

Asda Income Tracker

Report: July 2019

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Making Business Sense

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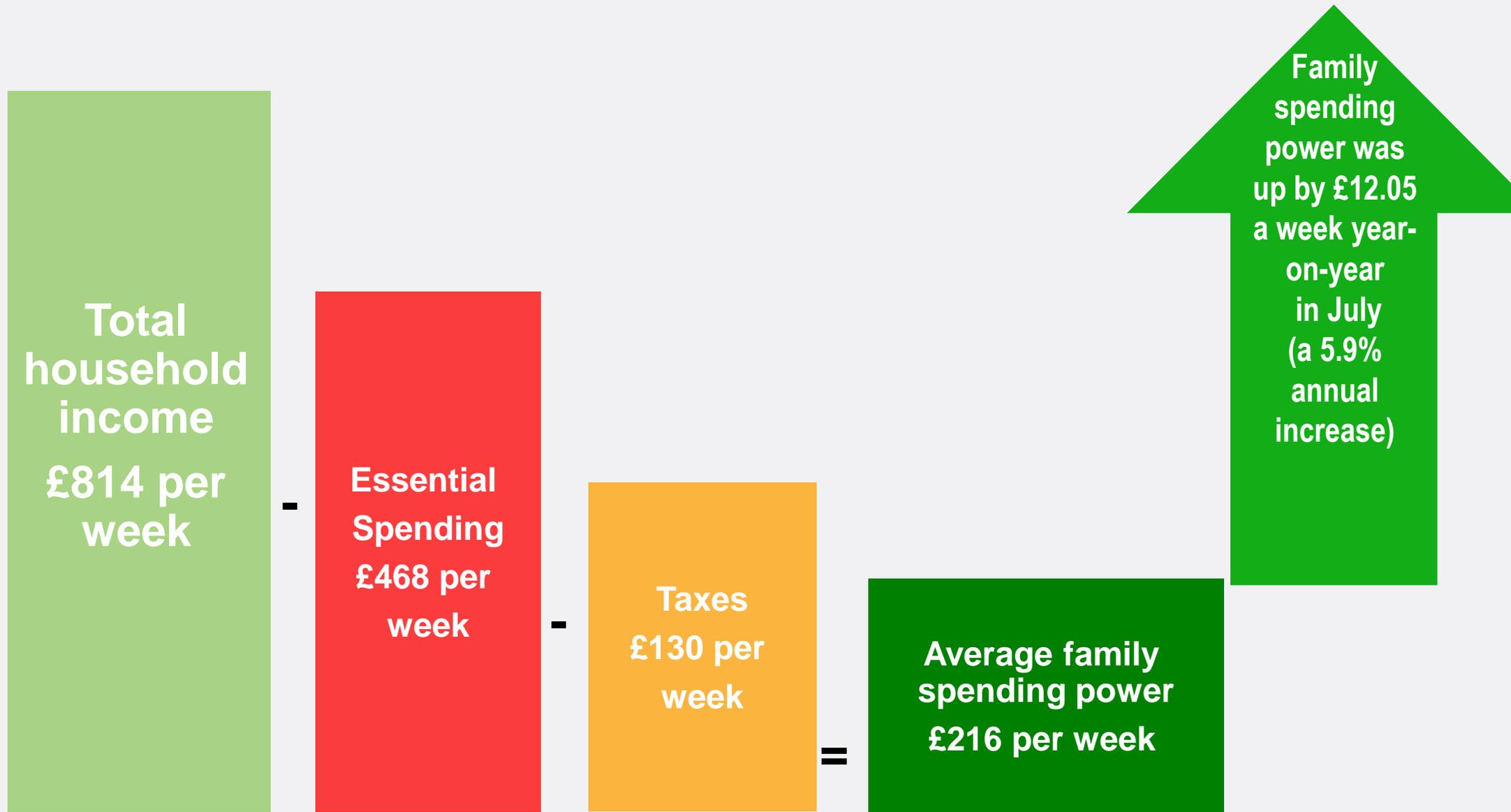
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Asda Income Tracker – Key Figures

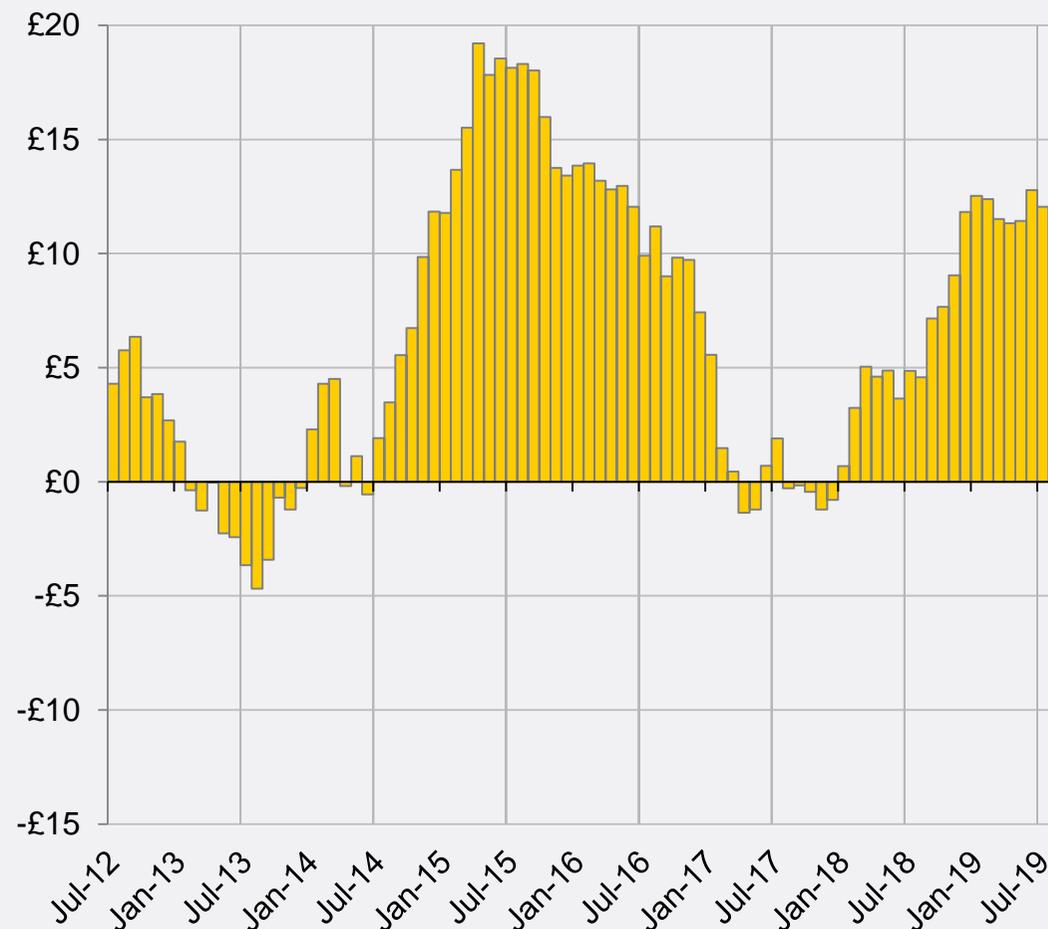


Generous pay rises continue to drive growth in the Income Tracker

The Asda Income Tracker was £12.05 a week higher in July 2019 than a year before

- Family spending power increased by 5.9% compared to July 2018, slightly below the 6.3% annual increase measured in the previous month. Despite the slowdown, the growth rate was still the second highest since March this year.
- In pound terms, the Income Tracker rose by £12.05 year-on-year.
- Although the unemployment rate edged up to 3.9% in the three months to June, the wider labour market remains in good health. The employment rate returned to a joint-record high of 76.1% over the same period.
- Pay growth (excluding bonuses) accelerated to 3.9% in the three months to June, the highest in 11 years.
- The faster pay growth was, however, met by a similar increase in inflation, which means that households' living standards were improving at a steady pace in July.

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

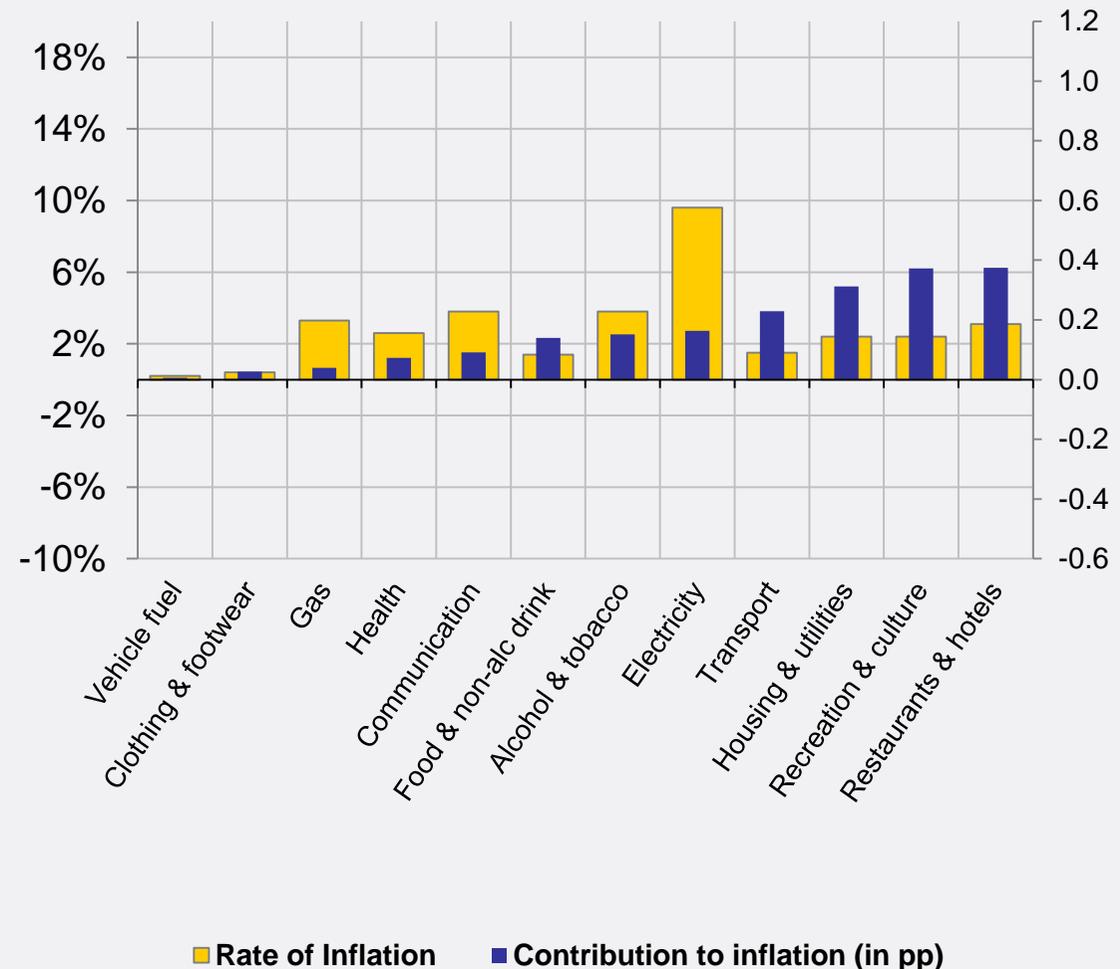


Inflation edges up as prices for recreation and culture increase

The main factors affecting family costs in July were:

- Inflation, as measured by the Consumer Price Index, increased to 2.1% in July, up from 2.0% in the previous month.
- Inflation accelerated for recreation & culture as well as for restaurants & hotels, adding to upwards pressure on the headline index.
- Prices for clothing and footwear stopped falling in July. The annual increase of 0.4% was the first rise since August 2018.
- Fuel price inflation slowed further and stood at just 0.2% in July. This is the lowest since an extended period of falling fuel price ended in August 2016.
- For the first time in four months, inflation for electricity has fallen below 10%, standing at 9.6% in July. Prices for gas are 3.3% higher than in the same month last year, down from 4.4% in June.

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



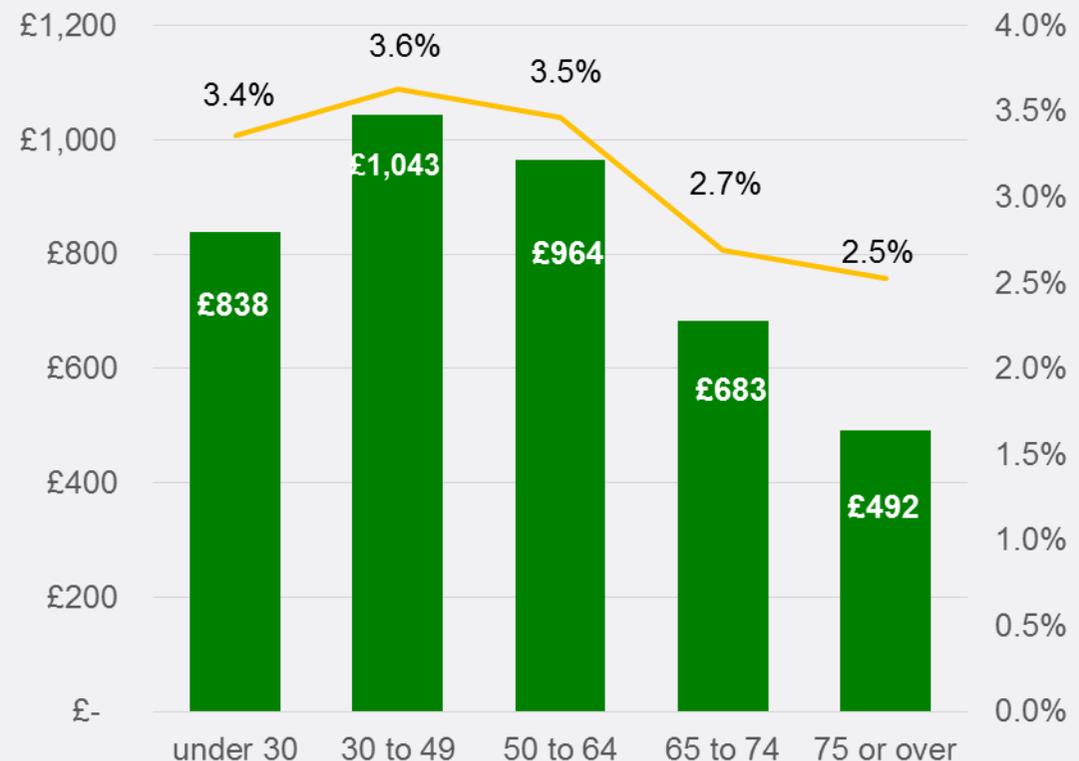
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Income growth remains healthy going into the second half of the year

30 to 49 year-olds had the highest weekly gross income at £1,043 in July

- Gross income growth remained strong at the start of H2 2019 across all age groups.
- 30 to 49 year-olds saw the highest gross income growth rate in July at 3.6% compared to the same month a year earlier, followed by 50 to 64 year-olds with 3.5% and under 30s with 3.4%.
- For these three age groups, annual gross income growth in July was unchanged from the rate seen three months earlier and was also in line with the 2019 averages for each age group.
- The ongoing strength of the labour market, reflected in low unemployment and record high employment rates, has translated into healthy pay rises across the board. In the three months to July, private sector wages increased by 3.9% YoY, with public sector salaries not far behind at 3.8%.
- Looking at wages by industry, workers in the construction sector saw the highest pay rises at 5.2% YoY in the three months to June followed by finance with a 4.5% pay increase.

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



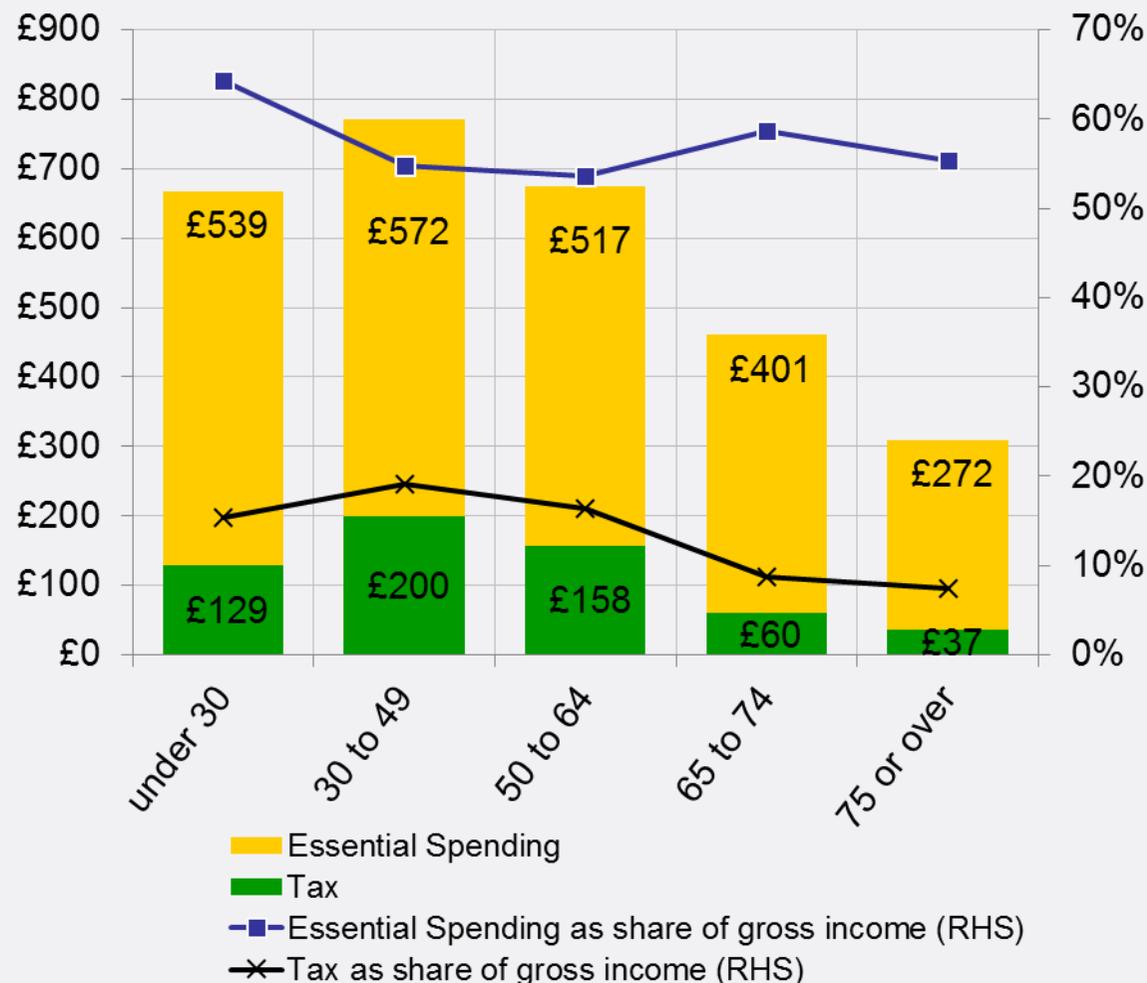
*Age groups determined via age of household representative person / main income earner in household.

Falling fuel prices provide some relief for car-reliant households

The cost of essentials increases faster than inflation

- The cost of essential spending continued to increase at a faster rate than the general price level for all age groups in July.
- Compared to three months ago, however, the increase in the cost of essentials has slowed somewhat.
- While higher prices for utilities will weigh on families' budgets for some time, motorists have some reason to be optimistic. Fuel price inflation has fallen to the lowest level since August 2016, as it was only 0.2% more expensive to fill up the tank in July 2019 than it was in the same month last year.
- Lower fuel price inflation is especially beneficial for 50 to 64 year-olds, who spend 20% of their total expenditure on transport, more than any other age group.

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

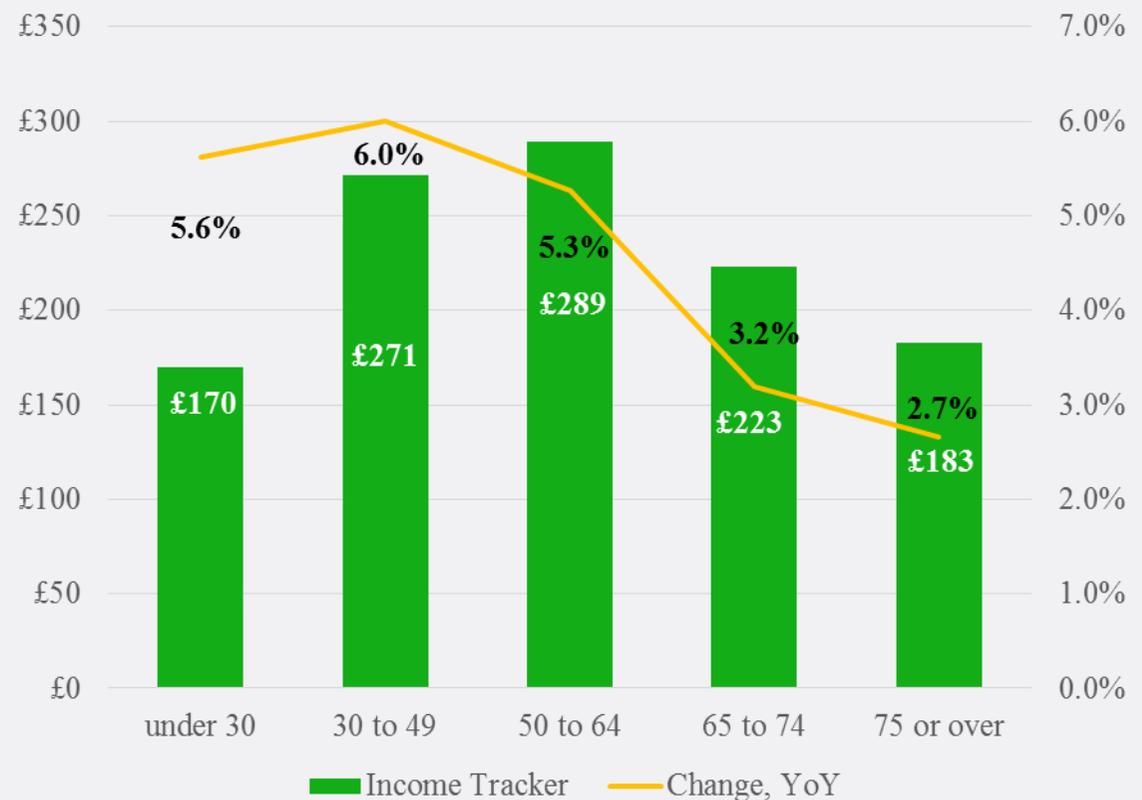


Working-age households see Income Tracker growth accelerate

50 to 64 year-olds have the highest weekly discretionary income at £289

- For households under the age of 65, family spending power growth has accelerated in July compared to April 2019.
- Under 30s saw their discretionary incomes increase by 5.6% in the year to July 2019 compared to growth of 4.4% three months ago. Similarly, 30 to 49 year-olds have seen their Income Tracker growth rate accelerate by 0.7 percentage points to 6.0% and 50 to 64 year-olds by 0.4 percentage points to 5.3%. The Income Tracker growth rate for households aged 65 to 74 remained unchanged at 3.2%, while those aged 75 and over saw a decrease from 3.0% in April to 2.7% in July this year.
- While incomes for pensioners have risen at decent rates this year, working age households benefit from the extra boost from a tight labour market and higher salaries.

Average weekly discretionary income by age group, July 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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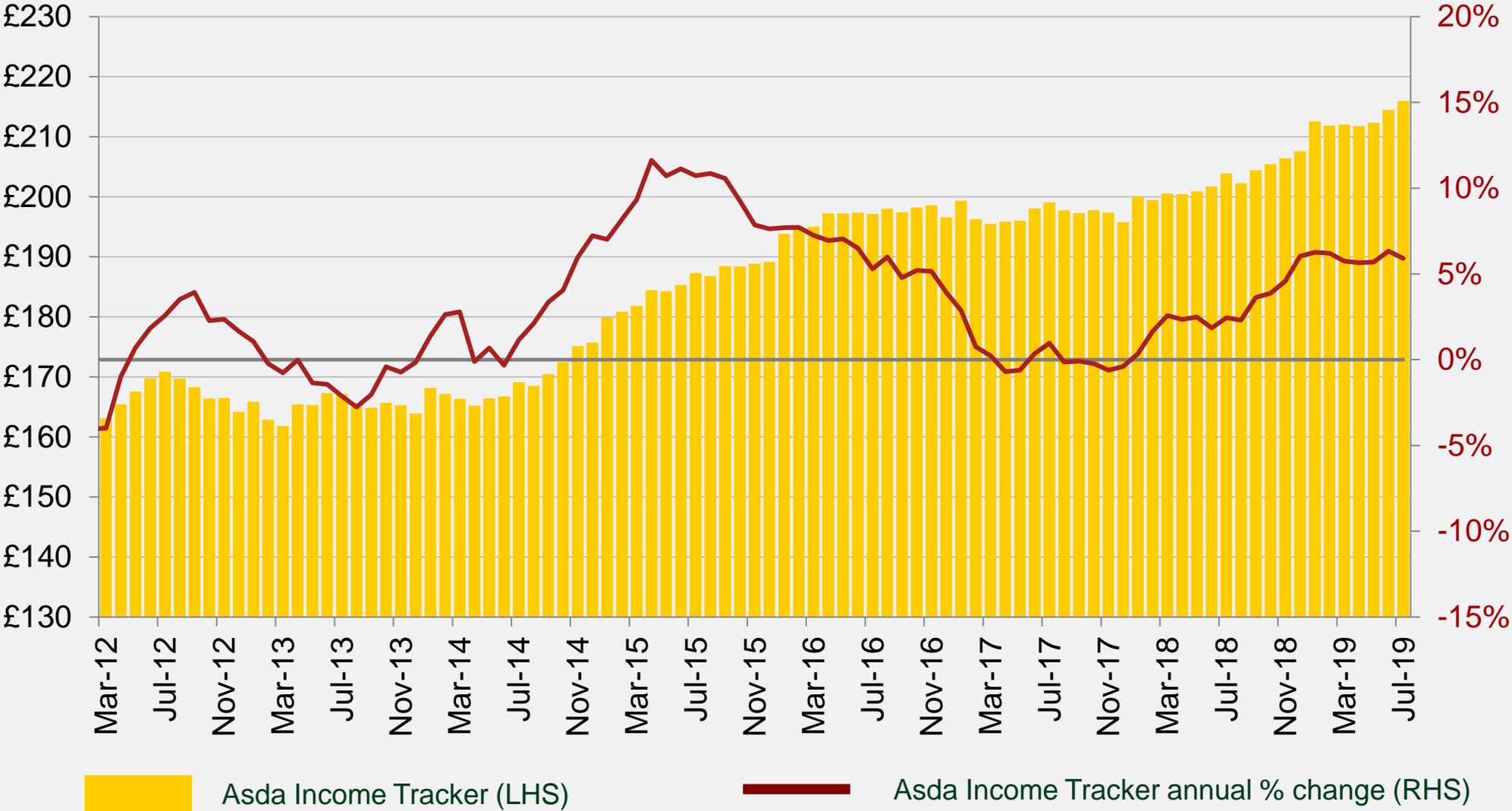
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Appendix

Monthly Asda Income Tracker

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



Asda Income Tracker (LHS) Asda Income Tracker annual % change (RHS)



Monthly Asda Income Tracker

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

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	£213
June 2015	£189	June 2016	£198	June 2017	£198	June 2018	£202	June 2019	£214
July 2015	£191	July 2016	£198	July 2017	£199	July 2018	£204	July 2019	£216
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, August 2019