

Asda Income Tracker

Report: July 2020

Released: August 2020



Making Business Sense

Centre for Economics and
Business Research Ltd

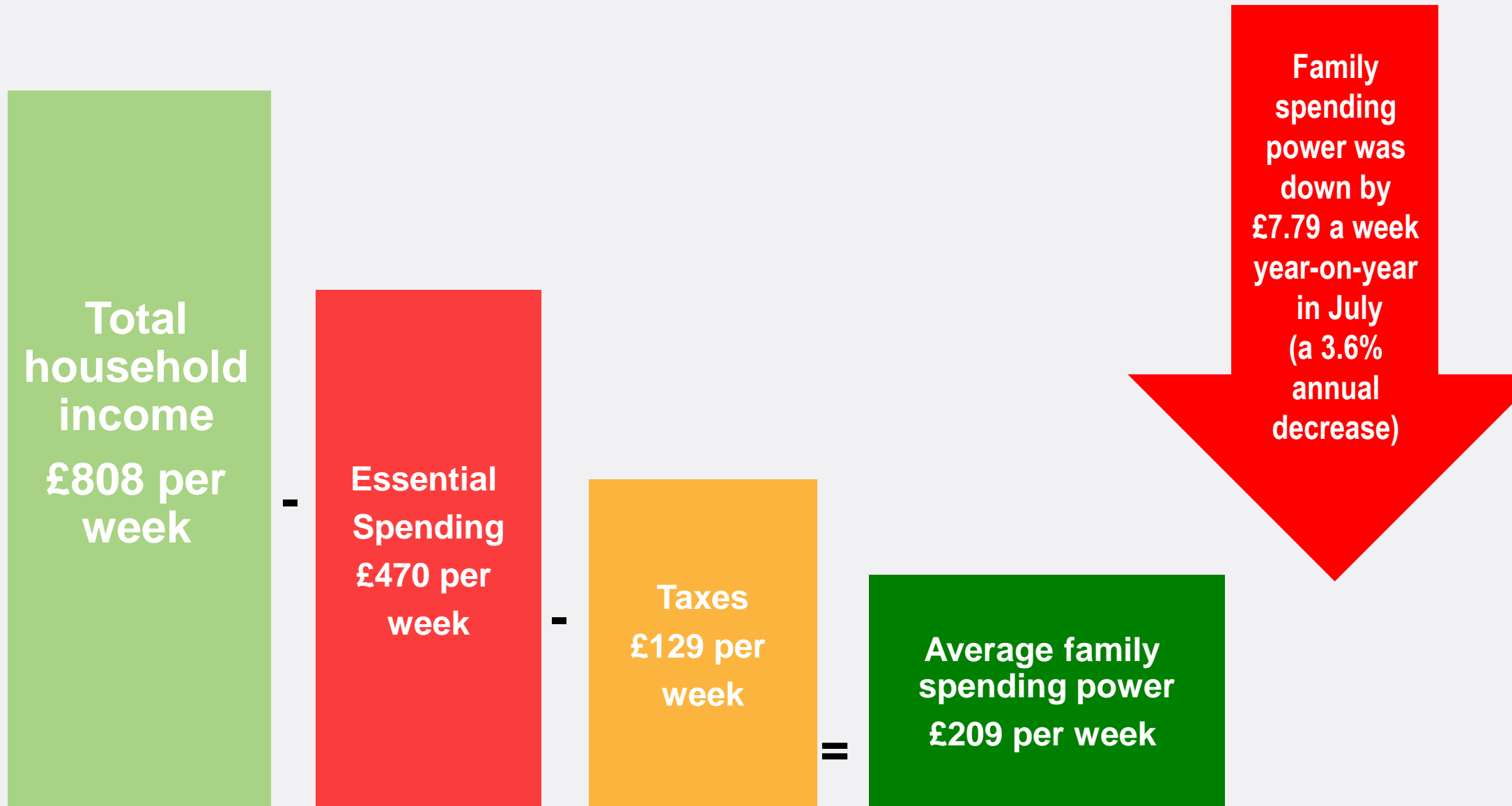
Unit 1, 4 Bath Street, London
EC1V 9DX

t 020 7324 2850

w www.cebr.com



Asda Income Tracker – Key Figures



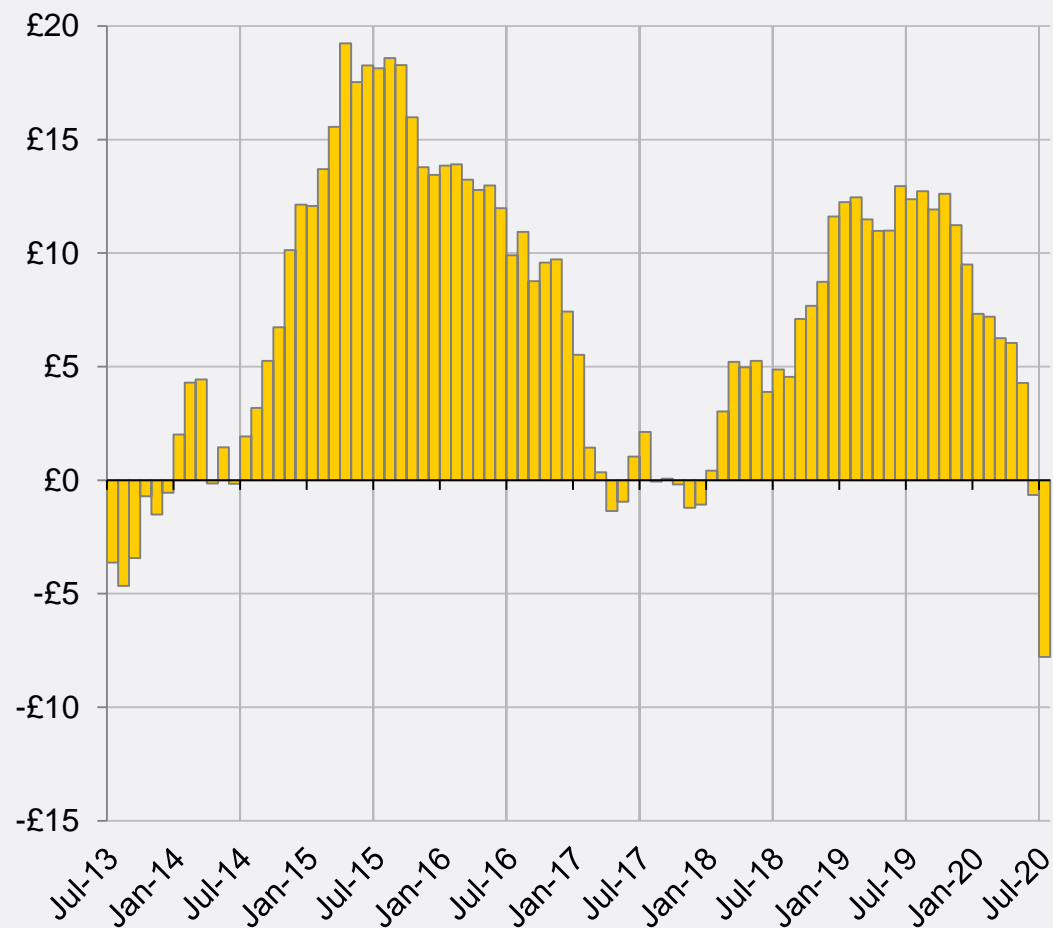
NB: Due to the unprecedented effects of the coronavirus crisis on the UK economy, this month's Income Tracker figures are subject to a greater degree of uncertainty than usual. While we have used the latest data available to estimate the impacts of the crisis on incomes and expenditures in the reporting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

Falling real wages cause significant hit to family spending power

The Asda Income Tracker was £7.79 a week lower in July 2020 than a year before

- Family spending power was down by 3.6% in July 2020 compared to the same month a year ago. This marks the steepest contraction since March 2012.
- Households have been feeling the pinch amidst the wider economic downturn. Stagnating wages and rising inflation have seen real wages fall in recent months. In the three months to June 2020, wages including bonuses fell by 2.0% in real terms, while those excluding bonuses saw a 1.0% inflation-adjusted fall. These represent the lowest real wage growth rates since the three months to March 2012 and the three months to June 2014, respectively,
- Labour market data point to the loss of some 730,000 payrolls between March and July this year. Meanwhile, the number of hours worked across the economy has exhibited record quarterly and annual falls, as millions made use of the furlough scheme.
- The latest ONS survey indicates that in early August around 12% of employees were still on the scheme, down from nearly one in three at the start of May.

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



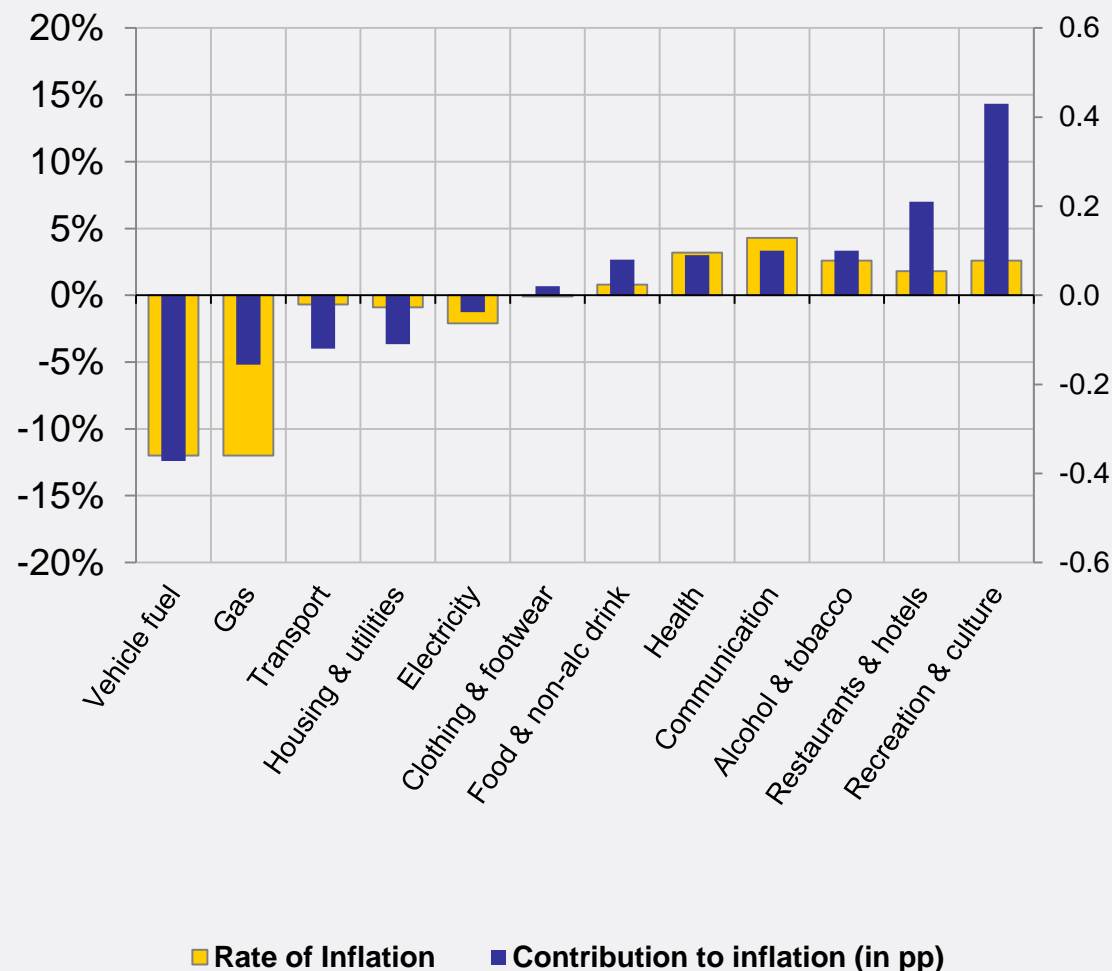
July's uptick in inflation puts pressure on living costs

Cost of living

The main factors affecting family costs in July were:

- Inflation, as measured by the Consumer Price Index (CPI), saw a 0.4 percentage point jump between June and July, reaching 1.0%.
- As has been the case in previous months, considerable downward pressure on inflation resulted from subdued prices in global oil markets. Vehicle fuels prices in particular remain considerably down on the levels witnessed this time in 2019. There is evidence this is subsiding, however, with vehicle fuel prices increasing between June and July and thus having less of a negative contribution to the inflation rate.
- The recreation & culture category made the largest contribution to the inflation rate for the fourth consecutive month.
- Restaurants & hotels were amongst those businesses able to reopen in July after the slight relaxation of social distancing rules. With such firms looking to maintain margins, cover new costs, and make up for lost revenue, price increases were commonplace, resulting in a sizeable contribution to inflation from this category.

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



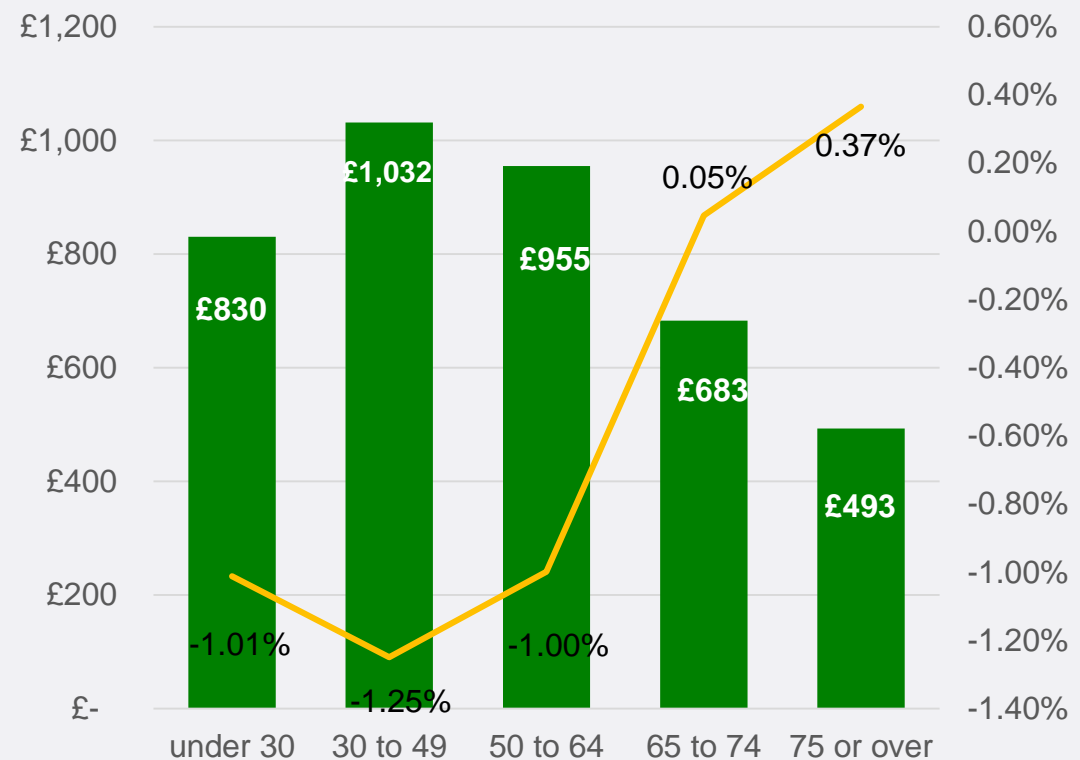
Vehicle fuel is a sub-category of Transport;
Gas and electricity are sub-categories of Housing & utilities

Gross income falls for working age households

Under 65s take sharpest hits to gross income

- Growth in gross incomes fell back for all age groups between April and July. The largest falls were seen amongst those under 65, with those in the under 30s, 30 to 49, and 50 to 64 age groups witnessing quarterly contractions of 2.5 percentage points, 2.8 percentage points, and 2.4 percentage points, respectively.
- Greater resilience was shown by the incomes of the over 75s. Gross income growth fell by just 0.1 percentage points between April and July.
- Year-on-year falls in gross income were witnessed amongst those under 65, while those in the 65 to 74 and 75 and over categories saw slight growth.
- The growth rates for all groups fell below the headline rate of inflation, however, suggesting an erosion of spending power across the population.
- Falling gross income amongst the under 65s largely reflects the impact of coronavirus on the labour market, given that individuals in this category are more likely to be employed than those in older age groups.

Average weekly gross income by age group, July 2020, YoY growth in % (RHS)



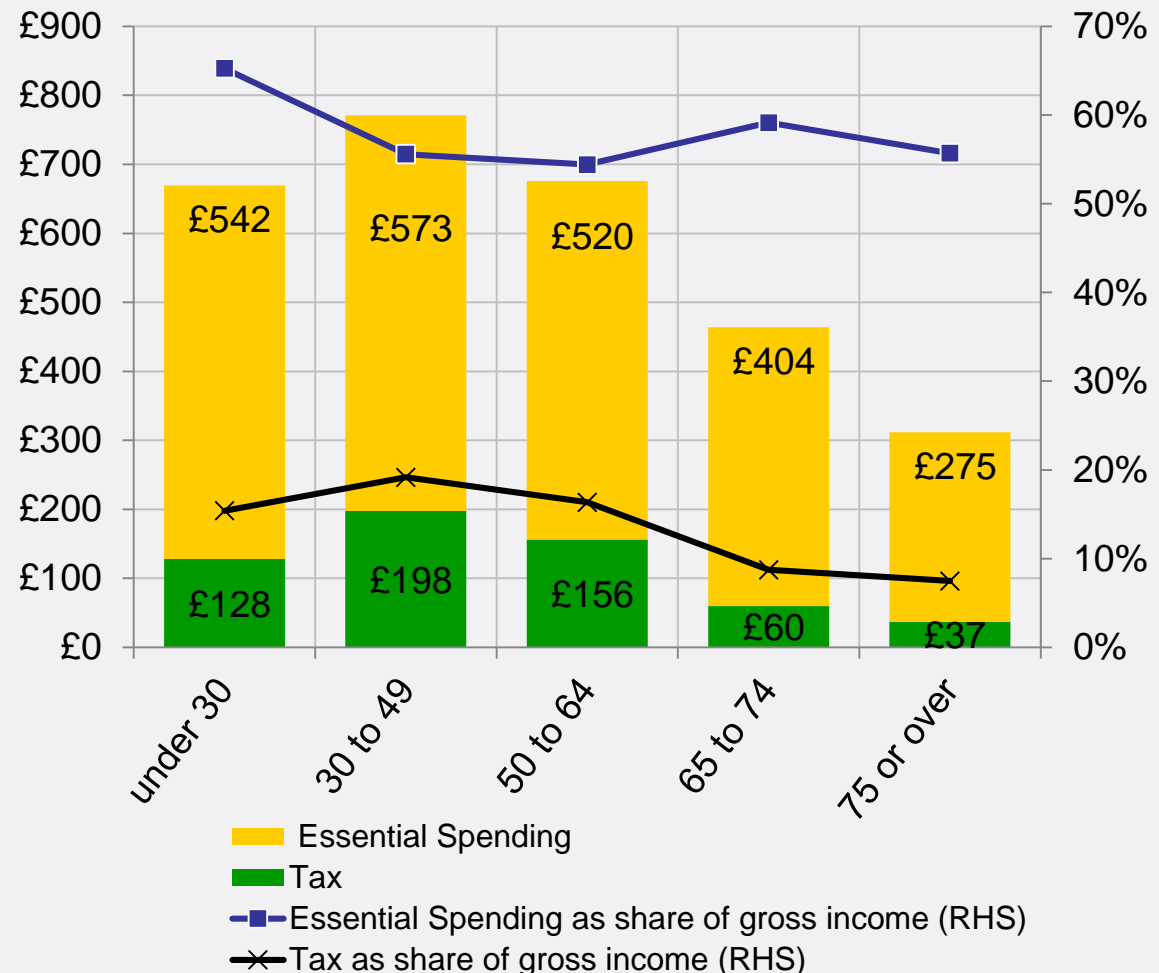
*Age groups determined via age of household representative person / main income earner in household.

Growth in cost of essentials slower than inflation rate across all age groups

The cost of essentials increased at a slower rate than headline inflation in July

- The cost to purchase the basket of essential goods and services monitored by the Income Tracker increased at a slower rate than the headline level of inflation in July. The cost of essential spending in July was 0.5% higher than a year ago.
- Though growth in the cost of essential spending was below the headline inflation rate for all age groups, there was some variation. The cost of essentials grew by just 0.3% for those aged 30 to 49, while a growth rate of 0.9% was seen for the over 75s.
- As has been the case for much of 2020, downward pressure on inflation from the likes of household utilities has helped to keep essential spending costs in check.
- There was also some variation in terms of taxes, with the under 65s seeing year-on-year falls in tax burdens.

Average weekly tax burden and essential spending as a share of gross income by age group, July 2020

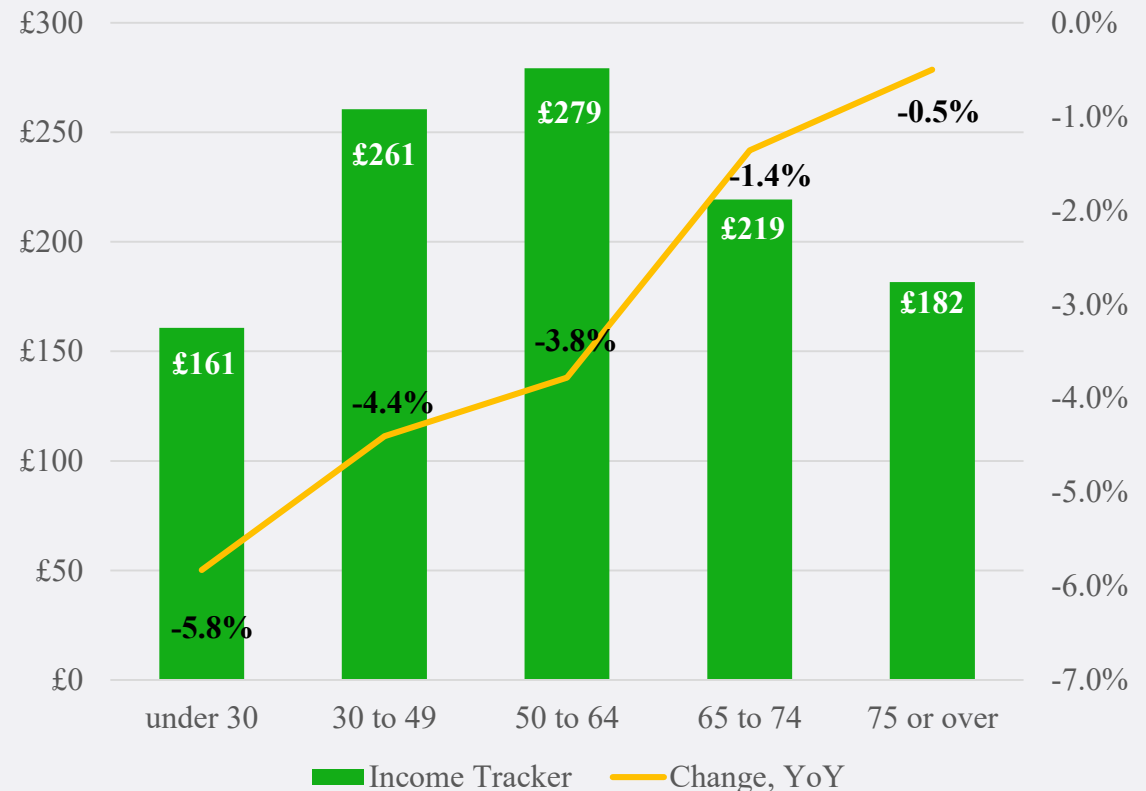


All household groups continue to see annual falls in Income Tracker

Under 30s see largest percentage contraction in discretionary spending power

- Discretionary spending power weakened across all age groups in July. Spending power was down on both a monthly and annual basis.
- The youngest in society have taken the largest relative hit to their discretionary income, which fell by 5.8% year-on-year for the under 30s. The relatively small growth in essential spending costs and the smaller tax burden means that falling gross incomes have played the largest role in weaker spending power.
- Those aged 30 to 49 saw the largest reduction in pound terms, with their average weekly discretionary income falling by £12.00 year-on-year.
- In both percentage and pound terms, those aged 75 and over took the smallest hit to discretionary income. This was down by 0.5%, or £0.90, compared to this time last year. Their relative lack of exposure to the labour market is key to this greater resilience.

Average weekly discretionary income by age group, July 2020, 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.

For press enquiries please contact:

Jessica Finlay, Senior Press Officer, Corporate Media Relations
Jessica.Finlay@Asda.co.uk ; 0113 82 63369

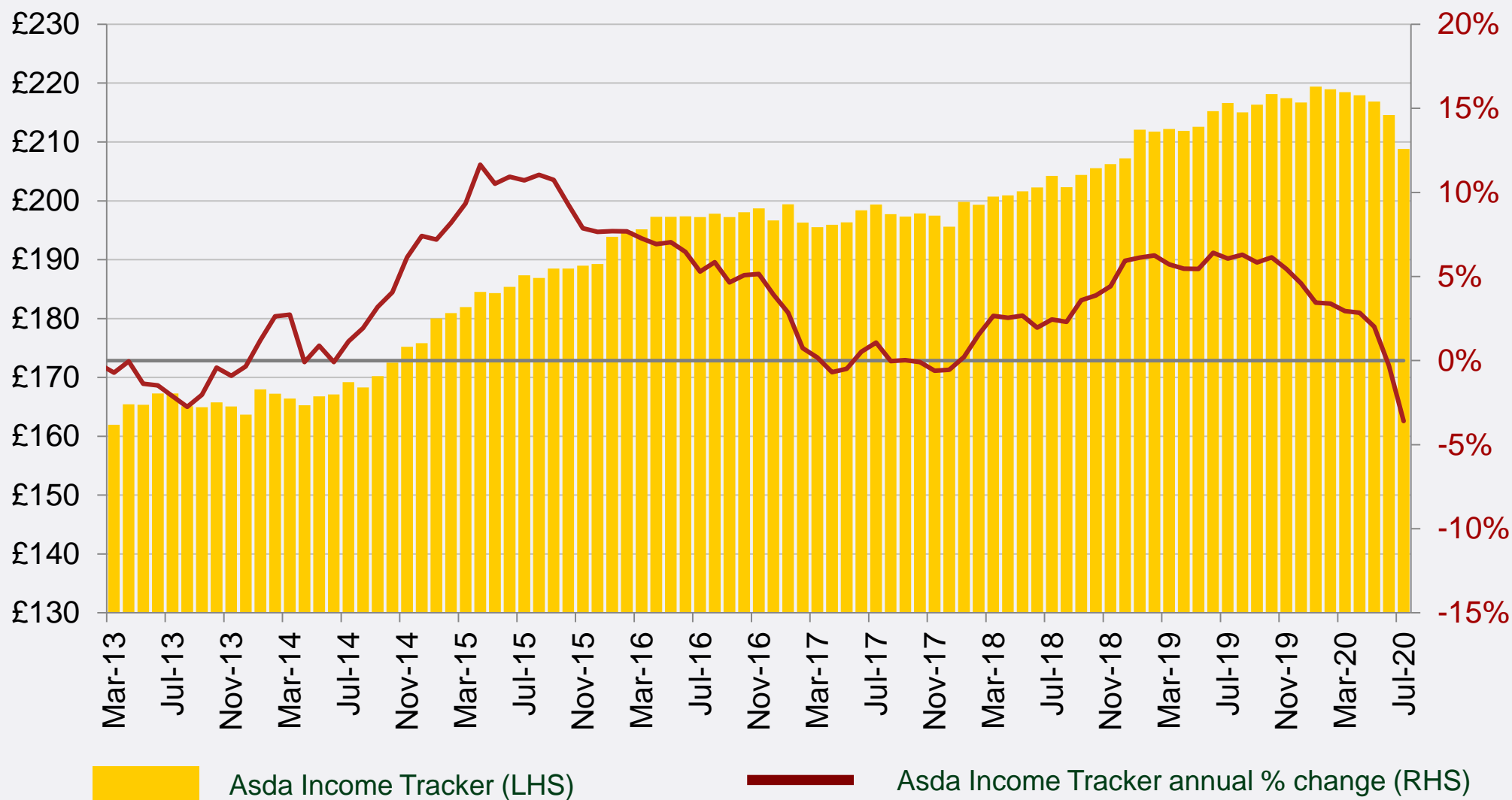
For data enquiries please contact:

Kay Daniel Neufeld, Cebr Head of Macroeconomics
KNeufeld@Cebr.com ; 020 7324 2841

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	£219
March 2016	£195	March 2017	£196	March 2018	£201	March 2019	£212	March 2020	£219
April 2016	£197	April 2017	£196	April 2018	£201	April 2019	£212	April 2020	£218
May 2016	£197	May 2017	£196	May 2018	£201	May 2019	£213	May 2020	£217
June 2016	£197	June 2017	£198	June 2018	£202	June 2019	£215	June 2020	£215
July 2016	£197	July 2017	£200	July 2018	£204	July 2019	£217	July 2020	£209
August 2016	£198	August 2017	£198	August 2018	£202	August 2019	£215		
September 2016	£198	September 2017	£197	September 2018	£204	September 2018	£216		
October 2016	£198	October 2017	£198	October 2018	£205	October 2019	£218		
November 2016	£199	November 2017	£198	November 2018	£206	November 2019	£218		
December 2016	£198	December 2017	£196	December 2018	£207	December 2018	£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.

Whilst every effort has been made to ensure the accuracy of the material in this report, the authors and Cebr will not be liable for any loss or damages incurred through the use of this report.

London, August 2020