

# Asda Income Tracker

Report: March 2020

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Making Business Sense

Centre for Economics and  
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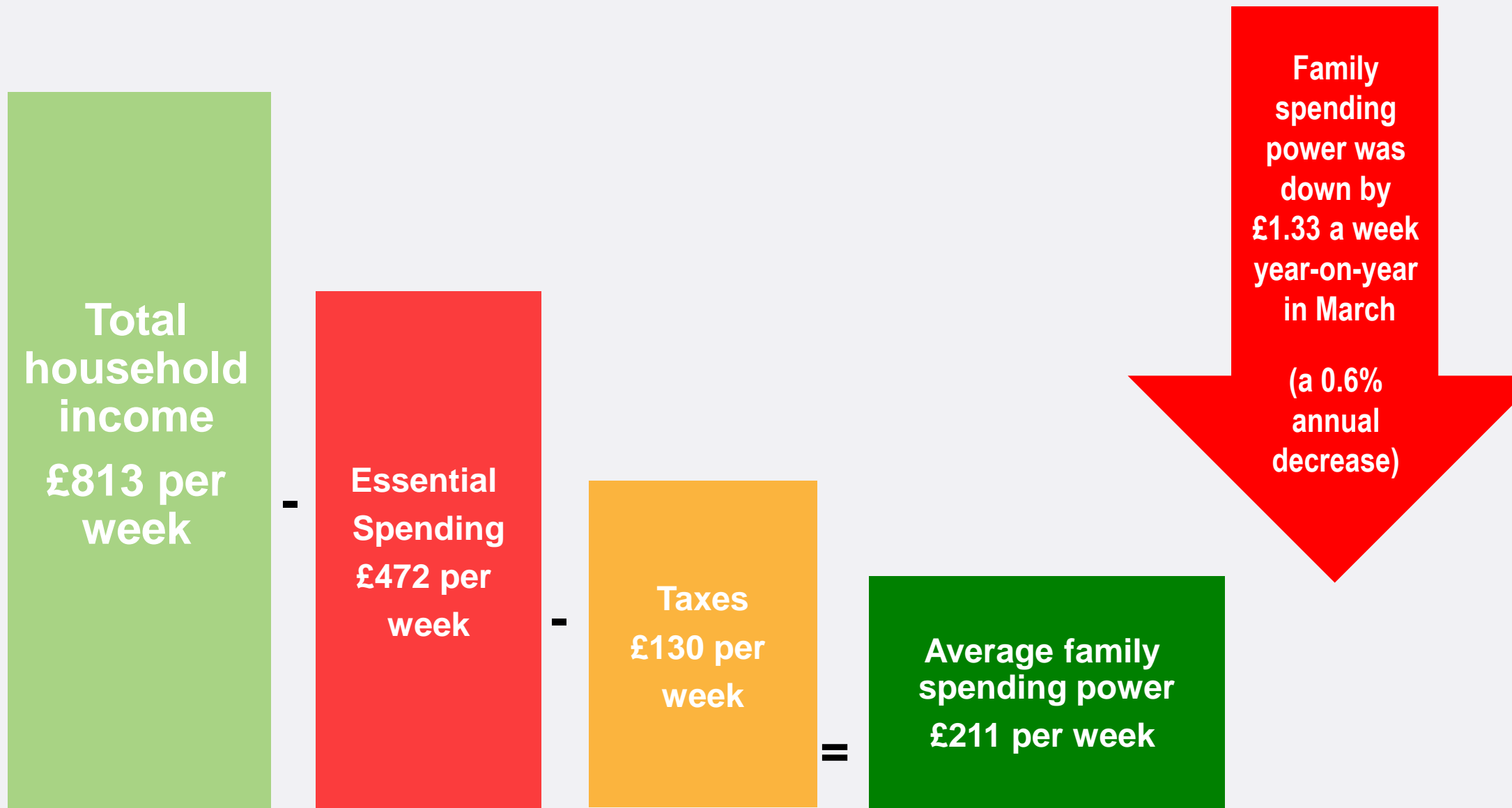
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# Asda Income Tracker – Key Figures



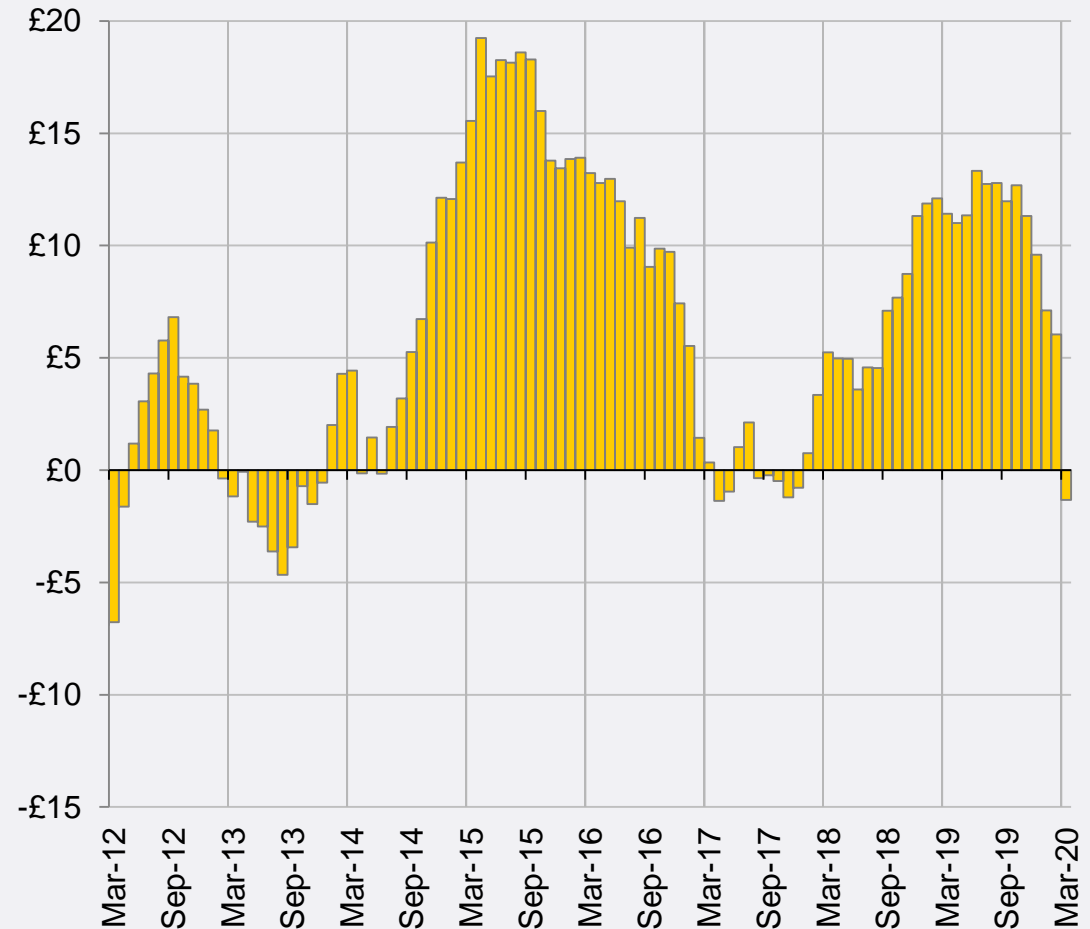
**NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in March 2020, the Income Tracker figures will be subject to revisions as further official data are released over the coming weeks.**

# Income Tracker records first fall since 2017 as coronavirus hits the UK

The Asda Income Tracker was £1.33 a week lower in March 2020 than a year before

- Family spending power fell by 0.6% in the year to March 2020, marking the first decrease since December 2017 and the joint-worst performance since April 2017. The Income Tracker growth rate has now fallen for five consecutive months.
- Wage growth slowed for the seventh consecutive month, according to the latest data from the Office for National Statistics (ONS). Regular wage growth (excluding bonuses) stood at 2.9% in the three months to February 2020, compared to the same period a year earlier. This represents the lowest wage growth level since June 2018.
- We expect the spread of Covid-19, and the subsequent economic downturn, to have substantial negative effects on discretionary spending power. The initial effects of social distancing measures and the enforced lockdown from 23<sup>rd</sup> March have already contributed to the negative figure outlined above. Falling incomes, higher unemployment, and greater reliance on social security measures are expected going forward, so a further year-on-year fall in the Income Tracker should be anticipated for April.

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



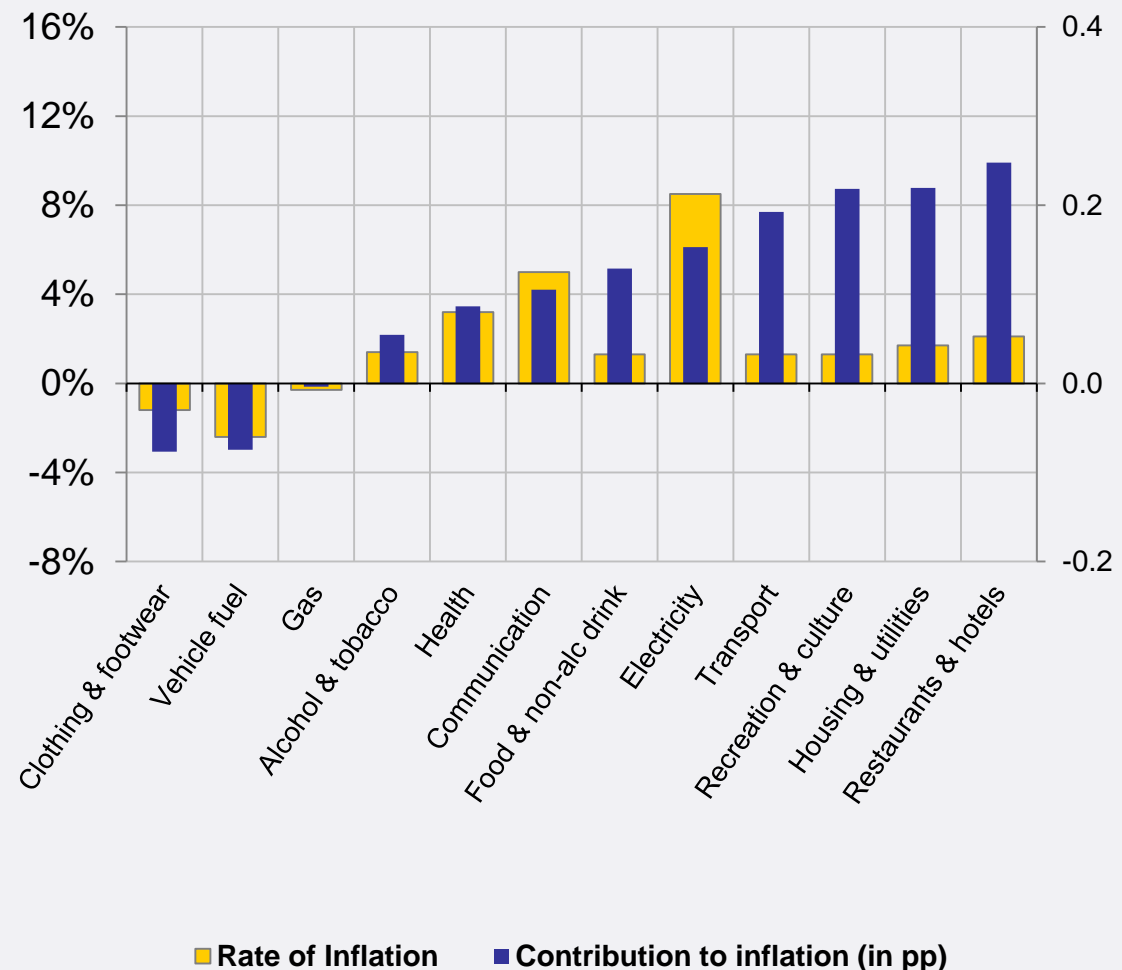
# Inflation rate continues to decline as fuel prices fall

The main factors affecting family costs in March were:

- Inflation, as measured by the Consumer Price Index (CPI), was down slightly at 1.5% in March, having stood at 1.7% in February.
- In terms of individual expenditure categories, there were increases in the Communication, Health, and Alcohol & Tobacco inflation rates. All other components saw flat prices or a decrease in the rate of inflation.
- There were significant downward contributions from the Clothing & Footwear and Vehicle Fuels categories, with the former a possible result of changing consumer behaviour amid the spread of social distancing, and the latter being a consequence of considerable volatility in global oil markets. The two categories exhibited inflation rates of -1.2% and -2.4%, respectively, in the year to March.
- Meanwhile, the largest positive contributions to inflation stemmed from the Restaurants & Hotels and Housing & Utilities categories, contributing 0.25 and 0.22 percentage points to the headline inflation rate, respectively.

Vehicle fuel is a sub-category of Transport

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



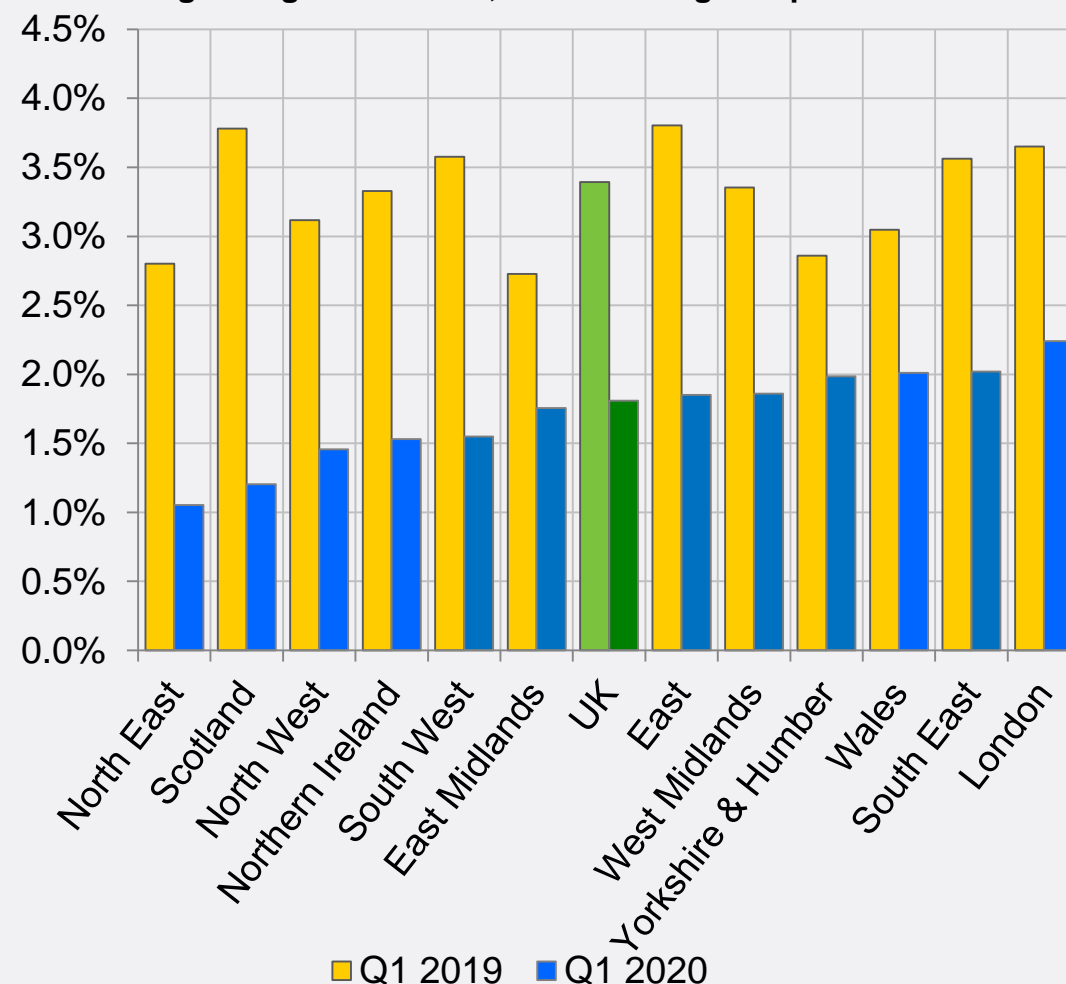
■ Rate of Inflation    ■ Contribution to inflation (in pp)

# Year-on-year gross income growth slows across all UK regions and countries

UK-wide annual gross income growth slowed from 3.4% in Q1 2019 to 1.8% in Q1 2020

- Gross income growth rates fell further in Q1 2020, with the UK wide average exhibiting a third consecutive quarter of slowdown and its lowest measure since Q2 2017.
- Gross income growth rates have slowed for all regions between Q1 2019 and Q1 2020.
- This can once more be attributed to slowing wage growth, leading to smaller income gains for households, and hence decelerating growth in gross incomes.
- London saw the highest gross income growth rate in Q1 2020, reaching 2.2% year-on-year. This was followed by the South East, Wales, and Yorkshire & the Humber, all at 2.0%.
- Scotland saw the steepest decline in annual gross income growth, with a year-on-year fall of 2.6 percentage points recorded.

Regional gross income, annual change to quarter indicated

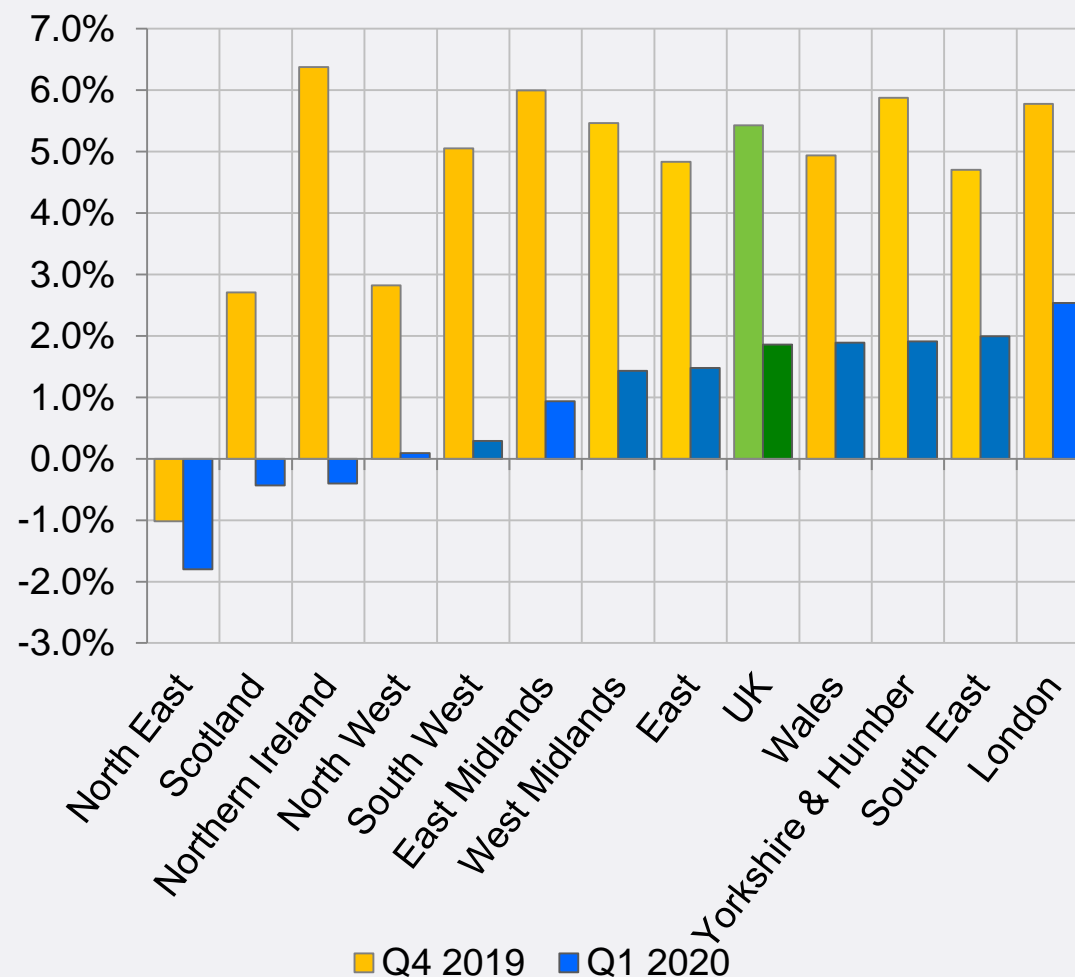


# Income tracker growth shows weakness across the board in Q1

## Income tracker falls or exhibits slowing growth across all UK regions and countries

- On the UK-wide measure, growth in the Income Tracker fell by 3.6 percentage points between Q4 2019 and Q1 2020. This means that the average annual growth rate stood at 1.9%, the lowest since Q1 2018.
- Family spending power growth slowed most in Northern Ireland, falling from 6.4% year-on-year in Q4 2019 to -0.4 in Q1 2020.
- The Income Tracker for the North East suffered its second consecutive month of negative growth, falling by 1.8% year-on-year in Q1 2020, having previously exhibited a fall of 1.0% in Q4 2019.
- The cost of essential spending remained under control in the first quarter of 2020, with inflation on gas and vehicle fuels in negative territory.
- Declining incomes in the midst of recently imposed coronavirus restriction measures are key to the weakness in disposable income growth, however.

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

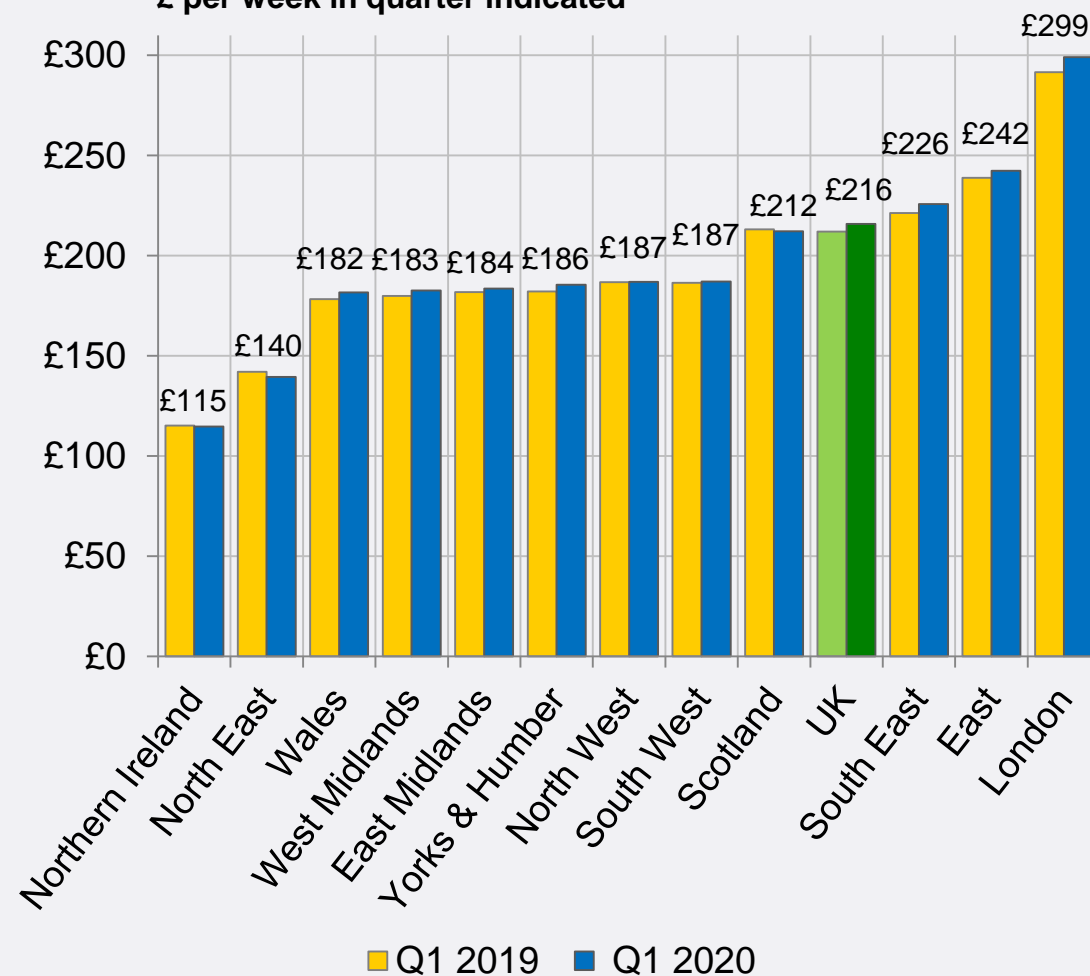


# Households no better off than this time last year in four UK regions

UK-wide family spending power averages £216 in the first quarter of 2020

- Weekly discretionary income for the average UK family fell slightly on a quarter-on-quarter basis, from £218 in Q4 2019 down to £216 in Q1 2020. This represents a slight increase of 1.8% over Q1 2019, however.
- London remains at the top of the income tracker table, where average household discretionary income reached £299 per week in Q1 2020. This was followed by the East of England where discretionary income stands at £242 per week.
- The combination of slowing wage growth and near-term effects of the Covid-19 epidemic means that some regions are no better off than this time last year. Households in the North West and Northern Ireland saw their discretionary spending power flatline, while those in the North East and Scotland saw their discretionary income fall year-on-year.
- Households in London saw the largest increase in their discretionary spending power in absolute terms, witnessing an increase of £7 per week year-on-year.

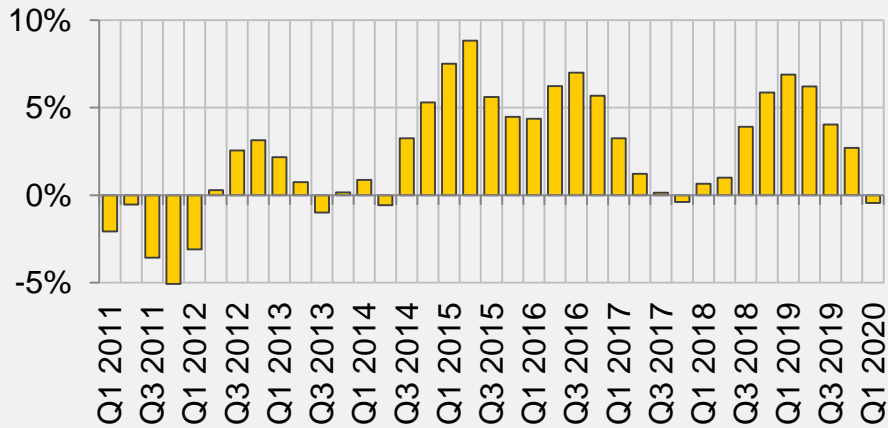
Average household discretionary income by region, £ per week in quarter indicated





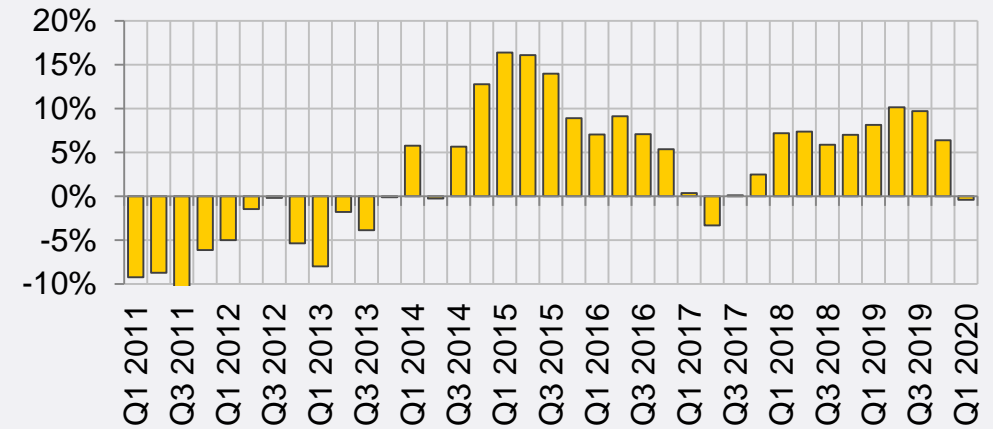
# Focus on Scotland and Northern Ireland

Annual % change in discretionary incomes, Scotland



- The Income Tracker for Scotland witnessed a fall of 0.4% year-on-year in Q1 2020, down from 2.7% in the previous quarter.
- This represents the fourth consecutive month of falling Income Tracker growth and the worst performance since Q2 2014.
- The Scottish unemployment rate rose slightly in the three months to February. The rate reached 3.7% having stood at 3.5% for the previous two measures. We expect this trend to continue, estimating Scottish unemployment to stand at 5.0% in March.

Annual % change in discretionary incomes, Northern Ireland



- In Northern Ireland, discretionary incomes fell at a rate of 0.4% year-on-year in the first quarter of 2020, down from 6.4% in the final quarter of 2019.
- This meant that the Income Tracker exhibited a quarter-on-quarter fall of 6.8 percentage points – by far the worst performance of any UK region.
- This stands in stark contrast to what has been two years of strong growth in discretionary spending power in Northern Ireland, with double figure growth rates observed as recently as Q2 2019.

# 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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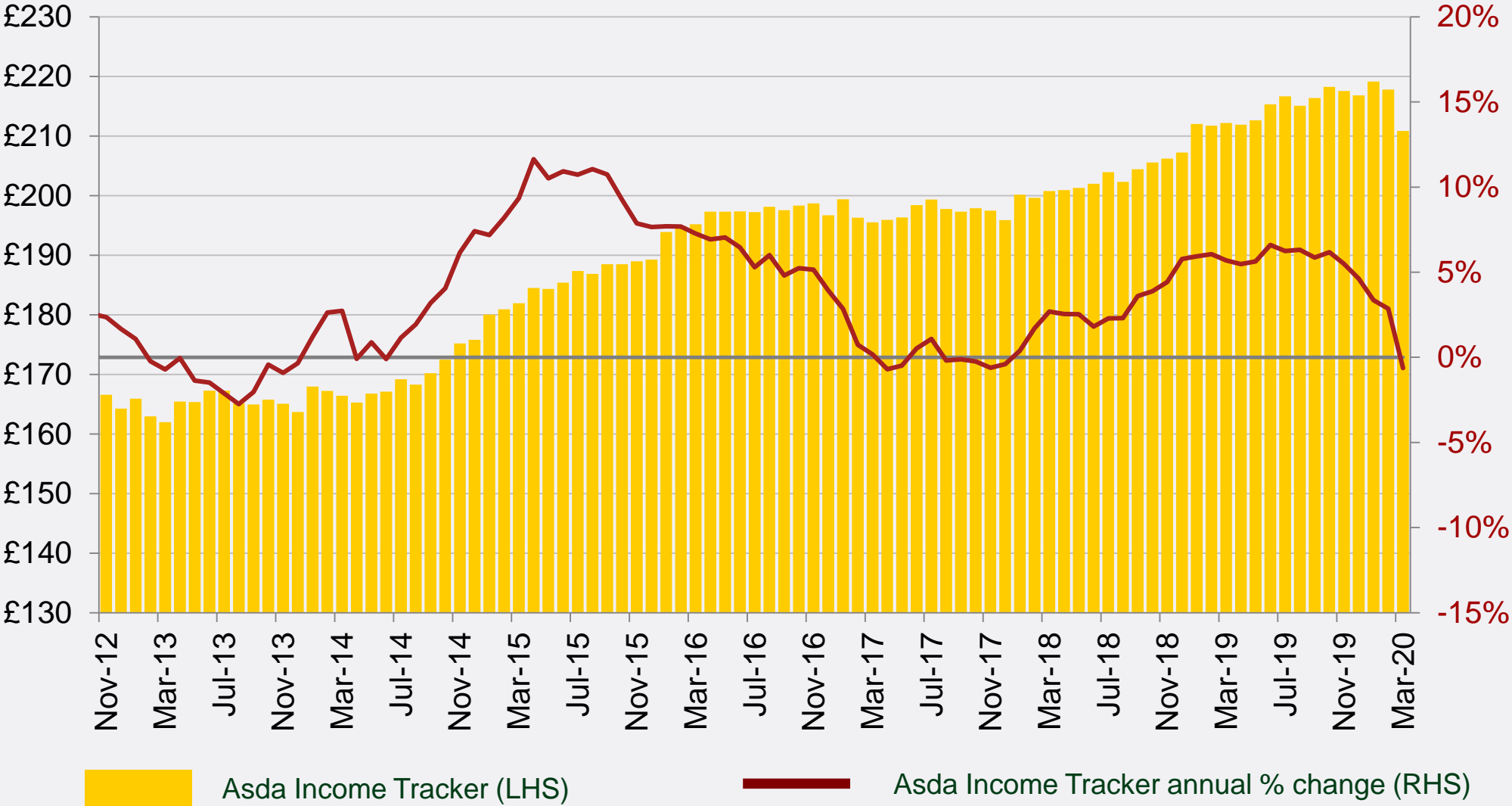
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# Appendix

# 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 2016	£194	January 2017	£199	January 2018	£200	January 2019	£212	January 2020	£219
February 2016	£195	February 2017	£196	February 2018	£200	February 2019	£212	February 2020	£218
March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£212	March 2020	£211
April 2016	£197	April 2017	£196	April 2018	£201	April 2019	£212		
May 2016	£197	May 2017	£196	May 2018	£201	May 2019	£213		
June 2016	£197	June 2017	£198	June 2018	£202	June 2019	£215		
July 2016	£197	July 2017	£199	July 2018	£204	July 2019	£217		
August 2016	£198	August 2017	£198	August 2018	£202	August 2019	£215		
September 2016	£198	September 2017	£197	September 2018	£204	September 2019	£216		
October 2016	£198	October 2017	£198	October 2018	£206	October 2019	£218		
November 2016	£199	November 2017	£198	November 2018	£206	November 2019	£218		
December 2016	£197	December 2017	£196	December 2018	£207	December 2019	£217		
2016 Average	£197	2017 Average	£197	2018 Average	£203	2019 Average	£215		

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 Sam Miley.**

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**London, April 2020**