

# Asda Income Tracker

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Making Business Sense

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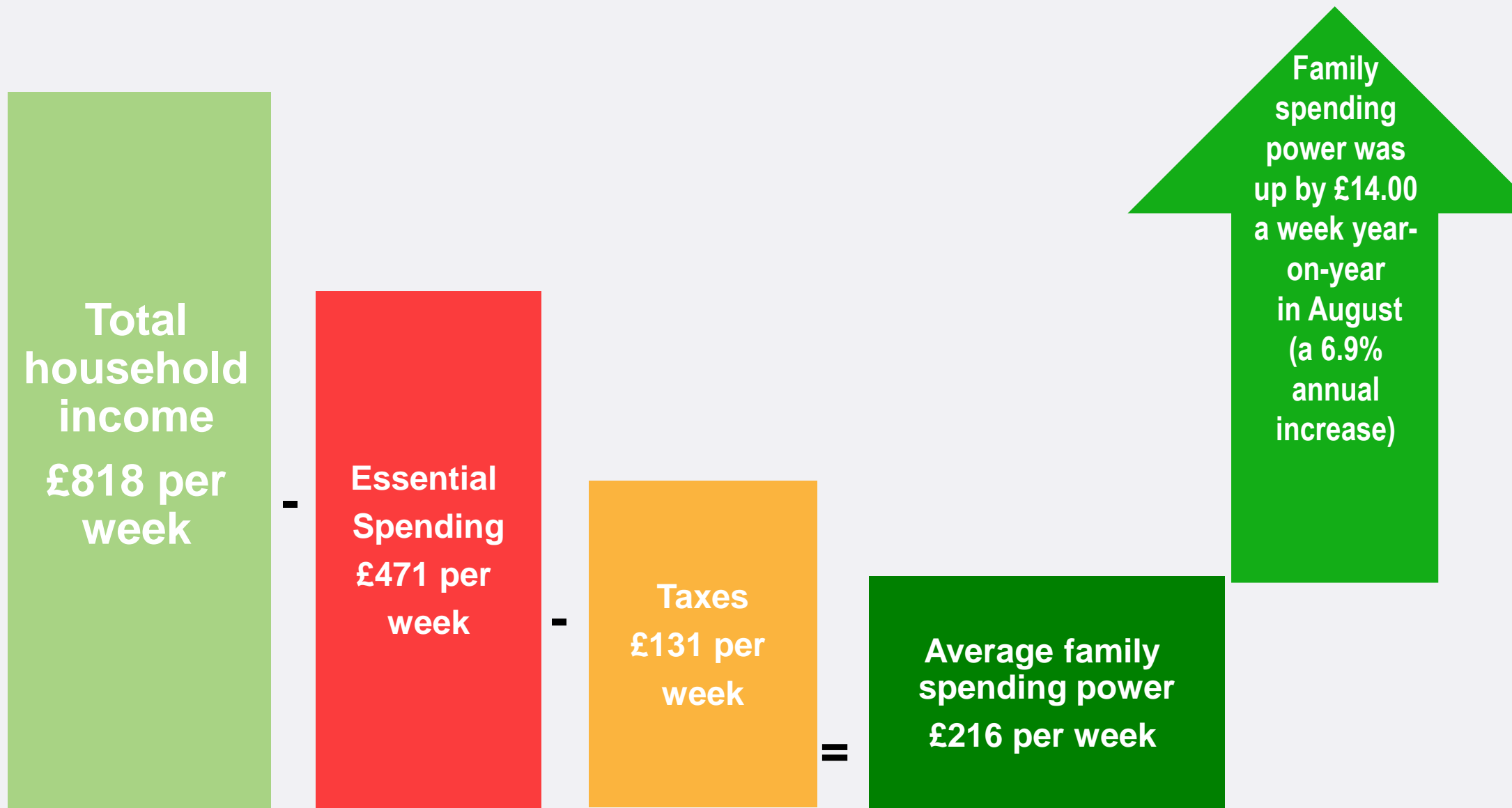
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# Asda Income Tracker – Key Figures

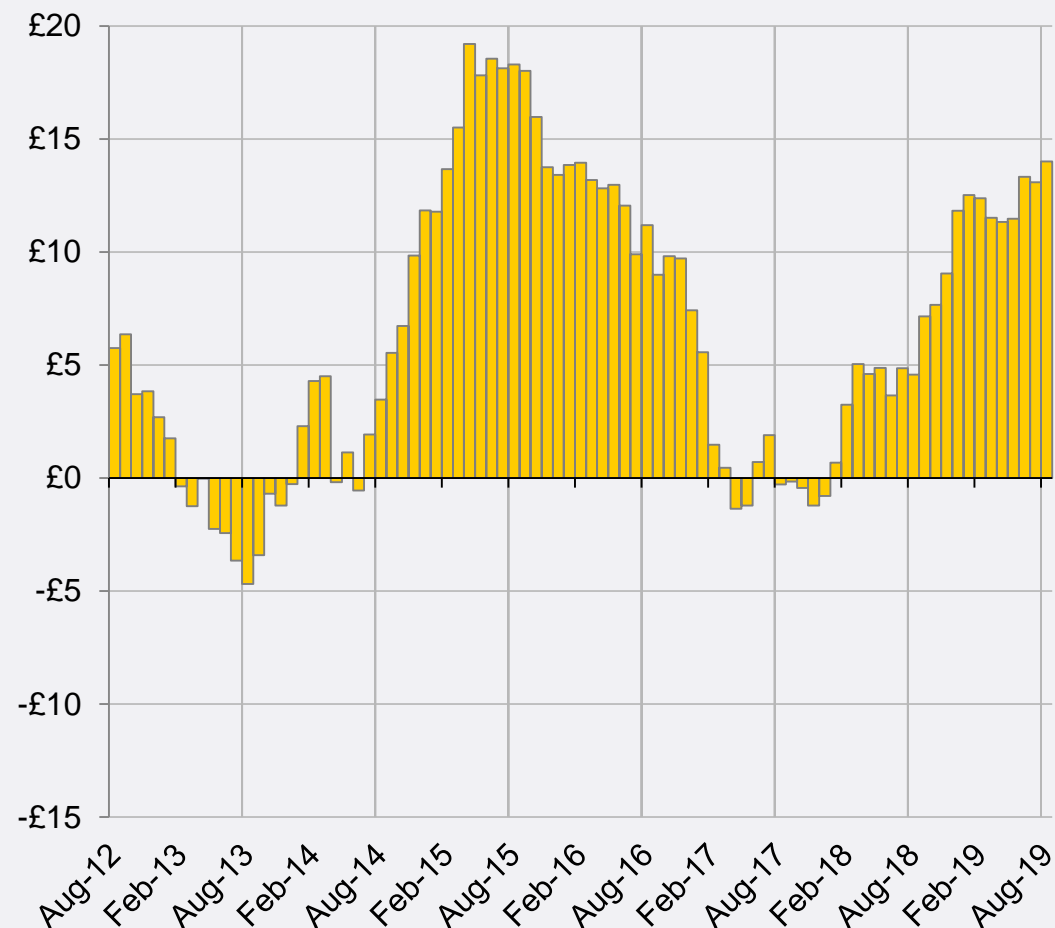


# Surprise fall in inflation boosts family spending power

The Asda Income Tracker was £14.00 a week higher in August 2019 than a year before

- Family spending power increased by 6.9% in the year to August 2019, faster than the 6.4% annual increase measured in the previous month.
- This is the fastest growth rate since May 2016.
- In pound terms, the Income Tracker rose by £14.00 year-on-year in August.
- Income Tracker growth has benefitted from a number of favourable trends benefitting UK households at the moment. Wage growth has been high for months now as persistent low unemployment has forced employers to offer better pay.
- Additionally, inflation fell sharply in August which gave a notable boost to family spending power in that month. The annual rate of price growth hovered near the Bank of England's 2% target for most of the year before it surprisingly fell to 1.7% in August.

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

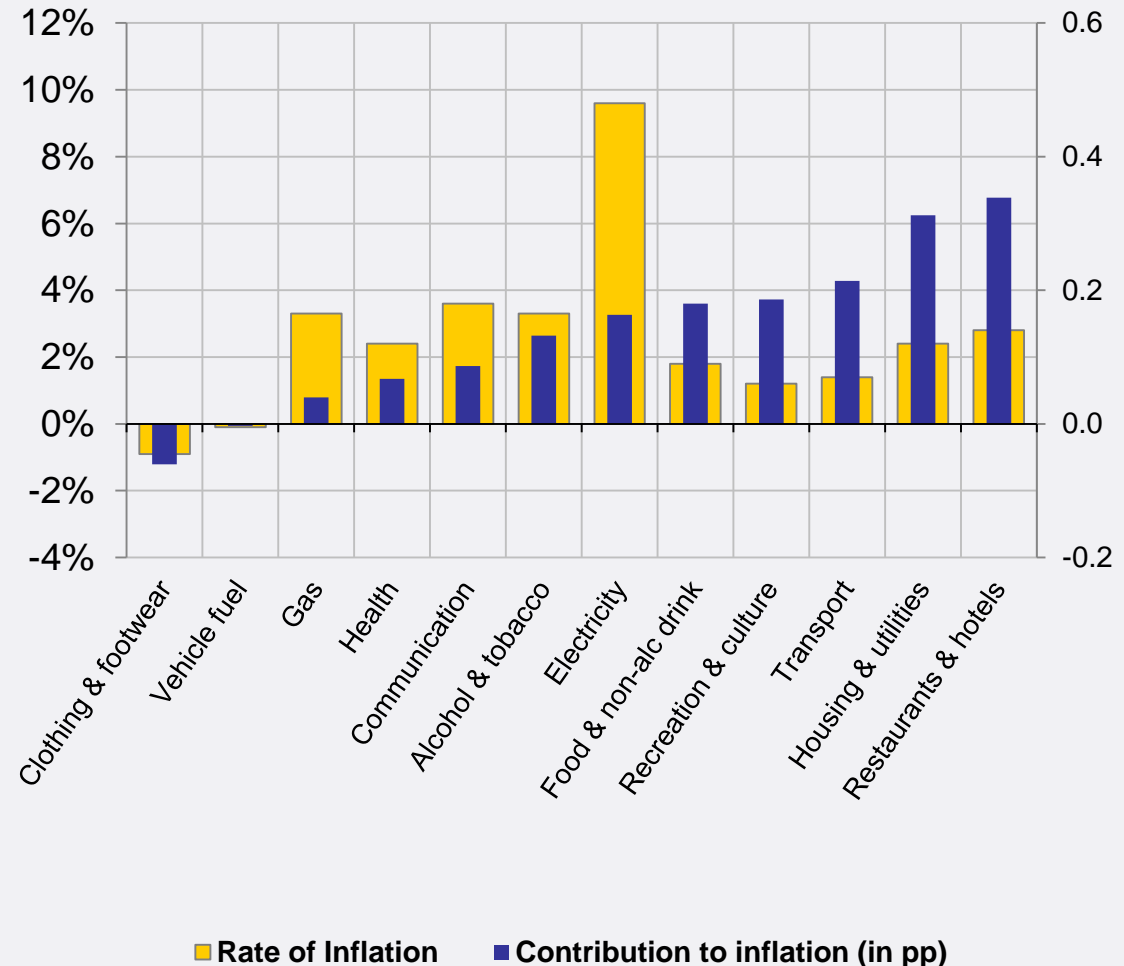


# Inflation falls to a near three-year low easing pressure on households

The main factors affecting family costs in August were:

- Inflation, as measured by the Consumer Price Index, fell back to 1.7% in August, down from 2.1% in the previous month. This is the lowest rate of inflation since December 2016.
- Rises in air fares were the largest upward contribution to inflation, driven by the holiday season. These were more than offset by downward contributions from recreational and cultural goods and services, with computer games exerting a particularly large drag on inflation.
- Inflation for clothing and footwear turned negative again in August, after a short period of positive price growth in the previous month. Shops competed for customers by slashing prices during end of summer sales, leading to a negative inflation rate of -0.9%.
- Vehicle fuel inflation, which has trended down since April this year, also turned negative in August adding to the downward pressure on inflation.

**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

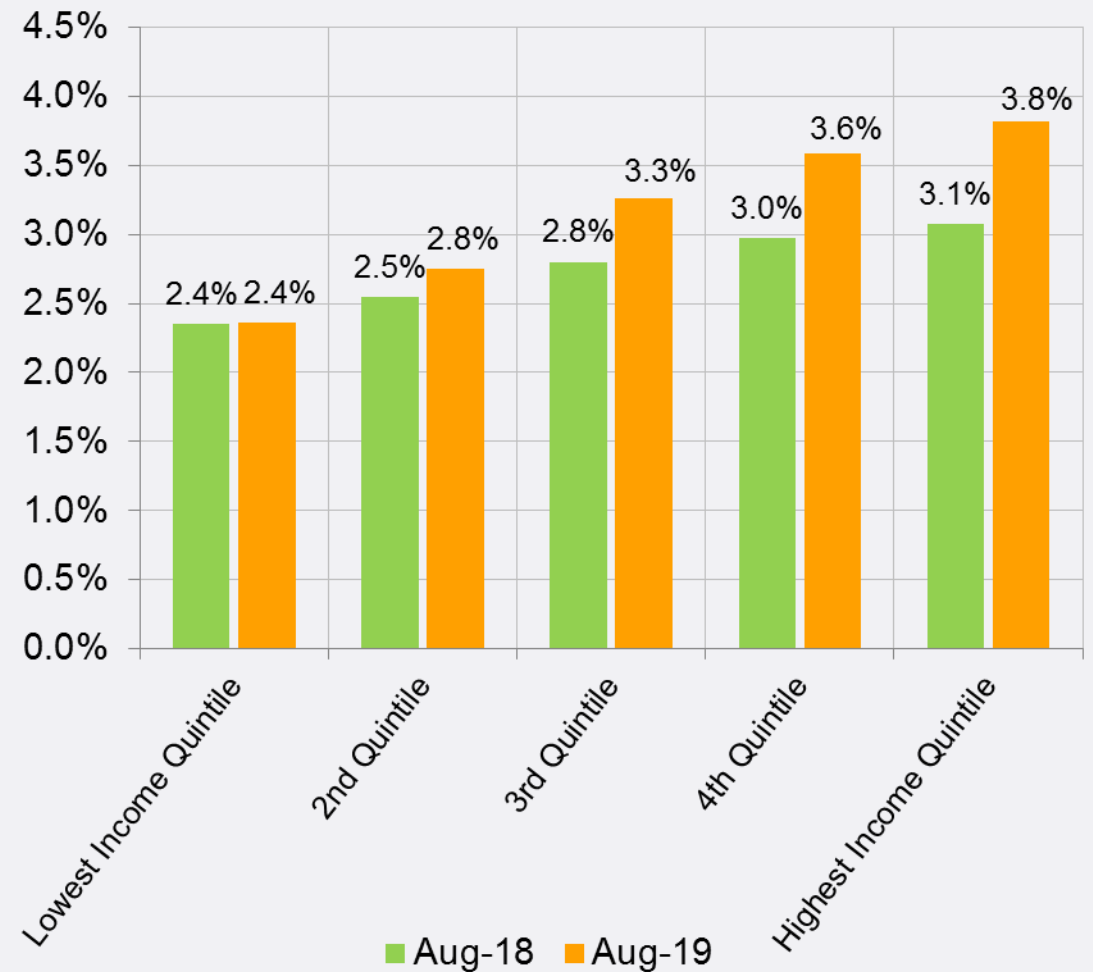
■ Rate of Inflation    ■ Contribution to inflation (in pp)

# Strong labour market benefits working households as income growth accelerates

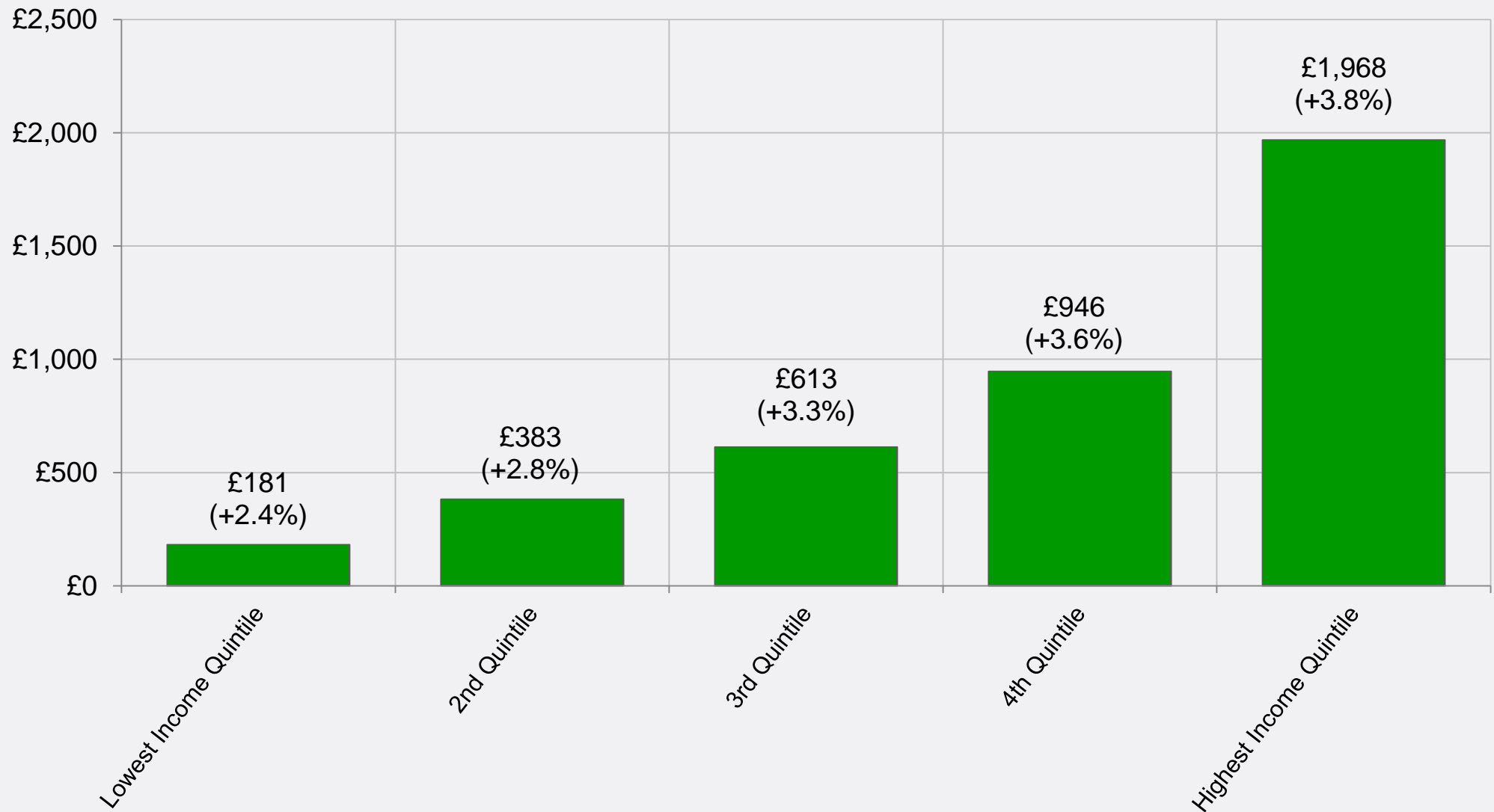
Highest income quintile sees annual gross income growth of 3.8%

- The graph to the right compares the annual gross income growth rates for different household income groups for August 2019 and the same month a year earlier. Gross income includes income from wages, self-employment, investment, pensions and social security.
- Gross income growth accelerated for most income groups between August 2018 and August 2019, with only the lowest income group recording the same growth rate.
- Low unemployment and the fastest rates of nominal wage growth in more than a decade have benefitted working households the most.
- Meanwhile, the growth in social security and benefits has fallen behind, leading to slower income increases for the lowest income quintile.

Annual gross income growth (excl. bonuses)



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

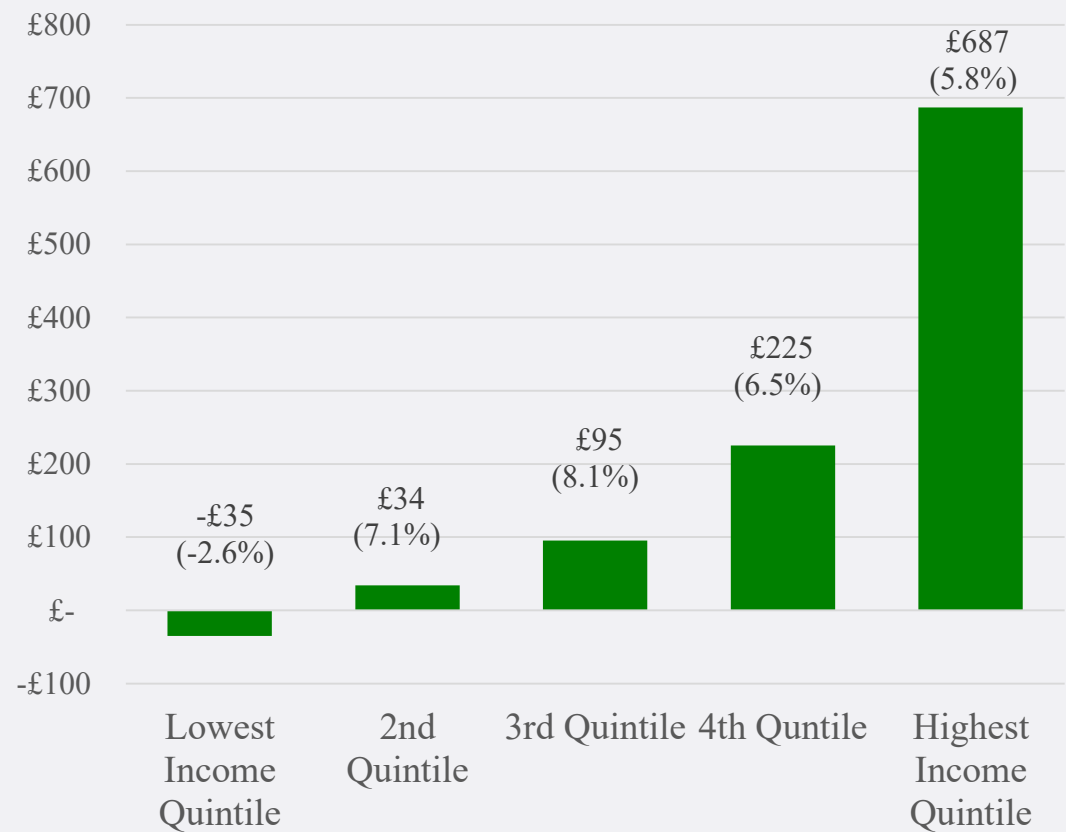


# Middle-income households benefit most from spending power increases in August

## ASDA Income Tracker rises fastest for third income quintile

- Nearly all households have seen robust growth in the ASDA Income Tracker in August, with the strongest increase recorded for the third income quintile at 8.1%.
- The second income quintile recorded the second-fastest growth rate at 7.1%, followed by the fourth quintile (6.5%) and the highest income group (5.8%).
- The cost of essential spending rose sharply in the second quarter of the year as energy providers increased prices for their most popular tariffs.
- The lowest income group is still feeling the consequences of this, with their discretionary income down 2.6% on the year. The drop in inflation in August helped only slightly as it was largely driven by falls in the recreation and culture category.

Average weekly discretionary income by household income group, August 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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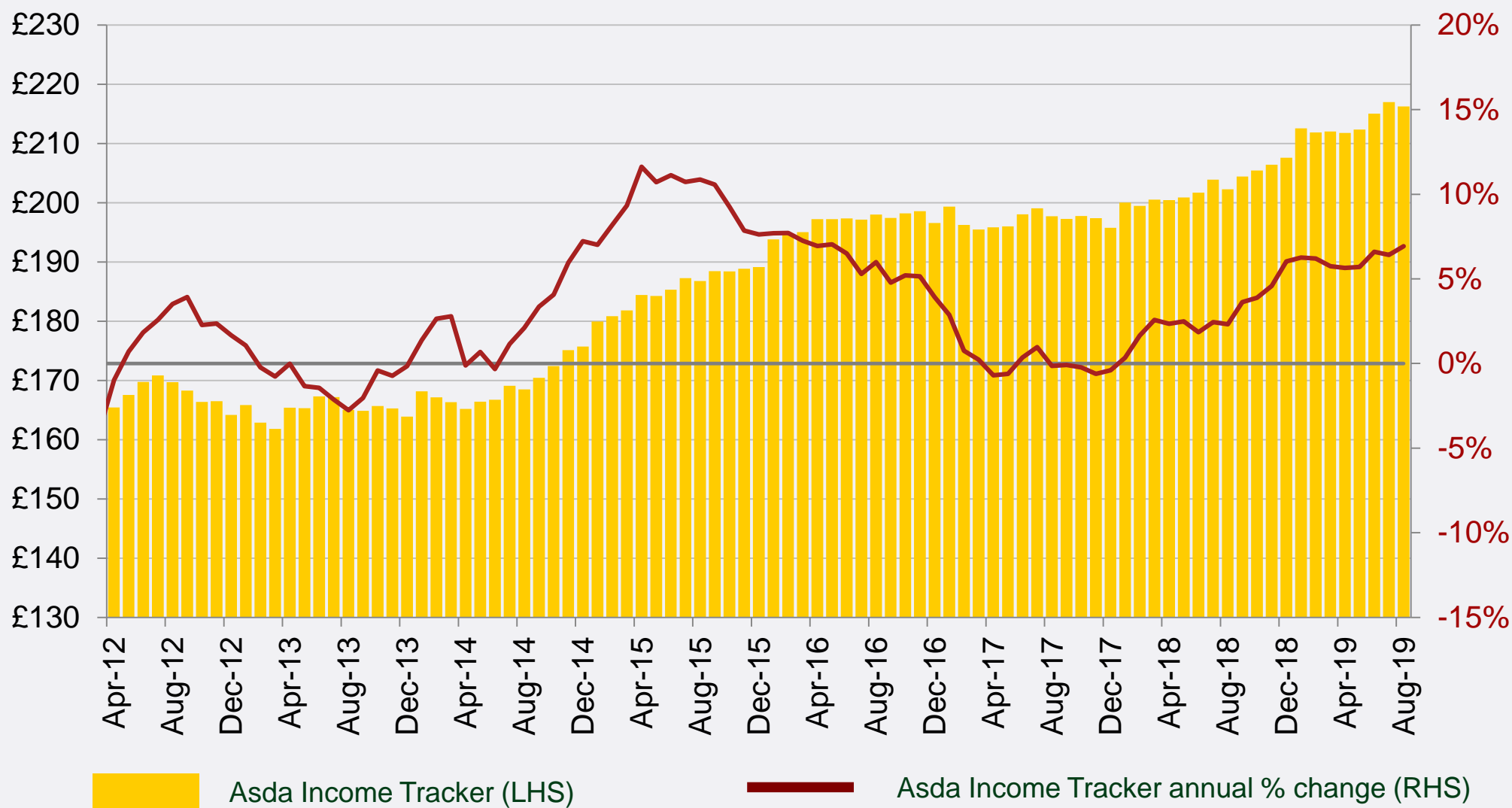
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# Appendix

# 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	£212
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	June 2019	£215
July 2015	£191	July 2016	£198	July 2017	£199	July 2018	£204	July 2019	£217
August 2015	£191	August 2016	£199	August 2017	£198	August 2018	£202	August 2019	£216
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		
<b>2015 Average</b>	<b>£190</b>	<b>2016 Average</b>	<b>£198</b>	<b>2017 Average</b>	<b>£197</b>	<b>2018 Average</b>	<b>£203</b>		

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 2019**