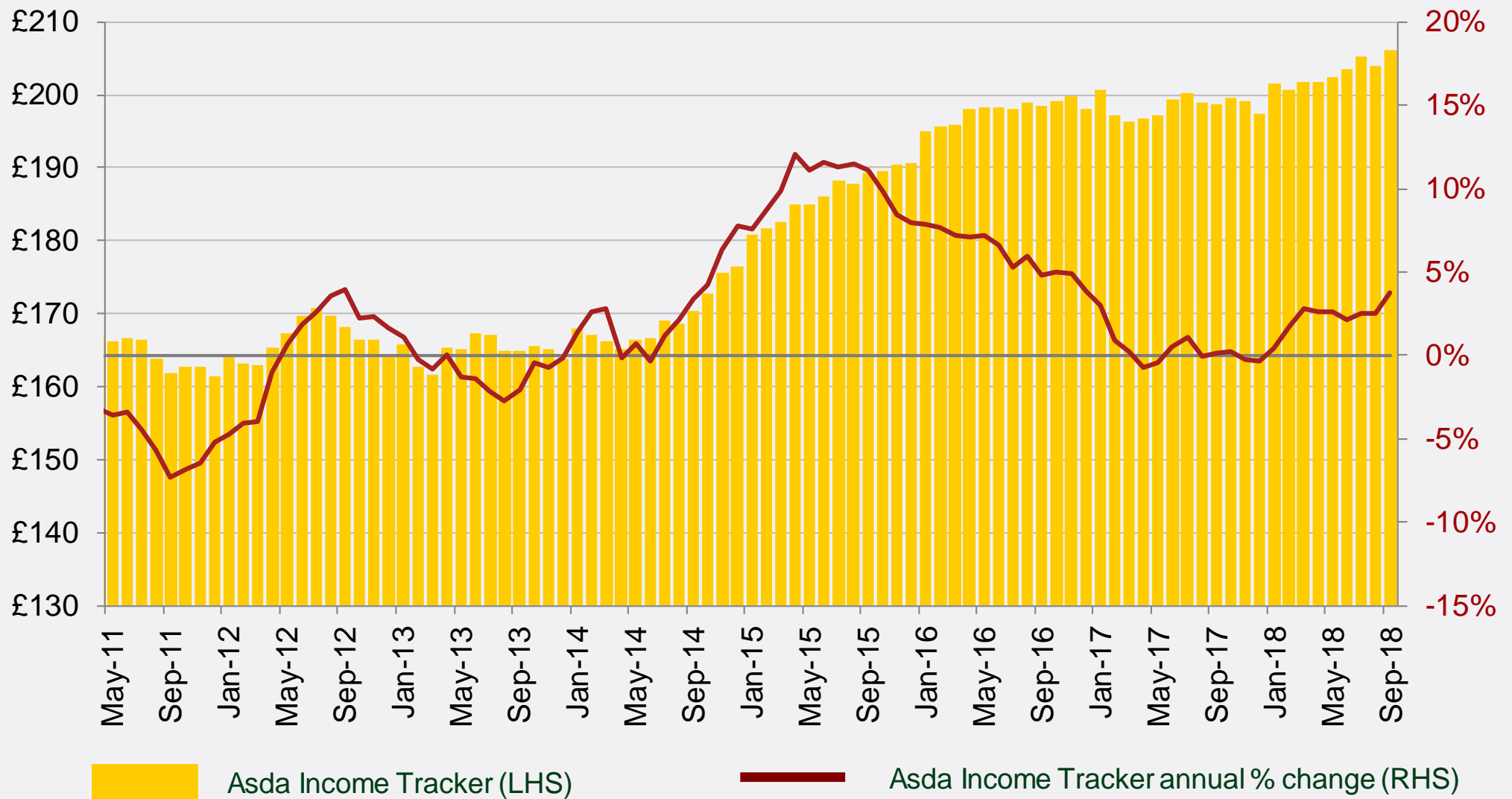
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Appendix

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	£203
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	£204
September 2014	£174	September 2015	£192	September 2016	£199	September 2017	£198	September 2018	£206
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, October 2018